Henry Boot PLC
Annual Report and
Financial Statements 2010

A lot has changed in *125 years*

Contents

About us

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.

for more information:

www.henryboot.co.uk

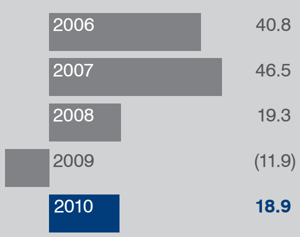
2010 highlights

- Trading profits(*) increased to £18.0m (2009: £11.5m)
- Property revaluation surplus of £0.6m (2009: deficit £22.4m)
- Property investment disposal profits of £2.4m (2009: £0.9m)
- Profit before tax: £18.9m (2009: loss £11.9m)
- Earnings per share: 9.1p (2009: loss 5.7p)
- Proposed final dividend of 2.15p per share, total for the year of 3.5p up 40% on 2009 (2.5p)
- Net asset value per share increased by 7% to 145p (2009: 135p)
- Further reduction in net debt to £11.4m (2009: £32.1m) and in gearing to 6% (2009: 18%)
- Post year end:
  - Group is net cash positive after property and land disposals completed in early 2011
  - Director retirement and appointment announced

(*)Trading profit comprises operating profit of £20.9m (2009: loss of £10.0m), adjusted for the increase in fair value of investment property of £0.6m (2009: decrease of £22.4m), profit on sale on investment properties of £2.4m (2009: £0.9m) and the loss on sale of assets held for sale of £0.1m (2009: £nil).

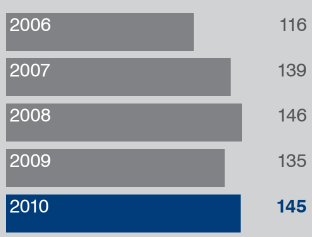
Group profit before tax
(£m) 31 December

£18.9m



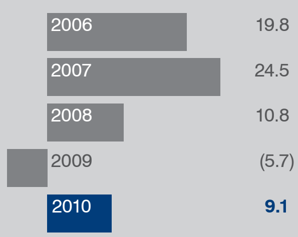
Net asset value per ordinary share
(p) 31 December

145p



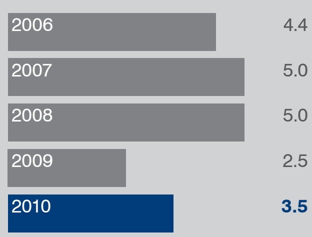
Earnings per ordinary share
(p) 31 December

9.1p



Dividends per ordinary share
(p) 31 December

3.5p



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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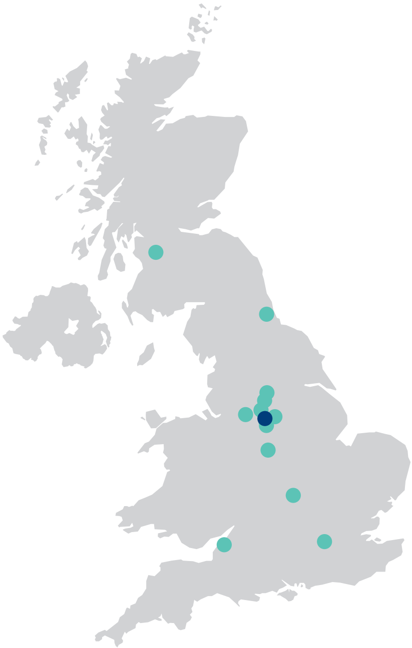

Our locations

Group head office
Sheffield

Twelve regional offices
Bristol
Chesterfield
Derby
Dronfield
Glasgow
Leeds
London
Manchester
Northampton
Rotherham
Stocksfield
Wakefield

Henry Boot DEVELOPMENTS

Henry Boot Developments Limited

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

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

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David Anderson

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Scotland – Glasgow t: 0141 223 9090

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Hallam Land Management Limited

Hallam Land Management is the strategic land and planning promotion arm of the Henry Boot Group. 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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Keran Power

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North – Sheffield t: 0114 255 5444
Scotland – Glasgow t: 01698 464 320

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Henry Boot Construction Limited

Henry Boot Construction operates from strategic regional bases at Dronfield and Manchester, and specialises in serving both public and private clients in all construction sectors, including civil engineering. It works very closely with clients under all forms of contract, including Partnering and Framework agreements, which are delivered to the highest quality, safely, on time, within agreed costs and to the maximum benefit to all parties.

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 15 years still to run.

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Road Link – Stocksfield t: 01661 842 842

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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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Managing Director:
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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

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Chairman's statement

JOHN REIS
CHAIRMAN

I am pleased to report a significantly improved set of results for the year ended 31 December 2010, particularly given the continued challenging market conditions prevailing in the UK property and construction markets during the period.

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(*) See page 1

In my final report to shareholders before my retirement as Chairman, I am pleased to report a significantly improved set of results for the year ended 31 December 2010, particularly given the continued challenging market conditions prevailing in the UK property and construction markets during the period.

Property investment yields in general stabilised at similar levels to those seen at the end of 2009, with the exception of prime yields, which did improve somewhat during the period. Consequently, the downward revaluations seen in 2009 were not repeated and the year closed with a small revaluation surplus. The Group was able to take advantage of a better investment market during the year and concluded sales at South Shields, Mansfield and Port Talbot. Commercial property development remains difficult, the combination of construction, tenant and valuation risk remains high, although the more stable market means that selectively we have commenced development once again with a foodstore-led, retail development in Warminster, pre-let to Waitrose. In addition, we have signed up several development opportunities, some as joint ventures with the landowners, where we expect to add value in the longer term. As anticipated, Hallam Land Management Limited ('Hallam Land') had a better year than in 2009 but results remain significantly below the levels seen at the peak of the cycle. Pockets of buying activity from retailers and house builders are emerging and we concluded a significant land sale at Bridgwater to Morrisons for a major regional distribution hub and to Barratt for some 600 housing units. The proceeds of these sales will fund the cost of the infrastructure and Section 106 requirements of the site in order to access the further land with permission for over 400 more housing units. As 2011 continues to unfold, the UK house builders reporting to date have indicated that new build housing market volumes remain fairly flat, though pricing and margins are recovering as land acquired more recently begins to work through into the sales mix. The key concern within our land business is, however, neither the land market nor the customers for our land, it is the underlying planning environment. A combination of Coalition Government intervention in the planning regime and local authority staff cutbacks within planning departments will, we believe, serve to reduce the number of new planning permissions being granted in the coming months and years. However, we anticipated this development and are pleased to report that over 20% of our portfolio of land already has either planning permission or an allocation in a local plan, and is therefore much further through the planning process, compared with around 10% some five years ago.

The construction division generated another positive financial result as work continued on the Rotherham and Doncaster Decent Homes programmes, and work commenced at Eastlands, Manchester. As in previous years, much of the construction division's work is either local authority or centrally funded and we expect that the public spending cuts will reduce potential contract workloads and increase pricing pressure as more firms compete for less work. At 31 December 2010, as in previous years, about 70% of 2011's budgeted activity was already contracted. At our plant hire business, activity levels in 2010 recovered slightly although the bad weather in January and December did have an adverse impact on trading. Whilst we increased capital expenditure over 2009, our plant business in 2010 was cash generative once again. Road Link A69 continued to perform in line with management expectations and previous years, once again contributing solidly to both underlying profit and cash generation in the period. Traffic volumes have been only marginally affected by the adverse weather over the last two winters and our team continued to do a great job ensuring that the road remained open at all times.

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 the recessionary period has been to preserve asset values and reduce debt. We have made further progress on debt reduction during the period with net debt down from £32.1m to £11.4m at the year end. Despite the large property valuation adjustment seen over the last three years, our net asset value per share (NAV) of 145p at December 2010 is now ahead of the 139p per share reported at the top of the cycle in December 2007. We expect our businesses to generate further cash in 2011 and achieved a strong start with the sales made in January 2011. We are now seeing increasing opportunities to reinvest this cash into our extensive portfolio of land and development opportunities.

FINANCIAL RESULTS

Revenue was £131.9m (2009: £116.5m), arising from higher land transaction values offset by weaker construction division turnover and development activity during the year. Trading profit[*] increased to £18.0m (2009: £11.5m), once again because of the improved contribution from land trading and development activities in 2010. Profit before tax also benefited from a one-off pension liability management credit of £4.5m (2009: £nil) and, at £18.9m, was significantly ahead of the 2009 loss of £11.9m. The major change in profitability arose from the movement in the property revaluation surplus of £0.6m compared to a deficit of £22.4m in 2009. Property disposal profits were £2.4m (2009: £0.9m), largely attributable to the sale of our South Shields retail investment. Basic earnings per share increased to 9.1p (2009: loss of 5.7p). Total net assets increased 7% to £188.6m (2009: £176.2m), representing a NAV of 145p per share (2009: 135p). Gearing again fell, for the third year in succession, as the cash generated from land and property investment sales was applied to reducing debt. Gearing at the year end stood at 6%, based on net debt of £11.4m (2009: gearing 18%, net debt £32.1m).

DIVIDENDS

I believe we have managed the downward and early recovery phases of this trading cycle well. I also believe that the recovery will continue to be slow and it is likely to be several years before property values recover towards those seen at the top of the previous cycle. However, the Board recognises that dividends are vitally important to shareholders in a low growth environment and, given the recovery in profit and positive cash flow in the year, has decided to recommend a final dividend of 2.15p, a 72% increase (2009: 1.25p). The total dividend for the year is therefore increased by 40% to 3.5p (2009: 2.5p).

BOARD CHANGES

I have served on the Board of Henry Boot PLC for nearly 30 years and, having chaired the Group now for 15 years, latterly through the latest recession, I feel it is an appropriate time to retire following this year's Annual General Meeting (AGM) in May. My fellow Independent Non-executive Director John Brown has agreed to take over the Chairman's role after the AGM and I hope his tenure will be as enjoyable as mine has been. The Directors have appointed James Sykes, a partner in the accountants Saffery Champness, as a Non-executive Director with effect from 22 March 2011 and this appointment will be put before shareholders at this year's AGM for ratification. James will not be deemed an Independent Director as he is a trustee of certain trusts which hold 16% of the issued share capital of the Group, however, his experience makes him an ideal Chairman of the Audit Committee which he will take over from John Brown. Following my retirement, the Board will consist of John Brown as Independent Non-executive Chairman; Michael Gunston, Senior Independent Non-executive Director; James Sykes, Non-independent Non-executive Director; Jamie Boot, Managing Director; and John Sutcliffe, Finance Director.

EMPLOYEES

On behalf of my fellow Directors, I would like to express my thanks to all our employees who have worked tremendously hard to achieve a creditable result in very difficult markets. Regrettably, the continued tough trading conditions within the construction division have meant that, once again, we have had to make a number of people redundant during the year. I would also like to take this opportunity to thank all the employees who have worked for the Group throughout my tenure on the Board. Without their hard work, many of whom are very long serving, the Group would not be in the strong position it is today.

STRATEGY

We continue to invest for the long-term in land promotion, property investment and development, with our performance being underpinned by the recurring profit and cash flows generated by our construction, PFI and plant hire activities. We have also succeeded in our previously stated aim to release capital by completing developments in progress and disposing of certain assets in the portfolio to reduce debt. We are now debt free, which gives us considerable flexibility going forward to invest in land and property development without recourse to expensive funding sources. Furthermore, we will continue to invest in securing planning consents on our greenfield land portfolio to enable us to supply the recovering house building market where, we believe, planning constraints could serve to improve the value of these long-term investments. We therefore continue to retain and add to a strong portfolio of opportunities which we will work through the challenges of the new planning regime or bring forward for development where the expected returns are commensurate with the risk.

OUTLOOK

Whilst remaining challenging, the property market has stabilised and is now showing some signs of recovery, at a level which allows the Group to make a reasonable return on its investments. However, I continue to believe that the recovery will be patchy and relatively long and drawn out. It is clear that there are many risks to a sustained recovery in property values. These include the availability of mortgages and bank debt to the sector, the potential release of distressed property from banks' portfolios and cutbacks in Government spending, all of which may not be resolved for some time. Therefore, the Board believes that the strategy outlined above remains the correct one until there is clear evidence that the recovery is sustained. The Group retains significant facility headroom and the support of our long-term banking partners which will allow us to gear up again as the recovery takes hold, using the potential in our businesses to generate improving shareholder returns once again.

JOHN S REIS
CHAIRMAN
18 APRIL 2011

Business review



The Group's long-term aim remains the value enhancement of land through development, planning promotion and construction...it will be focused management teams like ours, capitalising on the opportunities available to them, that will generate the greatest improvements in asset value, cash and profit over the next few years.

Top left: Grange Primary School in Grimsby was recently completed by Henry Boot Construction.

Top right: Some of Banner Plant's range of powered access equipment.

Bottom left: Hallam Land has a 50% share in this site in Mansfield, the subject of a planning application for 430 new homes and 30 acres of employment land.

Bottom right: Henry Boot Development's The Poynt office development, fully let to Tenon PLC for its Nottingham headquarters.

OPERATIONS REVIEW

The Group's long-term aim remains the value enhancement of land through development, planning promotion and construction. The marketplace throughout the period can be described as challenging with a continuing lack of liquidity at an individual level in the mortgage market, also at the commercial development level where high equity investment and pre-let percentages are required to secure debt funding, 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, most traditional funders of the UK property market are seeking to reduce their exposure to the market and in many cases have unwanted property which they are recycling back into the market.

We remain very cautious regarding commercial development on the sites that we hold and continue to push for a high degree of certainty on pre-lets. However, there are signs that the market is recovering in certain areas which may allow profitable development to take place in 2011 and beyond. During the year, we took advantage of a reasonably strong investment market to dispose of investment properties at South Shields, Port Talbot and Mansfield, in order to release capital for reinvestment into potential future developments, such as the Waitrose development at Warminster.

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. 2010 remained difficult as UK house builders continued to build units at half the average rate of the previous 25 years as the demand for new housing settled at this new low level. The outlook appears to have improved a little, with almost all major house builders who have reported so far in 2011 indicating that they are looking to replenish their land banks at current market prices in anticipation of a growing market and a need to open new sites. The Coalition Government's changes to the planning system have already begun to slow the number of planning consents and we can only see this bottleneck becoming worse before it improves. Housing demand in the short-term is, in our view, still being held back by the availability of affordable mortgage funding. When this funding situation improves, the lack of sites with permission could then result in a shortage of sites for housing, along with the attendant pricing pressure.

The construction division, with its performance underpinned by the solid recurring revenues from our PFI project, Road Link A69, performed well, albeit with profits down on 2009 due to a one-off provision release of £8.2m which inflated profit that year. There continues to be uncertainty as to the impact of cutbacks in Government spending and precisely where the axe will fall. It appears that repair and maintenance work is still being undertaken but larger, more costly, projects are subject to delay and cancellation. We have made significant efforts to try to anticipate this and, for this reason, have sadly had to reduce staffing levels during the year. Plant Hire had another challenging year but we curtailed all but essential capital expenditure and, as a result, the business was cash generative. Conditions did improve through the year and if this trend is continued in 2011, we should see results improve.

Our key focus at Group level over this very difficult two year period 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 2010 now exceeds the pre-recession level before taking into account dividends paid, whilst debt has been further reduced from £32.1m (18% gearing) at 31 December 2009 to £11.4m (6% gearing) at 31 December 2010. Furthermore, sales reported after the year end mean that we are now moving forward with cash, land and development sites to enable us to generate growing returns as the market recovers.

We continue to believe that the recovery phase will be slow and patchy and will be highly dependent on funding streams to the property sector in general continuing to improve. Therefore, in this challenging market, it will be focused management teams like ours, capitalising on the opportunities available to them, that will generate the greatest improvements in asset value, cash and profit over the next few years.

Business review continued

Property investment and development

A number of investment properties were sold during the year, either to take advantage of strong values or because particular properties were not seen as long-term portfolio holds.

Left: A computer generated image of our proposed development of the former County Court buildings on Deansgate in Manchester which will include offices, shops and restaurants.

Henry Boot
DEVELOPMENTS

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OPERATIONS REVIEW CONTINUED

PROPERTY INVESTMENT AND DEVELOPMENT

PROPERTY

Property values in the year showed reasonable stability, following increases in late 2009 and early 2010. The improvement in demand and funding for prime property, with long leases and strong covenants, helped to maintain these valuation improvements throughout the year. In the case of most other property categories, whether industrial, retail or commercial, values peaked in early 2010 and have probably seen a slight softening since then. Secondary and tertiary properties in all categories have not fared as well, typically due to poor demand combined with a lack of funding, resulting in weakening valuations throughout the year. As we move into 2011, values across all property sectors currently remain stable.

Occupier confidence and therefore demand across all sectors has marginally improved compared to 2009, when prospective tenants deferred property decisions due to the recessionary conditions in the wider economy. In most sectors, the supply of good quality vacant space has fallen as take up has improved and very little new, speculatively built, space has come forward. This has resulted in some sectors seeing improved letting terms, either in the form of longer leases or lower tenant incentives. In most cases, these improvements have still not yet reached a level capable of sustaining new speculative development, although the reduction in good quality, vacant space has given rise to a greater level of pre-let and design and build activity.

INVESTMENTS

A number of investment properties were sold during the year, either to take advantage of strong values or because particular properties were not seen as long-term portfolio holds. Waterloo Square, our 70,000 sq ft unrestricted retail warehouse investment in South Shields, let on long leases to Debenhams, Next, River Island and BHS, was sold for £11.4m early in 2010 to take advantage of a strong off-market offer, substantially in excess of the 2009 year end valuation of £9.0m.

The neighbourhood retail centre investment in Mansfield, completed and fully let at the end of 2009, was sold in the year at valuation of £2.1m as it was not considered a core long-term investment. All but one of the remaining speculatively built small industrial units at our business parks at Priory Park, Hull and Markham Vale on Junction 29A of the M1, have now been sold or let, with a modest improvement in capital value arising at 31 December 2010. The remaining unit is expected to be leased in 2011. The only remaining speculatively built small office unit investment, at Bridge View Office Park in Hull, let to the Humberside Police Authority, was also sold in 2010.

The letting of vacant space within the investment portfolio continued to be a priority and at our retail and office scheme in Bromley, all but one of the vacant retail units was let, with strong interest in the remaining unit which we anticipate letting in 2011. Interest in the remaining office space has been sufficiently strong to justify its subdivision to secure a number of smaller office occupiers, with this building work now about to proceed on site. Terms have also been agreed to lease our 18,000 sq ft retail unit at Clifton Moor, York, and it is anticipated that the tenant will be in occupation by the middle of 2011 following the completion of fit-out works.

We accepted an offer on our largest retail investment property in Ayr, Scotland, during 2010. Negotiations were very protracted and were not concluded until the early part of 2011 at £33.8m, a figure slightly ahead of the £32m gross valuation disclosed at the year end before the provision for lease incentives brought the asset held for sale value down to £27.7m. The mixed-use office, retail and leisure development known as The Axis in Nottingham remains fully let and we saw a 10% increase in valuation over the year, reflecting the significant uplift in rental income arising in the second half of 2011 from fixed increase rent reviews.

We continue to hold the 50,000 sq ft B&Q investment in Rotherham, the development of which was completed in 2009. This site has benefited from the strengthening investment values for such prime properties during the year. We continue to market the adjoining development land which has planning consent for a further 50,000 sq ft of retail warehousing, but we will only progress this on a viable pre-let basis.

Business review continued

Property investment and development continued

Left: The Axis in Nottingham city centre, our mixed-use retail and office development.

Bottom left and below: External and internal views of the design build manufacturing facility for MSE Hiller at our Markham Vale development in Derbyshire, just off the M1.

With more competitive construction costs and the stabilisation of investment values, high quality pre-let developments are now, selectively, financially viable.

OPERATIONS REVIEW CONTINUED
PROPERTY INVESTMENT
AND DEVELOPMENT CONTINUED
INVESTMENTS CONTINUED

We have agreed terms on the adjoining 10,000 sq ft speculatively built industrial space and aim to conclude these lettings in 2011. We also have occupier interest in a design and build scheme on the balance of the site but there is no agreement in place yet.

Visitor numbers have continued to increase at our port waiting facility at Saltwood, Kent, where active scheme management secured the pre-let of a 100 space lorry park on land to the rear of the scheme. The £1m construction project in support of this is underway and due for completion in the first half of 2011. Considerable activity is taking place to firm up the food and retail offer and, whilst we are being selective in the type and quality of operators we choose to secure, it is anticipated that further lettings will be announced in 2011. A possible redevelopment of part of the site for a hotel is also under consideration and we are in discussion with the Highways Agency regarding improving the signage to the facility in order to increase footfall.

Our 70,000 sq ft town centre retail investment in Beeston, Nottingham, continues to be the subject of major redevelopment plans. 2010 saw the confirmation of funding for the Nottingham Tram Extension which will occupy part of the existing investment and provide a dedicated passenger interchange as part of the enlarged scheme. We are working with Broxtowe Borough Council to finalise agreements and hope to conclude these discussions in 2011 in order to take advantage of the strong demand from retailers for the town which is considered to have strong demographics and too little quality retail space.

DEVELOPMENTS IN PROGRESS

With occupier activity only recently improving and our current reluctance to progress speculative projects, levels of development activity over the last three years have remained below the long-term average. However, with more competitive construction costs and the stabilisation of investment values, high quality pre-let developments are now, selectively, financially viable. This has enabled a number of development projects to make progress, notably:

- The initial phase of our foodstore-led, retail development in Warminster, where we are now on site building the relocation premises for the existing industrial occupier for completion in 2011. Once this move is completed, we will immediately commence the development of the 26,500 sq ft foodstore, pre-let to Waitrose, and three ancillary retail units which we expect to complete by the end of 2011.
- The development of a small supermarket, pre-let to Tesco, in Bradford, is also now under construction and is expected to be completed in the first half of 2011.
- Our business park at Markham Vale, on Junction 29A of the M1 Motorway, has continued to attract good quality industrial occupiers with the completion of a bespoke, design and build, 15,000 sq ft industrial unit in the year for one owner occupier. This has been quickly followed by the agreement of terms for another owner occupied design and build project, comprising 41,000 sq ft of offices and warehousing. The predominance of interest from owner occupiers at Markham Vale reflects the site's highly visible, strategic location on the M1.

FUTURE DEVELOPMENT OPPORTUNITIES

- In Daventry, planning applications for both the 100,000 sq ft town centre redevelopment and the 140,000 sq ft edge of centre retail park are being prepared for submission in the first half of 2011. Once consent has been granted for this £50m scheme, an early start on development work is anticipated.
- Demolition work at our site in Tamworth town centre has now been completed following the grant of the 200,000 sq ft retail planning permission and negotiations with a range of prospective occupiers are progressing. In the meantime, the cleared site is being operated as a temporary car park by the local authority, generating some income in the short-term.
- At Priory Park, Hull, negotiations for off-site highway improvement works have now been finalised with the Highways Agency. This will now allow for the grant of planning permission for the final phase of development to include an increased amount of higher value office space and we will commence the infrastructure to open up this office-based phase in 2011.
- The detailed planning application and listed building consent application have been submitted for our mixed use conversion of the former County Court building on Deansgate in Manchester city centre. With the support of English Heritage, we expect planning approval to be granted in the first half of 2011, followed by a marketing phase and ultimately redevelopment.
- Terms are being finalised on a number of smaller sites for a range of pre-let developments and if no planning delays are experienced, we anticipate being on site with developments of budget hotels in Richmond upon Thames and Malvern before the end of 2011. Where occupier demand for other sites remains weak, we are taking the opportunity to secure improved planning permissions and planning renewals to enhance values and occupier attraction and reiterate that we will not undertake speculative development in the current market.
- A new development opportunity has been secured through joint development agreements with Royal Bank of Scotland on a 23 acre site in Thorne, Doncaster, where we have applied for a mixed-use planning consent including a foodstore, offices, a hotel and industrial space.
- We are also delighted to have been chosen as the preferred development partner by Calderdale and Huddersfield NHS Foundation Trust to enter into a long-term joint venture to construct additional accommodation for the Trust, as well as to work with its surplus property assets in order to maximise development or disposal values.

Business review continued

Land development

We have secured a number of planning allocations and permissions on a range of sites during the year.

Left: An impressive view of part of Hallam Land's Bridgwater scheme showing Wm Morrison Supermarkets' regional distribution centre under construction and superbly placed for excellent communication links.

Hallam Land Management

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OPERATIONS REVIEW CONTINUED

LAND DEVELOPMENT

Hallam Land, our land management business, continued to face a difficult market throughout 2010. UK house builders saw something of a revival in the early part of 2010 but, with the election of a cost cutting Coalition Government, this largely petered out by the second half of the year. As a result, land sales proved difficult to conclude. However, recent announcements indicate that there are some signs of renewed recovery in the housing sector but the key difficulty for new house sales remains the lack of mortgage availability, particularly for first-time buyers. As a consequence, total UK house sales have not recovered and remain around half the average annual volumes seen over the last 25 years. Nevertheless, in this relatively subdued market, Hallam Land secured sufficient sales, most notably at St Albans (20 acres) and Bridgwater (18 acres), to generate a small profit for the year.

At this time last year, we noted the potential for an incoming Government to change the planning system. The Coalition Government has announced a radical overhaul of the system through the introduction of the Decentralisation and Localism Bill. This Bill will remove the regional tier of the planning system and introduce a new local layer of planning complexity. In addition, local authority cutbacks have reduced staff numbers in already overloaded planning departments. It remains to be seen how the bill and the new system will eventually impact on planning delivery but, in the short-term, it has led to a curtailment of an already restricted supply of planning permissions for new residential schemes.

Despite these difficulties and against the trend, we have secured a number of planning allocations and permissions on a range of sites during the year. It is worth noting that five years ago, Hallam Land's total land bank was 6,194 acres of which 651 acres (10.5%) had either a planning permission or were allocated for development. At 31 December 2010, the land bank stood at 8,052 acres of which 1,754 acres (21.8%) had either planning or an allocation. The successful hard work since 2006 will stand the company in good stead over the next three to four years when we anticipate that it will become more difficult to gain new permissions. We now have a significant number of consented sites in the portfolio which should allow sales to increase over the next three years, even in the current challenging market. We do not expect to see a significant improvement in land prices because the housing market recovery is likely to be subdued for some time, at least until mortgage availability improves, particularly for first time buyers.

Hallam Land's trading performance reflected the difficult conditions in the housebuilding sector but is nonetheless significantly ahead of that in 2009, with turnover of £34.3m (2009: £10.2m), and an operating profit of £0.6m (2009: operating loss £3.1m). At December 2010, we held interests in 8,052 acres (2009: 7,933 acres) of which we owned 1,409 acres (2009: 1,679 acres), had 4,076 acres under option (2009: 4,117 acres) and had 2,567 acres under planning promotion agreements (2009: 2,137 acres). The inventory value of these assets totalled £55.0m (2009: £51.3m) and we have 120 sites (2009: 119) in progress, with a geographical bias toward the South and West of England and Scotland. Of the schemes in the land portfolio, we highlight below some of the main sites which are working towards the marketing phase of the cycle.

- EXETER – we have a 30% holding, alongside the three national house builders, in a major urban expansion to Exeter at Cranbrook. We converted the 'minded to grant' planning permission into outline permission and have just obtained full planning permission for the first 1,100 dwellings. We have also secured substantial Government funding for infrastructure provision and affordable housing and are now in initial discussions to sell this first phase site.
- BRIDGWATER – having obtained planning permission late in 2009, during the year under review we secured infrastructure provision funding, disposed of land for a 750,000 sq ft site to Morrisons for a south west regional distribution centre and sold the first tranche of residential land to Barratt Homes. From these funds, we are required to provide the site infrastructure and this work has commenced, as has work by Morrisons. We anticipate further land disposals over the next two to three years.

Business review continued
Land development continued

Left: Part of the submission for the planning application for our site at Chatteris in Cambridgeshire.

Below: Our in-house architectural team drew up the plans for the housing proposals for our land holding at Tillicoultry, Clackmannanshire.

We now have a significant number of consented sites in the portfolio which should allow sales to increase over the next three years, even in the current challenging market.

OPERATIONS REVIEW CONTINUED
LAND DEVELOPMENT CONTINUED

- BIDDENHAM – we continue to negotiate the Section 106 Agreement for our 1,000 dwelling scheme and have secured significant infrastructure funding for the bypass. This complex site has some time to go before marketing can commence but the next three years should see the site much closer to disposal.
- WORCESTER – we have disposed of our optioned site to Bloor Homes which will be the subject of a planning application later this year.
- BUCKINGHAM – we marketed this 700 unit site during the second half of 2010 and concluded a sale during the first month of 2011.
- KETTERING – this site has the benefit of an outline planning permission and we are clearing down pre-commencement conditions before putting it on the market. The total site is for 5,500 dwellings of which our share is 275.
- KILMARNOCK – our 90 acre owned site now has an allocation for 500 houses and a District Centre. The latter already has planning permission and we have submitted the application for 500 houses. When planning permission is obtained, which is expected later in 2011, we will commence marketing the site.
- CHATTERIS – a planning application has been submitted for 1,000 dwellings on this optioned site and we hope to obtain consent during 2011.
- BLABY – we have a 25% interest in a 4,500 house scheme on optioned land at Blaby bounded by the M1 and the M69. An application has now been submitted on this site which Blaby District Council includes within in its Core Strategy.

In addition to the main sites listed above, we also have a range of other schemes which we are seeking to bring forward and market over the coming two to three years.

- COUNTESTHORPE – permission was granted on appeal for 180 dwellings on this optioned site last year and we expect marketing to take place in the first half of 2011.
- TILLICOULTRY – permission was granted for 74 housing units on land which we own and we expect this site to be marketed during 2011.
- MANSFIELD – we have a 50% share on this site which is the subject of an application for 430 dwellings and 30 acres of employment land which we anticipate being approved in the first half of the year.
- BISHOPBRIGGS – we have a consent for 32 dwellings and are looking to increase this to 51 on this owned site. Once these discussions are concluded the site will be marketed.
- SHEFFIELD – our wholly owned employment site at Oxclose Park is the subject of a proposal for an 85,000 sq ft retail store by Tesco. If successful, we have agreed heads of terms to dispose of the site to the retailer.
- RUGBY – our site at Calvestone Road represents the last phase of our successful Cawston Grange scheme. Planning permission for residential development has been granted for a twelve acre site of which our share is three acres. The site is now being marketed and we expect a disposal later in the year.
- MARKET HARBOROUGH – a planning application has been submitted for 1,000 dwellings on this optioned site. If we are successful in the planning process, we aim to begin marketing the site in 2012.
- BOLSOVER – having been refused planning permission at the first attempt for our 250 house scheme on optioned land, we amended the proposal and re-submitted the scheme. We are expecting a decision on the revised application during 2011 and, if successful, we anticipate marketing the scheme later this year.

Business review continued
Construction

Our ongoing strategy targets a mix of public sector funded construction projects in our chosen sectors, supplemented by suitable private sector construction opportunities in the hotel and leisure, commercial, industrial and retail sectors.

Left: Work in progress at Scunthorpe, delivering housing improvements for North Lincolnshire Homes.

Henry Boot
CONSTRUCTION

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OPERATIONS REVIEW CONTINUED

CONSTRUCTION

Henry Boot Construction performed well during 2010, achieving targeted activity levels and exceeding budgeted profit margins. This pleasing result was achieved in a very competitive market place throughout the period. We hold a healthy forward order book from a good mix of regional, as well as sector-focused businesses and continue to be positive, but realistic about construction activity. We are confident that we can achieve sustainable activity levels in existing and new markets for 2011. Our approach continues to be underpinned by an assessment of the risk profile of opportunities and the careful selection of the type of contracts and clients we work with, focusing on key partnering, framework and negotiated contracts, predominantly in social housing, education, health and prison sectors.

Our ongoing strategy targets a mix of public sector funded construction projects in our chosen sectors, supplemented by suitable private sector construction opportunities in the hotel and leisure, commercial, industrial and retail sectors. This will be supported by the expansion and delivery of our integrated regeneration agenda, offering unparalleled quality, innovation and modern construction processes, to give our customers value for money whilst incorporating the social and green agendas.

We continue to work alongside partner contractors on major Decent Homes schemes and environmental programmes for Rotherham 2010 and for St Leger Homes on behalf of Doncaster Metropolitan Borough Council. Partnering contracts secured in 2010 include Decent Homes and environmental works to 6,000 units in Manchester for the Eastlands Homes Partnership and for North Lincolnshire Homes delivering housing improvements in Scunthorpe. Work also commenced on a contract for Sheffield City Council to construct 27 new properties being built to the Code for Sustainable Homes Level 5. Notably, this scheme received a 2010 Housing Design Award. We also saw continued expansion in the refurbishment of non-traditionally constructed houses with contracts being secured for Barnsley Metropolitan Borough Council, Rotherham Metropolitan Borough Council, St Leger Homes of Doncaster and North Lincolnshire Homes. We anticipate, subject to the continued availability of appropriate funding streams, further growth in this sector.

Our preferred alliance contractor agreement with the National Offender Management Service is providing work to deliver upgrades and security improvements in Category A prisons and refurbishment contracts within a range of other secure establishments. New work was secured during the year at HMP Manchester, HMP Full Sutton, HMP Ranby, HMP YOI Werrington, HMP Wakefield and HMP Lindholme. We anticipate that several new projects will come to market during 2011 which, if we are successful in winning, will reinforce our already strong presence in this sector.

Work for the education sector has continued at stable levels during the year, with new 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. We also completed a refurbishment scheme for Sheffield Hallam University. A number of school extension and modernisation projects have been completed for North East Lincolnshire Council and Rotherham Metropolitan Borough Council through our involvement in the Rotherham Construction Partnership. Further contracts secured in this sector include a new extension and refurbishment at Heptonstall School for Calderdale Metropolitan Borough Council, classroom extensions at Stapeley School for Cheshire East Council and a new-build Children's Centre at Brinscall for Lancashire County Council.

Our activities in the health sector continue to expand with the award and completion of four contracts at the Northern General Hospital under the Sheffield Teaching Hospitals' framework for major refurbishment works to existing facilities. Late 2010 also saw the award of the negotiated £5m Rawmarsh Joint Service Centre, incorporating a doctor's surgery, pharmacy, library and sports facilities for Rotherham Metropolitan Borough Council and the Rotherham Primary Care Trust.

Business review continued
Construction continued

Henry Boot Construction received five prestigious National Site Awards under the Considerate Constructors Scheme...we also received the RoSPA Gold Award and the CIOB Corporate Responsibility Award.

OPERATIONS REVIEW CONTINUED
CONSTRUCTION CONTINUED

Our general works division maintained workloads with its long-standing customer base in civil engineering and environmental works in the industrial, water and waste sectors and has secured future contracts to provide recycling centres for Veolia and Leeds City Council as well as environmental improvements for Barnsley Metropolitan Borough Council. This was once again augmented by an increasing level of business in small building work contracts in various sectors.

Pleasingly, during 2010, Henry Boot Construction received five prestigious National Site Awards under the Considerate Constructors Scheme. Two Gold and one Silver Considerate Constructors Awards were received for projects undertaken on behalf of Rotherham Metropolitan Borough Council and St Leger Homes of Doncaster, as well as the additional accolade of two 'runner up' awards for the Most Considerate Site in the United Kingdom. During the year, we also received the RoSPA Gold Award and the CIOB Corporate Responsibility Award.

ROAD LINK A69

Road Link has now completed half the 30-year term contract to operate and maintain the A69 trunk road for the Highways Agency and had another successful year trading in line with management expectations.

In recent years, the cold winters with periods of heavy snowfall have provided a significant challenge to the A69 team. However, the expertise of those providing the winter gritting has ensured that the A69 has remained an open all-weather route, even accommodating extra traffic when adjacent roads have been closed.

Planned maintenance schemes incorporating whole life cost analysis, together with the introduction of innovative cost effective maintenance solutions, continue to achieve savings against the original plan. As expected, traffic volumes in 2010 remained static, but we have benefited from a slightly higher than forecast increase in the price adjustment indices. It is expected that traffic flows will increase slightly in each year of the remaining contract period and we are confident that expected levels of profitability will be achieved.

PLANT HIRE

Trading in 2010 proved to be more buoyant than we had initially anticipated and it could have been even better, had it not been for the adverse weather conditions at the beginning and end of the year. Whilst continuing to strive for maximum turnover and profit, the company strategy centred on three core elements: generating a positive cash flow, cost control and continued fleet realignment to reflect the current market. The hire fleet, at original cost, was reduced in value by 3.8% during the year. However, where required, controlled investment in new items of £1.75m has been made to ensure we continue to offer a modern, technically strong, competitive product and was targeted towards powered access equipment, temporary accommodation units and mechanical plant.

After the reduction in turnover in 2009, a small increase in hire revenues was achieved in 2010. As already indicated, this would have been higher but for weather conditions. This increase, combined with the benefits of reduced borrowings, lower depreciation and stable overhead costs, resulted in a small profit for the year. 2010 also saw cash generation of over £1m reducing the operation's borrowings to their lowest level for over ten years. Despite increases in fleet maintenance, fuel prices and higher bad debts overall, costs have been kept broadly in line with 2009 levels.

Top left: The award winning homes for Sheffield City Council at Shirecliffe include a high level of sustainable features.

Top right: A Terex TV 1200 Tandem Roller being put through its paces at Banner Plant's Dronfield depot prior to going out on hire.

Left: The new sports hall we built for St Bernard's Catholic High School in Rotherham pictured on the day of handover.

Banner PLANT

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Business review continued

One of our key aims for 2010 was to further reduce debt levels whilst continuing to invest in each of our businesses. We were successful in this objective and our year end net debt position improved by £20.7m during the year.

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FINANCIAL REVIEW

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Revenue for the year grew by 13% to £131.9m (2009: £116.5m) as a result of increased land sales, principally Bridgwater, partially offset by reduced construction division revenues. This gave rise to a significant improvement in trading profit(*) of £18.0m (2009: £11.5m). Operating profit was £20.9m (2009: loss £10.0m) after a net revaluation surplus of £0.6m (2009: deficit £22.4m) and profit on sale of investment properties of £2.4m (2009: £0.9m). The revaluation surplus largely arose in the first half of 2010 with only a slight further recovery in the second half. As predicted last year, administrative costs were reduced by 16% to £12.2m compared with £14.5m in 2009, helped by a reduction in payroll costs and non-recurring pension and facility expenses in 2009. There was a pension credit of £2.7m in 2010 compared with an expense of £3.6m in 2009 as a result of the liability management exercises that took place in the year (see section on pension scheme). This led to a reduction in past service liabilities of around £4.5m which under IAS 19 are treated as a credit to the Consolidated Statement of Comprehensive Income within profit for the year rather than through other comprehensive income.

The segmental result analysis shows that land development generated a small operating profit of £0.6m (2009: loss £3.1m) and property development and investment activities showed an operating profit of £10.5m (2009: loss £16.3m), mostly arising from property rental income, revaluation surplus and profits on sales. Construction division profits were lower at £9.2m (2009: £16.8m) after 2009's one off release of provisions of £8.2m was not repeated. Central costs were a credit of £0.5m (2009: cost £7.5m) after lower IAS 19 pension costs and the liability management credit to pension costs noted above.

Basic earnings per share were 9.1p (2009: loss 5.7p) and the total dividend payable for the year is 3.5p (2009: 2.5p), an increase of 40%. The final dividend of 2.15p is payable on 31 May 2011.

FINANCING AND GEARING

As anticipated, net interest costs were relatively stable at £2.0m (2009: £1.8m) as non-utilisation fees offset much of the cost reduction due to lower levels of debt. 2009 also benefited from lower average interest rates over the year as new facilities at higher rates were not signed until May of that year. It is expected that interest costs will be lower in 2011 with most of the cost being non-utilisation fees. Interest cover, expressed as the ratio of operating profit (excluding the valuation movement on investment properties

(*) See page 1

and disposal profits) to net interest costs, was 9 times (2009: 6 times). No interest incurred in either year has been capitalised into the cost of developments in progress.

Land sales achieved in the year, partially offset by the continued investment in our investment property portfolio, saw net debt fall by 64% to £11.4m (2009: £32.1m). Gearing on net assets of £188.6m fell to 6% (2009: net assets £176.2m, gearing 18%). All borrowings continue to be at floating rates or on short-term fixed commitments. Included in receivables are £7.7m of negotiable instruments, arising from deferred payment arrangements on land sales, which have not been forfaited given the cash positive position arising in 2011. During the year, we retained three year committed bank facilities totalling £94m, however, the non-utilisation costs associated with this mean we will look to reduce these facilities in 2011 to £50m. We feel this revised level will provide sufficient headroom for the business until facilities are renewed again in May 2012. Throughout the year we operated comfortably within the facility covenants and continue to do so.

TAX

The tax charge for the year was £5.4m (28.5%) (2009: credit £5.9m) arising from the significant change in net profit over the two years. Taxation on profit for the year was £2.2m (2009: £1.1m) and benefits from prior year adjustments of £0.5m (2009: £0.3m). The deferred tax charge was £3.2m (2009: credit £7.0m) as the Group's deferred tax asset fell from £11.1m to £6.6m, mostly as a result of the reduction in the IAS 19 pension deficit. Deferred tax has been calculated at 27%, being the rate expected to be applicable at the date the actual tax will arise.

CONSOLIDATED STATEMENT OF CASH FLOWS

One of our key aims for 2010 was to further reduce debt levels whilst continuing to invest in each of our businesses. We were successful in this objective and our year end net debt position improved by £20.7m during the year (2009: £17.2m). We believe it is vital that we have the flexibility to undertake developments and land deals without the interference and added expense arising from each lending institution's internal approval process. The cash flow achieved in the year, with further sales in early 2011, gives us the required flexibility. We anticipate that the forecast net investment in land and property investment/development in 2011 should result in a further modest reduction in debt by the end of the year. Cash generated from operations increased to £20.1m (2009: £13.9m) after increased land inventories and receivables were more than offset by higher payables, reversing the trends in 2009. However, these impacts were offset by a £2.0m higher tax outflow primarily arising from higher payments on account of taxable profits in 2010. These operating cash inflows were augmented by a £11.1m inflow (2009: £14.8m inflow) from investing activities. Cash outflows from asset purchases and the completion of developments in progress at the beginning of the year were reduced significantly to £5.7m (2009: £11.3m). Proceeds from property and asset disposals fell to £16.5m, compared to £25.6m in 2009. Dividends paid, including those to non-controlling interests, totalled £5.3m (2009: £8.2m).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Total investment property and assets in the course of construction were valued at £135.1m after the adjustment for tenant incentives (2009: £172.3m). This excludes the value of our Ayr property which was held in current assets held for sale, net of tenant incentives, at £27.7m. The market value of investment property, including Ayr, was £122.1m (2009: £129.9m) and the value of investment property under construction within investment property was £48.4m (2009: £51.0m). The principal disposals from investment property were retail investments at South Shields, Port Talbot and Mansfield.

Intangible assets reflect the Group's asset investment in Road Link A69 of £11.7m (2009: £12.7m). This is a requirement of IFRIC 12 'Service Concession Arrangements' and arises because the underlying road asset reverts to the Highways Agency at the end of the concession period. Property, plant and equipment now comprise Group occupied buildings valued at £7.0m (2009: £7.0m), and plant, vehicles and office equipment with a net book value of £8.3m (2009: £9.2m). Non-current trade and other receivables have increased to £10.4m (2009: £3.7m) due to deferred receipts on land sales undertaken during the year. We have flagged for some time that this is a much more common occurrence as house builders defer land payments, more closely reflecting their cash flows and build out periods. Deferred tax assets have fallen as a result of the reduced pension deficit and valuation changes within the property portfolio. In total, non-current assets have reduced to £179.1m (2009: £216.1m), with the main variances arising from investment property disposals of £11.1m and the transfer of the Ayr property to current assets.

Within current assets, inventories of £58.0m (2009: £55.4m) were higher due to further investment in the land portfolio. Trade and other receivables at £27.3m (2009: £25.1m) reflect the higher deferred land receipts.

Current liabilities have reduced by 11% to £80.0m (2009: £90.0m) as the current portion of debt fell to £11.4m (2009: £31.2m) and provisions rose to £11.8m (2009: £4.0m) due to amounts held within the land division for infrastructure costs at Bridgwater. Net current assets were therefore £37.1m compared to net current liabilities of £5.1m in 2009. Non-current liabilities also fell to £27.6m (2009: £34.7m) after reductions in pension liabilities were offset by an increase in provisions, once again for land development infrastructure costs at Bridgwater.

Net assets increased by 7% to £188.6m (2009: £176.2m) as the retained profit of £11.8m and retained other comprehensive income, largely the pension deficit reduction of £3.3m, was offset by dividends paid of £3.4m. Net asset value per share was 7.4% higher at 145p (2009: 135p).

PENSION SCHEME

The IAS 19 valuation of the defined benefit pension scheme showed the scheme deficit decreasing to £16.2m (2009: £25.7m) at the year-end. The deferred tax asset associated with this was £4.4m (2009: £7.2m). Adding back this net deficit of £11.8m (2009: £18.5m) to net assets, the 2010 deficit equates to 5.9% of equity shareholders' funds (2009: 9.5%). The triennial deficit calculated at 1 January 2010 has now been finalised with the deficit valued at £25.2m (1 January 2007: £8.8m), the increase arising due to a decrease in long-term bond yields, rising long-term inflation and increased mortality assumptions. During 2010, we undertook liability management exercises which have been taken into account in calculating the value of the deficit. The revised annual contribution into the scheme in the latest recovery plan is agreed at £3.8m (previously £0.7m). Following the 2007 triennial valuation, the Company provided an 'on demand' letter of credit for £7.0m and this will not be required under the new recovery plan. The defined benefit scheme is closed to new entrants and new employees are offered a defined contribution scheme. Each 0.1% change in the assumed differential between long-term investment returns and inflation affects the defined benefit scheme deficit by about £2.5m to £3.0m, therefore a relatively small change in gilt yields has a marked effect on the deficit. The liability management exercises undertaken during 2010 to reduce scheme risk included offering enhanced transfer value terms to certain deferred members, capping future salary increases for active members at 1% per annum (with any balance going into the defined contribution scheme) and offering

Business review continued

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.

FINANCIAL REVIEW CONTINUED
PENSION SCHEME CONTINUED

a pension increase and exchange alternative to pensioners, taking inflation risk out by offering a higher fixed pension. We believe that the benefit of this work was a £10m to £12m reduction in total scheme liabilities. In addition, liabilities have also been reduced following a Government consultation to change the inflation measure from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI) in respect of increases to members' deferred pensions. We will continue to evaluate cost effective ways of reducing risk and liabilities within our defined benefit scheme, undertaking further exercises as necessary.

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 which is not matched by commensurate returns on development projects. The lack of funding availability at acceptable interest rates to allow development to take place.

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.

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, as happened in 2010, towards planning policies 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 may be reduced as unemployment rises and recessionary conditions prevail.

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. Furthermore, the relationship between implied inflation and long-term gilt yields has a major impact on the pension deficit and our business has little control over those variables. 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, the more difficult planning regime and comparatively low levels of property lending could have an impact on 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 with them 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 two 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 commercial property investment and development opportunities and potential asset sales.

CONSTRUCTION – workload forecasts and capacity utilisation in relation to plan, general activity levels, tender opportunities, contract costing workload 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, levels of cash generated and returns on plant asset capital employed which in turn drive 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 on sites across the retail, leisure, office and industrial sectors. The current portfolio should allow us to maintain current activity levels for several years and in particular food stores currently offer very strong returns. 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 1,409 acres and had interests in a further 6,643 acres through option or agency agreements which give us the right to promote that land for 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 15 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. We maintain significant headroom within our three year banking facilities and consider our property investment portfolio as a "store of value" to be realised to augment these facilities if required. The land bank and development opportunities, 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
18 APRIL 2011

JOHN SUTCLIFFE
GROUP FINANCE DIRECTOR
18 APRIL 2011

Corporate social responsibility

We make sure that the way we manage our businesses has a positive impact upon our employees, our other stakeholders, society at both the local and wider level and on the environment.

to view online:
annualreports.henryboot.co.uk/2010/corporateresponsibility

Fire wardens at our head office undergoing a refresher course in the use of various types of extinguisher.

The corporate social responsibility ethos, long before the name came into use in the 1980s, has always had a significant place in the 125 year history of Henry Boot and is now, more than ever, embedded in all aspects of our operations. We make sure that the way we manage our businesses has a positive impact upon our employees, our other stakeholders, society at both the local and wider level and on the environment.

HEALTH AND SAFETY: FIRST AND FOREMOST

Health and safety, by the very nature of our business, continues to be 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.*

A study in concentration: a pupil at Watercliffe Community Primary School in Sheffield listens intently to a talk we gave on safety and the importance of keeping away from building sites.

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 dedicated health and safety department, headed up by a fully qualified health and safety professional, 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, where applicable, to the wider community in which we work, 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.

Particular emphasis has always been placed on health and safety training and continues to do so. The scope of courses offered range from the very comprehensive National Examining Board in Occupational Safety and Health (NEBOSH) National Construction Certificate to a half-day annual first aid refresher.

In 2010 a group of our project managers successfully passed the NEBOSH National Construction Certificate which is aimed at supervisors, managers and CDM co-ordinators within the construction industry who are required to ensure that activities under their control are undertaken safely.

We also fully support The ConstructionSkills' Safety Plus Scheme which is a comprehensive health and safety training programme designed to provide the building, civil engineering and allied industries with a range of courses designed to give everyone from operative to senior manager the skill set they need to progress through the industry. Such courses range from a one day Health and Safety Awareness course to the five day Site Management Safety Training Scheme. All personnel working on a construction site attend training under this scheme.

During the year we supported the new scaffold inspection qualification launched by the Construction Industry Scaffolders Record Scheme which is aimed at anyone who is responsible for carrying out statutory scaffold inspections in accordance with the Work at Height Regulations 2005. A number of our employees attended a two-day course which incorporates both a practical inspection and report writing assessment, as well as a theory test, whereupon the participant is then entitled to apply for the industry accredited card.

Other courses our health and safety department ran in 2010 included:

- Abrasive Wheels Awareness
- Asbestos Awareness
- Cable Avoidance
- Carriage of Dangerous Goods
- Confined Space Training
- Fire Warden
- IOSH Working Safely
- Managing Lifting Operations
- Manual Handling
- Temporary Works Supervision

Corporate social responsibility continued

The new kitchen we provided for the Latin Gardens Community Centre in Scawsby, near Doncaster, was well received by local tenants.

HEALTH AND SAFETY: FIRST AND FOREMOST CONTINUED

We are also proactive in providing health and safety awareness to the wider community and in particular to children who live in areas where we carry out construction work that is often a magnet for their curiosity. One way we do this is to provide a stimulating, educational and fun presentation that we take into schools which is proving to be very successful in getting the safety message across.

During the year we were delighted that Henry Boot Construction was awarded a RoSPA Gold Award for Occupational Health and Safety which was made following an assessment of the Company's entry and associated evidence by the RoSPA (The Royal Society for the Prevention of Accidents) adjudication panel and was particularly commendable in view of the high level of entries received totalling 1,800. Its commitment to health and safety and improvements made in reducing accidents is reflected in the statistics shown on page 27 which show the progress made in 2010 and over the last five years.

We also run our own in-house annual Safety Awards which are decided on the basis of monthly health and safety audit scores and site inspections. Such awards include a Young Achiever Trophy for outstanding dedication to health and safety by a trainee.

OUR EMPLOYEES: ADAPTING TO CHANGE

The working lives of our employees have, in 2010, again been challenging across all our businesses, as we continue to adapt to the changing economic conditions of recent years.

In the year under review:

- we employed 441 people at 31 December 2010, a 13.7% decrease on the 31 December 2009 figure;
- we recruited 46 people during the year;
- employee turnover equated to 23.6%, partly due to some redundancies in our construction activities;
- 7.5% of our employees worked part time;
- 22% of our employees were female;
- 2.7% declared that they had a disability; and
- 1.2% stated that they were from an ethnic minority.

Despite difficult trading conditions in which some hard decisions have had to be made in terms of headcount, we recognise that ongoing investment in our employees is still absolutely crucial to meet the demands of the changing face of our overall business. In terms of training:

- we delivered 649 training days, the equivalent of 1.47 days per employee;
- we supported 560 days outside the business within higher education; and
- our per capita training spend was £218 per person.

In addition to health and safety courses, we run a number of personal development courses. Whether an operative on a construction site or an office administrator, there is an opportunity to undertake a National Vocational Qualification (NVQ) relevant to the work the employee is undertaking. The levels of NVQ range from typically a Level 2 for a tradesperson up to a Level 5 for a project manager. The types of NVQs that have been provided include Wood Occupations, Plastering, Customer Care, Business Administration, Site Management and Construction Senior Management.

An Institute of Leadership and Management programme is run for aspiring managers at either Level 3 award for first line management or Level 4 award for managers. Other developmental workshops include a suite of Microsoft Office courses, legislative updates and soft skill courses, such as time management and communication skills.

Each subsidiary company has their own individual needs. By way of example, Banner Plant Limited runs courses for its employees who drive commercial vehicles over 3.5 tonnes, as part of the new Driver Certificate of Professional Competence (CPC). This has been introduced across the European Union to maintain high driving standards and improve road safety. All commercial vehicle drivers need to complete a minimum of 35 hours of periodic training every five years. This first cycle of periodic training has to be completed by September 2014. All Banner Plant drivers have also been given the opportunity to undertake the Driving Goods Vehicle NVQ Level 2.

While Henry Boot Developments and Hallam Land Management have developed a programme of bespoke courses for their employees, Henry Boot Construction focuses its requirements on ensuring its employees are kept up to date with, for example, legislative changes in construction law and modern practices in low carbon construction, together with associated environmental issues. In terms of commitment to targeted training, it has recently been awarded a Platinum Award Certificate of Commitment by the Construction Skills Certification Scheme (CSCS) to recognise the fact that Henry Boot Construction is a company committed to improving competence in construction and has registered more than 90% of its workforce under the scheme which was set up by the construction industry to improve quality and reduce accidents. The holding of a CSCS card by employees is increasingly demanded as evidence of occupational competency by contractors, public and private clients and others.

In addition to the emphasis on training and employee development, 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 PLC is committed to maintaining the highest standards of corporate governance and details of its policies and adherence to the June 2008 edition of The Combined Code on Corporate Governance as issued by the Financial Reporting Council to which it is subject are set out in the Corporate Governance Statement on pages 41 to 43.

	2006	2007	2008	2009	**2010**
Reportable accidents	6	9	12	14	**12**
Number of fatal injury incidents	0	0	0	0	**0**
Accident frequency rate (AFR) per 100,000 hours worked	0.21	0.44	0.53	0.68	**0.28**
AFR per 100,000 hours worked (including subcontractors)	0.68	0.67	0.61	0.52	**0.46**
Number of dangerous occurrence incidents	0	0	0	0	**0**
Number of prohibition notices by Health and Safety Executive	0	0	0	0	**0**
Number of improvement notices by Health and Safety Executive	0	0	0	0	**0**

Corporate social responsibility continued

SUPPORTING LOCAL COMMUNITIES AND CHARITIES: A STRONG COMMITMENT

As ever, we continue to support the local communities in which we operate and the following are just some examples of the projects we have undertaken in 2010:

- helping to sponsor the highest commercial vineyard in the UK set up by Whirlow Hall Farm Trust in Sheffield, a charity which includes providing a range of vocational activities and training for people with disabilities;
- providing a purpose-built recycling area and bin stores for the Autism Plus Residential Centre at Thorne, near Doncaster, where we are working on the St Leger Homes Decent Homes project;
- supporting Dronfield's first Winter Fest which included a specially constructed ice rink for young people;
- working with the young people's charity Catch 22 to set up an allotment project in Grimesthorpe and providing know-how and a shed for the storage of tools and for shelter;
- carrying out significant refurbishment works at The Homestead Community Centre in Bentley, the Elm Green Lane Community Centre in Conisborough and the Latin Gardens Community Centre in Scawsby, all projects being associated with housing modernisation work we were carrying out in South Yorkshire;
- allowing Foxwood Special School in Beeston to have free use of a retail unit for a year at the town's shopping centre that we own in order to provide a training facility for pupils;
- supplying a greenhouse and chicken coop for the Denaby Children's Centre with the aim of encouraging children with the concept of self-sufficiency;
- in association with our Eastland Homes contract nearby, installing a new kitchen and associated works for The Breakthrough Centre in Manchester which supports people with mental health problems and disabilities; and
- in conjunction with the local tenants' and residents' association, donating plants and bulbs for the regeneration of the Busk Meadows community garden in Shirecliffe, Sheffield.

As part of our community work, we have strong links with local schools and universities. For those schools offering the Diploma in Construction and the Built Environment, we offer site visits, talks on specialist topics and provide career guidance and work experience for those pupils in year 10.

We have also developed a programme for such diploma and work experience students whereby they are able to shadow various different types of job roles, such as estimators, planners and quantity surveyors so that they can get a better understanding of the different careers that are available in the construction and property industries. We support and work very closely with the Construction Design Centre in Sheffield which offers on and off-site vocational training to students aged 14 to 19 studying for a construction qualification, including the Young Apprenticeship, an NVQ, the work-related BTEC qualification and so forth. For university students we are able to provide relevant work placement opportunities and these can range from as little as one week to a full year's experience.

Tony Shaw, Eastern Regional Manager for Henry Boot Construction, hands over a new shed for use by the Catch 22 charity for their Steps to Success programme at Grimesthorpe, Sheffield where an organic allotment is being used to help ex-offenders gain confidence and life skills.

As we have done for many years, we continue to operate The Charities Trust sponsored Give-As-You-Earn Scheme (also known as Payroll Giving) whereby donations made by employees from their pay to charities of their choice are matched by the Company on a £1 for £1 basis. This is an extremely effective way of supporting charitable work and good causes and provides a regular income for the recipients. Monthly donations made by our employees range from a few pounds to hundreds of pounds.

Yet again, the Company was awarded with a Payroll Giving Silver Award in 2010 in recognition of its support.

During the year we made our third contribution of £10,000 to the South Yorkshire Community Foundation (SYCF) for its Henry Boot Grassroots Endowment Fund. This donation has been matched funded by the Office for Civil Society, part of The Cabinet Office. The SYCF helps philanthropists, local businesses and trusts to achieve their charitable goals by setting up charitable funds that support local community groups and last year it awarded more than £2.5m in grants. Charities supported by The Henry Boot Fund in the year included Ravenscroft Agewell Group and the Wath-upon-Dearne based Tweenies Sewing and Home Craft Class to provide assistance for their disabled members.

As ever, we also make a considerable number of ad hoc donations to a variety of charities. In 2010 those we supported included The Lighthouse Club (the construction industry charity), the Sheffield based St Luke's Hospice, Trinity Day Care Trust, Yorkshire Wildlife Trust and we regularly match or top up charitable donations raised by employees for particular one-off causes that touch them.

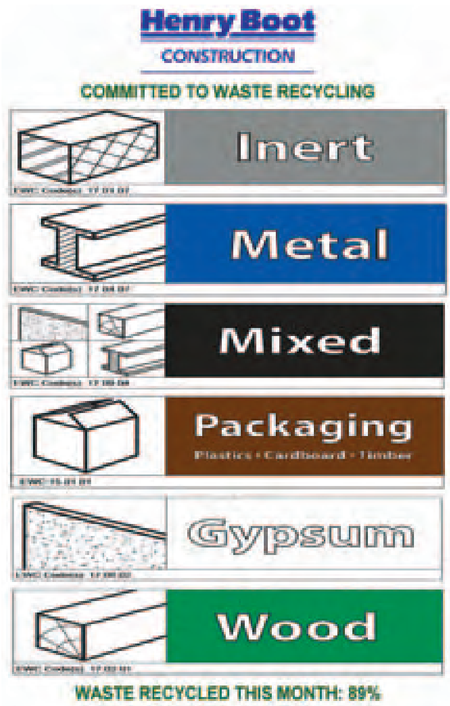
OUR ENVIRONMENTAL RESPONSIBILITIES: MAKING A POSITIVE IMPACT

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.

Our approach to environmental awareness and making a positive impact is probably best illustrated at the contract we are in the course of carrying out for Sheffield City Council at Shirecliffe where we are building 27 local authority houses and flats. These are being built to the impressive Code for Sustainable Homes Level 4 standard. However, we have taken upon ourselves to run a pilot scheme on plot 22 as a research and development project to find ways of achieving Level 5 of the Code to show how construction techniques and products can help a property meet the difficult standard of 100% above Building Regulations requirements in terms of energy efficiency and raising it up from the 56% demanded by Level 4 of the Code. In addition to extra photovoltaic panels on the roof, the property features a grey water collection tank, composting facilities, cycle storage, energy efficient white goods and high level air tightness, among its other upgrades. With a growing demand for sustainable housing expertise, a number of our planning staff have been trained to become Code for Sustainable Homes Assessors. In addition, we also have an in-house RICS Ska Accredited Assessor who is fully trained in assessing the environmental performance of office fit-out projects, providing guidance on making improvements and benchmarking performance against other similar projects and, again, this demonstrates a real commitment to putting sustainability at the heart of our business practices.

During 2010 Henry Boot Construction received a BREEAM Excellent rating for the design and build B&Q warehouse it constructed for Henry Boot Developments at Northfields Retail Park in Rotherham. The project had to meet strict environmental criteria to achieve the rating and was achieved through good design and selection of materials. Waste recycling figures are up to 96% on a number of projects and the Waste and Resources Action Programme (WRAP) has produced a case study highlighting the achievements of the Company in meeting its targets for the Halving Waste to Landfill programme which shows that this has been reduced by 20% since 2008. A report issued in October 2010 by ECUS environmental consultancy showed that the off-site operations of Henry Boot Construction produced 22.5% less carbon than the previous year, showing a significant reduction in the overall impact on the environment. Measures continue to be taken to record, analyse and reduce the carbon produced as a result of office and vehicular activities, in addition to initiatives on site to reduce carbon footprints through sustainable design.



Recycling of building waste is an important part of our programme to significantly reduce sending such material to landfill sites.

Board of directors

JOHN REIS
CHAIRMAN
John Reis, MA, 73, 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. He will be retiring as Chairman and as a Director of the Company at the conclusion of the AGM to be held on 27 May 2011.

JAMIE BOOT
GROUP MANAGING DIRECTOR
Jamie Boot, 59, joined the Company in 1979 and was appointed to the Board in 1985. He became Group Managing Director in 1986. He is the Chairman of the Company's four principal operating subsidiaries – Henry Boot Construction Limited, Hallam Land Management Limited, Henry Boot Developments Limited and Banner Plant Limited. He is the Board member responsible for health and safety matters.

JOHN SUTCLIFFE
GROUP FINANCE DIRECTOR
John Sutcliffe, BA, ACA, 51, 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. John is a member of the CBI Yorkshire and the Humber Regional Council.

JOHN BROWN
NON-EXECUTIVE DIRECTOR
John Brown, FCCA, CTA, 66, was appointed to the Board in 2006 and is the Senior Independent 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. He is to be appointed Non-executive Chairman of the Company upon the retirement of John Reis at the conclusion of the forthcoming AGM.

MICHAEL GUNSTON
NON-EXECUTIVE DIRECTOR
Michael Gunston, FRICS, 67, 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.

JAMES SYKES
NON-EXECUTIVE DIRECTOR
James Sykes, BA, ACA, 46, was appointed to the Board on 22 March 2011. He is a Partner in the London office of Saffery Champness, Chartered Accountants, which he joined straight from university in 1987. He is the Head of its Private Wealth Group and is also a member of the firm's Management Board.

Subsidiary company managing directors

HENRY BOOT DEVELOPMENTS LIMITED
DAVID ANDERSON, BSC (HONS), MRICS, 44, 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 LIMITED
SIMON CARR, BSC (HONS), MRICS, 52, has been with Henry Boot for over 22 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. Simon is currently the President of the Yorkshire Builders' Federation. He has recently been appointed to the Board of The Sheffield City Region Local Enterprise Partnership and to the Sheffield City Region Joint Housing and Regeneration Board.

BANNER PLANT LIMITED
GILES BOOT, BA (HONS), 51, 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, 60, 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 Managing Director at the beginning of 2010. 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.

Financial calendar

LONDON STOCK EXCHANGE ANNOUNCEMENTS
Preliminary Statement of Results 2010: 23 March 2011

First 2011 Interim Management Statement: early May 2011

Half-yearly Results 2011: end August 2011

Second 2011 Interim Management Statement: mid November 2011

Trading Update 2011: mid January 2012

ANNUAL REPORT AND FINANCIAL STATEMENTS 2010 AND HALF-YEARLY REPORT 2011 POSTED TO SHAREHOLDERS
Annual Report and Financial Statements 2010: by 27 April 2011

Half-yearly Report 2011: early September 2011

ANNUAL GENERAL MEETING
27 May 2011

DIVIDENDS PAID ON ORDINARY SHARES
2010 Final: 31 May 2011

2011 Interim: end October 2011

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Directors' report

The Directors have pleasure in presenting the Annual Report and the audited Financial Statements for the year ended 31 December 2010.

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 48. The principal active subsidiary companies affecting the profit or net assets of the Group in the year are listed in note 31 to the Financial Statements.

The Directors recommend that a final dividend of 2.15p per ordinary share be paid on 31 May 2011 to ordinary shareholders on the register at the close of business on 3 May 2011. This, together with the interim dividend of 1.35p per ordinary share paid on 28 October 2010, will make a total dividend of 3.50p per ordinary share for the year ended 31 December 2010.

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 23. Details of the principal risks and uncertainties that the Company faces are set out in the Business Review on pages 22 and 23.

The Group's policy in respect of financial instruments is set out within the Accounting Policies on page 55 and details of credit risk, capital risk management, liquidity risk and cash flow risk are given respectively in notes 15, 21, 22 and 23 to the Financial Statements.

SHARE CAPITAL

Details of the Company's issued share capital during the year are set out in note 28 to the Financial Statements.

The Notice of the Annual General Meeting (AGM) on pages 81 and 82 includes the following resolutions:

- an ordinary resolution (Resolution 7) to renew the authority of the Directors to allot shares up to a maximum nominal amount of £4,341,479 being 33.33% of the Company's issued ordinary share capital at 23 March 2011. The authority will expire on 26 August 2012 or at the conclusion of the next AGM whichever is the earlier but it is the present intention of the Directors to seek annual renewal of this authority. The Directors do not have any present intention of exercising the authority;
- a special resolution (Resolution 8) to enable the Directors to continue to allot equity securities for cash in connection with a rights or other issue pro rata to the rights of the existing shareholders, but subject to certain exceptions, and for any other purpose provided that the aggregate value of such allotments does not exceed £650,000 (4.99% of the Company's issued ordinary share capital at 23 March 2011). The authority will expire on 26 August 2012 or at the conclusion of the next AGM whichever is the earlier but it is the present intention of the Directors to seek annual renewal of this authority; and
- a special resolution (Resolution 9) to renew the authority of the Company to make market purchases of up to 11,055,000 of its own issued ordinary shares (8.49% of the Company's issued share capital at 23 March 2011). 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, J T Sutcliffe, J E Brown and M I Gunston held office as Directors throughout 2010. Mr D Greaves ceased to be a Director on 30 June 2010 on his retirement from the Company. In anticipation of J S Reis stepping down as Chairman and a Non-executive Director with effect from the conclusion of the AGM to be held on 27 May 2011, J J Sykes was appointed a Non-executive Director of the Company on 22 March 2011 in order to represent the substantial shareholdings of the Reis family in the Company. As a result, from a corporate governance point of view, he is not regarded as an independent Non-executive Director. On 23 March 2011, it was also announced that J E Brown would be taking over as Chairman of the Company at the conclusion of the 2011 AGM. Biographical details of the current Directors are shown on page 30.

In accordance with the Articles of Association of the Company, J E Brown and J T Sutcliffe will retire by rotation at the forthcoming AGM and offer themselves for re-appointment. In accordance with the June 2008 version of The Combined Code on Corporate Governance, the Chairman confirms that the performance of J E Brown continues to be effective and to demonstrate commitment to the role. J J Sykes, having been appointed since the last AGM, will retire at the forthcoming AGM but will offer himself for re-appointment under the Articles of Association of the Company. This gives shareholders the opportunity to confirm that 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 2010		At 31 December 2009	
		Beneficial	**Non-beneficial**	Beneficial	Non-beneficial
J S Reis	– Ordinary	**6,646,185**	**20,915,430**	6,976,185	20,585,430
	– Preference	**3,259**	**8,167**	3,259	8,167
E J Boot	– Ordinary	**5,083,862**	**1,105,085**	5,751,437	335,085
	– Preference	**14,753**	**—**	14,753	—
D Greaves (retired 30 June 2010)					
	– Ordinary	**N/A**	**N/A**	149,525	—
J T Sutcliffe					
	– Ordinary	**108,010**	**—**	65,000	—
J E Brown					
	– Ordinary	**15,000**	**—**	15,000	—
M I Gunston					
	– Ordinary	**23,000**	**—**	23,000	—

Between 31 December 2010 and 23 March 2011, 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. At the time of his appointment as a Director, J J Sykes was a registered joint shareholder with Rysaffe Nominees and with J S Reis and P J M Scott in respect of a total of 20,712,000 ordinary shares in the Company and as a joint registered shareholder with Rysaffe Nominees of 6,843 preference shares in the Company. He had no beneficial interest in any of these shares.

Details of Directors' long-term incentive awards and share options are provided in the Directors' Remuneration Report on pages 44 to 46.

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 23 March 2011, 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*	7,399,958	5.68
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.

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 7 to 19. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 19 to 23.

As highlighted in note 22 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.

Directors' report continued

ADOPTION OF NEW ARTICLES OF ASSOCIATION

The Notice of the AGM on pages 81 and 82 includes a resolution (Resolution 11) which proposes to adopt new Articles of Association ('New Articles'). These incorporate amendments to the Company's current Articles of Association ('Current Articles') in order to update the Current Articles primarily to take account of changes in English company law brought about by the Companies Act 2006 ('the Act') and other relevant legislation.

The principal changes introduced in the New Articles are summarised in the Appendix to this Directors' Report on pages 37 to 39. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the Act, have not been noted in the Appendix.

The New Articles and a copy of the Current Articles marked to show changes being proposed by the resolution are available for inspection as detailed in Note 12 of the Notes to the AGM on page 84.

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 27.

The Company continues to encourage employee share ownership through participation in its savings related share option schemes. The Henry Boot PLC 2000 Sharesave Scheme expired on 26 May 2010 and at the AGM held on 28 May 2010 shareholders approved and adopted a replacement scheme, known as the Henry Boot PLC 2010 Sharesave Plan.

HEALTH AND SAFETY

The Group recognises the importance of its employees working in a healthy and safe environment and its responsibilities to clients, visitors, contractors, tenants, members of the public and anyone who comes into contact with our operations. Further information is provided in the Corporate Social Responsibility Report on pages 24 to 26.

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 2010 the Company had an average of 31 days (2009: 32 days) purchases outstanding in trade creditors.

CHARITABLE DONATIONS

Donations for charitable purposes totalled £54,770 (2009: £28,300). Details of some of the charities supported are set out in the Corporate Social Responsibility Report on pages 28 and 29.

POST REPORTING PERIOD EVENTS

Details of post reporting period events can be found in notes 17 and 19 to the Financial Statements.

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 28 to the Financial Statements. As at 23 March 2011, 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 UK Listing Authority. The Company's ordinary shares are categorised as 'Premium Listed' and its preference shares as 'Standard Listed'. A Standard Listing is based on EU minimum standards for floating a company on a public market whereas a Premium Listing requires compliance with additional requirements set out in the Listing Rules of the UK Listing Authority.

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 it may decide.

ADDITIONAL INFORMATION FOR SHAREHOLDERS CONTINUED

RIGHTS OF PREFERENCE SHARES

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

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

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

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

VOTING

Under and subject to the provisions of the Articles and subject to any special rights or restrictions as to voting attached to any shares, on a show of hands every member present in person shall have one vote and on a poll every member who was present in person or by proxy shall have one vote for every share of which he is the holder. Under the Companies 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 27 May 2011 are set out in the Notice of AGM on page 83 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 may from time to time be permitted by the Statutes and approved by the Board.

Directors' report continued

ADDITIONAL INFORMATION FOR SHAREHOLDERS CONTINUED

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;

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

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

(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:

- the Company's share schemes and plans; 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

The auditors, PricewaterhouseCoopers LLP, have signified their willingness to remain in office and resolutions re-appointing them as auditors (Resolution 5) and authorising the Directors to fix their remuneration (Resolution 6) will be proposed at the AGM.

On behalf of the Board

J T SUTCLIFFE
COMPANY SECRETARY
18 APRIL 2011

APPENDIX

EXPLANATORY NOTES OF PRINCIPAL CHANGES TO THE COMPANY'S ARTICLES OF ASSOCIATION (SEE AGM RESOLUTION 11)

The material differences between the Current Articles and the New Articles are summarised below. Changes of a minor, conforming or purely technical nature have not been mentioned specifically.

1. THE COMPANY'S OBJECTS

The provisions regulating the operation of the Company were previously set out in the Company's Memorandum and Articles of Association. The Company's Memorandum contained, among other things, the objects clause which set out the scope of the activities the Company is authorised to undertake. This was drafted to give a wide scope.

The Act significantly reduces the constitutional significance of a company's memorandum. The Act provides that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. Under the Act, the objects clause and all other provisions which were contained in the company's memorandum at 1 October 2009 are deemed to be contained in its articles of association, although the company can remove these provisions by a special resolution.

Further, the Act states that unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason, the Company is proposing to remove its objects clause together with all other provisions of its Memorandum which, by virtue of the Act, are treated as forming part of the Company's Articles of Association. Resolution 11 confirms the removal of these provisions.

As the effect of this resolution will be to remove the statement previously in the Company's Memorandum of Association regarding limited liability, the New Articles also contain an express statement regarding the limited liability of the members of the Company.

2. AUTHORISED SHARE CAPITAL AND UNISSUED SHARES

The Act abolishes the requirement for a company to have an authorised share capital. The New Articles reflect this and all references to authorised share capital have been removed. Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the Act, save in respect of employee share schemes.

3. REDEEMABLE SHARES

Under the Companies Act 1985 ('1985 Act'), if a company wished to issue redeemable shares, it had to include in its articles the terms and manner of redemption. The Act enables directors to determine such matters provided they are authorised to do so by the company's articles. The New Articles contain such an authorisation. The Company has no plans to issue redeemable shares but if it did so the Directors would require shareholders' authority to issue new shares in the usual way.

4. AUTHORITY TO PURCHASE OWN SHARES, CONSOLIDATE AND SUBDIVIDE SHARES AND REDUCE SHARE CAPITAL

Under the 1985 Act, a company required specific enabling provisions in its articles to purchase its own shares, to consolidate or subdivide its shares and to reduce its share capital or other undistributable reserves, as well as shareholder authority to undertake the relevant action. The Current Articles include these enabling provisions. Under the Act, a company only requires shareholder authority to do any of these things and it is no longer necessary for articles to contain enabling provisions. Accordingly, the relevant enabling provisions have been removed from the New Articles.

5. SUSPENSION OF REGISTRATION OF SHARE TRANSFERS

The Current Articles permit the Directors to suspend the registration of transfers. Under the Act, share transfers must be registered as soon as practicable. The power in the Current Articles to suspend the registration of transfers is inconsistent with this requirement. Accordingly, this power has been removed in the New Articles.

6. VOTING BY PROXIES ON A SHOW OF HANDS

The Companies (Shareholders' Rights) Regulations 2009 ('Shareholders' Rights Regulations') amended the Act so that it provides that each proxy appointed by a shareholder has one vote on a show of hands unless the proxy is appointed by more than one shareholder, in which case the proxy has one vote for and one vote against if the proxy has been instructed by one or more shareholders to vote for the resolution and by one or more shareholders to vote against the resolution. The New Articles contain provisions which clarify these rights and also clarify how the provisions giving a proxy a second vote on a show of hands should apply to discretionary powers.

7. VOTING BY CORPORATE REPRESENTATIVES

Under the Act, a corporate shareholder can appoint more than one corporate representative to exercise its voting rights at a general meeting. In addition, the Shareholders' Rights Regulations have amended the Act in order to enable multiple representatives appointed by the same corporate shareholder to vote in different ways on a show of hands and a poll. The New Articles remove certain of the provisions in the Current Articles dealing with voting by corporate representatives on the basis that these are dealt with in the Act.

Directors' report continued

APPENDIX CONTINUED

8. ELECTRONIC CONDUCT OF MEETINGS

Amendments made to the Act by the Shareholders' Rights Regulations specifically provide for the holding and conducting of electronic meetings. The New Articles include amendments to provide greater scope for members to participate in meetings of the Company even if they are not present in person at the principal place where the meeting is held. The New Articles allow for members to participate not only by attendance at satellite meeting locations but also by any other electronic means of participation.

9. ADJOURNMENTS FOR LACK OF QUORUM

Under the Act, as amended by the Shareholders' Rights Regulations, general meetings adjourned through lack of quorum must be held at least ten clear days after the original meeting. The provisions in the Current Articles dealing with notice of adjourned meetings have been amended to ensure that they are consistent with this requirement.

10. VOTING RECORD DATE

Under the Act, as amended by the Shareholders' Rights Regulations, the Company must determine the right of shareholders to vote at a general meeting by reference to the register not more than 48 hours before the time for the holding of the meeting, not taking into account weekends and bank holidays. The Current Articles have been amended to reflect this requirement.

11. VALIDITY OF VOTES

Following the implementation of the Shareholders' Rights Regulations, proxies are expressly required to vote in accordance with the instructions given to them by shareholders. The New Articles contain a provision stating that the Company is not required to enquire whether a proxy or corporate representative has voted in accordance with instructions given to him and that votes cast by a proxy or corporate representative will be valid even if he has not voted in accordance with his instructions.

12. VACATION OF OFFICE BY DIRECTORS

The Current Articles specify the circumstances in which a Director must vacate office. The New Articles update these provisions to reflect the approach taken on mental and physical incapacity in the model articles for public companies produced by the Department of Business, Innovation and Skills.

13. PROVISION FOR EMPLOYEES ON CESSATION OF BUSINESS

The Act provides that the powers of the directors of a company to make provision for a person employed or formerly employed by the company or any of its subsidiaries in connection with the cessation or transfer to any person of the whole or part of the undertaking of the company or that subsidiary, may only be exercised by the directors if they are so authorised by the company's articles or by the company in general meeting. The New Articles provide that the Directors may exercise this power as the Current Articles already do.

14. POWER TO BORROW MONEY

In the New Articles some amendments have been made to the borrowing powers provisions of the Current Articles to reflect current accounting practice.

15. USE OF SEALS

The New Articles provide an alternative option for execution of documents (other than share certificates). Under the New Articles, when the seal is affixed to a document, it may also be signed by a Director in the presence of a witness, in addition to the current provisions for signature by either a Director and the Secretary or two Directors or such other person or persons as the Directors may approve.

16. GENERAL

Several statutory references have been amended in the New Articles to take account of the implementation of provisions in the Act and repeal of corresponding sections of the 1985 Act. Some definitions have also been changed and additional definitions added to bring them in line with relevant provisions of the Act. In addition, amendments have been made in relation to the holding of uncertificated shares (and differentiations from certificated shares) and other miscellaneous non-material changes have been made to reflect current law and practice as well as some formatting and minor typographical amendments.

17. ARTICLES WHICH DUPLICATE STATUTORY PROVISIONS

Provisions in the Current Articles which replicate provisions contained in the Act are in the main removed in the New Articles. This is in line with the approach advocated by the Government that statutory provisions should not be duplicated in a company's constitution. Certain examples of such provisions include provisions as to the form of resolutions, the requirement to keep accounting records and provisions regarding the period of notice required to convene general meetings. The main changes made to reflect this approach are detailed in these explanatory notes.

18. FORM OF RESOLUTION

The Current Articles contain a provision that, where for any purpose an ordinary resolution is required, a special or extraordinary resolution is also effective and that, where an extraordinary resolution is required, a special resolution is also effective. This provision is being removed as the concept of extraordinary resolutions has not been retained under the Act. Further, the remainder of the provision is reflected in full in the Act.

19. FRACTIONS

The Current Articles contain a provision providing that if a consolidation or subdivision of shares results in shareholders being entitled to fractions of shares, the Board can deal with such fractions as it thinks fit, including selling the fractions and distributing the proceeds in proportion among the shareholders. For clarity, this provision has been amended in the New Articles to provide where any shareholder's entitlement to a portion of the proceeds of sale of the fractions amounts to less than such sum as the Board may from time to time determine, the Board can (if not retained for the benefit of the Company) distribute that shareholder's proceeds to charity.

20. CONVENING GENERAL MEETINGS

The provisions in the Current Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are being removed in the New Articles because the relevant matters are provided for in the Act. In addition, the chairman of a general meeting no longer has a casting vote.

21. VOTES OF SHAREHOLDERS

Under the Act proxies are entitled to vote on a show of hands whereas under the Current Articles proxies are only entitled to vote on a poll. The time limits for the appointment or termination of a proxy appointment have been altered by the Act so that the articles cannot, amongst other matters, provide that they should be received:

- more than 48 hours before the meeting or adjourned meeting; or
- in the case of a poll taken more than 48 hours after it was demanded, more than 24 hours before the taking of the poll.

The New Articles reflect these provisions and effectively give the Directors discretion, when calculating these time limits, to exclude weekends and bank holidays.

22. NOTICE OF BOARD MEETINGS

Under the Current Articles, when a Director is abroad he can request that notice of Directors' meetings are sent to him at a specified address and if he does not do so he is not entitled to receive notice while he is away. This provision has been removed, as modern communications mean that there may be no particular obstacle to giving notice to a Director who is abroad. It has been replaced with a more general provision that a Director is treated as having waived his entitlement to notice, unless he supplies the Company with the information necessary to ensure that he receives notice of a meeting before it takes place.

23. RECORDS TO BE KEPT

The provision in the Current Articles requiring the Board to keep accounting records has been removed as this requirement is contained in the Act.

24. ELECTRONIC AND WEB COMMUNICATIONS

Provisions of the Act which came into force in January 2007 enable companies to communicate with shareholders by electronic and/or website communications. The New Articles allow communications to shareholders in electronic form and, in addition, they also permit the Company to take advantage of the new provisions relating to website communications. Before the Company can communicate with a shareholder by means of website communication, the relevant shareholder must be asked individually by the Company to agree that the Company may send or supply documents or information to him by means of a website and the Company must either have received a positive response or have received no response within the period of 28 days beginning with the date on which the request was sent. The Company will notify the shareholder (either in writing or by other permitted means) when a relevant document or information is placed on the website and a shareholder can always request a hard copy version of the document or information.

Directors' responsibilities

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

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have prepared the Group and Parent Company Financial Statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRS as adopted by the EU have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

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 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation. They are 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 30, 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
18 APRIL 2011

J T SUTCLIFFE
DIRECTOR
18 APRIL 2011

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.

During the accounting period under review, the Company, as a premium listed company, was subject to the June 2008 edition of The Combined Code on Corporate Governance ('the Code'), issued by the Financial Reporting Council (FRC), the June 2010 edition of which is now known as The UK Corporate Governance Code. The June 2010 edition is applicable to premium listed companies with accounting periods commencing on or after 29 June 2010. Copies of both editions are publicly available on the website of the FRC at www.frc.org.uk.

The Directors take comfort in the fact that the Code recognises that not all of the provisions are necessarily relevant to smaller listed companies and the Code states that departures from its provisions should not be automatically treated as breaches.

In applying the principles of the Code, the corporate governance policies adopted by the Board broadly follow the Code's guidelines insofar 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 Section 1 of the Code as follows:

PART 1: THE APPLICATION OF THE MAIN 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 32 and their biographical details are set out on page 30. J E Brown is the Senior Independent Director but on taking the Chairmanship in May 2011 Michael Gunston will take over the role of Senior Independent 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 in 2010 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 2009, taking into account the fact that the then auditors, Hawsons, Chartered Accountants, had 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 Hawsons, 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 at the AGM of the Company held on 28 May 2010 PWC were appointed as auditors of the Company following the conclusion of the AGM.

Those serving as members of the Remuneration Committee in 2010 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, with the exception of M I Gunston who was unable to attend one Board Meeting. The Non-executive Directors meet without the Executive Directors being present usually just prior to Board meetings.

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

For the purposes of the accounting period under review, 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

During the accounting period under review there was no formal Nominations Committee.

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 MAIN 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. Whilst performance evaluation of individual Directors was carried out, there was no formal evaluation of the Board or its committees as a whole per se in 2010.

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 44.

C. ACCOUNTABILITY AND AUDIT

1. FINANCIAL REPORTING

Details of the Directors' responsibilities and the Directors' Responsibility Statement are contained on page 40. The Independent Auditors' Report is given on page 47.

The Directors' statement in respect of the business as a 'going concern' is provided in the Directors' Report on page 33.

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 period 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 the Board's Executive Directors and chaired by E J Boot. 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. Annual profit forecasts and 15 month cash flow forecasts are produced on a monthly basis. The Board monitors the risks and associated controls over financial reporting processes, including the consolidation process. The financial reporting controls are monitored and maintained through the use of internal control frameworks which address key financial reporting risks, including risks arising from changes in the business or accounting standards. 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 THE AGM

The attendance and participation of all shareholders at the AGM is much encouraged. At the AGM held in May 2010 proxies were received representing 74.2% of the number of shares in issue and is a demonstration of shareholder active involvement 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 period:

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

There is no Nominations Committee currently in place as the Board as a whole has previously dealt with the appointment of any new Director.

A.1.3, A.6.1

The performance of the Chairman is appraised by the Executive Directors as is the performance of the other Non-executive Directors. As a smaller listed company, it is felt that this is the most appropriate approach.

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. J S Reis will retire after the May 2011 AGM.

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 in 2010 only his basic salary is now pensionable.

B.2.1, C.3.1

The Chairman is a member of the Remuneration Committee and the Audit 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 these Committees.

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. As a smaller listed company, it is felt that this is the most appropriate approach.

On behalf of the Board

J T SUTCLIFFE
COMPANY SECRETARY
18 APRIL 2011

Directors' remuneration report

The Directors present the Directors' Remuneration Report for the year ended 31 December 2010. A resolution to approve the Report will be proposed at the Company's AGM (Resolution 10). 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 2010 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 and J T Sutcliffe, 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. When setting the pay of Directors, the pay and employment conditions of employees across the Group are taken into account by the Remuneration Committee. As with employees, Directors are rewarded based on their role, their performance and the market rate for the job. Directors' basic salaries and benefits, where applicable, 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 of appointment relating to Non-executive Directors are available for inspection at the registered office of the Company.

E J Boot and J T Sutcliffe each have a one year rolling service agreement. Termination of these arrangements would therefore be subject to their contractual terms and conditions which require a notice period of twelve months. Contractual compensation in the event of early termination of either contract provides for compensation of basic salary for the notice period. The service agreement of D Greaves terminated on 30 June 2010 when he retired as a Director of the Company.

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 all Executive Directors 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 77.0p, 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.

During the year the Executive Directors participated in either one or both of the Company's long-term incentive plans, details of which are set out in the table opposite. The principle of a long-term incentive plan 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.

THE HENRY BOOT PLC 1996 LONG-TERM INCENTIVE PLAN

Under the provisions of the Plan, no participant during any financial year may receive a provisional allocation that exceeds 50% of basic salary excluding benefits in kind. This is calculated by reference to the share price at the time of the provisional allocation. Awards under the Plan are subject to a performance condition reflecting improvements on the underlying financial position of the Group and specifically if the percentage growth in earnings per share over the three year performance period exceeds the percentage growth in the Retail Prices Index over the same period by 6%. This target again ensures that rewards for the Board should be aligned with shareholder return. Furthermore, the Plan allows for a standard loyalty incentive whereby the performance award may be enhanced by the award of a further share for every two shares retained for a further three year period. During the year the shares vesting under this Plan related to its loyalty incentive element.

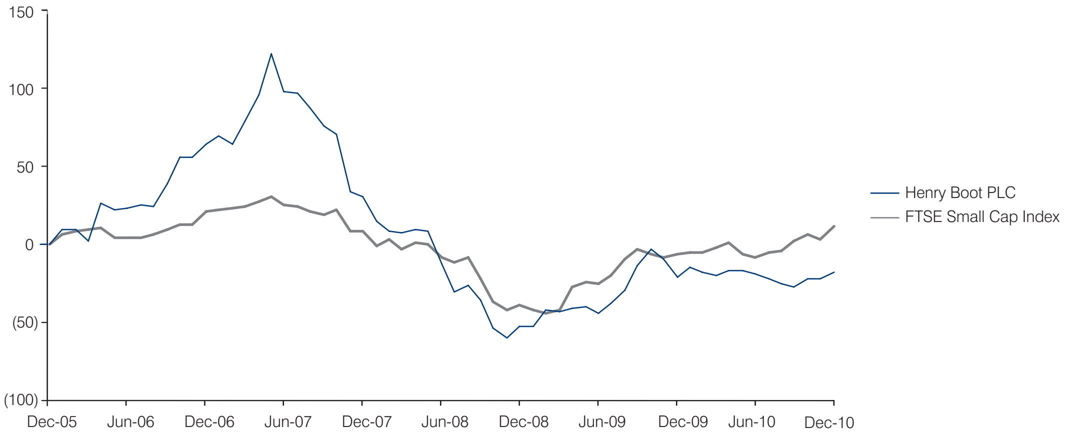
THE HENRY BOOT PLC 2006 LONG-TERM INCENTIVE PLAN

Under the provisions of the Plan, 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. 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.

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. Both schemes also provide a lump sum death in service benefit and a pension for dependants of members on their death in service and, on death after retirement, a pension for dependants. Normal retirement age is currently 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	**2010 Total £'000**	2009 Total £'000
J S Reis (Chairman)	35	—	—	**35**	35
E J Boot	324	232	25	**581**	479
D Greaves (retired 30 June 2010)	106	—	10	**116**	314
J T Sutcliffe	221	158	19	**398**	329
J E Brown (Non-executive)	30	—	—	**30**	30
M I Gunston (Non-executive)	30	—	—	**30**	30
	746	390	54	**1,190**	1,217

LONG-TERM INCENTIVE PLAN AWARDS

PERFORMANCE SHARES

	Plan	Date of award	Market price at date of award	At 1 January 2010	Awarded during the year	Vested during the year	Lapsed during the year	**At 31 December 2010**	Earliest/ actual vesting date	Market price on vesting
E J Boot	2006	15/05/2007	256.5p	116,955	—	58,478	58,477	**—**	15/06/2010	93.5p
	1996	23/04/2007	253.2p	43,947	—	43,947	—	**—**	15/06/2010	93.5p
	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	—
	2006	04/05/2010	96.5p	—	336,785	—	—	**336,785**	03/06/2013	—
D Greaves	2006	15/05/2007	256.5p	76,020	—	38,010	38,010	**—**	15/06/2010	93.5p
(retired 30 June 2010)	1996	23/04/2007	253.2p	24,962	—	24,962	—	**—**	15/06/2010	93.5p
	2006	12/05/2008	135.0p	167,037	—	—	27,839	**139,198**	11/06/2011	—
J T Sutcliffe	2006	15/05/2007	256.5p	76,020	—	38,010	38,010	**—**	15/06/2010	93.5p
	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	—
	2006	04/05/2010	96.5p	—	229,480	—	—	**229,480**	03/06/2013	—

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.

Directors' remuneration report continued

AUDITED SECTION CONTINUED
LONG-TERM INCENTIVE PLAN AWARDS CONTINUED
PERFORMANCE SHARES CONTINUED

The number of shares at 1 January 2010 are the awards achievable under the Long-Term Incentive Plans' maximum performance conditions.

Of the shares awarded on 15 May 2007, 50% vested on 15 June 2010 on the attainment of a per annum increase in net asset value per share compared to an industry standard investment property annual index, and on the attainment of the TSR element of the performance conditions, 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 44.

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 1 January 2010	Granted during year	Exercised during year	Lapsed during year	**At 31 December 2010**	Exercise price	Date from which exercisable	Expiry date
E J Boot	12,467	—	—	—	**12,467**	77.0p	01/12/2011	31/05/2012
D Greaves (retired 30 June 2010)	6,080	—	—	6,080	**—**	155.4p	01/12/2009	31/05/2010
J T Sutcliffe	12,467	—	—	—	**12,467**	77.0p	01/12/2011	31/05/2012

Details of the Scheme are set out in note 28 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 ordinary shares at 31 December 2010 was 93.5p and the range during the year was 83.0p to 101.0p.

DIRECTORS' PENSION INFORMATION
1. DEFINED BENEFIT PENSION SCHEME

	Transfer value at 1 January 2010 £'000[(1)(5)]	**Transfer value at 31 December 2010 £'000[(1)(6)]**	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 2010 £'000[(3)(4)]**	Accumulated benefit accrued 2009 £'000[(3)]
E J Boot	3,776	**4,605**	829	806	—	(27)	**221**	221

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

1. Mr E J Boot's transfer values as at 1 January 2010 and 31 December 2010 are based on a capped final pensionable salary of £331,002.
2. The transfer values include changes due to revaluation in deferment.
3. The increase in accrued benefit during the year is net of any increase for revaluation in deferment and the transfer value thereof calculated in accordance with the Trustees' chosen transfer value basis less an estimate of the Director's contributions for the year.
4. The accumulated benefit accrued at 31 December 2010 represents the pension entitlement which would be preserved in the Scheme if the member had left service on 31 December 2010.
5. Benefits and contributions relating to Additional Voluntary Contributions are not included in the above table.
6. The transfer value for 2010 is calculated on the revised basis agreed by the Trustees following the 31 December 2009 valuation.

2. DEFINED CONTRIBUTION PENSION SCHEME

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

On behalf of the Board

J T SUTCLIFFE
COMPANY SECRETARY
18 APRIL 2011

Independent auditors' report to the members of Henry Boot PLC

We have audited the financial statements of Henry Boot PLC for the year ended 31 December 2010 which comprise the Consolidated Statement of Comprehensive Income, the Group and Parent Company Statements of Financial Position, the Group and Parent Company Statements of Changes in Equity, the Group and Parent Company Statements of Cash Flows, the Principal Accounting Policies 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 and, as regards the Parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' Responsibilities statement set out on page 40, 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 and express an opinion on 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. This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 as at 31 December 2010 and of the Group's profit and Group's and Parent Company's cash flows for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union 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 pages 41 to 43 with respect to internal control and risk management systems and about share capital structures 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 Parent Company.

Under the Listing Rules we are required to review:

- the Directors' Statement, set out on page 33, in relation to going concern;
- the parts of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

IAN MORRISON (SENIOR STATUTORY AUDITOR)
FOR AND ON BEHALF OF PRICEWATERHOUSECOOPERS LLP
CHARTERED ACCOUNTANTS AND STATUTORY AUDITORS
SHEFFIELD
18 APRIL 2011

Consolidated statement of comprehensive income for the year ended 31 December 2010

	Note	2010 £'000	2009 (restated) £'000
Revenue	1	**131,944**	116,524
Cost of sales		**(104,522)**	(87,015)
Gross profit		**27,422**	29,509
Other income	1	**23**	29
Administrative expenses		**(12,205)**	(14,468)
Pension credit (expenses)	4	**2,718**	(3,611)
		17,958	11,459
Increase (decrease) in fair value of investment properties	13	**555**	(22,381)
Profit on sale of investment properties		**2,433**	878
Loss on sale of assets held for sale		**(60)**	—
Operating profit (loss)	3	**20,886**	(10,044)
Finance income	5	**507**	803
Finance costs	6	**(2,475)**	(2,651)
Profit (loss) before tax		**18,918**	(11,892)
Tax	7	**(5,395)**	5,926
Profit (loss) for the year from continuing operations		**13,523**	(5,966)
Other comprehensive income:			
Revaluation of Group occupied property	12	**—**	(44)
Deferred tax on property revaluations	16	**(19)**	80
Tax on realised surplus	7	**—**	391
Actuarial gain (loss) on defined benefit pension scheme	25	**4,649**	(1,595)
Deferred tax on actuarial (gain) loss	16	**(1,465)**	447
Movement in fair value of cash flow hedge	23	**122**	65
Deferred tax on cash flow hedge	16	**164**	—
Other comprehensive income for the year		**3,451**	(656)
Total comprehensive income for the year		**16,974**	(6,622)
Profit (loss) for the year attributable to:			
Owners of the Parent Company		**11,827**	(7,389)
Non-controlling interests		**1,696**	1,423
		13,523	(5,966)
Total comprehensive income attributable to:			
Owners of the Parent Company		**15,167**	(8,070)
Non-controlling interests		**1,807**	1,448
		16,974	(6,622)
Basic earnings per ordinary share for profit (loss) attributable to owners of the Parent Company during the year	9	**9.1p**	(5.7)p
Diluted earnings per ordinary share for profit (loss) attributable to owners of the Parent Company during the year	9	**9.1p**	(5.7)p

2009 comparatives have been restated for a reclassification of overheads within the Construction segment amounting to £1,610,000 transferred from cost of sales to administrative expenses.

Statements of financial position at 31 December 2010

		Group		Parent Company	
	Note	**2010 £'000**	2009 £'000	**2010 £'000**	2009 £'000
ASSETS					
Non-current assets					
Intangible assets	11	**11,707**	12,684	**—**	—
Property, plant and equipment	12	**15,234**	16,203	**182**	274
Investment properties	13	**135,117**	172,290	**—**	—
Investments	14	**—**	—	**5,222**	3,862
Trade and other receivables	15	**10,449**	3,743	**—**	—
Deferred tax assets	16	**6,631**	11,131	**4,726**	7,836
		179,138	216,051	**10,130**	11,972
Current assets					
Inventories	17	**58,005**	55,433	**—**	—
Trade and other receivables	15	**27,331**	25,071	**172,373**	190,116
Current tax assets		**—**	—	**71**	—
Cash and cash equivalents		**4,037**	4,305	**979**	1,885
Assets classified as held for sale	19	**27,719**	—	**—**	—
		117,092	84,809	**173,423**	192,001
LIABILITIES					
Current liabilities					
Trade and other payables	20	**55,216**	51,971	**75,952**	106,688
Current tax liabilities		**1,602**	2,820	**—**	687
Borrowings	22	**11,362**	31,163	**10,000**	30,000
Provisions	24	**11,835**	4,004	**—**	1,124
		80,015	89,958	**85,952**	138,499
NET CURRENT ASSETS (LIABILITIES)		**37,077**	(5,149)	**87,471**	53,502
Non-current liabilities					
Trade and other payables	20	**1,347**	3,734	**—**	—
Borrowings	22	**4,069**	5,231	**—**	—
Employee benefits	25	**16,221**	25,732	**16,221**	25,732
Deferred tax liabilities	16	**—**	5	**—**	—
Provisions	24	**5,937**	—	**—**	—
		27,574	34,702	**16,221**	25,732
NET ASSETS		**188,641**	176,200	**81,380**	39,742
EQUITY					
Share capital	28	**13,424**	13,424	**13,424**	13,424
Revaluation reserve	29	**3,294**	3,349	**—**	—
Retained earnings	29	**168,528**	156,200	**63,776**	22,138
Other reserves	29	**2,774**	2,599	**4,180**	4,180
Cost of shares held by ESOP trust	14	**(476)**	(602)	**—**	—
Equity attributable to owners of the Parent Company		**187,544**	174,970	**81,380**	39,742
Non-controlling interests		**1,097**	1,230	**—**	—
Total equity		**188,641**	176,200	**81,380**	39,742

The financial statements of Henry Boot PLC, registered number 160996, were approved by the Board of Directors and authorised for issue on 18 April 2011.

On behalf of the Board

E J BOOT
DIRECTOR

J T SUTCLIFFE
DIRECTOR

Statements of changes in equity at 31 December 2010

Group	Share capital £'000	Revaluation reserve £'000	Retained earnings £'000	Other reserves £'000	Cost of shares held by ESOP trust £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
	Attributable to owners of the Parent Company							
At 1 January 2009	13,424	4,438	168,868	2,577	(764)	188,543	1,557	190,100
(Loss) profit for the period	—	(1,410)	(5,979)	—	—	(7,389)	1,423	(5,966)
Other comprehensive income	—	427	(1,148)	40	—	(681)	25	(656)
Total comprehensive income	—	(983)	(7,127)	40	—	(8,070)	1,448	(6,622)
Equity dividends	—	—	(6,464)	—	—	(6,464)	(1,775)	(8,239)
Transfer to retained earnings	—	(106)	124	(18)	—	—	—	—
Share-based payments	—	—	799	—	162	961	—	961
	—	(106)	(5,541)	(18)	162	(5,503)	(1,775)	(7,278)
At 31 December 2009	13,424	3,349	156,200	2,599	(602)	174,970	1,230	176,200
Profit for the period	—	—	11,827	—	—	11,827	1,696	13,523
Other comprehensive income	—	(19)	3,184	175	—	3,340	111	3,451
Total comprehensive income	—	(19)	15,011	175	—	15,167	1,807	16,974
Equity dividends	—	—	(3,378)	—	—	(3,378)	(1,940)	(5,318)
Transfer to retained earnings	—	(36)	36	—	—	—	—	—
Share-based payments	—	—	659	—	126	785	—	785
	—	(36)	(2,683)	—	126	(2,593)	(1,940)	(4,533)
At 31 December 2010	**13,424**	**3,294**	**168,528**	**2,774**	**(476)**	**187,544**	**1,097**	**188,641**

Parent Company	Share capital £'000	Retained earnings £'000	Other reserves £'000	Total equity £'000
As at 1 January 2009	13,424	37,762	5,601	56,787
Loss for the period	—	(20,642)	(774)	(21,416)
Other comprehensive income	—	(1,148)	—	(1,148)
Total comprehensive income	—	(21,790)	(774)	(22,564)
Equity dividends	—	(6,469)	—	(6,469)
Dividends from subsidiaries	—	11,439	—	11,439
Transfer to retained earnings	—	647	(647)	—
Share-based payments	—	549	—	549
	—	6,166	(647)	5,519
At 31 December 2009	13,424	22,138	4,180	39,742
Profit for the period	—	4,856	—	4,856
Other comprehensive income	—	3,184	—	3,184
Total comprehensive income	—	8,040	—	8,040
Equity dividends	—	(3,378)	—	(3,378)
Dividends from subsidiaries	—	36,456	—	36,456
Share-based payments	—	520	—	520
	—	33,598	—	33,598
At 31 December 2010	**13,424**	**63,776**	**4,180**	**81,380**

Statements of cash flows for the year ended 31 December 2010

	Note	Group 2010 £'000	Group 2009 £'000	Parent Company 2010 £'000	Parent Company 2009 £'000
Cash flows from operating activities					
Operating profit (loss)		**20,886**	(10,044)	**2,112**	(27,021)
Adjustments for non-cash items:					
Amortisation of PFI asset	11	**1,117**	1,098	**—**	—
Goodwill impairment	11	**204**	203	**—**	—
Depreciation of property, plant and equipment	12	**3,024**	3,327	**117**	133
Impairment losses on land and buildings	12	**24**	106	**—**	—
Revaluation (increase) decrease in investment properties	13	**(555)**	22,381	**—**	—
Share-based payment expense		**659**	799	**520**	549
Pension scheme (credit) charge		**(4,862)**	1,474	**(4,862)**	1,474
Provision against investments in subsidiaries		**—**	—	**32,775**	—
Movements on provision against loans to subsidiaries		**—**	—	**(34,488)**	—
Movements in fair value of cash flow hedge		**122**	65	**—**	—
Loss on disposal of assets held for sale		**60**	—	**—**	—
Gain on disposal of property, plant and equipment		**(554)**	(1,516)	**—**	—
Gain on disposal of investment properties		**(2,433)**	(878)	**—**	—
Operating cash flows before movements in working capital		**17,692**	17,015	**(3,826)**	(24,865)
(Increase) decrease in inventories		**(2,888)**	3,953	**—**	—
(Increase) decrease in receivables		**(8,606)**	4,158	**53,407**	38,095
Increase (decrease) in payables		**13,905**	(11,255)	**(6,896)**	(5,343)
Cash generated from operations		**20,103**	13,871	**42,685**	7,887
Interest paid		**(1,754)**	(1,855)	**(3,839)**	(4,074)
Tax paid		**(3,438)**	(1,425)	**(1,727)**	(240)
Net cash flows from operating activities		**14,911**	10,591	**37,119**	3,573
Cash flows from investing activities					
Purchase of intangible assets	11	**(344)**	(314)	**—**	—
Purchase of property, plant and equipment	12	**(2,479)**	(779)	**(25)**	(153)
Purchase of investment property	13	**(2,857)**	(10,159)	**—**	—
Purchase of investments in subsidiaries		**—**	—	**(59,134)**	—
Proceeds on disposal of property, plant and equipment		**954**	3,844	**—**	8
Proceeds on disposal of investment properties		**13,823**	21,773	**—**	—
Proceeds on disposal of assets held for sale		**1,732**	—	**—**	—
Interest received		**273**	472	**8,056**	8,294
Dividends received from subsidiaries		**—**	—	**36,456**	11,439
Net cash flows from investing activities		**11,102**	14,837	**(14,647)**	19,588
Cash flows from financing activities					
Decrease in borrowings		**(20,963)**	(14,639)	**(20,000)**	(13,477)
Dividends paid – ordinary shares	10	**(3,357)**	(6,443)	**(3,357)**	(6,448)
– non-controlling interests		**(1,940)**	(1,775)	**—**	—
– preference	10	**(21)**	(21)	**(21)**	(21)
Net cash flows from financing activities		**(26,281)**	(22,878)	**(23,378)**	(19,946)
Net (decrease) increase in cash and cash equivalents		**(268)**	2,550	**(906)**	3,215
Net cash and cash equivalents at beginning of year		**4,305**	1,755	**1,885**	(1,330)
Net cash and cash equivalents at end of year		**4,037**	4,305	**979**	1,885
Analysis of net debt					
Cash and cash equivalents		**4,037**	4,305	**979**	1,885
Bank overdrafts		**—**	—	**—**	—
Net cash and cash equivalents		**4,037**	4,305	**979**	1,885
Bank loans	22	**(15,231)**	(36,394)	**(10,000)**	(30,000)
Related party loans	22	**(200)**	—	**—**	—
Net debt		**(11,394)**	(32,089)	**(9,021)**	(28,115)

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.

The Company is a public limited company, which is listed on the London Stock Exchange and incorporated and domiciled in the United Kingdom. The address of its registered office is Banner Cross Hall, Ecclesall Road South, Sheffield S11 9PD.

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 financial instruments, investment properties and Group occupied land and buildings, which are measured at fair value.

CONSOLIDATION

The Consolidated Financial Statements are a consolidation of the Financial Statements of the Parent Company and all entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

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. The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Comprehensive Income from the effective date of acquisition or disposal.

Non-controlling interests in the fair value of the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interest consists of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

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 33.

INVESTMENTS IN ASSOCIATES

Associates are all entities over which the Group has significant influence but not control, generally accompanied by a share of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's share of its associates' post-acquisition profits or losses are recognised in the Consolidated Statement of Comprehensive Income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. If the share of losses equals its investment, the Group does not recognise further losses, except to the extent that there are amounts receivable that may not be recoverable or there are further commitments to provide funding.

JOINT VENTURES

Joint ventures are all entities in which the Group has shared control with another entity, established by contractual agreement. Jointly controlled entities are accounted for using the equity method from the date that the jointly controlled entity commences until the date that the joint control of the entity ceases. The Group's share of profits or losses is recognised in the Consolidated Statement of Comprehensive Income. If the share of losses equals its investment, the Group does not recognise further losses, except to the extent that there are amounts receivable that may not be recoverable or there are further commitments to provide funding.

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 or when there has been an indication that the goodwill should be impaired, 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.

ASSETS CLASSIFIED AS HELD FOR SALE

Non-current assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable.

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.

OPERATING 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; and
- construction operations, inclusive of its PFI company, plant hire and regeneration activities.

Whilst the following is not a reportable segment, information about it is considered by the Board in conjunction with the reportable segments and is therefore included for completeness:

- Group overheads, comprising central services, pensions, head office administration, in-house leasing and other mainly 'not for profit' activities.

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

Principal accounting policies continued

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. Cost includes the original purchase price of the asset plus any costs attributable to bringing the asset to its working condition for its intended use.

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, on a straight line basis, over 20 years or the remaining life of the concession. The concession lasts a period of 30 years and has a further 15 years to run.

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.

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 Consolidated 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 to employees are measured at fair value of the equity instruments 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 taking in to account any market performance conditions and excludes the effect of non market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 28. At each reporting period date, the Group estimates the number of equity instruments expected to vest as a result of the effect of non market-based vesting conditions. The impact of the revision, if any, is recognised in the Consolidated Statement of Comprehensive Income with a corresponding adjustment to equity reserves.

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.

Details regarding the determination of the fair value of share-based transactions are set out in note 28.

TAX

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

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 or gains 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 56). 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. Should an amount previously written off prove recoverable the amount written off is reversed through the Statement of Comprehensive Income to the extent that the amount written back does not exceed the amortised cost has the written off not been recognised;
- 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;
- 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 56);
- borrowings: see below; and
- derivatives: see page 56.

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.

Principal accounting policies continued

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 'Finance 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 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.

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 53 and 54 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 of investment properties, provisions and the impairment review of land, option and agency 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. Amounts recognised in relation to provisions are determined based on assumptions about items such as the risk adjustment to cash flows or discount rates used, future changes in prices and estimates of costs. Impairment relating to land, option and agency 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 2010:

		Effective from
IFRIC 9 and IAS 39 (amended 2009)	'Embedded Derivatives'	30 June 2009
IFRIC 15 (issued 2008)	'Agreements for Construction of Real Estate'	1 January 2010
IFRIC 16 (issued 2008)	'Hedges of a Net Investment in a Foreign Operation'	1 July 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
IAS 17 (amended)	'Leases'	1 January 2010
IAS 27 (revised 2008)	'Consolidated and Separate Financial Statements'	1 July 2009
IAS 39 (amended 2008)	'Financial Instruments: Recognition and Measurement: Eligible Hedged Items'	1 July 2009
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

The adoption of these standards and interpretations has not had a significant impact on the Group.

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 19 (issued 2009)	'Extinguishing Financial Liabilities with Equity Instruments'	1 July 2010
IAS 12 (amended 2010)	'Deferred Tax: Recovery of Underlying Assets'	1 January 2012*
IAS 24 (revised 2009)	'Related Party Disclosures'	1 January 2011
IAS 32 (amended 2009)	'Classification of Rights Issue'	1 February 2010
IFRS 1 (amended 2010)	'Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters'	1 July 2010
IFRS 1 (amended 2010)	'Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters'	1 July 2011*
IFRS 7 (amended 2010)	'Financial Instruments: Disclosures'	1 July 2011*
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 projects issued on 16 April 2009 and 6 May 2010. 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 July 2010 and 1 January 2011. No material changes to Accounting Policies are expected as a result of these amendments.

In 2010, 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 2010

1. REVENUE

Analysis of the Group's revenue is as follows:

Activity in the United Kingdom	2010 £'000	2009 £'000
Revenue from construction contracts	**64,712**	58,895
Property development	**3,735**	18,231
Land development	**33,801**	10,089
PFI concession income	**11,411**	10,885
Plant and equipment hire	**8,452**	8,175
Investment property rental income	**9,733**	10,154
Other rental income	**100**	95
	131,944	116,524
Other income	**23**	29
	131,967	116,553

Contingent rents recognised as income during the year amount to £193,000 (2009: £14,000).

Other income relates to payments received under a debt agreement with the Export Credit Guarantee Department arising from a long completed contract that was not paid for at the time.

2. SEGMENT INFORMATION

For the purpose of the Board making strategic decisions, the Group is currently organised into three operating segments: Property investment and development; Land development; and Construction. Whilst Group overheads are not a reportable segment, information about them is considered by the Board in conjunction with the reportable segments and is therefore included for completeness.

Operations are carried out entirely within the United Kingdom.

Inter-segment sales are charged at prevailing market prices.

The accounting policies of the reportable segments are the same as the Group's Accounting Policies described on pages 52 to 57.

Segment profit represents the profit earned by each segment before tax and is consistent with the measure reported to the Group's Board for the purpose of resource allocation and assessment of segment performance.

Revenues from external sales are detailed in note 1.

	2010					
Revenue	Property investment and development £'000	Land development £'000	Construction £'000	Group overheads £'000	Eliminations £'000	Total £'000
External sales	**13,467**	**33,901**	**84,576**	**—**	**—**	**131,944**
Inter-segment sales	**304**	**440**	**199**	**520**	**(1,463)**	**—**
Total revenue	**13,771**	**34,341**	**84,775**	**520**	**(1,463)**	**131,944**
Operating profit	**10,528**	**581**	**9,230**	**527**	**20**	**20,886**
Finance income	**1,331**	**275**	**1,412**	**8,026**	**(10,537)**	**507**
Finance costs	**(7,515)**	**(730)**	**(735)**	**(4,032)**	**10,537**	**(2,475)**
Profit before tax	**4,344**	**126**	**9,907**	**4,521**	**20**	**18,918**
Tax	**(833)**	**(51)**	**(2,858)**	**(1,302)**	**(351)**	**(5,395)**
Profit for the year	**3,511**	**75**	**7,049**	**3,219**	**(331)**	**13,523**
Other information						
Capital additions	**3,009**	**22**	**2,207**	**442**	**—**	**5,680**
Depreciation	**54**	**61**	**2,465**	**444**	**—**	**3,024**
Impairment losses	**24**	**—**	**—**	**—**	**—**	**24**
Goodwill impairment	**—**	**—**	**204**	**—**	**—**	**204**
Amortisation	**—**	**—**	**1,117**	**—**	**—**	**1,117**

During the year the Land development segment made a disposal amounting to 12% of the Group's total revenue. Due to the nature of land transactions the segment often has large value, low volume transactions. As the segment receives offers from multiple customers for its sales it is not reliant on any major customer individually.

2. SEGMENT INFORMATION CONTINUED

	2009					
Revenue	Property investment and development £'000	Land development £'000	Construction £'000	Group overheads £'000	Eliminations £'000	Total £'000
External sales	28,386	10,183	77,955	—	—	116,524
Inter-segment sales	309	—	6,982	574	(7,865)	—
Total revenue	28,695	10,183	84,937	574	(7,865)	116,524
Operating (loss) profit	(16,317)	(3,149)	16,847	(7,460)	35	(10,044)
Finance income	1,890	272	1,040	8,267	(10,666)	803
Finance costs	(7,623)	(736)	(699)	(4,253)	10,660	(2,651)
(Loss) profit before tax	(22,050)	(3,613)	17,188	(3,446)	29	(11,892)
Tax	6,536	979	(2,657)	1,537	(469)	5,926
(Loss) profit for the year	(15,514)	(2,634)	14,531	(1,909)	(440)	(5,966)
Other information						
Capital additions	10,192	6	867	187	—	11,252
Depreciation	62	66	2,729	470	—	3,327
Impairment losses	106	—	—	—	—	106
Goodwill impairment	—	—	203	—	—	203
Amortisation	—	—	1,098	—	—	1,098

	2010 £'000	2009 £'000
Segment assets		
Property investment and development	**183,964**	196,015
Land development	**74,396**	58,030
Construction	**25,428**	29,456
Group overheads and other	**1,774**	1,922
	285,562	285,423
Unallocated assets		
Deferred tax assets	**6,631**	11,131
Cash and cash equivalents	**4,037**	4,305
Total assets	**296,230**	300,860
Segment liabilities		
Property investment and development	**4,080**	6,172
Land development	**27,958**	11,451
Construction	**39,918**	37,844
Group overheads and other	**2,379**	4,243
	74,335	59,710
Unallocated liabilities		
Current tax liabilities	**1,602**	2,820
Current borrowings	**11,362**	31,163
Non-current borrowings	**4,069**	5,231
Employee benefits	**16,221**	25,732
Deferred tax liabilities	**—**	5
Total liabilities	**107,589**	124,660
Total net assets	**188,641**	176,200

Notes to the financial statements for the year ended 31 December 2010 continued

3. OPERATING PROFIT

Operating profit has been arrived at after charging (crediting):

	2010 £'000	2009 £'000
Depreciation of property, plant and equipment – owned assets	**3,024**	3,327
Impairment of goodwill included in administrative expenses	**204**	203
Amortisation of PFI asset included in cost of sales	**1,117**	1,098
Impairment losses on land and buildings	**24**	106
Loss on sale of assets held for sale	**60**	—
Impairment losses recognised on trade receivables	**46**	634
Impairment losses reversed on trade receivables	**(468)**	—
Property rentals under operating leases	**261**	267
(Increase) decrease in fair value of investment property	**(555)**	22,381
Cost of inventories recognised as expense	**29,940**	25,963
Employee costs	**16,496**	24,377
Amounts payable to Deloitte LLP by Road Link (A69) Limited in respect of audit services	**7**	9
Profit on sale of property, plant and equipment	**(554)**	(1,516)

The remuneration paid to PricewaterhouseCoopers LLP, the Group's external auditors, was as follows:

	2010 £'000
Fees payable for the audit of the Company's annual accounts and consolidated financial statements	**44**
Fees payable for the auditor and its associates for other services:	
– audit of the Company's subsidiaries pursuant to legislation	**95**
– tax services	**153**
– other services	**320**
Total fees	**612**

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

	2009 £'000
Fees payable for the audit of the Company's annual accounts and consolidated financial statements	58
Fees payable for the auditor and its associates for other services:	
– audit of the Company's subsidiaries pursuant to legislation	117
– tax services	94
– other services	11
Total fees	280

In addition, fees of £12,125 (2009: £11,775) were paid to Hawsons in their capacity as auditors of The Henry Boot Staff Pension and Life Assurance Scheme.

4. EMPLOYEE COSTS

	2010 £'000	2009 £'000
Wages and salaries	**16,483**	17,675
Share-based payment expense	**659**	799
Social security costs	**1,712**	2,001
Defined benefit pension (credit) costs (see note 25)	**(2,961)**	3,336
Other pension costs	**243**	275
	16,136	24,086

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

	2010 Number	2009 Number
Property investment and development	**24**	27
Land development	**31**	29
Construction	**288**	393
Plant hire	**106**	113
Group overheads	**47**	47
	496	609

5. FINANCE INCOME

	2010 £'000	2009 £'000
Interest on bank deposits	**26**	52
Interest on other loans and receivables	**481**	751
	507	803

6. FINANCE COSTS

	2010 £'000	2009 £'000
Interest on bank loans and overdrafts	**1,942**	2,035
Interest on other loans and payables	**533**	616
	2,475	2,651

Notes to the financial statements for the year ended 31 December 2010 continued

7. TAX

	2010 £'000	2009 £'000
Current tax:		
UK corporation tax on profits for the year	**2,684**	1,320
Adjustment in respect of earlier years	**(464)**	(266)
Total current tax	**2,220**	1,054
Deferred tax (note 16):		
Origination and reversal of temporary differences	**2,307**	(6,980)
Adjustment in respect of earlier years	**868**	—
Total deferred tax	**3,175**	(6,980)
Total tax	**5,395**	(5,926)

Corporation tax is calculated at 28% (2009: 28%) of the estimated assessable profit (loss) for the year.

During the year, as a result of the change in the UK corporation tax rate from 28% to 27% that was substantively enacted on 27 July 2010 and planned to be effective from 1 April 2011, the relevant deferred tax balances have been re-measured. Deferred tax balances at the year end have been measured at 27%.

Further reductions to the UK tax rate have been announced. The changes propose to reduce the rate to 26% from 1 April 2011 and by 1% per annum thereafter to 23% by 1 April 2014. The changes had not been substantively enacted at the Statement of Financial Position date and, therefore, are not recognised in these Financial Statements.

The charge (credit) for the year can be reconciled to the profit (loss) per the Statement of Comprehensive Income as follows:

	2010 £'000	2009 £'000
Profit (loss) before tax	**18,918**	(11,892)

	2010 %	2009 %
Tax at the UK corporation tax rate	**28.00**	28.00
Effects of:		
Permanent differences	**(1.13)**	19.39
Adjustment in respect of earlier years	**(2.45)**	2.24
Capital (losses) gains	**(0.49)**	0.20
Deferred tax adjustment in respect of earlier years	**4.59**	—
	28.52	49.83

In addition to the amount charged to profit (loss) for the year, the following amounts relating to tax have been recognised in other comprehensive income:

	2010 £'000	2009 £'000
Deferred tax:		
– tax on realised surplus	**—**	391
– property revaluations	**(19)**	80
– actuarial (gain) loss	**(1,465)**	447
– cash flow hedge	**164**	—
Total tax recognised in other comprehensive income	**(1,320)**	918

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 profit dealt with in the Financial Statements, excluding dividends received from subsidiaries of £36,456,000 (2009: £11,439,000), of the Parent Company is £4,856,000 (2009: loss £21,416,000).

9. EARNINGS PER ORDINARY SHARE

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

Earnings	2010 £'000	2009 £'000
Profit (loss) for the year	**13,523**	(5,966)
Non-controlling interests	**(1,696)**	(1,423)
Preference dividend	**(21)**	(21)
	11,806	(7,410)

Number of shares	2010	2009
Shares in issue	**130,244,385**	130,244,385
Less shares held by the ESOP on which dividends have been waived	**(1,009,452)**	(1,275,922)
Weighted average number for basic earnings per share	**129,234,933**	128,968,463
Adjustment for the effects of dilutive potential ordinary shares	**1,171,972**	—
Weighted average number for diluted earnings per share	**130,406,905**	128,968,463

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.

10. DIVIDENDS

	2010 £'000	2009 £'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 2009 of Nil per share (2008: 3.75p)	**—**	4,831
Interim dividend for the year ended 31 December 2010 of 1.35p per share (2009: 1.25p)	**1,745**	1,612
Second interim dividend for the year ended 31 December 2009 of 1.25p per share (2008: Nil)	**1,612**	—
	3,378	6,464

The proposed final dividend for the year ended 31 December 2010 of 2.15p per share (2009: Nil) makes a total dividend for the year of 3.5p (2009: 2.5p).

The proposed final dividend is subject to approval by shareholders at the AGM and has not been included as a liability in these Financial Statements. The total estimated dividend to be paid is £2,779,000.

Notice has been received from Moore Street Securities Limited waiving its right as corporate trustee for the Employee Share Ownership Plan (ESOP) to receive all dividends in respect of this and the previous financial year except for a nominal amount.

Notes to the financial statements for the year ended 31 December 2010 continued

11. INTANGIBLE ASSETS

	Goodwill £'000	PFI asset £'000	Total £'000
Cost			
At 1 January 2009	4,070	15,094	19,164
Additions at cost	—	314	314
At 1 January 2010	4,070	15,408	19,478
Additions at cost	—	344	344
At 31 December 2010	**4,070**	**15,752**	**19,822**
Accumulated impairment losses and amortisation			
At 1 January 2009	882	4,611	5,493
Amortisation	—	1,098	1,098
Impairment losses for the year	203	—	203
At 1 January 2010	1,085	5,709	6,794
Amortisation	—	1,117	1,117
Impairment losses for the year	204	—	204
At 31 December 2010	**1,289**	**6,826**	**8,115**
Carrying amount			
At 31 December 2010	**2,781**	**8,926**	**11,707**
At 1 January 2010	2,985	9,699	12,684
At 1 January 2009	3,188	10,483	13,671

The Group's investment in Road Link (A69) Holdings Limited is 61.2%. The goodwill arising on the acquisition represents the excess of consideration over net assets acquired and 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 15 years to run, at the end of which the road reverts to the Highways Agency. Whilst the impairment test demonstrates significant headroom, an impairment charge of £204,000 has been recognised during the year to reflect the fact that the PFI concession will revert to the Highways Agency at the end of the 30 year period, at which point no goodwill should remain. 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.

At 31 December 2010, the Group had entered into contractual commitments for the acquisition of intangible assets amounting to £Nil (2009: £29,000).

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 2009	9,257	82,315	30,146	1,788	123,506
Additions at cost	—	—	609	170	779
Transfers 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
Additions at cost	74	—	2,298	107	2,479
Disposals	(150)	—	(2,936)	(69)	(3,155)
At 31 December 2010	**7,287**	**—**	**25,679**	**1,623**	**34,589**
Being:					
Cost	—	—	25,679	1,623	27,302
Fair value at 31 December 2010	7,287	—	—	—	7,287
	7,287	**—**	**25,679**	**1,623**	**34,589**
Accumulated depreciation					
At 1 January 2009	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
Charge for year	—	—	2,856	168	3,024
Impairment loss	24	—	—	—	24
Eliminated on disposals	—	—	(2,687)	(68)	(2,755)
At 31 December 2010	**337**	**—**	**17,688**	**1,330**	**19,355**
Carrying amount					
At 31 December 2010	**6,950**	**—**	**7,991**	**293**	**15,234**
At 31 December 2009	7,050	—	8,798	355	16,203
At 1 January 2009	9,050	79,503	11,788	391	100,732

Land and buildings have been revalued by Jones Lang LaSalle Limited in accordance with the Practice Statements contained in the RICS Appraisal and Valuation Standards on the basis of market value at £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.

On the historical cost basis, the land and buildings would have been included at a cost of £3,186,000 (2009: £3,227,000).

Notes to the financial statements for the year ended 31 December 2010 continued

12. PROPERTY, PLANT AND EQUIPMENT CONTINUED

Parent Company	Plant and vehicles £'000	Office equipment £'000	Total £'000
Cost			
At 1 January 2009	73	765	838
Additions	68	85	153
Disposals	(25)	(173)	(198)
At 31 December 2009	116	677	793
Additions	—	25	25
Disposals	—	(31)	(31)
At 31 December 2010	**116**	**671**	**787**
Depreciation			
At 1 January 2009	34	542	576
Charge for year	17	116	133
Disposals	(20)	(170)	(190)
At 31 December 2009	31	488	519
Charge for year	29	88	117
Disposals	—	(31)	(31)
At 31 December 2010	**60**	**545**	**605**
Carrying amount			
At 31 December 2010	**56**	**126**	**182**
At 31 December 2009	85	189	274
At 1 January 2009	39	223	262

13. INVESTMENT PROPERTIES

	Completed investment property £'000	Investment property under construction £'000	Total £'000
Fair value			
At 1 January 2009	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
Additions	557	2,300	2,857
Disposals	(11,101)	(289)	(11,390)
Transfers to assets held for sale	(27,719)	(1,792)	(29,511)
Transfers from inventories	316	—	316
Increase (decrease) in fair value in year	1,282	(727)	555
Transfers within investment property	2,075	(2,075)	—
At 31 December 2010	**86,715**	**48,402**	**135,117**
Adjustment in respect of tenant incentives	4,471	—	4,471
Adjustment in respect of tax benefits	(1,104)	—	(1,104)
Market value at 31 December 2010	**90,082**	**48,402**	**138,484**

With the exception of houses, completed investment properties have been revalued by Jones Lang LaSalle Limited in accordance with the Practice Statements contained in the RICS Appraisal and Valuation Standards on the basis of market value at £84,800,000. 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.

The fair value of houses has been determined by the Directors of the Company at £5,282,000. The fair value takes into account other observable prices in an active market.

13. INVESTMENT PROPERTIES CONTINUED

Investment properties under construction are developments which have been valued at fair value by the Directors of the Company using the Residual Method at £48,402,000. The property rental income earned by the Group from its occupied investment property, all of which is leased out under operating leases, amounted to £9,733,000 (2009: £10,154,000). Direct operating expenses arising on investment property generating rental income in the year amounted to £967,000 (2009: £3,780,000). Direct operating expenses arising on the investment property which did not generate rental income during the year amounted to £64,000 (2009: £215,000).

At 31 December 2010, the Group had entered into contractual commitments for the acquisition and repair of investment property amounting to £2,088,000 (2009: £Nil).

14. INVESTMENTS

Parent Company – shares in Group undertakings	Total £'000
Cost	
At 1 January 2009 and 2010	26,622
Additions	34,135
At 31 December 2010	**60,757**
Fair value adjustments	
At 1 January 2009	(4,648)
Provisions for losses	(18,112)
At 31 December 2009	(22,760)
Provisions for losses	(32,776)
At 31 December 2010	**(55,535)**
Carrying amount	
At 31 December 2010	**5,222**
At 31 December 2009	3,862
At 1 January 2009	21,974

The original cost of shares 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.

During the year the Parent Company paid £24,999,000 for share capital subscribed for in prior years but not paid up.

Additional share capital was subscribed for during the year relating to Constructionend Limited and Glasgowend Limited in order to return these subsidiaries to a solvent position allowing them to be put into voluntary liquidation. The cost of this share capital has been provided against in full.

On 17 June 2010 Henry Boot Land Holdings Limited acquired 50% of the issued share capital of Stonebridge Projects Limited, a company incorporated in the United Kingdom on 9 June 2010, for £500. The principal activity of the Company is to build residential housing and subsequently make sales thereof.

Amounts due from and to subsidiary companies are listed in notes 15 and 20. The principal active subsidiary companies are listed in note 31. 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 Limited and Stonebridge Projects Limited which is 50% owned by Henry Boot Land Holdings Limited. They are all incorporated in the United Kingdom.

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

COST OF SHARES HELD BY THE ESOP TRUST

Group	**2010 £'000**	2009 £'000
At 1 January	**602**	764
Disposals	**(126)**	(162)
At 31 December	**476**	602

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 £475,937 to the Trustee, interest free, which enabled it to purchase Henry Boot PLC ordinary shares.

At 31 December 2010, the Trustee held 1,009,452 shares with a cost of £475,937 and a market value of £943,838. 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 for the year ended 31 December 2010 continued

15. TRADE AND OTHER RECEIVABLES

	Group		Parent Company	
	2010 £'000	2009 £'000	**2010 £'000**	2009 £'000
Trade receivables	**36,225**	27,199	**199**	51
Pre-payments	**1,555**	1,615	**455**	677
Amounts owed by Group undertakings	**—**	—	**171,719**	189,388
	37,780	28,814	**172,373**	190,116
Due within one year	**27,331**	25,071	**172,373**	190,116
Due after more than one year	**10,449**	3,743	**—**	—
	37,780	28,814	**172,373**	190,116

Included in the Group's trade receivable balance are receivables with a carrying amount of £1.4m (2009: £1.9m) 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

	2010 £'000	2009 £'000
30–60 days	**957**	1,156
60–90 days	**301**	321
90–120 days	**42**	101
120+ days	**81**	291
	1,381	1,869

MOVEMENT IN THE ALLOWANCE FOR DOUBTFUL RECEIVABLES

	2010 £'000	2009 £'000
At 1 January	**709**	319
Impairment losses recognised	**46**	634
Amounts written off as uncollectable	**(98)**	(132)
Amounts recovered during the year	**(7)**	(112)
Impairment losses reversed	**(468)**	—
At 31 December	**182**	709

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

	2010 £'000	2009 £'000
0–30 days	**4**	1
30–60 days	**8**	—
60–90 days	**8**	—
90–120 days	**6**	1
120+ days	**156**	707
	182	709

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 £2,727,000, of which £Nil has been provided in the year, £34,488,000 has been released in the year and £Nil has been recovered in the year.

The Parent Company has no impaired trade receivables.

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.

15. TRADE AND OTHER RECEIVABLES CONTINUED

CREDIT RISK CONTINUED

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 2009	168	—	6,338	500	7,006
Recognised in income	(168)	3,001	420	425	3,678
Recognised in other comprehensive income	—	—	447	—	447
At 31 December 2009	—	3,001	7,205	925	11,131
Recognised in income	86	(1,321)	(1,360)	(585)	(3,180)
Recognised in other comprehensive income	—	(19)	(1,465)	164	(1,320)
At 31 December 2010	**86**	**1,661**	**4,380**	**504**	**6,631**
Parent Company					
At 1 January 2009	22	—	6,338	200	6,560
Recognised in income	(8)	—	420	417	829
Recognised in other comprehensive income	—	—	447	—	447
At 31 December 2009	14	—	7,205	617	7,836
Recognised in income	13	—	(1,360)	(298)	(1,645)
Recognised in other comprehensive income	—	—	(1,465)	—	(1,465)
At 31 December 2010	**27**	**—**	**4,380**	**319**	**4,726**

DEFERRED TAX LIABILITY

Group	Accelerated capital allowances £'000	Property revaluations £'000	Total £'000
At 1 January 2009	—	(3,778)	(3,778)
Recognised in income	(5)	3,307	3,302
Recognised in other comprehensive income	—	471	471
At 31 December 2009	(5)	—	(5)
Recognised in income	5	—	5
At 31 December 2010	**—**	**—**	**—**

Unrecognised deferred tax assets relating to property revaluations amounted to £2,315,000. These assets have not been recognised as it is probable that in future periods there will be no suitable profits or gains available to the Group against which they may be relieved. There are no other significant unrecognised deferred tax assets and liabilities.

During the year, as a result of the change in the UK corporation tax rate from 28% to 27% that was substantively enacted on 27 July 2010 and planned to be effective from 1 April 2011, the relevant deferred tax balances have been re-measured. Deferred tax balances at the year end have been measured at 27%.

Further reductions to the UK tax rate have been announced. The changes propose to reduce the rate to 26% from 1 April 2011 and by 1% per annum thereafter to 23% by 1 April 2014. The changes had not been substantively enacted at the Statement of Financial Position date and, therefore, are not recognised in these Financial Statements. The effects of these changes are not expected to have any material impact on the Financial Statements.

17. INVENTORIES

Group	2010 £'000	2009 £'000
Developments in progress	**4,135**	4,101
Land, options and agency agreements held for development	**53,870**	51,332
	58,005	55,433

Notes to the financial statements for the year ended 31 December 2010 continued

17. INVENTORIES CONTINUED

Within land, options and agency agreements held for development £1,926,000 (2009: £6,081,000) 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 £58,000 (2009: £1,497,000) have been reversed and reduced the amount of inventories recognised as an expense in the year. The reversals relate to costs previously provided where planning permission for development was doubtful but where prospects have now significantly improved or actual planning consent has been granted.

POST REPORTING PERIOD EVENTS

In January 2011, Hallam Land Management Limited completed the sale of optioned land with planning permission for 700 dwellings at Buckingham to Barratt Developments PLC and Bovis Homes Group PLC for £10.4m. This follows the submission, in 2008, of a planning application on the non-allocated site by Hallam Land for the dwellings and 2.5 hectares of employment development. Outline planning consent was secured in late 2009 and the site was marketed in mid 2010, receiving substantial levels of interest. Hallam Land retains its interest in the employment land following the transaction. The disposal is a 'Non-adjusting event after the reporting period' in accordance with IAS 10 'Events after the Reporting Period' and will impact the Statement of Comprehensive Income in 2011.

18. CONSTRUCTION CONTRACTS

	2010 £'000	2009 £'000
Contracts in progress at 31 December:		
Amounts due from contract customers included in trade receivables	**—**	—
Amounts due to contract customers included in trade payables	**(8,799)**	(17,759)
	(8,799)	(17,759)
Contract costs incurred plus recognised profits less recognised losses to date	**278,861**	256,756
Less: progress billings	**(287,660)**	(274,515)
	(8,799)	(17,759)

At 31 December 2010, retentions held by customers for contract work amounted to £952,000 (2009: £696,000). Advances received from customers for contract work amounted to £8,799,000 (2009: £17,759,000).

At 31 December 2010, amounts of £Nil (2009: £Nil) included in trade and other receivables and arising from construction contracts are due for settlement after more than twelve months.

19. ASSETS CLASSIFIED AS HELD FOR SALE

Assets classified as held for sale are investment properties which are individually being actively marketed for sale with expected completion dates within one year. At the Statement of Financial Position date assets classified as held for sale represent our Ayr Central Shopping Centre.

Assets classified as held for sale comprise the following:

	Investment property £'000
Fair value	
At 1 January 2009 and 2010	—
Transfers from investment property	29,511
Disposals	(1,792)
At 31 December 2010	**27,719**
Adjustment in respect of tenant incentives	4,707
Adjustment in respect of tax benefits	(426)
Market value at 31 December 2010	**32,000**

Assets classified as held for sale have been revalued by Jones Lang LaSalle Limited in accordance with the Practice Statements contained in the RICS Appraisal and Valuation Standards on the basis of market value at £32,000,000. 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.

POST REPORTING PERIOD EVENTS

In February 2011, Henry Boot Developments Limited completed the sale of Ayr Central Shopping Centre to Sovereign Land and AREA Property Partners for £33.8m before costs, reflecting a net initial yield of 6.25%. Located in the heart of Ayr town centre, the 180,000 sq ft shopping centre was developed in 2006 by Henry Boot Development Limited and is anchored by Debenhams and Primark, with other tenants including H&M, JD Sports, HMV, Clarks and River Island. The disposal of this asset held for sale is a 'Non-adjusting event after the reporting period' in accordance with IAS 10 'Events after the Reporting Period' and will impact the Statement of Comprehensive Income in 2011.

20. TRADE AND OTHER PAYABLES

	Group		Parent Company	
	2010 £'000	2009 £'000	**2010 £'000**	2009 £'000
Trade payables	**45,476**	48,855	**1,155**	907
Social security and other taxes	**6,087**	3,077	**257**	268
Accrued expenses	**2,848**	1,494	**936**	875
Deferred income	**2,144**	2,276	**—**	—
Amounts owed to related parties	**8**	3	**—**	—
Amounts owed to Group undertakings	**—**	—	**73,604**	104,638
	56,563	55,705	**75,952**	106,688
Due within one year	**55,216**	51,971	**75,952**	106,688
Due after more than one year	**1,347**	3,734	**—**	—
	56,563	55,705	**75,952**	106,688

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

21. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are:

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

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

The Group monitors capital on the basis of net debt to equity. Net debt is total debt less cash and cash equivalents and at 31 December 2010 this was £11.4m (2009: £32.1m). Equity comprises all components of equity and at 31 December 2010 this was £188.6m (2009: £176.2m).

During 2010 the Group's strategy, which was unchanged from 2009, 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. The facilities become due for renewal on 7 May 2012. Post the 2010 year end, cash flows from asset sales have resulted in the Henry Boot Group moving to a cash positive position. Given the cost of non-utilisation fees at 150bps and the relatively low development expenditure forecast for 2011, the level of these facilities has been reduced to £50m.

22. BORROWINGS

	Group		Parent Company	
	2010 £'000	2009 £'000	**2010 £'000**	2009 £'000
Bank loans	**15,231**	36,394	**10,000**	30,000
Loans from related parties	**200**	—	**—**	—
	15,431	36,394	**10,000**	30,000
The borrowings are repayable, including future interest, as follows:				
On demand or within one year	**11,763**	31,617	**10,027**	30,000
In the second year	**1,440**	1,529	**—**	—
In the third to fifth years inclusive	**3,228**	4,072	**—**	—
After five years	**—**	603	**—**	—
	16,431	37,821	**10,027**	30,000
Due within one year	**11,763**	31,617	**10,027**	30,000
Due after one year	**4,668**	6,204	**—**	—
	16,431	37,821	**10,027**	30,000

Notes to the financial statements for the year ended 31 December 2010 continued

22. BORROWINGS CONTINUED

The weighted average interest rates paid were as follows:

	2010 %	2009 %
Bank overdrafts	**4.00**	3.90
Bank loans – floating rate	**3.06**	2.72
Bank loans – floating rate (relating to Road Link (A69) Limited)	**1.68**	3.62
Related party loans – floating rate (relating to Stonebridge Projects Limited)	**5.00**	—

A bank loan of £5,231,000, 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 23), 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 2010, a 1% change in interest rates would affect profitability before tax by £205,000.

A related party loan from Stonebridge Homes Limited of £200,000, relating to Stonebridge Projects Limited, is arranged at an interest rate of 5%. The interest rate is not fixed and may change subject to agreement. The loan is repayable on demand.

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 23.

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 and Stonebridge Projects 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 2010, the Group had available £72,886,000 (2009: £48,771,000) undrawn committed borrowing facilities and £Nil (2009: £Nil) undrawn uncommitted borrowing facilities.

Bank overdrafts are repayable on demand.

23. DERIVATIVE FINANCIAL INSTRUMENTS

INTEREST RATE SWAP – CASH FLOW HEDGE

At 31 December 2010, an interest rate swap transaction was in place covering a bank loan of £5,231,000 (2009: £6,394,000) 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 22).

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 2010 was a liability of £606,000 (2009: £727,000) 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:

	2010 £'000	2009 £'000
Derivative financial liabilities:		
Level 1	**—**	—
Level 2	**605**	727
Level 3	**—**	—
Total fair value	**605**	727

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.

24. PROVISIONS

Group	Land development £'000	Road maintenance £'000	Bonds and guarantees £'000	Other £'000	Total £'000
At 1 January 2010					
Included in current liabilities	—	660	124	3,220	4,004
Included in non-current liabilities	—	—	—	—	—
	—	660	124	3,220	4,004
Additional provisions in year	17,865	870	—	25	18,760
Utilisation of provisions	(1,143)	(505)	(124)	(735)	(2,507)
Non-utilisation of provisions	—	—	—	(2,485)	(2,485)
At 31 December 2010	**16,722**	**1,025**	**—**	**25**	**17,772**
Included in current liabilities	10,810	1,025	—	—	11,835
Included in non-current liabilities	5,912	—	—	25	5,937
	16,722	**1,025**	**—**	**25**	**17,772**

Parent Company	Bonds and guarantees £'000	Other £'000	Total £'000
At 1 January 2010	124	1,000	1,124
Utilisation of provisions	(124)	(735)	(859)
Non-utilisation of provisions	—	(265)	(265)
At 31 December 2010	**—**	**—**	**—**

The land development provision represents management's best estimate of the Group's liability to provide infrastructure and services to land which has been disposed of during the period.

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 was made against the Parent Company, the liability for which was subject to an on demand bond. A call under the bond was made during the period resulting in the utilisation of the provision.

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.

Non-utilisation of other provisions includes £1.0m in connection with contract liabilities resulting from warranties which expired in the period, £1.2m in connection with a legal case by tenants in one of our investment properties, the outcome of which was successfully decided in our favour and £0.3m relating to a £1.0m provision for liabilities arising on an enhanced benefits pension buyout exercise, the remaining £0.7m of which was utilised during the period.

25. EMPLOYEE BENEFITS

DEFINED CONTRIBUTION PENSION SCHEME

The Group operates a defined contribution pension 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 £153,000 (2009: £158,000) represents contributions payable to the scheme by the Group.

DEFINED BENEFIT PENSION SCHEME

The Group operates a defined benefit pension scheme ('the 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 2010. The results of that valuation have been projected to 31 December 2010 and then recalculated based on the following assumptions:

	2010 %	2009 %
Retail Prices Index – RPI	**2.75**	2.75
Consumer Prices Index – CPI	**2.00**	2.00
Pensionable salary increases	**1.00**	2.75
Rate in increase to pensions in payment liable for Limited Price Indexation (LPI)	**2.65**	2.65
Revaluation of deferred pensions	**2.00**	2.75
Liabilities discount rate	**5.40**	5.75
Expected rate of return on scheme assets	**5.81**	6.17

Notes to the financial statements for the year ended 31 December 2010 continued

25. EMPLOYEE BENEFITS CONTINUED

DEFINED BENEFIT PENSION SCHEME CONTINUED

The overall expected rate of return is determined as follows:

- the assumption for return on equities of 7.00% is based upon gilt yields of 4.37% (commonly adopted as a 'risk-free rate') prevailing at the measurement date plus an equity risk premium of 2.63%;
- the assumption for return on bonds represents the expected return on the current portfolio of gilts and corporate bonds as at the measurement date;
- the assumption for return on cash is the bank base rate applicable at the measurement date and represents the expected returns on the scheme's cash holdings; and
- property is generally assumed to have the same expected return as equities.

Mortality assumptions	**2010 Years**	2009 Years
Retiring today (aged 65)		
Male	**21.3**	19.7
Female	**24.1**	22.7
Retiring in 20 years (currently aged 45)		
Male	**23.2**	21.0
Female	**26.0**	24.0

The mortality assumptions are consistent with the assumptions used in the most recent triennial valuation. These are the Self Administered Pension Schemes (SAPS) with allowance for future improvements in line with medium cohort subject to an underpin of 1% per annum.

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

	Change in assumption	Impact on scheme liabilities
Retail Prices Index – RPI	Increase by 0.25%	Increase by 2.3%
Consumer Prices Index – CPI	Increase by 0.25%	Increase by 0.9%
Rate of general increases in salaries	Increase by 0.25%	Nil*
Rate in increase to pensions in payment liable for LPI	Increase by 0.25%	Increase by 2.3%
Revaluation of deferred pensions	Increase by 0.25%	Increase by 0.7%
Liabilities discount rate	Decrease by 0.25%	Increase by 4.1%
Rate of mortality	Increase by 1 year	Increase by 3.1%

* Increases in salaries above the 1% assumed would not affect the scheme liabilities as future increases in pensionable salaries are to be capped at a maximum of 1% per annum.

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

	2010 £'000	2009 £'000
Current service cost	**(1,111)**	(822)
Interest cost	**(7,151)**	(8,043)
Expected return on scheme assets	**6,659**	5,619
Past service cost	**877**	—
Gain on curtailment	**3,299**	—
Gain on settlement	**389**	—
Pension Protection Fund	**(1)**	(90)
Pension expenses	**2,961**	(3,336)

Actuarial gains have been reported in other comprehensive income of £4,649,000 (2009: losses £1,595,000).

The cumulative amount of actuarial gains recognised in other comprehensive income since the date of transition to IFRS is £7,913,000 (2009: £3,264,000).

The actual gain on scheme assets was £9,759,000 (2009: loss £12,239,000).

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

	2010 £'000	2009 £'000
Present value of scheme obligations	**129,668**	137,830
Fair value of scheme assets	**113,447**	112,098
	16,221	25,732

25. EMPLOYEE BENEFITS CONTINUED

DEFINED BENEFIT PENSION SCHEME CONTINUED

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

	2010 £'000	2009 £'000
Non-current liabilities	**16,221**	25,732

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

	2010 £'000	2009 £'000
At 1 January	**137,830**	125,851
Service cost	**1,111**	822
Interest cost	**7,151**	8,043
Contributions from scheme members	**367**	396
Actuarial (gain) loss	**(1,548)**	8,242
Past service cost	**(877)**	—
Gain on curtailment	**(3,299)**	—
Gain on settlement	**(3,794)**	—
Benefits paid	**(7,273)**	(5,524)
At 31 December	**129,668**	137,830

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

	2010 £'000	2009 £'000
At 1 January	**112,098**	103,215
Expected return on scheme assets	**6,659**	5,619
Actuarial gain	**3,100**	6,620
Employer contributions	**1,900**	1,772
Contributions from scheme members	**367**	396
Gain on settlement	**(3,404)**	—
Benefits paid	**(7,273)**	(5,524)
At 31 December	**113,447**	112,098

The analysis of the scheme assets and the expected rate of return at 31 December 2010 was as follows:

	Rate of return		Market value	
	2010 %	2009 %	**2010 £'000**	2009 £'000
Equities	**7.00**	7.45	**62,225**	62,150
Bonds	**4.37**	4.61	**51,032**	49,514
Cash	**0.50**	0.50	**190**	434
			113,447	112,098

Included in equities are 2,250,000 (2009: 2,250,000) ordinary 10p shares in Henry Boot PLC with a value at the year end of £2,103,750 (2009: £2,081,250).

The history of experience adjustments is as follows:

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Present value of defined benefit obligations	**(129,668)**	(137,830)	(125,851)	(144,260)	(141,580)
Fair value of scheme assets	**113,447**	112,098	103,215	121,806	115,767
Deficit in the scheme	**(16,221)**	(25,732)	(22,636)	(22,454)	(25,813)
Experience adjustments on scheme liabilities	**(6,666)**	—	—	1,853	(2,935)
Percentage of scheme liabilities	**(5%)**	—	—	1%	(2%)
Experience adjustments on scheme assets	**3,100**	6,620	(24,144)	18	4,783
Percentage of scheme assets	**3%**	6%	23%	—	4%

Notes to the financial statements for the year ended 31 December 2010 continued

25. EMPLOYEE BENEFITS CONTINUED

DEFINED BENEFIT PENSION SCHEME CONTINUED

The estimated amount of total contributions expected to be paid to the scheme by the Group, inclusive of contributions payable by the Company, during the current financial year is £5,200,000, being £4,800,000 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 as part of the Recovery Plan for the scheme as a result of the outcome of the scheme's triennial valuation as at 31 December 2006. As part of the Recovery Plan for the scheme as a result of the 31 December 2009 triennial valuation, this letter of credit will be replaced by the Company agreeing to contribute a further £175,200 per annum for a period of ten years beginning in 2011.

26. OPERATING LEASES

THE GROUP AS LESSEE

	2010 £'000	2009 £'000
Minimum lease payments under operating leases recognised in the Statement of Comprehensive Income for the year	**261**	267

At 31 December 2010, the Group had outstanding commitments for future aggregate minimum lease payments under non-cancellable operating leases which fall due as follows:

	2010 £'000	2009 £'000
Within one year	**126**	195
In the second to fifth years inclusive	**51**	229
After five years	**—**	—
	177	424

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.

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

	2010 £'000	2009 £'000
Within one year	**8,085**	8,864
In the second to fifth years inclusive	**27,803**	33,351
After five years	**65,852**	84,584
	101,740	126,799

27. 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	2010 £'000	2009 £'000
Management charges receivable	**1,599**	1,566
Interest receivable	**8,048**	7,953
Interest payable	**(2,519)**	(2,739)
Rents payable	**(156)**	(169)
Recharge of expenses	**121**	71

Transactions between the Company and its remaining related parties are as follows:

Purchases of goods and services	2010 £'000	2009 £'000
Close family members of key management personnel (amounts paid for IT services)	**43**	38

Related party transactions are charged at prevailing market prices. Amounts owing by related parties (note 15) or to related parties (notes 20 and 22) are unsecured, repayable on demand and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

27. RELATED PARTY TRANSACTIONS CONTINUED

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 45 and 46.

	2010 £'000	2009 £'000
Salaries and other short-term employee benefits	**1,350**	1,389
Post-employment benefits	**101**	102
Share-based payments	**190**	119
	1,641	1,610

28. SHARE CAPITAL

	Authorised		Allotted, issued and fully paid	
	2010 £'000	2009 £'000	**2010 £'000**	2009 £'000
5.25% cumulative preference shares of £1 each	**400**	400	**400**	400
130,244,385 ordinary shares of 10p each (2009: 130,244,385)	**19,600**	19,600	**13,024**	13,024
	20,000	20,000	**13,424**	13,424

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

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

SHARE-BASED PAYMENTS

The Company operates the following share-based payment arrangements:

(A) THE HENRY BOOT PLC 2000 SHARESAVE SCHEME

This savings related share option scheme was approved by shareholders in 2000 and is subject to HMRC rules. The first grant of options to participating employees was made on 1 November 2006 at a price of 155.4p, a discount of just under 15% of the prevailing market price. 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 outstanding at 31 December 2009	Options lapsed	Options exercised	**Options outstanding at 31 December 2010**
November 2006 grant	140,475	140,475	—	**—**
October 2008 grant	1,073,389	145,034	2,319	**926,036**

The weighted average share price at the date of exercise for share options exercised during the period was 94.4p (2009: Nil).

(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 44.

(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 44.

Notes to the financial statements for the year ended 31 December 2010 continued

28. SHARE CAPITAL CONTINUED

SHARE-BASED PAYMENTS CONTINUED

In respect of (B) and (C), the aggregate total of movements in share options granted and awards of shares is as follows:

	2010 Number	2009 Number
Share options granted at 1 January	**2,091,825**	1,932,274
Lapses of share options in year	**(287,989)**	(161,650)
Awards of shares in year	**(264,151)**	(345,085)
Share options granted in year	**566,265**	666,286
Share options granted at 31 December	**2,105,950**	2,091,825

The weighted average share price at the date of exercise for share options exercised during the period was 93.5p (2009: 79.6p).

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	15.48% to 42.72%	17.30%	33.20%
Expected life	3 to 6 years	3 years	3 years
Risk-free rate	1.79% to 4.73%	4.82%	3.52%
Expected dividend yield	2.61% to 4.76%	2.92%	2.61%

The weighted average fair value of share options granted during the year was 96.5p (2009: 73.1p).

EXPENSE RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME

	2010 £'000	2009 £'000
The total expense recognised in the Statement of Comprehensive Income arising from share-based payment transactions	**659**	799

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

29. RESERVES

			Other				
Group	Property revaluation £'000	Retained earnings £'000	Capital redemption £'000	Share premium £'000	Capital £'000	Other £'000	Total other £'000
At 1 January 2009	4,438	168,868	271	2,563	227	(484)	2,577
Loss for the year	—	(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
Profit for the year	—	11,827	—	—	—	—	—
Dividends paid	—	(3,378)	—	—	—	—	—
Movements in fair value of cash flow hedge	—	—	—	—	—	75	75
Deferred tax on fair value movements of cash flow hedge	—	—	—	—	—	100	100
Realised revaluation surplus	(36)	36	—	—	—	—	—
Deferred tax on revaluation surplus	(19)	—	—	—	—	—	—
Arising on employee share schemes	—	659	—	—	—	—	—
Unrecognised actuarial gain	—	4,649	—	—	—	—	—
Deferred tax on actuarial gain	—	(1,465)	—	—	—	—	—
At 31 December 2010	**3,294**	**168,528**	**271**	**2,563**	**209**	**(269)**	**2,774**

29. RESERVES CONTINUED

Parent Company	Retained earnings £'000	Other: Capital redemption £'000	Share premium £'000	Capital £'000	Investment revaluation £'000	Total other £'000
At 1 January 2009	37,762	271	2,563	1,632	1,135	5,601
Loss for the year	(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
Profit for the year	4,856	—	—	—	—	—
Dividends from subsidiaries	36,456	—	—	—	—	—
Dividends paid	(3,378)	—	—	—	—	—
Unrecognised actuarial gain	4,649	—	—	—	—	—
Deferred tax on actuarial gain	(1,465)	—	—	—	—	—
Arising from employee share schemes	520	—	—	—	—	—
At 31 December 2010	**63,776**	**271**	**2,563**	**211**	**1,135**	**4,180**

30. 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 Parent Company has given cross guarantees to certain of the Group's bankers and bondsmen in respect of facilities available to Group undertakings in the normal course of business. Guarantees relating to bonds are impracticable to quantify. In the opinion of the Directors, no loss is expected to arise in connection with these matters.

31. 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 2010, 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 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 Projects Limited	Property development and investment
Henry Boot Tamworth Limited	Property development and investment
Henry Boot Whittington Limited	Property investment
Road Link (A69) Limited	PFI road maintenance
Stonebridge Projects Limited	Property development
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 and Stonebridge Projects Limited which is 50% owned. They are all held directly by the Company with the exception of Henry Boot 'K' Limited, Henry Boot Tamworth Limited and Winter Ground Limited which are held indirectly through Henry Boot Developments Limited and our 50% interest in Stonebridge Projects Limited which is held indirectly through Henry Boot Land Holdings Limited.

Property valuers' report

JONES LANG LASALLE

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Park Square
Leeds LS1 2ND
tel +44 (0) 113 244 6440
www.joneslanglasalle.co.uk

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

31 December 2010

Gentlemen

HENRY BOOT PLC
GROUP PROPERTY PORTFOLIO VALUATION – 31 DECEMBER 2010

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 2010. 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 2010 is:

Freehold	£118,085,000
Leasehold	£5,665,000
Total	**£123,750,000**

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

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

Yours faithfully

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

Notice of annual general meeting

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 27 May 2011, 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, 7 and 10 as ordinary resolutions of the Company and as to Resolutions 8, 9 and 11 as special resolutions of the Company.

RESOLUTION 1

To receive the Directors' Report and the Financial Statements for the year ended 31 December 2010.

RESOLUTION 2

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

RESOLUTION 3

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

RESOLUTION 4

To re-appoint J J Sykes as a Director, who retires having been appointed since the last Annual General Meeting.

RESOLUTION 5

To re-appoint PricewaterhouseCoopers LLP as auditors of the Company.

RESOLUTION 6

To authorise the Directors to fix the auditors' remuneration.

RESOLUTION 7

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 26 August 2012 or at the conclusion of the next Annual General Meeting of the Company, whichever is the earlier, 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 551 of the Companies Act 2006 (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

RESOLUTION 8

THAT subject to the passing of Resolution 7 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 7 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 26 August 2012 or at the conclusion of the next Annual General Meeting of the Company, whichever is the earlier, 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 570 of the Companies Act 2006 (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

Notice of annual general meeting continued

RESOLUTION 9

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 Annual General Meeting of the Company after the passing of this resolution or, if earlier, on 26 August 2012; and

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

RESOLUTION 10

THAT the Directors' Remuneration Report for the year ended 31 December 2010 as set out in the 2010 Annual Report and Financial Statements of the Company be and is hereby approved.

RESOLUTION 11

THAT the draft Articles of Association produced to the meeting and signed by the Chairman of the meeting for identification purposes be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association of the Company (including all provisions of the Company's Memorandum of Association which, by virtue of Section 28 of the Companies Act 2006, are treated as provisions of the existing Articles of Association of the Company).

By order of the Board

J T SUTCLIFFE
COMPANY SECRETARY
21 APRIL 2011

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 25 May 2011 (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 25 May 2011 (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 25 May 2011 (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 close 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 proposed new Articles of Association; and

   (b) copy of the existing Articles of Association marked to show changes being proposed.

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 21 April 2011 was 130,244,385 ordinary shares, carrying one vote each and representing the total number of voting rights in the Company.

Front cover images

ROW 1

The Cavendish Buildings on West Street, Sheffield, an early shop and office development built in 1907–1919 and still in use today.

Horses and carts being used on the 1920 Gravesend to Strood road widening contract.

The Queen Adelaide Hotel, Sheffield, then on the corner of Bramall Lane and Hermitage Street. One of a series of public houses built in Sheffield in the period 1900–1920.

The Company was also a prominent builder of local cinemas in the early years. This is The Star Picture House on Ecclesall Road, Sheffield dating from 1915. Somewhat inevitably, a petrol station now occupies the site.

Since the First World War, virtually every British soldier has passed through Catterick Camp in North Yorkshire. It was originally built by Henry Boot when it was known as Richmond Camp. Pictured is the then newly built Camp Post Office. Today Catterick Garrison is almost a town in its own right.

ROW 2

We undertook the construction of a factory for British Glass Industries Limited at Canning Town, London in 1922.

The Company built an example of one of its houses at the prestigious 1924/25 British Empire Exhibition at Wembley.

A Henry Boot (Garden Estates) Limited brochure extolling the virtues of its 1930s Garrowhill housing development just outside Glasgow.

In the late 1920s and early 1930s Charles Boot and a certain George Bennie collaborated on a futuristic overhead 'Railplane' project, but in the event only a test track at Burnbrae, Scotland was ever built.

We have built a number places of worship over the years. This is the 1936 classically inspired art deco Wilson Road Synagogue in Sheffield.

ROW 3

Soil stabilisation work being undertaken in Doncaster in the mid 1950s.

In the past, the Company has had many contracts overseas, particularly in Europe (France, Greece and Spain) and in the Far East (Hong Kong and Singapore). Pictured is bank protection work being carried out on a river near the Greek town of Arta in about 1950. The famous Henry Boot 'Greek Contract' for land reclamation, irrigation works, road and bridge construction took place over four decades, only interrupted by the Second World War and the ensuing Greek civil war.

It's the early 1960s and the Banner Plant sales team pose for a group photograph.

Rebuilding post-war Britain. Henry Boot & Sons (Reema) Limited was a specialist activity established in 1954 and supplied sectional houses and buildings of the type shown in this photograph.

Liverpool College of Technology building in Byrom Street was a 1959 contract. Today, it forms part of Liverpool John Moores University.

ROW 4

We built 'The Chantry' in Eastbourne, a typical early 1960s block of flats.

Our Dronfield offices in north Derbyshire pictured in 1974.

The cover of the Autumn 1975 issue of our in-house magazine 'Boot World' featured a striking image of the Victory House offices in Manchester that we had just completed.

Once described as 'One of the Seven Wonders of London', the positively cathedral-like interior of the Tooting Cinema was transformed into a Granada bingo hall in 1979.

A dramatic night-time view during slipforming operations in the construction of a storage silo for British Sugar by Henry Boot Civil Engineering Limited in the summer of 1982.

ROW 5

The Board of Henry Boot & Sons Limited in 1985. Left to right: Doug Greaves, David Boot, Hamer Boot, Jamie Boot and Alan Bamford, under the watchful eye of Henry Boot.

The refurbishment of local authority flats and houses has been a major activity for Henry Boot Construction in the past decade. These were undertaken for Sheffield City Council in Netherthorpe in 2001.

Plant hire has been a long-established activity of the Henry Boot Group and always offers and continues to provide a very competitive service to its trade and general public customers.

The way we shop now. B&Q along with Tesco and other big names in retailing have been major clients for Henry Boot Developments Limited.

Chellaston, near Derby, where Hallam Land Management acquired a site, obtained the relevant planning permission and then sold it to a national housebuilder.

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The commitment of the Henry Boot Group to environmental issues is reflected in this annual report. The cover has been printed on Trucard 2 Gloss, which is a FSC certified 100% woodfree pulp and is fully recyclable.

The text pages are printed on Cocoon Silk, which is made from 100% recycled fibres sourced from post consumer waste and Revive Silk, a recycled paper stock containing 75% recovered fibre and 25% virgin.

Henry Boot

Further copies of the 2010 Annual Report and Financial Statements may be obtained from the Company Secretary.

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