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Corporate Profile

Henry Boot has been at the forefront of the UK construction industry for over 100 years and is today a broad-based group of companies with the head office of its parent company, Henry Boot & Sons PLC, located at Banner Cross Hall, Sheffield.

Building and Civil Engineering
In meeting the varied construction demands of its many clients, Henry Boot offers extensive expertise in alternative procurement routes such as management contracting, design & build and fast track fitting-out/refurbishment as well as traditional contracting. In addition, a positive approach is applied to the latest construction strategies such as Partnering, Design Build Finance and Operate and the Private Finance Initiative.

Private Housing
Henry Boot residential development activities provide a wide variety of quality housing schemes on sites from Warwickshire to Strathclyde. The properties vary from one and two-bedroom homes for first-time buyers through to superior five-bedroom family dwellings.

Property Development & Investment
Property related activities encompass the development, letting/sale and management of a broad range of land and property projects, and involve the administering of a carefully balanced multi-million pound investment portfolio.

Land Management
Identification and acquisition of land together with associated negotiation and securing of planning permissions for development projects is a specialist activity run from the Sheffield head office and regional offices.

Training
The group has been engaged in the training and placing of young people and adults in industrial and commercial sectors on a nationwide basis for some 20 years. This has expanded in recent years to include additional fields of training both in the UK and overseas.

Inner City Regeneration
Henry Boot inner city operations are structured to blend the group's construction, development and training skills in undertaking urban industrial, commercial and residential refurbishment and improvement schemes.

Plant Hire & Scaffolding
Plant and scaffolding are supplied on a commercial basis from depots located in the Midlands and Yorkshire regions to external customers and for the group's own contracting operations.

Henry Boot

1995 Annual Review

Turnover	£179.2m
Profit before taxation	£8.7m
Earnings per share	23.6p
Dividends per share	7.5p
Net assets employed	£54.1m
Net asset value per ordinary share	198p
Dividend cover	3.1

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Chairman's Statement

It is my pleasure to report a record pre-tax profit of £8.7m for 1995 – our tenth successive year of improved profitability and a 6.5% increase on last year. This has been achieved in the face of an economic climate offering little encouragement to our industry.

Trading Summary

As a consequence of the extreme competitiveness in the construction market, the higher level of turnover reported at the interim stage could not be maintained with the result that turnover for the full year was marginally down on 1994. An improvement in operating profit was achieved in spite of this lower turnover, largely through our property development and land trading companies.

"a record pre-tax profit of £8.7m for 1995 – our tenth successive year of improved profitability"

Our contracting activities continued to mirror the industry's problems of over-capacity, negative margins and slow-paying clients. The latter problem has significantly affected our business, resulting in a high carrying cost of debtors and poor cash generation. As reported previously, you can be assured that the Board is continuing to strenuously pursue all means to rectify this situation.

House sale completions in the year fell below the previous year's level, reflecting the stagnation in demand experienced by the housebuilding industry as a whole. However, we have expanded our operations into new geographical areas and remain on line to meet the core objective of an increased market share of new-build housing. Significant additions to the land bank have been made in co-operation with our land trading activity.

"we have expanded our operations into new geographical areas and remain on line to meet the core objective"

The continuing success of our property development activity has been the mainstay of the group's performance in the year. In addition, rental levels have been maintained despite on-going development sales at York. The Bridlington town centre scheme opened during the year by HRH The Duke of Gloucester is now 80% let. Progress on the Priory Park scheme in Hull augurs well for the future.

"our property development activity has been the mainstay of the group's performance"

The extension of our training activities into the private sector is beginning to yield satisfactory returns and, coupled with our existing public sector involvement, should enhance the company's good reputation in this field.

Our inner city activities have maintained steady progress on a number of sites during the year. At the same time, the plant hire business has prospered despite keen competition and reduced utilisation levels being experienced in the market place.

Financial Position and Dividends

The net assets of the group have increased by a further £5.6m in the year, bringing the total to £54.1m. The balance sheet benefited not only from record profits but also from property revaluation and the issue of shares following the exercise of options under share option schemes. Net assets per share have advanced from 184p per share to 198p per share.

"Net assets per share have advanced from 184p per share to 198p per share."

In view of the above and the increase in profitability, your Board has recommended an increase in the final dividend to 5.55p. This will bring the overall dividend payable up to 7.5p per ordinary share, compared with 7.1p for 1994, whilst remaining satisfactorily covered at the post-tax level.

Interest receivable remained broadly in line with the previous year despite the calls on our cash reserves. With a tax charge of 30%, earnings per share of 23.6p showed a 3.5% improvement.

Employees

There is no doubt that the strength of any company lies in the quality of its employees and ours is no exception. The year has been a particularly difficult one and our employees have faced it with considerable resolve and commitment. I am sure that my fellow directors and shareholders join me in expressing appreciation of their endeavours over the past 12 months and look forward to continuing our success into 1996.

The Outlook

This time last year I expressed the opinion that we felt much would depend upon Government fiscal policies and the extent to which excess capacity and the resultant competition continue in the construction industry. We have seen the introduction of the Private Finance Initiative almost to the exclusion of any other forms of contract on much public sector work. Whereas we are supportive of the initiative, and indeed are a member of the consortium to be awarded the first DBFO road contract, PFI is seriously delaying construction projects desperately needed by the industry and by the country.

> "1996 has started well... and we have the resources and capabilities to continue our success"

There has been some rationalisation within the industry but competition remains fierce and we are facing another challenging year.

However, 1996 has started well, particularly within our housing, land management and property development activities and we have the resources and capabilities to continue our success.

After nine years as your Chairman it is my intention to step down following the Annual General Meeting in May. Mr John Reis has been elected to succeed me as non-executive Chairman and I have agreed to remain as a non-executive director. I would like to thank all my colleagues on the Board of Henry Boot & Sons PLC for their loyalty and kind help during my period as Chairman and know they will continue to give their full support to Mr Reis.

17th April 1996 David H Boot

Company Advisers

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

Bankers
Barclays Bank PLC,
14 Commercial Street,
Sheffield S1 1NG

Lloyds Bank Plc,
14 Church Street,
Sheffield S1 1HP

National Westminster Bank Plc,
42 High Street,
Sheffield S1 1QG

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

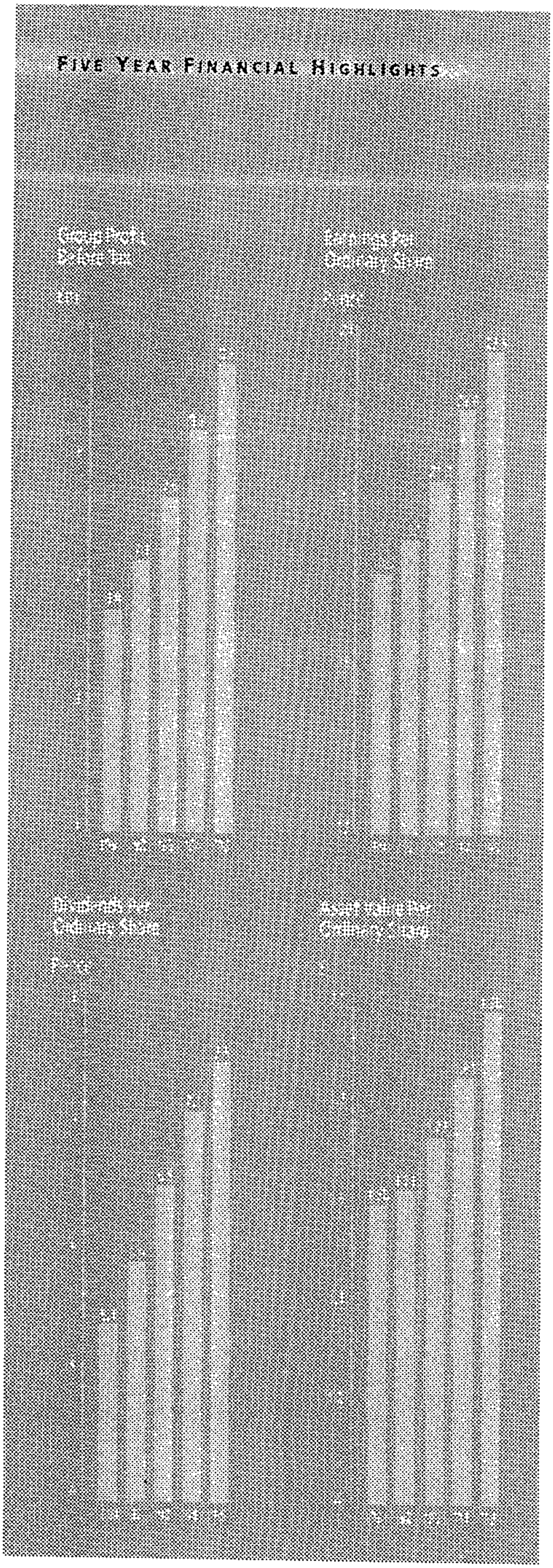
Merchant Bankers
Lazard Brothers & Co. Limited,
21 Moorfields,
London EC2P 2HT

Registrars
Northern Registrars Limited,
Northern House,
Penistone Road,
Fenay Bridge,
Huddersfield HD8 0LA

Solicitors
Allen & Overy,
One New Change,
London EC4M 9QQ

Stockbrokers
UBS Limited,
100 Liverpool Street,
London EC2M 2RH

BWD Rensburg Limited,
Woodsome House,
Woodsome Park,
Fenay Bridge,
Huddersfield HD8 0JG



Review of Operations

Little has changed over the past 12 months to ease the extremely difficult and competitive conditions dominating the markets in which we operate.

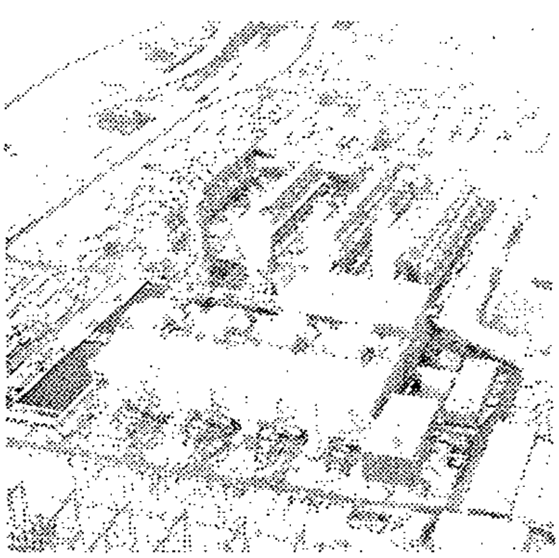
Each of our trading companies has responded positively to the challenge facing the industry and under the circumstances the group as a whole has performed well. Once again the traditional base strengths of the group have provided the corporate stability so important in these challenging times.

This review of group operations demonstrates the range and depth of activities undertaken by Henry Boot companies during the course of 1995.

Construction

Our construction companies remained burdened throughout the year with no improvement in the recessionary conditions which are so adversely affecting their industry. Margins remain totally unacceptable for the degree of commitment and skill brought to each contract.

Notwithstanding this, significant progress was made in registering involvement in elements of the Government's Private Finance Initiative relating to road and health sector construction and in expanding our portfolio of blue chip clients within the retail sector. In addition, major strides were taken in establishing a presence as a leading contractor in 'secure construction' for HM Prisons.



Extensive civil engineering works at Connah's Quay Gas Turbine Power Station, Clywd. (Photograph by courtesy of GEC Alsthom)

Civic Trust Award commendation was given to road pedestrianisation works around the Queen Victoria Memorial at the entrance to Buckingham Palace, and a bridge for the Leeds to Skipton railway line at Bingley was commended by the Yorkshire Association of the Institution of Civil Engineers for its excellence in concept, design and construction.

Refurbishment and extension of the Boots The Chemists store in Swindon.

Our greatest recognition must be the amount of repeat order business awarded to us, particularly for the fast track activity which has maintained and improved its working relationships in some instances for over 15 years.

Quality assurance remains a prime requirement in all operations with BS EN ISO 9002 registration now awarded to all English regional offices and will extend to the Scottish division by mid-1996. ISO 9000 accreditation has been increased to incorporate planned maintenance and facilities management as well as management contracting.

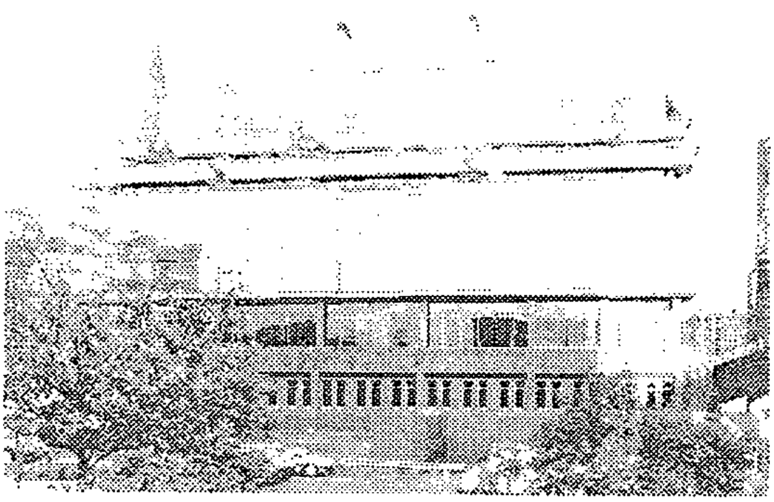
Safety also continues to be of top priority at all times. The Construction, Design & Management Regulations came into effect and both staff and operatives received training during the year to ensure compliance with Health & Safety Executive requirements.

In-house management development programmes were on-going through 1995 during which time courses were held covering varied subjects such as quality management, negotiation, contract conditions and site management, in addition to CDM and safety.

We continue to have close associations with Loughborough University and the University of Hertfordshire in sponsoring undergraduates in their studies and work

REVIEW OF OPERATIONS (CONTINUED)

experience, and working relationships with Sheffield Hallam University and Hatfield University. In addition, we are represented on the Policy Group of the Centre for Construction and Marketing at Oxford Brookes University.



Major internal upgrading and alterations were carried out at the Scottish headquarters of Abbey National in Glasgow.

☐ Henry Boot Construction (UK) Limited assumed responsibility in October for all the group's UK contracting operations previously carried out by Henry Boot Construction Limited and Henry Boot Scotland Limited, and for administering all contracts being carried out by the two companies at that time.

Although this activity achieved its planned turnover, it suffered a substantial loss with its financial performance still impaired by contractual difficulties on two major projects. Strenuous efforts remain in progress to resolve these matters.

Construction of the Scole By-pass in Bedfordshire was completed for the Highways Agency and although the reduction in the national road programme is making it increasingly difficult to secure work in this sector, contracts were obtained for a £5.6m project for Sheffield City Council, a £2m scheme for Lancashire County Council and a four-span flyover for the London Borough of Harrow.

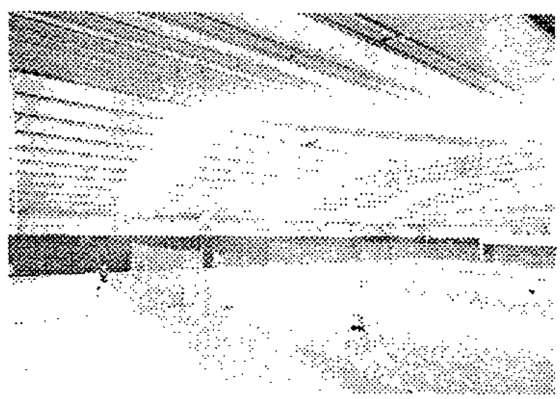
Following the completion of a £30m project at Little Barford Gas Turbine Power Station in Bedfordshire for GEC Alsthom and the continuation of similar work on a larger project for the same client at Connah's Quay Gas Turbine Power Station in Clywd, further power station work commenced at Radcliffe, Nottinghamshire for Scottish Power.

A major £20.5m design, construction and commissioning contract was started in joint venture with PWT Projects Limited at the Carron Valley Water Treatment Plant in Stirlingshire for Central Regional Council. Other water projects were also awarded by Yorkshire Water and Severn Trent Water.

In spite of a slow down in the availability of healthcare work due to delays created by the introduction of the Private Finance Initiative, we maintained our excellent record in this sector with the completion of a 120-bed private nursing home at Lasswade, the award of a £5m contract for the Derbyshire Royal Infirmary NHS Trust, an £8m major renovation project at Crosshouse Hospital, Kilmarnock and enabling works at Stoke Mandeville Hospital.

The 3,000 seat extension of the South Stand at Sheffield Wednesday Football Club was completed, as were sports centres at Redbridge in north east London and the University of Birmingham - facilities to rival the very best in the UK.

In the private commercial sector in Scotland, a £6m Batleys cash and carry warehouse and office complex was constructed in Cambuslang, a £6m office refurbishment scheme was carried out at Abbey House, Glasgow for Scottish Mutual Assurance and progress was maintained on



Impressive new tennis facilities and Essex Lawn Tennis Association headquarters at Redbridge Sports Centre, Ilford.

New conference and catering facilities at the University of Strathclyde.

the reconstruction of a seven storey office block behind a retained facade at George Square, Glasgow for the Co-operative Insurance Society.

Education projects were completed in Hertfordshire and Strathclyde and work has recently commenced on Redway School at Milton Keynes for Buckinghamshire County Council.

Housing improvement projects were completed for Leeds City Council, Sheffield City Council, North Hull Housing Action Trust and Charity Housing Association, Barnsley. New schemes were commenced for Kirklees Metropolitan Council, Glasgow District Council, Leeds City Council and Hanover (Scotland) Housing Association.

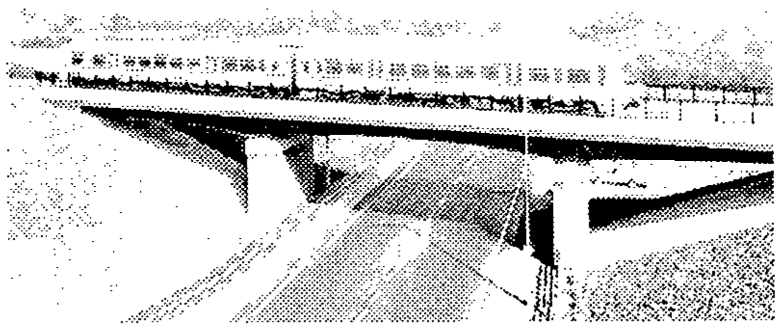
Work for Railtrack continued with the completion of improvements to a railway bridge at Aston, Birmingham and the award of an underbridge contract at Bicester. An award-winning railway bridge was also completed for the Department of Transport in Bingley, West Yorkshire.

☐ Henry Boot Management Limited continued the successful growth pattern it has enjoyed for the past seven years and is increasingly entering into 'partnering' agreements with clients and sub-contractors alike to the benefit of all parties.

Repeat order business has been particularly pleasing and this has been typified by the fast track activity in general and by prison service and health service work in particular.

Notable management contracts completed during 1995 included a £5m 'state of the art' head office with many technical innovations for leading international computer software specialists, Micro Focus, in Newbury.

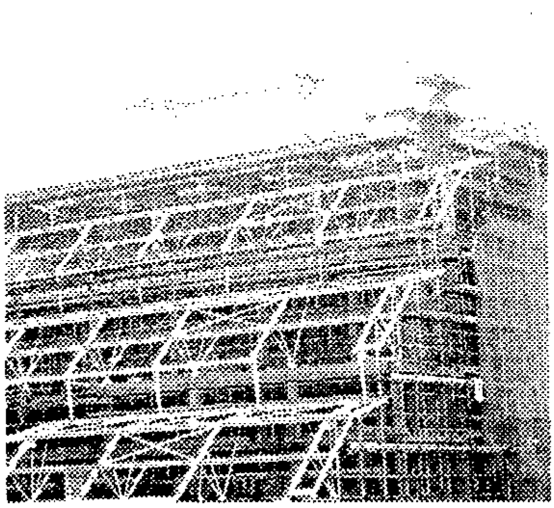
Also, two major prisons were upgraded at contract values of £7m each which called for complex programming and co-ordination and incorporated the very latest technology in security and surveillance equipment.



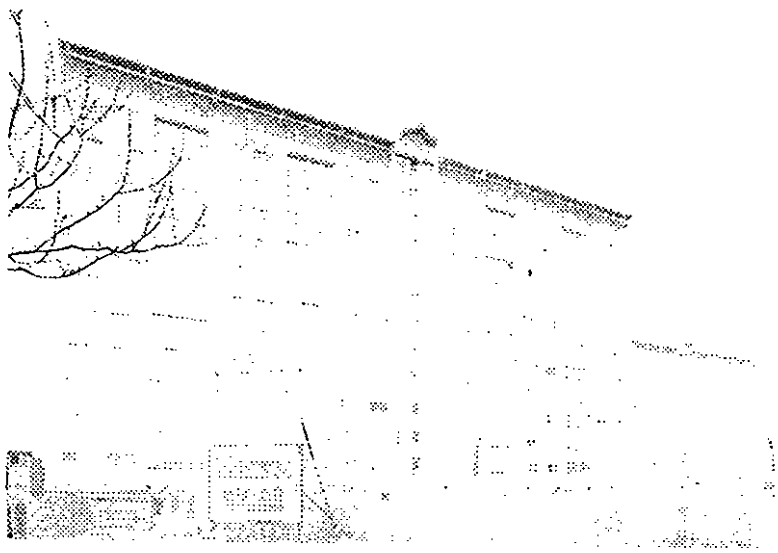
This 60m span Railtrack underbridge takes the main Banbury to London line over the Bicester eastern perimeter road.

A £1m cost cutting exercise was successfully accomplished whilst still meeting the client's requirements in a £3.8m design and build library extension project for the University of Central Lancashire in Preston.

Good progress was made during the year on a design, management and construct contract for a £10.2m Learning Resource Centre for Sheffield Hallam University. The highly



Distinctive cascade gull wing roofs under construction as Sheffield Hallam University's advanced Learning Resource Centre takes shape.

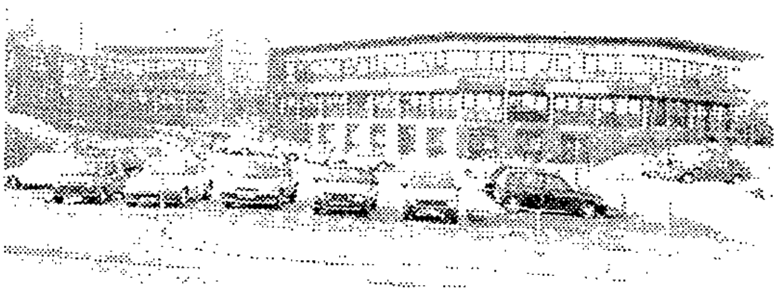


Design and build refurbishment of 11-storey residential blocks for the London Borough of Hounslow.

serviced seven-storey design features a distinctive gull wing roof and upon completion will provide some of the most advanced electronic facilities in the world.

The successful early completion of our first fast track fitting-out and refurbishment contract for Bhs in Torquay was promptly rewarded with a negotiated contract at Barnstaple.

Innovative planning and on-site operations were employed in achieving a 25% reduction in contract period whilst completing a series of projects for Boots the Chemists. We were also chosen by this client to spearhead a new concept



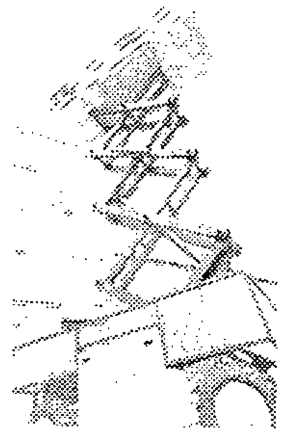
Sophisticated head office extensions in Newbury for computer software specialists, Micro Focus.

of 'edge of town' stores and three projects at Bromsgrove, Salford and Cheshunt were completed.

Over 30 facilities management commissions were received during the year for us to act as planning supervisor on different projects. We were chosen by Shell Downstream Oil to maintain their estate of petrol filling stations on 2,000 sites throughout the UK.

Plant Hire

Increased profits were achieved by Banner Plant Limited despite the disappointing mid-year evaporation of optimism which had been encouraged by a sound performance in 1994.



A new range of hydraulic aerial platforms has been added to the Banner Plant hire fleet.

Although utilisation of traditional construction equipment was put under pressure, our policy of investing in a modern hire fleet was maintained and rewarded.

The range of plant and equipment was further extended at all operating depots with emphasis placed on categories of plant that continue to trade satisfactorily in the challenging market, namely powered access and material handling equipment.

We maintained a strong presence in the site accommodation market and our policy of securing more diversified customers resulted in an increased turnover on non-construction work.

Profit for the scaffolding activity met expectations despite competing in a very keen market place.

Whilst 1996 has made a steady start, a cautious trading environment still prevails.

Private Housing

The long awaited recovery in the private housing market did not materialise in 1995 and trading remained difficult throughout the year with margins under continuous pressure. Although there was a decline in sales compared to 1994, Henry Boot Homes Limited was able to maintain net profits at levels well above the industry norm.

Superior four-bedroom homes at Darley Dale, Derbyshire.

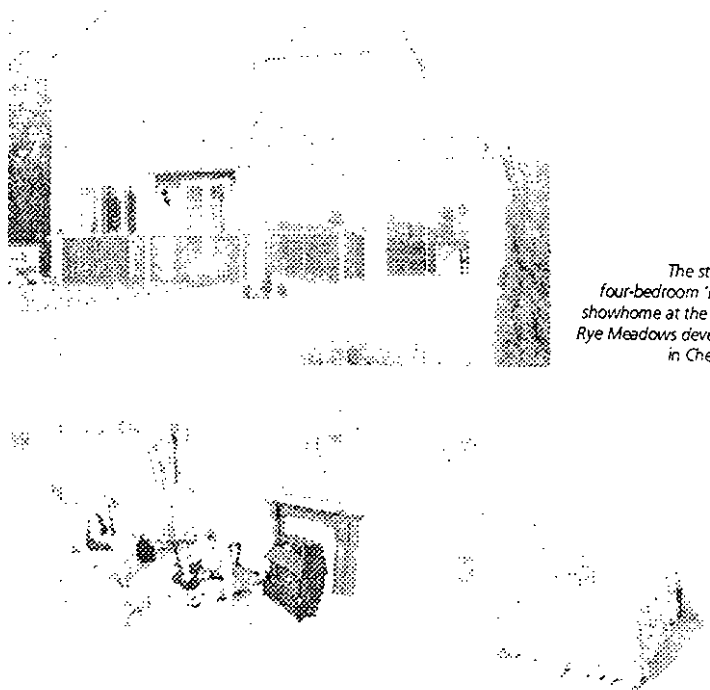
We believe that there is a significant pent-up demand for newly built homes presently being held in check by economic uncertainty and more particularly by continuing job insecurity. This situation will hopefully improve before too long and we are prepared and positioned to take full commercial advantage of the upturn when it occurs.

The year under review saw us again significantly increase our land purchases both in the number of plots held and their geographical spread. The expansion of our land bank has involved purchases being made competitively and off-market at prices which have enabled us to increase slightly the profit inclusion in our development appraisals.

Our areas of operation continue to expand and Scotland now features markedly in our plans for further growth. We have secured a number of land purchases in the West Midlands and development of these has already started or will do so in the current year. We are keen to expand our operations in West Yorkshire, but land buying opportunities are currently scarce. Planning permission has now been granted on three sites that we have owned for some time in the Sheffield area and this has considerably enhanced their potential profit yield.

We continue to concentrate in the main on providing a wide range of three and four-bedroom detached houses with the characteristics of each individual site location determining the mix and product specification.

Our company targets quality of profit as much as quality of product and whilst we expect to increase our sales in 1996,



The stone-built four-bedroom 'Derwent' showhome at the exclusive Rye Meadows development in Chesterfield.

we will again more importantly be aiming to improve our profitability. Continual re-appraisal of our developments enables adjustments to be made as necessary to ensure that maximum profitability is achieved in both percentage and overall terms.

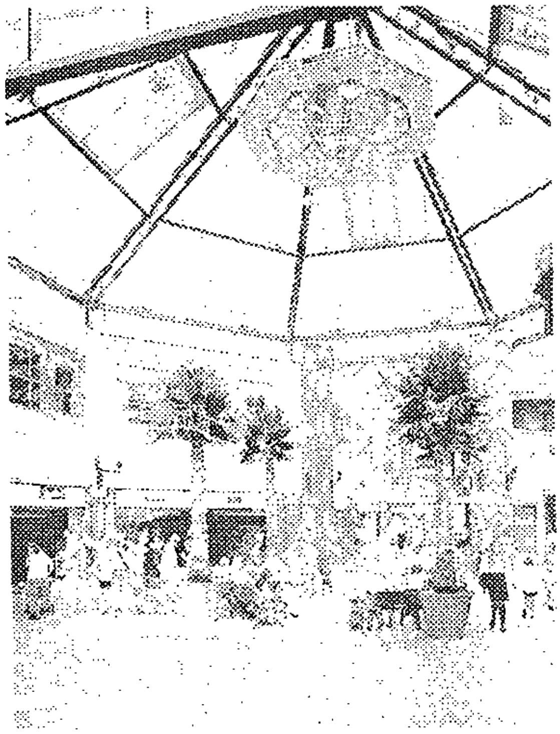
Substantial investment has been made in staff training and information technology in order to maintain our continuous improvement in overall quality and efficiency.

Recognition of our achievements in the year was given in the 1995 Building Awards by being declared 'Regional Housebuilder of the Year - North'. This prestigious award was won in competition against all companies in the North of England and Scotland building up to 1,000 units per annum. We took over 25% of all the votes cast for the 10 finalists and it was the measure of this margin that was as gratifying as the winning itself.

Property Development and Investment

Commercial property activities again produced excellent results with budgets being substantially exceeded. Progress was made on all current development schemes with further lettings being achieved and a number of important land sales completed.

The Whitbread-owned Wentworth Hotel on Wentworth Park development near Sheffield.



An attractive retail environment in the successful 75,000 sq.ft. 'Promenades' Shopping Centre development, Bridlington.

The balance of our interest in Phase II of our retail and leisure development at York was sold mid-way through the year. Another 60,000 sq ft of retail space was added to Phase III which is now complete with a total floor area of 105,000 sq ft let to Argos, Olympus Sports, Shoe City, Comet, Currys and Childrens World.

A further five land sales were completed in the year on our 146 acre Priory Park scheme in Hull which is being developed jointly by Henry Boot Developments Limited and British Rail. An additional major investment was made in expanding the on-site infrastructure.

A conditional contract has been exchanged with Marks and Spencer for the sale of 14 acres of land on Priory Park subject to them achieving planning consent for retail use. A planning application has been submitted and a decision is expected later this year. A positive outcome will undoubtedly give a major boost to the scheme which is already benefiting from land sales and lettings to other household names. Our confidence in the successful outcome of this scheme continues to grow.

Our retail development at Bridlington, 'The Promenades', was completed mid-year and officially opened by HRH The Duke of Gloucester. This award-winning scheme now has more than 80% of space let and the current level of interest in the remaining units gives assurance of the scheme's ultimate success.

We continue to review our property portfolio on a regular basis and as a consequence have made disposals of certain older properties which were considered to be incapable of commercial improvement.

As regards our future development programme, we have three sites secured by ownership or conditional contract where we expect to initiate physical development in the current year with the potential to yield comfortable profit margins.

There are a number of other development schemes in prospect which should add to our work programme and profits in the years ahead.

Land Management

Hallam Land Management Limited had a most successful year in 1995 generating significant amounts of both cash and profits.

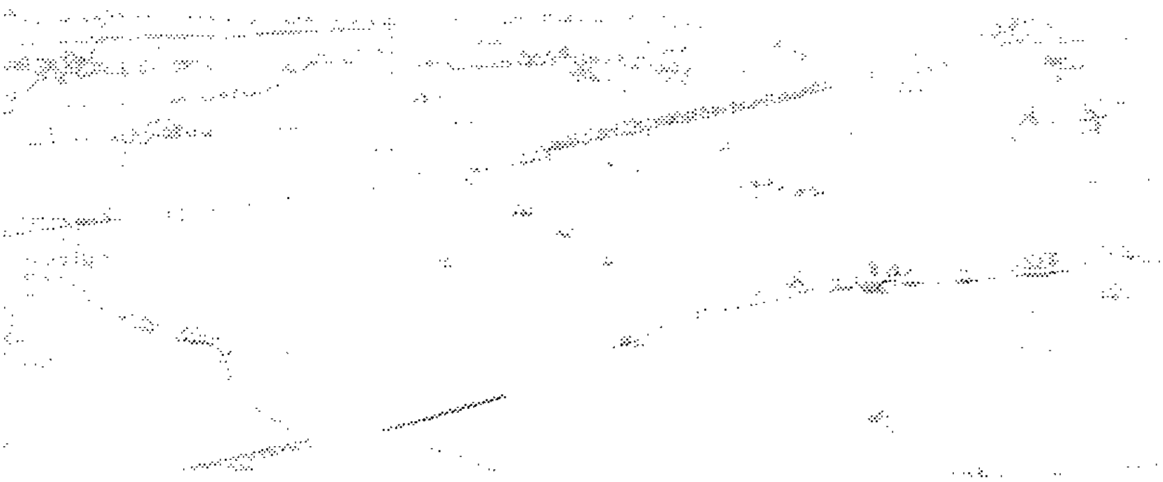
The company now has substantial land interests in owning 582 acres and with a further 1,533 acres under option. 89 acres of the land owned has planning permission variously for housing, employment use and two food stores, and a further 88 acres are allocated in draft local plans for residential development.

The land optioned has draft local plan allocation for 73 acres of housing, 10 acres for employment use and planning permission for a large food store and a large non-food retail unit. We expect to further increase the land optioned during 1996 and many new opportunities have already been secured.

Our expertise in the early identification of land with medium to long term development potential and our skill in progressing it through the planning process is becoming more widely acknowledged. As a consequence many potential prospects are being brought exclusively to us by land owners and their agents, a situation which is most encouraging.

During 1995 we became one of the first companies to bring forward for development a new motorway services area outside the direct control of the Highways Agency. Our site, southbound on the M6 near Stone in Staffordshire, was sold early in the year to a major oil company.

A constant problem facing us is the unpredictability of forecasting with any degree of accuracy as to when planning permissions will be granted and when subsequent development will be possible. However, we expect the flow of opportunities for our housing and



Our 40 acre motorway sevices site on the M6 in Staffordshire was sold for development.

REVIEW OF OPERATIONS (CONTINUED)

development companies to increase both in volume and geographical coverage and to provide increasing profit potential for associated group activities in the years ahead.

Training

In keeping with its corporate strategy, our training activity has moved much of its business into a less complex yet more diverse funding environment. Provision has been made to increase our operations geographically and to expand our training portfolio, in particular to the private construction sector and to utility companies.

Links with CITB have been strengthened through the introduction of Streetworks training programmes and expansion of the Construction Industry Training Contractor programme. Our core construction training business, however, continues to suffer the effects of the recession and varied changes to Government financing via TEC's and LEC's.

At this time of declining manpower in the construction industry, even a slightly increased workload would result in significant skill shortages. Henry Boot Training Limited is well placed to meet demand-led training and has made provision for flexible training arrangements and applications for European support funding.

We continue to provide direct overseas training through the Singapore Construction Industry Development Board for the Singapore Housing Development Board's massive upgrading programme. In Bangladesh our bridge improvement and maintenance project funded through the Overseas Development Agency and World Bank is progressing well. A recent development was our role in the twinning of contractor associations in Bangladesh, Singapore and Sri Lanka.

Inner Cities

The activities of Henry Boot Inner City Limited have continued both within the Kirklees Henry Boot Partnership and on project work elsewhere.

Housing developments have continued in Kirklees with two further sites being built by sister company, Henry Boot Homes Limited, at Lockwood and Honley. The Lockwood site will accommodate 22 houses providing two and three-bedroom homes for first time buyers and small families, while the larger scheme at Honley will provide 83 houses of three and four-bedrooms.

As might be expected in view of market conditions, the number of houses sold in 1995 was down on the previous year.

Progress has been made in Kirklees on the Kingsgate shopping development in Huddersfield and project work in the area included housing refurbishment and the restoration of derelict industrial and commercial premises.

Further projects involving trainees have been undertaken on a British Waterways Board programme for the renovation of canals and the provision of pathways alongside canals and rivers. Expansion of these works is anticipated in an additional programme which may be extended to other areas.

Commercial premises in Airdrie built for occupation by the Employment Service.

Henry Boot Inner City Scotland Limited continued work on commercial, industrial and environmental projects which offered work experience for participants of construction training programmes organised by Henry Boot Training Limited.

The Monklands Henry Boot partnership activities concentrated on preliminary works associated with a new retail park in Airdrie, the on-going refurbishment of council housing for sale and pre-contract work for future housing projects.

Report of the Directors

The directors present their Annual Report and the Audited Financial Statements for the year ended 31st December 1995.

Results and Dividends

The group profit for the year, the appropriation thereof and dividends paid and proposed are set out in the Group Profit and Loss Account.

The directors recommend that a final dividend of 5.55p per ordinary share be paid on 7th June 1996 which, together with the interim dividend of 1.95p paid on 17th November 1995, will make a total dividend of 7.5p for the year ended 31st December 1995.

Principal Activity of the Group

The group's activity is related principally to construction and property and includes building and civil engineering, property development and investment, house building, plant hire and the provision of training services to the construction industry.

Review of the Group's Business

A review of the group's business during the financial year, of its position at the end of the financial year and of future development is dealt with in the Chairman's Statement and Review of Operations.

Share Capital

The Notice of the Annual General Meeting which accompanies this report includes the following resolutions:

(a) An ordinary resolution (resolution 6) to renew the authority of the directors to allot shares up to a maximum nominal amount of £895,945, being 33.13% of the company's issued ordinary share capital. The authority will lapse at the conclusion of the Annual General Meeting to be held in 1997. The directors do not have any present intention of exercising the authority.

(b) A special resolution (resolution 7) to enable the directors to continue to allot for cash equity securities in connection with a rights 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 £135,000 (4.99% of the company's issued ordinary share capital). The authority will terminate at the end of the Annual General Meeting to be held in 1997.

(c) A special resolution (resolution 8) to renew the authority of the company to make market purchases of up to 4,050,000 (14.97%) of its own issued ordinary shares. 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 middle market quotations as derived from the London Stock Exchange Daily Official List for the ten business days before the purchase is made. The directors will exercise the authority only if they are satisfied that any purchase will be in the interests of the shareholders.

Fixed Assets

Significant changes in the fixed assets of the group are shown in note 10 to the financial statements.

The directors are of the opinion that the market value of the group occupied properties exceeds the value included in the balance sheet. In view of the company's intention to continue to operate from these premises, there is no useful purpose in attempting to quantify this excess.

Directors

D H Boot, E J Boot, A M Bamford, A P Cooper, D Greaves, J A B Redgrave and J S Reis held office as directors throughout 1995.

The directors to retire by rotation are A M Bamford and A P Cooper who, being eligible, offer themselves for re-appointment.

E J Boot and A P Cooper each have a three year rolling service agreement. A M Bamford's service agreement ends on 30th September 1998. The Remuneration Committee's view is that three year rolling service agreements are appropriate for the continuity of the business in this particular industry. None of the other directors has a service agreement exceeding one year.

Non-executive Directors

D H Boot is 64 and joined the company in 1956, was appointed to the Board in 1960 and appointed non-executive Chairman in 1987.

J S Reis is 58 and was appointed to the Board in 1983. Mr Reis manages substantial interests in farming and property.

J A B Redgrave is 64 and was appointed to the Board in 1991. He has extensive experience of the construction industry with such companies as BPB Industries PLC and as chairman of Walter Lawrence P.L.C. Prior to his retirement he was chairman and chief executive of Hunting Gate Group Limited. He is currently the chairman of a number of property companies.

Directors' Interests

The company maintains insurance cover to indemnify the directors against liability incurred in relation to the group or its interests. There were no contracts with the company or its subsidiaries during the year in which any of the directors had a material interest either directly or indirectly.

The interests of directors in the share capital of the company appearing in the register maintained under the provisions of the Companies Act 1985 were:

	At 31st December 1995		At 1st January 1995	
	Beneficial	Non-Beneficial	Beneficial	Non-Beneficial
D H Boot				
Ordinary	582,290	109,760	584,990	111,665
Preference	5,068	13,027	5,068	13,677
E J Boot				
Ordinary	1,202,695	214,050	1,014,525	214,050
Options	100,274	–	282,910	–
Preference	8,053	8,301	8,053	8,301
A M Bamford				
Ordinary	61,170	–	48,000	–
Options	74,274	–	81,910	–
A P Cooper				
Ordinary	213,170	–	150,000	–
Options	78,774	–	136,410	–
Preference	1,250	–	1,250	–
D Greaves				
Ordinary	48,420	–	45,250	–
Options	78,774	–	86,410	–
J A B Redgrave				
Ordinary	2,500	–	2,500	–
J S Reis				
Ordinary	1,373,000	4,800,770	1,373,000	4,800,770
Preference	3,259	5,214	3,259	5,214

There have been no changes to the above interests between 31st December 1995 and 17th April 1996.

Details of options granted and exercised are shown in Note 21 to the Financial Statements.

Substantial Shareholdings

Excluding directors, the interests of 3% or more in the ordinary share capital of the company and notified to the company as at the date hereof are:

	Ordinary shares	
	Number	% of issued
A C Boot	941,000	3.47
J H Boot – beneficial	836,080	3.09
– non-beneficial	173,175	0.64
British Aerospace Pension Funds Investment Management Ltd	1,100,535	4.06
BT Pension Scheme	1,186,130	4.38
Electricity Supply Pension Scheme	902,000	3.33
The Equitable Life Assurance Society	825,000	3.05
Moore Street Securities Limited (for company ESOP)	1,027,138	3.79
Mrs G M Reis	1,574,000	5.82
Rysaffe Nominees	4,461,400	16.49

Rysaffe Nominees and Mr J A Hume are joint registered holders on behalf of various Reis family trusts, a number of which are also included under the non-beneficial interests of Mr J S Reis.

Going Concern

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Internal Financial Control

Your directors maintain overall responsibility for the group's systems of internal financial control, whilst delegating specific responsibilities to subsidiary company managing directors and their boards.

The effectiveness of the systems of internal financial control, as appropriate for a group of our size, is constantly under review and any deficiencies investigated and remedies sought for immediate implementation.

However, it is also recognised that by their very nature, internal financial controls can only provide a reasonable and not absolute assurance against mis-statement or loss.

The main elements of the financial control systems adopted by the board include, but are not confined to the following:

- Each year a detailed budget is prepared for each subsidiary and approved by the Board, including profit and loss account, balance sheet, cash flow, capital expenditure and capital disposals;
- Monthly consideration by the Board of performance compared with budgets;
- Quarterly reviews by the Board of year end forecasts;
- Approval levels contained within a schedule of reserved matters set by the Board for key areas of risk.

Corporate Governance

Your directors continue to support the stated aims and objectives of the Cadbury Report. However, our observance of The Guidelines remains tempered by the likely benefits that may accrue to a company of our size. Minor procedural points of the Code of Best Practice as referred to in previous years concerning the actual appointment of non-executive directors remain under review. However, compliance is adhered to in all other major aspects. The auditors have confirmed that in their opinion: With respect to the directors' statements on internal financial control and going concern above, the directors have provided the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for directors) and such statements are not inconsistent with the information of which they are aware from their audit work on the financial statements; and that the directors' other statements above appropriately reflect the company's compliance with the other paragraphs of the Code specified for their review. They were not required to perform the additional work necessary to, and did not, express any opinion on the effectiveness of either the company's systems of internal financial control or its corporate governance procedures nor on the ability of the company to continue in operational existence.

Remuneration Committee

The executive directors' salaries are determined by the Remuneration Committee which is comprised of the non-executive directors and the Group Managing Director.

The committee reports as follows:

> The objectives of the committee are to ensure that the directors are competitively rewarded on a basis that is comparable with similar companies in this industry.
>
> Further information relating to directors' remuneration is contained in the Report of the Directors above, Directors and Staff Costs (note 4 to the Financial Statements) and Share Capital (note 21 to the Financial Statements).

Report of the Directors (continued)

Employees

It is the policy of the group to keep all employees informed of the progress and affairs of the group by various means including a house journal 'Boot World' and an Annual Report to Employees published in parallel with the Annual Report. Additionally, employee company statements, notices, etc, are published as appropriate.

The group continues to encourage wider employee share ownership through participation in share option schemes.

Employee safety, health and welfare are an important part of group policy, as are training and career development.

The group operates a policy of equal opportunities and gives full and fair consideration to the employment of disabled people.

CREST

The new electronic share settlement system called CREST will be introduced in July 1996 to replace the existing Talisman system. The Uncertificated Securities Regulations 1995 (the Regulations), under which CREST will be implemented, came into force in December 1995 and provide that, within 60 days of the directors of a company passing a resolution (a directors' resolution) the title to shares of the company may be transferred by means of CREST, the company must give notice to its members of such fact.

The directors are therefore taking this opportunity to hereby give notice to shareholders in accordance with the Regulations that on 26th March 1996 the appropriate directors' resolutions were passed so that title to the company's ordinary shares of 10p each and to the company's 5.25% cumulative preference shares of £1 each, in issue or to be issued, may be transferred by means of CREST or any other relevant system. The directors' resolutions now enable the company's ordinary and preference shares to join CREST in early 1997, subject to the permission of CRESTCo Limited as the operator of the system. The effect of the directors' resolutions will be to disapply, in relation to the ordinary and preference shares, those provisions of the company's Articles of Association that are inconsistent with the transfer of ordinary and preference shares by the CREST system and any provision of the Regulations, once the shares enter the system.

CREST will enable shareholders to hold and transfer their shareholdings in electronic form rather than in paper if they so wish. Those shareholders wishing to retain or receive share certificates may continue to do so.

Charitable Donations

Donations for charitable purposes totalled £23,142. The group continues to operate a Give-As-You-Earn Scheme through which employees can make charitable donations before deduction of tax. As an incentive, the company makes an equal donation to charities under this scheme.

Close Company Status

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

Auditors

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

On behalf of the Board,
A P Cooper, *Company Secretary*

17th April 1996.

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the company and the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business.

The directors are responsible for keeping proper accounting records which 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 comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Auditors

To the Members of Henry Boot & Sons PLC

We have audited the financial statements on pages 18 to 33.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31st December 1995 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Hawsons

HAWSONS

Chartered Accountants and Registered Auditors

Sheffield

17th April 1996

GROUP PROFIT AND LOSS ACCOUNT *FOR THE YEAR ENDED 31ST DECEMBER 1995*

	Notes	1995 £'000	1994 £'000
Turnover – Continuing operations	1	**179,200**	184,014
Cost of sales		**161,342**	167,280
Gross profit		**17,858**	16,734
Administrative expenses		**10,395**	10,001
		7,463	6,733
Other operating income	2	**33**	302
Operating profit	3	**7,496**	7,035
Interest	5	**1,195**	1,126
Profit on ordinary activities before taxation	1	**8,691**	8,161
Tax on profit on ordinary activities	6	**2,607**	2,448
Profit for the financial year after taxation	7	**6,084**	5,713
Dealt with as follows:			
Dividends (including non-equity)	8	**1,981**	1,832
Profit retained	22	**4,103**	3,881
		6,084	5,713
Earnings per ordinary share	9	**23.6p**	22.8p

GROUP AND PARENT COMPANY BALANCE SHEETS *AT 31ST DECEMBER 1995*

	Notes	Group 1995 £'000	Group 1994 £'000	Parent 1995 £'000	Parent 1994 £'000
Fixed assets					
Tangible assets	10	**32,134**	30,322	**360**	326
Investments	12	**1,187**	1,439	**3,989**	4,834
		33,321	31,761	**4,349**	5,160
Current assets					
Stocks	14	**50,911**	39,274	**–**	–
Debtors	15	**23,678**	16,900	**50,096**	42,628
Cash at bank and in hand		**5,981**	17,321	**5,304**	16,335
		80,570	73,495	**55,400**	58,963
Creditors: amounts falling due within one year	16	**(49,148)**	(51,232)	**(43,806)**	(49,106)
Net current assets		**31,422**	22,263	**11,594**	9,857
Total assets less current liabilities		**64,743**	54,024	**15,943**	15,017
Creditors: amounts falling due after more than one year	16	**(5,883)**	(560)	**–**	–
Provisions for liabilities and charges	17	**(4,806)**	(4,962)	**(914)**	(830)
Net assets employed		**54,054**	48,502	**15,029**	14,187
Capital and reserves					
Called up share capital	21	**3,104**	3,008	**3,104**	3,008
Capital redemption reserve	22	**95**	95	**95**	95
Share premium account	22	**934**	279	**934**	279
Property revaluation reserve	22	**15,280**	14,635	**–**	–
Profit and loss account	22	**34,232**	30,069	**8,227**	8,136
Other reserves	22	**409**	416	**2,669**	2,669
Shareholders' funds		**54,054**	48,502	**15,029**	14,187
Being:					
Non-equity shareholders' funds		**400**	400	**400**	400
Equity shareholders' funds		**53,654**	48,102	**14,629**	13,787
		54,054	48,502	**15,029**	14,187

On behalf of the Board
E J Boot, *Director*
A P Cooper, *Director*

GROUP CASH FLOW STATEMENT *FOR THE YEAR ENDED 31ST DECEMBER 1995*

	1995 £'000	1994 £'000
Net cash (outflow) inflow from operating activities	(12,246)	8,434
Returns on investments and servicing of finance		
Interest received	1,372	1,104
Interest paid	(70)	(43)
Dividends paid	(1,886)	(1,664)
Net cash (outflow) from returns on investments and servicing of finance	(584)	(603)
Taxation		
UK corporation tax paid	(2,261)	(2,601)
UK corporation tax repaid	244	93
Tax paid	(2,017)	(2,508)
Investing activities		
Purchase of tangible fixed assets	(3,731)	(3,353)
Sale of fixed assets	1,094	1,621
Net cash outflow from investing activities	(2,637)	(1,732)
Net cash (outflow) inflow before financing	(17,484)	3,591
Financing		
Issue of ordinary share capital	96	4
Premium on issue of ordinary shares	655	33
Proceeds of bank loan	5,393	-
Net cash inflow from financing	6,144	37
(Decrease) Increase in cash and cash equivalents	(11,340)	3,628

Notes to Group Cash Flow Statement

(a) Reconciliation of operating profit to net cash (outflow) inflow from operating activities

	1995 £'000	1994 £'000
Operating profit	**7,496**	7,035
Depreciation charge	**2,009**	1,758
Profit on sale of tangible fixed assets	**(190)**	(208)
Increase in stocks	**(11,625)**	(1,770)
Increase in debtors	**(6,892)**	(2,658)
(Decrease) Increase in creditors and provisions	**(3,044)**	4,277
Net cash (outflow) inflow from operating activities	**(12,246)**	8,434

(b) Analysis of changes in cash and cash equivalents during the year

	1995 £'000	1994 £'000
Balance at 31st December 1994	**17,321**	13,693
Net cash (outflow) inflow	**(11,340)**	3,628
Balance at 31st December 1995	**5,981**	17,321

(c) Analysis of the balance of cash and cash equivalents as shown in the balance sheet

	1995 £'000	1994 £'000	Change in year £'000
Cash at bank and in hand	**5,981**	17,321	**(11,340)**

(d) Analysis of changes in financing during the year

	Bank loan £'000	Share* capital £'000
Balance at 31st December 1994	–	**3,382**
Cash inflow from financing	**5,393**	**751**
Balance at 31st December 1995	**5,393**	**4,133**

*For this purpose, share capital includes capital redemption reserve and share premium account

Other Statements *For the year ended 31st December 1995*

Group Statement of Total Recognised Gains and Losses	**1995 £'000**	1994 £'000
Profit for the financial year	**6,084**	5,713
Unrealised surplus (deficit) on property revaluation	**1,491**	(388)
Elimination of revaluation surplus on transfer of properties to stocks	**(786)**	(438)
Foreign currency translation differences	**(7)**	-
Total recognised gains and losses for the year	**6,782**	4,887

Historical Cost Profits and Losses	**1995 £'000**	1994 £'000
Reported profit on ordinary activities before taxation	**8,691**	8,161
Realisation of property revaluation surplus (deficit) of previous years	**60**	(272)
Historical cost profit on ordinary activities before taxation	**8,751**	7,889
Historical cost profit for the year retained after taxation and dividends	**4,163**	3,609

Reconciliation of Movements in Shareholders' Funds	**1995 £'000**	1994 £'000
Profit for the financial year	**6,084**	5,713
Dividends	**(1,981)**	(1,832)
	4,103	3,881
Other recognised gains and losses relating to the year	**698**	(826)
New share capital subscribed	**751**	37
Net addition to shareholders' funds	**5,552**	3,092
Shareholders' funds at 31st December 1994	**48,502**	45,410
Shareholders' funds at 31st December 1995	**54,054**	48,502

Accounting Policies

Basis of Consolidation

The group financial statements are prepared on the historical cost basis as adjusted for the revaluation of certain land and buildings held as fixed assets and in accordance with applicable accounting standards with the exception of the matter referred to in the 'Partnership Activities with Local Authorities' policy below. The group financial statements are a consolidation of the financial statements of the parent company and its subsidiary undertakings.

Turnover

Turnover comprises the value of work carried out on long-term contracts, fees receivable for contract management services, net sales (including houses for sale), rents and other income arising in the year.

Sales of properties are recognised at the point of legal completion.

Land and Buildings

Investment properties are accounted for at open market value at the balance sheet date. Properties occupied by group undertakings are accounted for at existing use value.

Surpluses on revaluation are credited to property revaluation reserve.

Investment properties include houses let under long-term tenancies. When these houses become vacant it is the policy of the group not to re-let them. They are immediately transferred to the group's stock of houses for sale at the lower of cost or net realisable value and, pending sale, refurbished as appropriate.

Depreciation

Depreciation is provided on a straight line basis, mainly at the following annual rates, which are calculated to write off the tangible fixed assets over their estimated useful lives:

Plant and machinery	Between 25% and 50%
Motor vehicles	25%
Office equipment	25%

Fixed assets held under finance leases are depreciated over the shorter of the lease term and their estimated useful lives.

The estimated lives are constantly under review and additional depreciation is charged whenever considered necessary.

In accordance with Statement of Standard Accounting Practice No. 19, investment properties are not depreciated. The Companies Act 1985 requires all properties to be depreciated. The directors consider that compliance with the Accounting Standard is necessary for the accounts to show a true and fair view.

The values and lives of group occupied buildings are reviewed annually; depreciation is provided where it is considered significant having regard to the estimated remaining useful lives and residual values of individual buildings.

Leased Assets

Assets held under finance leases are treated as if they had been purchased outright and the corresponding liability to the leasing company is included in the balance sheet within creditors.

Rentals under operating leases are charged wholly to the profit and loss account.

ACCOUNTING POLICIES (CONTINUED)

Employee Share Ownership Plan (ESOP)

The ESOP is accounted for in accordance with the provisions of UITF Abstract 13. This represents a change in accounting policy and as a consequence, where applicable, comparative figures have been re-stated.

Stocks

Stocks are valued 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 been obtained.

Long-Term Contracts

Profit on long-term contracts is recognised in the value of work carried out when the outcome of contracts can be assessed with reasonable certainty and is that amount which is estimated to fairly reflect the profit arising up to the accounting date. Full provision is made for all foreseeable losses.

Partnership Activities with Local Authorities

The group has a 50% interest in the ordinary share capital of Kirklees Henry Boot Partnership Limited, a company incorporated in England and formed principally to carry on developments of a regenerative nature in Kirklees.

Government legislation affecting local authorities makes it necessary for these developments to be carried out through a limited liability joint venture company that would, but for the nature of the agreements entered into by the group and Kirklees Metropolitan Council, be accounted for in accordance with Statement of Standard Accounting Practice No. 1. The directors consider, however, that the group's investment in this joint venture company is not fairly reflected by such accounting treatment. They believe that it is better represented as an extension of the group's property development activity by including, and appropriately valuing, the net cost of the investment in the joint venture company within developments in progress, a treatment that has no impact on the reported group profit.

Deferred Taxation

Provision is made, at appropriate corporation tax rates, for deferred taxation which the directors consider may crystallise within the foreseeable future.

Corporation Tax

Corporation tax liabilities of subsidiary companies are transferred to and paid by the parent company and credit is given by the parent company for loss relief surrendered.

Foreign Currencies

Foreign currencies are translated using the closing rate method.

Exchange differences on settled transactions are dealt with through the profit and loss account.

Exchange differences arising on the translation of the financial statements of overseas subsidiaries are dealt with as an adjustment to reserves.

Long-term loans and deferred trading balances with overseas subsidiaries are regarded, for all practical purposes, as equity investments and, as such, exchange differences thereon are similarly dealt with as an adjustment to reserves.

Pensions

Contributions to provide pensions and related benefits are charged to the profit and loss account annually so as to appropriately apportion the cost over employees' working lives with the group.

Notes to the Financial Statements

1. Turnover and Profit on Ordinary Activities before Taxation

Turnover and profit on ordinary activities before taxation arose almost entirely in the United Kingdom from the group's construction and property activity.

There were no discontinued operations.

2. Other Operating Income

	1995 £'000	1994 £'000
Income from fixed asset investments	–	1
Commissions	33	51
Profit on sale of investment properties	–	250
	33	302

3. Operating Profit

	1995 £'000	1994 £'000
Operating profit is stated after charging:		
Depreciation	2,009	1,758
Hire of plant and machinery	6,918	8,298
Property rentals under operating leases	239	303
Auditors' remuneration – as auditors (parent company £29,000; 1994 £29,000)	143	141
– for non-audit services	46	39
Staff costs (note 4)	23,981	24,741
and after crediting:		
Profit on sale of fixed assets	190	208
Rents receivable less outgoings	3,290	3,247

4. Directors and Staff Costs

Directors:

The emoluments of directors, all being management remuneration, were £662,000 (1994: £641,000).

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

	Salary/Fees £	Bonus £	Taxable Benefits £	1995 Total £	1994 Total £
Chairman (Non-executive)					
D H Boot	10,008	–	6,731	**16,739**	16,704
Executive					
E J Boot	125,568	36,752	12,600	**174,920**	166,178
A M Bamford	95,100	27,835	8,376	**131,311**	119,652
A P Cooper	95,100	27,835	9,173	**132,108**	127,242
D Greaves	95,100	27,835	9,773	**132,708**	127,907
Non-executive					
J A B Redgrave	10,008	–	–	**10,008**	10,008
J S Reis	10,008	–	–	**10,008**	10,008
	440,892	120,257	46,653	**607,802**	577,699

The executive directors participate in an annual bonus scheme. This is calculated by reference to pre-tax profits achieved in the year and as recommended by the Remuneration Committee. The bonus qualifies for pension, being seen as an essential element of the executive remuneration when compared with similar companies in the industry.

4. Directors and Staff Costs (continued)	**1995 £'000**	1994 £'000
Staff costs:		
Wages and salaries	**20,693**	21,329
Social security costs	**1,607**	1,701
Other pension costs	**1,681**	1,711
	23,981	24,741

The average number of employees during the year was 1,308 (1994 1,395).

Pensions:

The Henry Boot Staff Pension and Life Assurance Scheme is a final salary scheme for eligible staff 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.

Although independent actuarial reviews are carried out at each year end for the purposes of SSAP 24, the most recent triennial valuation was at 1st January 1995. The assumptions which have the most significant effect on the results of that valuation were that investment returns would be 9% per annum, that salary increases would average 7% per annum and that present and future pensions would increase at the rate of 5% per annum. That latest actuarial valuation showed that the market value of the assets of the scheme was £40,949,000 and that the actuarial value of those assets represented 111% of the benefits accrued to the members, after allowing for anticipated future increases in earnings.

5. Interest	**1995 £'000**	1994 £'000
Receivable:		
Bank and similar interest	**1,291**	1,170
Payable:		
Bank overdraft and similar interest	**(96)**	(44)
	1,195	1,126

6. Tax on Profit on Ordinary Activities	**1995 £'000**	1994 £'000
The charge for the year consists of:		
Corporation tax at 33%	**2,580**	2,375
Deferred taxation	**27**	73
	2,607	2,448

7. Results of Parent Company

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The profit dealt with in the financial statements of the parent company is £2,072,000 (1994 £3,281,000).

8. Dividends

	1995 £'000	1994 £'000
Cumulative preference shares (non-equity)	**21**	21
Ordinary shares (equity):		
Interim of 1.95p (1994 1.85p) paid on 17th November 1995	**516**	462
Proposed final of 5.55p (1994 5.25p) to be paid on 7th June 1996	**1,444**	1,349
	1,981	1,832

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

9. Earnings per Ordinary Share

The calculation of earnings per ordinary share is based upon the group profit, after taxation and after preference share dividends, of £6,063,000 (1994 £5,692,000). The weighted average number of ordinary shares of 10p each in issue during the year was 25,676,908 (1994 24,938,994). This excludes shares held by the Employee Share Ownership Plan on which dividends have been waived and the figure for 1994 has been re-stated accordingly.

10. Tangible Fixed Assets

	Land and buildings					
Group	**Freehold £'000**	**Long lease £'000**	**Investment properties £'000**	**Plant and vehicles £'000**	**Office equipment £'000**	**Total £'000**
Cost or valuation						
At 31st December 1994	4,819	34	20,319	13,077	1,444	39,693
Additions at cost	110	–	–	3,340	297	3,747
Disposals	(27)	–	(62)	(2,467)	(4)	(2,560)
Transfers to stocks	–	–	(798)	–	–	(798)
Adjustments on revaluation	–	–	1,491	–	–	1,491
At 31st December 1995	4,902	34	20,950	13,950	1,737	41,573
Being:						
Cost	904	–	–	13,950	1,737	16,591
Valuation	3,998	34	20,950	–	–	24,982
	4,902	34	20,950	13,950	1,737	41,573
Depreciation						
At 31st December 1994	–	–	–	8,236	1,135	9,371
Charge for year	2	–	–	1,846	161	2,009
Disposals	–	–	–	(1,938)	(3)	(1,941)
At 31st December 1995	2	–	–	8,144	1,293	9,439
Net book value						
At 31st December 1995	4,900	34	20,950	5,806	444	32,134
At 31st December 1994	4,819	34	20,319	4,841	309	30,322

On the historical cost basis the land and buildings would have been included at a cost of £10,605,000 (1994 £10,537,000).

Notes to the Financial Statements (continued)

10. Tangible Fixed Assets (continued)

The investment properties were valued by external valuers, Cardales, Chartered Surveyors, as at 31st December 1995 on the basis of open market value in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

The properties occupied by group undertakings are carried at their 1989 existing use values or subsequent cost unless there has been any diminution in those amounts. In the opinion of the directors any enhancement of those amounts is not warranted in the light of continuing group occupation.

Parent company	**Plant and vehicles £'000**	**Office equipment £'000**	**Total £'000**
Cost			
At 31st December 1994	403	691	1,094
Additions	209	43	252
Transfers from group undertakings	9	–	9
Disposals	(159)	(3)	(162)
Transfers to group undertakings	(29)	(5)	(34)
At 31st December 1995	433	726	1,159
Depreciation			
At 31st December 1994	218	550	768
Charge for year	71	80	151
Transfers from group undertakings	5	–	5
Disposals	(110)	(2)	(112)
Transfers to group undertakings	(8)	(5)	(13)
At 31st December 1995	176	623	799
Net book value			
At 31st December 1995	257	103	360
At 31st December 1994	185	141	326

11. Tangible Fixed Asset Expenditure Commitments

The directors have not authorised any significant future tangible fixed asset expenditure.

12. Fixed Asset Investments	**Group**		**Parent**	
	1995 £'000	1994 £'000	**1995 £'000**	1994 £'000
Advances on mortgage	–	2	–	–
Subsidiary companies (note 13)	–	–	**2,802**	3,397
Quoted investments – own shares held by ESOP	**1,187**	1,437	**1,187**	1,437
	1,187	1,439	**3,989**	4,834

Own Shares:

The company has established The Henry Boot & Sons PLC Employee Trust as an Employee Share Ownership Plan to provide an incentive to greater ownership of shares in the company by its employees. The company has loaned £1,054,000 to the trustees, interest free, which enabled them to purchase Henry Boot & Sons PLC ordinary shares. These shares are used to satisfy options granted by the company under employee share option schemes. Under the terms of the trust, the trustees have waived all but a nominal dividend on the shares they hold.

At 31st December 1995, 1,028,178 shares were held by the trustees with a cost of £1,186,618 and a market value of £1,932,975. Of this total, 482,054 shares were committed under various option schemes. In accordance with the requirements of UITF Abstract 13, these shares have been recognised on the balance sheets of the group and the parent company; comparative figures have been re-stated accordingly.

13. Subsidiary Companies

	1995 £'000	1994 £'000
Shares at cost or valuation		
At 31st December	**2,802**	3,397

The original cost of shares included above is £2,195,000 (1994 £1,945,000). This has been reduced by provisons for losses where necessary and enhanced where the directors have considered it appropriate to reflect in the valuation increases of a permanent nature in the underlying net asset values of subsidiary companies. Such enhancements have been £1,115,000 in 1975 and £1,135,000 in 1989.

Amounts due to and from subsidiary companies are included in notes 15 and 16.

The principal subsidiary companies are listed on the inside front cover. With the following exceptions, all subsidiary companies are registered in England, are wholly and directly owned by the parent company and operate mainly in the United Kingdom. Henry Boot Far East Limited, a company incorporated in Hong Kong, and Henry Boot Singapore Private Limited, a company incorporated in Singapore, are wholly owned by Henry Boot International Limited and operate predominantly in their country of incorporation. The audits of the companies incorporated overseas have been carried out by locally based firms.

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

14. Stocks

	1995 £'000	1994 £'000
Developments in progress including houses for sale	**36,092**	27,636
Land held for development	**14,819**	11,638
	50,911	39,274

15. Debtors

	Group		**Parent**	
	1995 £'000	1994 £'000	**1995 £'000**	1994 £'000
Amounts recoverable on contracts	**17,814**	9,573	**–**	–
Trade debtors	**3,234**	3,016	**–**	6
Other debtors	**1,834**	3,767	**24**	2,692
Prepayments and accrued income	**796**	544	**60**	142
Amounts owed by group undertakings	**–**	–	**50,012**	39,788
	23,678	16,900	**50,096**	42,628

Notes to the Financial Statements (continued)

16. Creditors

	Group 1995 £'000	Group 1994 £'000	Parent 1995 £'000	Parent 1994 £'000
Amounts falling due within one year:				
Trade creditors	**40,314**	43,563	**234**	193
Corporation tax	**3,130**	2,571	**3,130**	2,571
Advance corporation tax	**489**	454	**489**	454
Other taxation and social security	**2,030**	1,996	**811**	703
Other creditors	**990**	946	**549**	465
Accruals and deferred income	**746**	348	**–**	–
Dividends payable:				
Preference	**5**	5	**5**	5
Ordinary proposed	**1,444**	1,349	**1,444**	1,349
Amounts owed to group undertakings	**–**	–	**37,144**	43,366
	49,148	51,232	**43,806**	49,106
Amounts falling due after more than one year:				
Bank loan	**5,393**	–	**–**	–
Trade creditors	**490**	560	**–**	–
	5,883	560	**–**	–

17. Provisions for Liabilities and Charges

	Group 1995 £'000	Group 1994 £'000	Parent 1995 £'000	Parent 1994 £'000
Deferred taxation and advance corporation tax (note 18)	**(165)**	(168)	**(361)**	(310)
Provisions relating to contracts and developments	**3,450**	3,832	**810**	760
Other provisions	**1,521**	1,298	**465**	380
	4,806	4,962	**914**	830

Other provisions mainly relate to contingent reorganisation, professional and similar costs.

18. Deferred Taxation and Advance Corporation Tax

	Group 1995 £'000	Group 1994 £'000	Parent 1995 £'000	Parent 1994 £'000
Deferred taxation:				
Corporation tax on the excess of the book value of tangible fixed assets qualifying for taxation allowances over their value for taxation purposes	**148**	94	**–**	–
Other timing differences	**1**	28	**1**	28
Overseas taxation	**48**	48	**–**	–
	197	170	**1**	28
Advance corporation tax	**(362)**	(338)	**(362)**	(338)
	(165)	(168)	**(361)**	(310)

The full potential liability for deferred taxation in respect of group tangible fixed assets qualifying for taxation allowances is £392,000 (1994 £333,000).

Taxation liabilities not provided for, which would arise in the event of sales of the group's land and buildings at their revalued amounts, are estimated at not more than £1,501,000 (1994 £2,030,000).

19. Leasing Commitments

	Group 1995 £'000	Group 1994 £'000
Annual commitments under operating leases in respect of land and buildings are:		
Operating leases which expire:		
Within one year	**47**	54
Within two to five years	**145**	179
After five years	**–**	–
	192	233

The rents payable under these leases are subject to re-negotiation at various intervals specified in the leases.

20. Bank and Bonding Facilities

Bank facilities are available to group undertakings on unsecured terms except for the bank loan to a subsidiary company which is repayable in the year 2000 and is secured solely by a charge over the single freehold property and other assets of that company. The parent company together with certain subsidiary companies has entered into cross guarantees in favour of the group's principal bankers and bondsmen for amounts due in the normal course of business.

21. Share Capital

	Authorised 1995 £'000	Authorised 1994 £'000	Allotted, issued and fully paid 1995 £'000	Allotted, issued and fully paid 1994 £'000
5.25% cumulative preference shares of £1 each	**400**	400	**400**	400
27,040,558 ordinary shares of 10p each (1994 26,084,833)	**3,600**	3,600	**2,704**	2,608
	4,000	4,000	**3,104**	3,008

The preference shares carry the right to a cumulative preferential dividend payable half yearly at the rate of 5.25% per annum and 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 of the said 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.

During the year 955,725 ordinary shares of 10p each were issued for a consideration of £751,000 following the exercise of options granted under the executive and savings related share option schemes.

At 31st December 1995 unexercised options to subscribe for ordinary shares of 10p each granted under the company's share option schemes were:

Scheme	Subscription price per share	Period over which option exercisable	Number of shares 1995	Number of shares 1994
Executive share option scheme	61.8p	05.12.90–04.12.97	**–**	187,500
	95.0p	11.05.92–10.05.99	**–**	37,500
	269.0p	21.10.96–20.10.03	**287,000**	287,000
Savings related share option scheme	82.0p	28.04.95–27.10.95	**–**	731,630
	187.0p	28.01.01–27.07.01	**518,521**	–

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. Share Capital (continued)

Details of options granted to directors under the Henry Boot & Sons PLC Executive Share Option Scheme and Savings Related Share Option Scheme are as follows:

	Number of Options							
	At 01.01.95	Granted during year	Exercised during year	At 31.12.95	Exercise price	Market price at date of exercise	Date from which exercisable	Expiry date
E J Boot	137,500	–	137,500	–	61.8p	195.0p	05.12.90	04.12.97
	37,500	–	37,500	–	95.0p	195.0p	11.05.92	10.05.99
	13,170	–	13,170	–	82.0p	204.0p	28.04.95	27.10.95
	89,000	–	–	89,000	269.0p	–	21.10.96	20.10.03
	5,740	–	–	5,740	130.6p	–	28.01.97	27.07.97
	–	5,534	–	5,534	187.0p	–	28.01.01	27.07.01
	282,910	5,534	188,170	100,274				
A M Bamford	13,170	–	13,170	–	82.0p	204.0p	28.04.95	27.10.95
	63,000	–	–	63,000	269.0p	–	21.10.96	20.10.03
	5,740	–	–	5,740	130.6p	–	28.01.97	27.07.97
	–	5,534	–	5,534	187.0p	–	28.01.01	27.07.01
	81,910	5,534	13,170	74,274				
A P Cooper	50,000	–	50,000	–	61.8p	210.0p	05.12.90	04.12.97
	13,170	–	13,170	–	82.0p	204.0p	28.04.95	27.10.95
	67,500	–	–	67,500	269.0p	–	21.10.96	20.10.03
	5,740	–	–	5,740	130.6p	–	28.01.97	27.07.97
	–	5,534	–	5,534	187.0p	–	28.01.01	27.07.01
	136,410	5,534	63,170	78,774				
D Greaves	13,170	–	13,170	–	82.0p	204.0p	28.04.95	27.10.95
	67,500	–	–	67,500	269.0p	–	21.10.96	20.10.03
	5,740	–	–	5,740	130.6p	–	28.01.97	27.07.97
	–	5,534	–	5,534	187.0p	–	28.01.01	27.07.01
	86,410	5,534	13,170	78,774				

No options granted to directors lapsed during the year. The market price of ordinary shares at 31st December 1995 was 188p and the range during 1995 was 188p to 240p.

22. Reserves

Group and Parent Company	Capital redemption reserve £'000	Share premium account £'000
At 31st December 1994	95	279
Movements in year:		
Premium on shares issued	–	655
At 31st December 1995	95	934

Group	Property revaluation £'000	Profit and loss account £'000	Other reserves: Capital £'000	Other reserves: Currency translation £'000	Other reserves: Total other £'000
At 31st December 1994	14,635	30,069	155	261	416
Movements in year:					
Profit retained	–	4,103	–	–	–
Realised revaluation surplus	(60)	60	–	–	–
Adjustment on revaluation	1,491	–	–	–	–
Adjustment on transfer of properties to stocks	(786)	–	–	–	–
Foreign currency translation differences	–	–	–	(7)	(7)
At 31st December 1995	15,280	34,232	155	254	409

Parent Company	Profit and loss account £'000	Other reserves: Investment revaluation £'000	Other reserves: Capital £'000	Other reserves: Total other £'000
At 31st December 1994	8,136	1,135	1,534	2,669
Movements in year:				
Profit retained for year	91	–	–	–
At 31st December 1995	8,227	1,135	1,534	2,669

23. Guarantees and Contingencies

The parent company has guaranteed the performance of certain contracts entered into by group undertakings in the ordinary course of business.

The group has contingent liabilities under certain contracts undertaken in the ordinary course of business, which are impracticable to quantify, but provision is made within the financial statements for any such liabilities which the directors reasonably anticipate may crystallise.

24. Approval of Financial Statements

The Board of Directors approved these financial statements on 17th April 1996.

Notice of Meeting

Notice is hereby given that the Seventy-sixth Annual General Meeting of Henry Boot & Sons PLC will be held at Sheffield Moat House, Chesterfield Road South, Sheffield, S8 8BW on Friday, the 24th day of May, 1996 at 11.30 am for the following purposes:

Resolution 1

To receive the Report of the Directors and the Financial Statements for the year ended 31st December 1995.

Resolution 2

To declare a final dividend on the ordinary shares.

Resolution 3

To re-appoint Mr A M Bamford, who retires by rotation, as a director.

Resolution 4

To re-appoint Mr A P Cooper, who retires by rotation, as a director.

Resolution 5

To re-appoint Hawsons as auditors and to authorise the directors to fix the auditors' remuneration.

And

To consider and, if thought fit, pass the following resolutions, of which Resolution 6 will be proposed as an ordinary resolution of the company and Resolutions 7 and 8 as special resolutions of the company:

Resolution 6

That, in accordance with Article 7 of the company's Articles of Association,

(a) the directors be generally and unconditionally authorised, in accordance with section 80 of the Companies Act 1985, to exercise all powers of the company to allot relevant securities (as defined for the purposes of that section) up to a maximum nominal amount of £895,945;

(b) this authority shall expire at the conclusion of the next annual general meeting;

(c) the company may, before this authority expires, make an offer or agreement which would or might require relevant securities to be allotted under this authority after it expires; and

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

Resolution 7

That, in accordance with Article 8 of the company's Articles of Association,

(a) (subject to the passing of Resolution 6 set out above) the directors be given power to allot for cash equity securities (as defined for the purposes of section 89 of the Companies Act 1985) pursuant to the general authority conferred on them by that resolution as if section 89(1) of that Act did not apply to the allotment but this power shall be limited:

  (i) to the allotment of equity securities in connection with an offer or issue to or in favour of ordinary shareholders on the register on a date fixed by the directors where the equity securities respectively attributable to the interests of all those shareholders are proportionate (as nearly as practicable) to the respective numbers of ordinary shares held by them on that date but the directors may make such exclusions or other arrangements as they consider expedient in relation to fractional entitlements, legal or practical problems under the laws in any territory or the requirements of any relevant regulatory body or stock exchange; and

(ii) to the allotment (other than under (i) above) of equity securities having, in the case of relevant shares (as defined for the purposes of section 89), a nominal amount or, in the case of other equity securities, giving the right to subscribe for or convert into relevant shares having a nominal amount not exceeding in aggregate £135,000;

(b) this power shall expire at the conclusion of the next annual general meeting; and

(c) the company may, before this power expires, make an offer or agreement which would or might require equity securities to be allotted under this power after it expires.

Resolution 8

That, the company be and it is hereby generally and unconditionally authorised to make market purchases (within the meaning of section 163(3) of the Companies Act 1985) of ordinary shares of 10p each in the capital of the company (ordinary shares) provided that:

(a) the maximum number of ordinary shares hereby authorised to be purchased is 4,050,000;

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

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

(d) the authority hereby conferred shall expire at the conclusion of the next annual general meeting; 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.

By Order of the Board
A P Cooper, *Company Secretary*
Banner Cross Hall
Sheffield S11 9PD

30th April 1996

Notes

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

A member entitled to attend and vote is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the company.

A form of proxy for use at the meeting is enclosed with the notice issued to holders of ordinary shares. The form of proxy should be completed in accordance with the notes on it and should be received by the company's registrars, Northern Registrars Limited, Northern House, Penistone Road, Fenay Bridge, Huddersfield, HD8 0LA, no later than 48 hours before the time appointed for the meeting.

Copies of all contracts of service between the company or any of its subsidiaries and directors of the company will be available for inspection at the registered office of the company during normal business hours of any weekday (public holidays excluded) from the date of this notice until the close of the meeting and at the place of the meeting for fifteen minutes prior to and during the meeting.

The Henry Boot Group of Companies

HENRY BOOT & SONS PLC

Directors: D H Boot *(Chairman)*; E J Boot *(Managing)*; A M Bamford; A P Cooper; D Greaves; J A B Redgrave; J S Reis

Registered Office:
Banner Cross Hall, Sheffield S11 9PD
Tel: (0114) 255 5444   Fax: (0114) 258 5548
DX 701855 Banner Cross

HENRY BOOT CONSTRUCTION (UK) LIMITED

Directors: E J Boot *(Chairman)*; J P Burbidge *(Managing)*; R Balme; A M Bamford; T Lawrence

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Bell Lane, London Colney, Hertfordshire AL2 1DU
Tel: (01727) 826766   Fax: (01727) 826991

Keric House West, 197 Hagley Road, Edgbaston, Birmingham B16 9RD
Tel: (0121) 454 8118   Fax: (0121) 455 7101

Garrowhill, Baillieston, Glasgow G69 6EY
Tel: (0141) 773 2121   Fax: (0141) 773 2173

HENRY BOOT MANAGEMENT LIMITED

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HENRY BOOT HOMES LIMITED

Directors: D Greaves *(Chairman)*; A M Daly *(Managing)*; E J Boot; M J Brown; R J Brown; K Chapman; G Hill

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HALLAM LAND MANAGEMENT LIMITED

Directors: D Greaves *(Chairman)*; R J Brown *(Managing)*; E J Boot; A M Daly; J K Gledhill; K J Power; W J Warden

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HENRY BOOT DEVELOPMENTS LIMITED
FIRST NATIONAL HOUSING TRUST LIMITED
HENRY BOOT ESTATES LIMITED

Directors: D Greaves *(Chairman)*; J K Gledhill *(Managing)*; D R Anderson; E J Boot; J H Boot; R Brady; T M Washer

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BANNER PLANT LIMITED
BANNER SCAFFOLDING LIMITED

Directors: E J Boot *(Chairman)*; D G Boot *(General Manager)*; A M Bamford

Dronfield, Sheffield S18 6XS
Tel: (01246) 299400   Fax: (01246) 290253
Depots also at Derby; Nottingham; Retford; Wakefield

HENRY BOOT TRAINING LIMITED

Directors: A M Bamford *(Chairman)*; D Hammond *(General Manager)*; D Greaves; G R Hudson; A Mearns

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HENRY BOOT INNER CITY LIMITED

Directors: A M Bamford *(Chairman)*; D Greaves; G R Hudson

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HENRY BOOT INNER CITY SCOTLAND LIMITED

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