160996

# Annual Report
# 1998

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Henry Boot

GROUP OF COMPANIES

**Henry Boot**
GROUP OF COMPANIES

# Annual Report 1998

GROUP ACTIVITIES

Building & Civil Engineering

Private Housing

Property Development & Investment

Land Management

Plant Hire & Scaffolding

Training

HENRY BOOT & SONS PLC

DIRECTORS

J S Reis, MA, *Chairman (Non-executive)*†

E J Boot, *Managing Director* †

D H Boot *(Non-executive)*†

A P Cooper, FCA

D Greaves, ARICS, MCIOB

J A B Redgrave, BA(Hons) *(Non-executive)*†

* *Member of the Audit Committee*

† *Member of the Remuneration Committee*

COMPANY SECRETARY

A P Cooper, FCA

REGISTERED OFFICE

Banner Cross Hall,
Sheffield S11 9PD

*Registered in England No. 160996*

## Contents

**Henry Boot**
GROUP OF COMPANIES

# 1998 Highlights

| | |
|---|---|
| TURNOVER | £172.1m |
| PROFIT BEFORE TAXATION | £10.6m |
| EARNINGS PER ORDINARY SHARE | 29.1p |
| DIVIDENDS PER ORDINARY SHARE | 9.1p |
| NET ASSETS EMPLOYED | £62.4m |
| NET ASSET VALUE PER ORDINARY SHARE | 233p |
| DIVIDEND COVER | 3.3 |

# Five Year Summary

GROUP PROFIT BEFORE TAXATION

| 1994 | 1995 | 1996 | 1997 | 1998 | 5 Year Growth |
|---|---|---|---|---|---|
| £8.2m | £8.7m | £9.4m | £10.1m | **£10.6m** | Up 39.5% |

EARNINGS PER ORDINARY SHARE

| 1994 | 1995 | 1996 | 1997 | 1998 | 5 Year Growth |
|---|---|---|---|---|---|
| 22.8p | 23.6p | 25.1p | 27.1p | **29.1p** | Up 36.6% |

DIVIDENDS PER ORDINARY SHARE

| 1994 | 1995 | 1996 | 1997 | 1998 | 5 Year Growth |
|---|---|---|---|---|---|
| 7.1p | 7.5p | 8.0p | 8.5p | **9.1p** | Up 40.0% |

ASSET VALUE PER ORDINARY SHARE

| 1994 | 1995 | 1996 | 1997 | 1998 | 5 Year Growth |
|---|---|---|---|---|---|
| 184p | 198p | 214p | 222p | **233p** | Up 34.7% |

# Chairman's Statement

*John S Reis – Chairman*

*I am delighted to report that the group maintained its* growth in pre-tax profit on the back of an increase in turnover and the further advancement of its operations during 1998.

Pre-tax profit of £10.6m was 5% ahead of the previous year, with turnover reaching £172.1m, an increase of 6% over the £162.2m achieved in 1997. This result represents yet again a record profit achievement despite the intense competition encountered generally.

"yet again a record profit achievement"

## TRADING SUMMARY

Henry Boot Homes Limited successfully continued its expansion programme and strengthened its regional structure with the opening of a further three new offices. A number of delays were experienced on planning matters despite the Government's stated intention to improve such issues. This situation has degenerated to such an extent that we now find it necessary to allow for planning delays in our development programmes and unfortunately there seems little desire by local authorities to deal with the problem.

"entered the current year in its strongest position for some time"

I suggested at the interim stage that the outcome for the year for this company would depend largely upon the success of the Autumn selling season and unfortunately this fell short of our expectations in terms of completions. However, the new order intake remained firm and consequently the company entered the current year in its strongest position for some time. The number of reservations has continued to improve into 1999 and this, coupled with the emphasis on quality and efficiency, should ensure future success.

The property development and investment activities have performed extremely well. The economy has entered a period of low inflation and despite some uncertainty, interest rates continue to fall towards those of our European counterparts. We feel this must impact positively on property yields and thereby the immediate prospects of capital growth. The successful sale of two commercial developments in Birmingham and Manchester, together with the ongoing increase in rental space developed and land disposals on our Priory Park and Wentworth developments, contributed significantly to the year's results.

"property development and investment activities have performed extremely well"

Our land management operations continued to flourish with the phase two disposal of the M1 motorway service area site at Diseworth and the successful conclusion of a number of other land deals. Hallam Land Management Limited now controls some 4,000 acres of land, with 750 acres either with planning consent or included within the Local Plan. The company continues to pursue many opportunities in its own right and provides a comprehensive platform for the housing and property development activities to augment their profitability.

"Our land management operations continued to flourish"

Within our construction operations both Henry Boot Construction (UK) Limited and Henry Boot Management Limited continued to find a fiercely competitive market but nevertheless secured repeat business as well as negotiated contracts and partnering arrangements. The forward order book into 1999 was down on previous years' levels with a marked reduction in civils work and the public sector as a whole placing greater emphasis on PFI schemes, the latter being extremely expensive to pursue. Significant sums remain outstanding on a number of contracts, although reasonable progress was made in this respect during the year.

The plant hire company returned a solid result for the year despite increasing competition in its areas of operations. Further investment in access equipment, modular accommodation, secure units, security fencing and the continuing plant replacement programme paved the way for the activity to maintain its profitability and extend its business.

Following new industry-driven initiatives, the training company has restructured its youth training activities and is servicing the Construction Apprenticeship Scheme from a number of its centres.

## FINANCIAL POSITION, DIVIDENDS AND OUTLOOK

Recent adverse sentiment by the City towards 'small cap' companies, and our sector in particular, led the Board to pursue the resolution passed at last year's AGM to make a number of market purchases of ordinary shares and cancel them, so enhancing the value of those remaining with shareholders. In view of a further record result by the group, your Board is recommending an increase in this year's dividend of 7.1% in line with the increase in earnings, giving a final dividend of 6.6p (1997 6.2p), resulting in a total for the year of 9.1p (1997 8.5p). Over the past 13 years the dividend has increased sevenfold or on average by 18% pa.

"Over the past 13 years the dividend has increased sevenfold"

The market discount to net asset value per share has for much of April been in excess of 15%. This market reaction to the company's financial performance, coupled with the substantial changes in economic conditions affecting property, is causing your Board to review its overall strategic thinking. In the meantime your directors remain committed to increasing shareholder value and to maintaining a real increase in dividends in the years ahead.

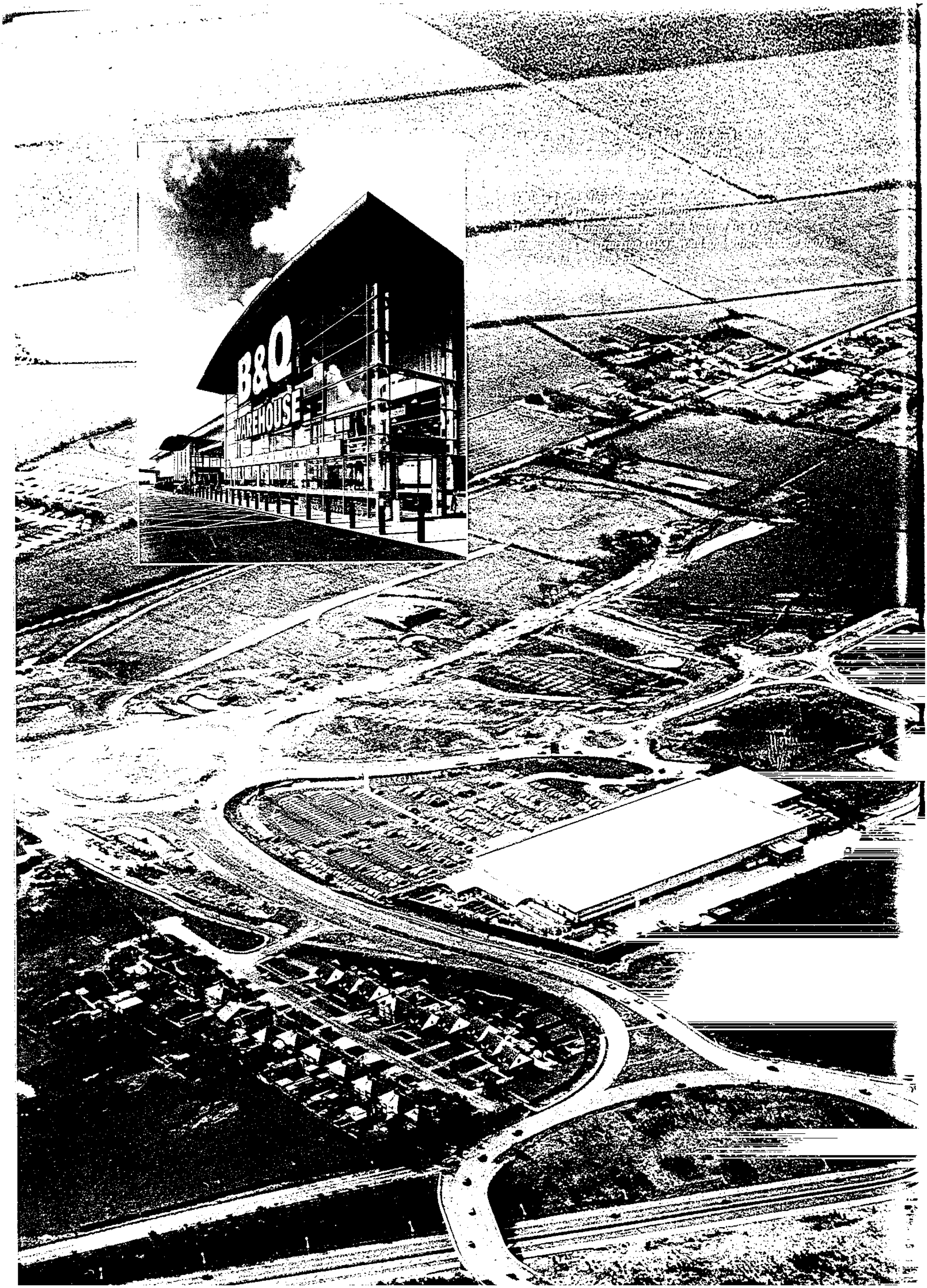
## EMPLOYEES

I would like to pay tribute to management and staff at all levels without whose commitment, loyalty and endeavours our record results would not have been achieved. Evidence of our achievements this year can be seen within the Review of Operations.

## CHANGE OF NAME

Finally, to reflect the company's wider share ownership, a special resolution will be proposed at the Annual General Meeting to change the name of the company to Henry Boot PLC.

John S Reis
23rd April 1999


B&Q
WAREHOUSE

# Review of Operations

## CONSTRUCTION

Our continuing focus on developing efficient and mutually beneficial working relationships at all levels in our industry has been fundamental in the progress we have made this year in expanding our client base. This, together with our developing repeat business, negotiated contracts and partnering arrangements, reaffirms the benefit of our long-held policy of remaining sensitive and responsive to our clients' needs at all times.

We remain committed to continually improving the individual technical, managerial and financial skills of our employees which in turn help us to improve efficiency and so benefit our clients. We are proud of the training and development programmes undertaken by employees in all aspects of our business, particularly our environmental awareness training and the number of MSc and MBA degree courses being successfully pursued.

Innovation has been the key to success in our design-build activities where our value engineering has in many cases enabled over-budget projects to fall within the client's cost plan and move to a successful completion.

We also appreciate the need for ongoing endeavour to ensure the safety, quality and care of the environment. In this respect, following extensive assessment of its environmental management system and performance, Henry Boot Construction (UK) Limited has secured full accreditation to BS EN ISO 14001:1996. Henry Boot Management Limited continues to participate in the environmentally-based Considerate Constructors Scheme administered by the Chartered Institute of Building for the Construction Industry Board.

*Malmaison Hotel, Manchester - a 112-bedroom high quality hotel created out of a derelict six-storey warehouse.*

*The new Brain Injury Rehabilitation Unit at Edgware Community Hospital.*

☐ Henry Boot Construction (UK) Limited maintained its controlled growth during the year within its traditional public and private building and civil engineering sectors. Whilst our contracts performed well overall and a profit was achieved, our immediate return was adversely affected by increased expenditure on two complex refurbishment contracts. These extra costs will be recovered in the coming months.

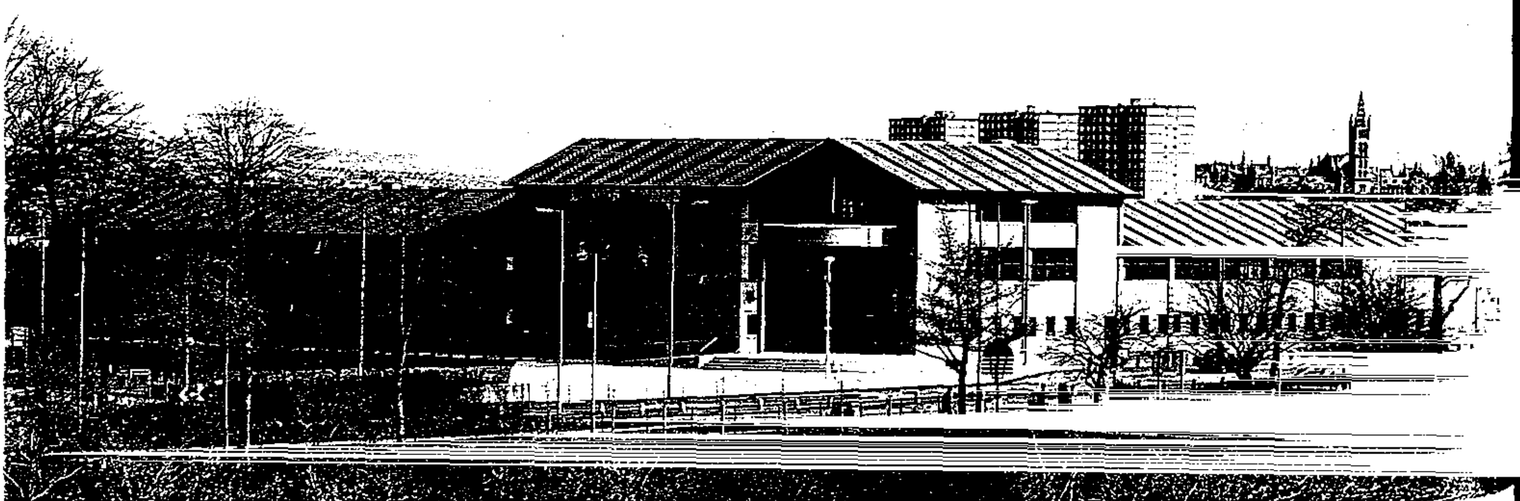
Many prestigious projects were successfully progressed or completed through 1998. In the South East this included the £10m Edgware Community Hospital, Harpenden Swimming Pool and Leisure Centre and a new £6m training centre for Arsenal Football Club near St. Albans.

Notable work in the North East region featured a £12m Royal Mail Centre contract in Sheffield, the £5.5m Harrogate Hydro, HM Prison extensions in Wakefield and various civils projects for Yorkshire Water Services and Severn Trent Water.

Health and education remain key sectors in our business and work has commenced on a £16.5m contract at the new Stonegrove Hospital in Sheffield and on school new-build and refurbishment projects for Sheffield City Council and Derbyshire County Council.

Projects in the Midlands region included the Net Shape Research Institute Building for the University of Birmingham and the City of Birmingham Symphony Orchestra Centre.

In the North West completion of the £9m Malmaison Hotel was achieved in Manchester and work started on public sector housing refurbishment for Manchester City Council. Key road schemes were commenced for Trafford Metropolitan Borough Council and Wrexham District Council.



*Divisional Police Headquarters in Govan, Glasgow were completed ahead of programme in 20 months.*


*Refurbishment and fit-out of the Bhs store in Brighton.*

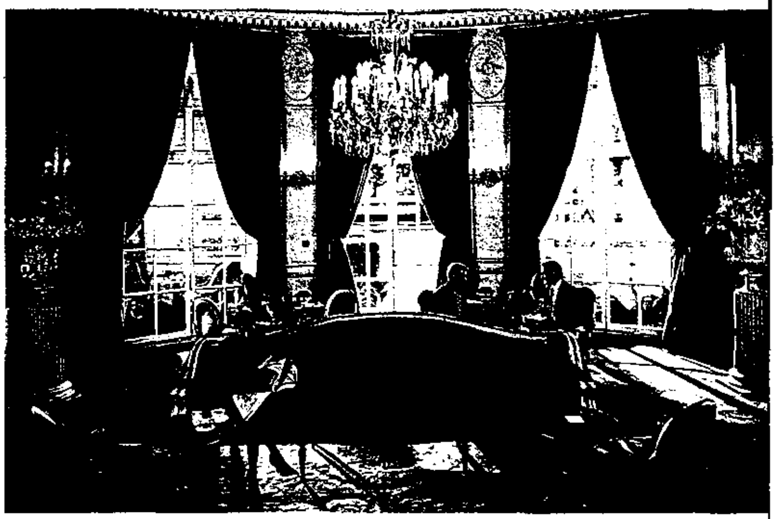
We are also extensively involved in water industry projects in Scotland where we have completed our £13m civils work in a £24m joint venture at Carron Valley Water Treatment Works in Stirlingshire. In addition, we are working at Marchbank, Ardoch, Dollar, Hamilton, Allers and Philipshill Water, Waste Water and Sludge Treatment Works and on design development of the major Kinneil Kerse Waste Water Treatment Works at Grangemouth.

Building projects in Scotland have included the £8m Stonelaw High School constructed in partnership with South Lanarkshire Council and commencement of £7.5m extensions at the Southern General Hospital in Glasgow.

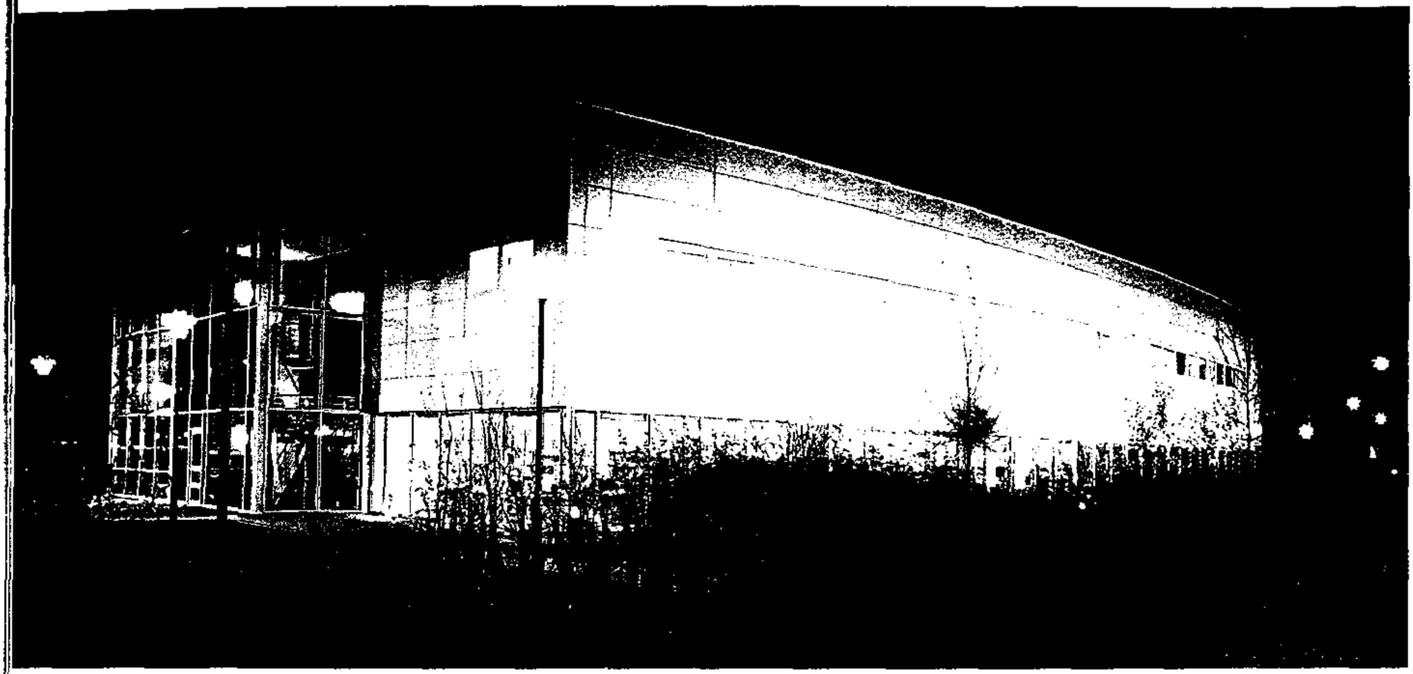
☐ The excellent long term trading relationships which Henry Boot Management Limited has developed over the years remain the foundation on which the company's continuing success is built.

Our trading agreement with Boots The Chemists is typical of this arrangement, where yet again they have rewarded our dedication in meeting their needs by awarding multi-million pound contracts at Guildford, Glasgow, Southampton and Meadowhall, Sheffield. We remain a principal trading partner in their exciting edge of town development programme both as designers and constructors.

Other important trading partners of our fast track activity included British Telecom, Dixons, Halifax and FKI.



*The elegant Loggia room in the Mandarin Oriental Hyde Park, Knightsbridge, London.*



*Construction of a purpose-designed customer call centre was completed in 28 weeks for English Welsh & Scottish Railway in Doncaster.*

Similar long term trading relationships are also the main feature of our facilities management activity. The Intervention Board has extended our contract by a further year, we are in the fifth year of our management of the Health and Safety Laboratories extensive estate in Sheffield and Buxton and the second year of a five year contract for Hertfordshire Constabulary.

Management contracting plays an important role within the company and our specialist skills are in regular demand, especially for HM Prison Service for whom we continue to be involved in many schemes throughout the country.

Other management contracts included the extensive refurbishment of the five star Mandarin Oriental Hyde Park in Knightsbridge, London and the provision of a new customer call centre for English Welsh & Scottish Railway in Doncaster.

Following the successful Grampian Country Foods project in Uxbridge, we carried out further work for the food preparation industry by extending and refurbishing Gunstone's Bakery in Dronfield.

Other contracts won included the new £6m Gainsborough Wing at Colchester Hospital, the £8.5m refurbishment of The Grocers Company offices in the City of London, a 150,000 sq.ft. B&Q store in Blackpool which was designed and built in 30 weeks, and a new hospitality building at Lord's Cricket Ground for the M.C.C.

In addition to gaining great satisfaction from our trading relationships with these clients, we also value our association with English Heritage at Bolsover Castle and with Great North Eastern Railway on major development works at King's Cross Station in London and at Doncaster Station.

As part of our long term strategy, we have formed a new company, Henry Boot Railtech Limited, to specialise in rail infrastructure works and the provision of artificial sports surfaces. Market reaction to the new company has been very positive.

*The striking design features of the popular 'Fullerton' four-bedroom detached home contributed to a record forward order book as Henry Boot Homes moved into 1999.*

*[illegible] 'Somersall' four-bedroom detached house at Springfield Gardens, Chesterfield.*

## PRIVATE HOUSING

1998 proved to be a more than satisfactory year on a number of fronts for Henry Boot Homes Limited. The average unit size and the price per square foot achieved were both at their highest ever levels, combining to produce an average selling price almost 10% more than in 1997.

Our search for land to provide development opportunities over our widening operational area was fruitful with plot purchases comfortably exceeding those sold.

The Southern Region operating out of Northampton and our Scottish operation centred on Glasgow were particularly successful in achieving increased unit sales and in the purchase of new sites, both areas being well placed for sustained growth in 1999 and beyond.

The opening of regional offices continued apace as new management teams were established in Derby (Central), Doncaster (Northern) and Birmingham (West Midlands).

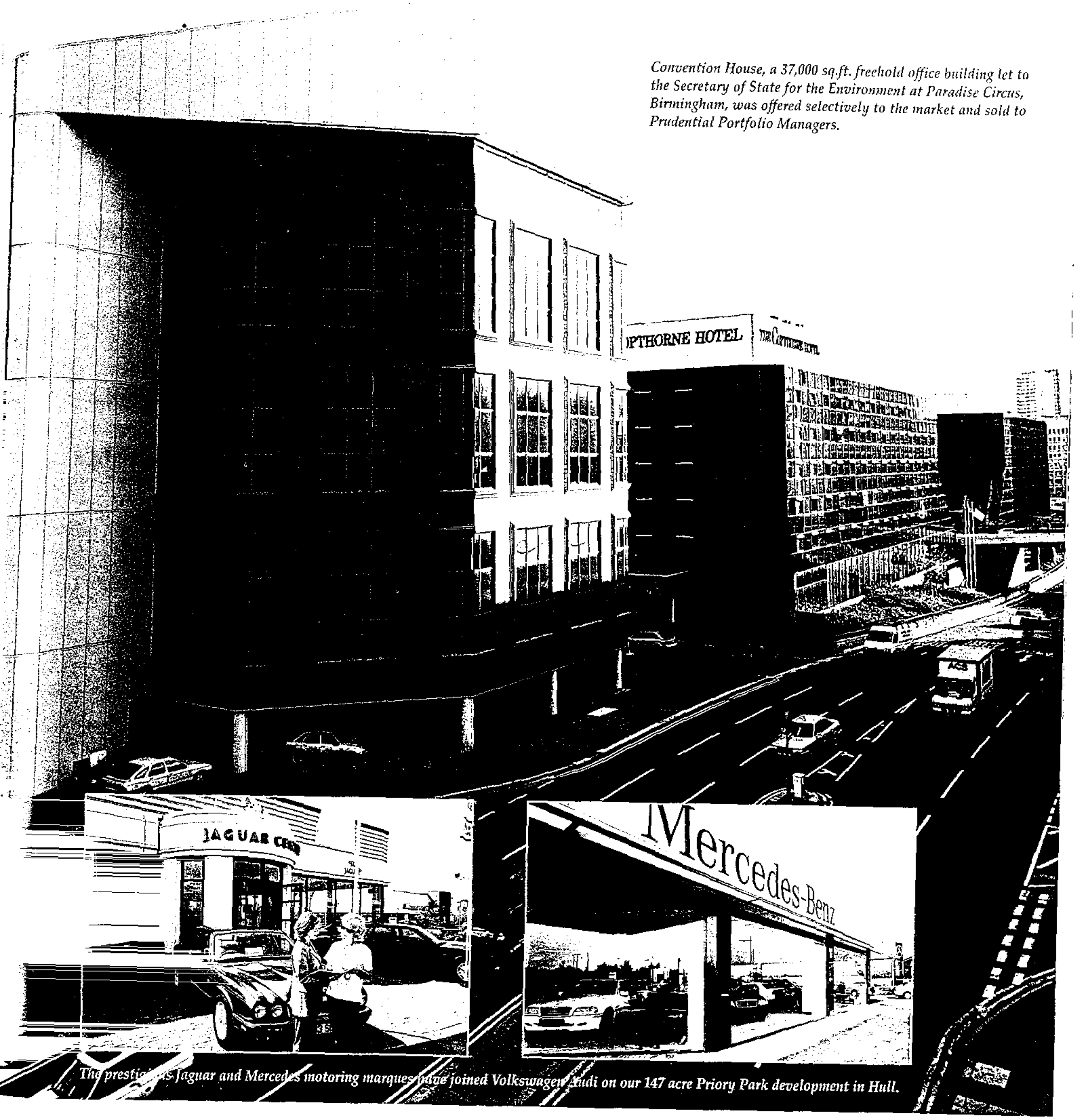
Delays in the planning process continue to lengthen with extensions to the consultation periods being required by local authorities prior to presentation to planning committees. Decisions are then often deferred for further consultation and site visits. Section Agreements also take an inordinate time to formalise and all these factors combine to be a significant frustration to the business. Prolongation of the planning timescale is now regrettably having to be programmed into our forward development plans.

The shift in emphasis from greenfield to brownfield development and the introduction of sequential testing will no doubt exacerbate these planning delays.

The new year has started well with our best ever forward order book showing close to £12m of sales secured. Sales performance in the early months of the year has been consistent at levels ahead of budget and we are confident 1999 will be a year of profitable progress.

*Attractive three and four-bedroom detached homes in a pleasant cul-de-sac at Harvest Meadows, Heanor.*

Convention House, a 37,000 sq.ft. freehold office building let to the Secretary of State for the Environment at Paradise Circus, Birmingham, was offered selectively to the market and sold to Prudential Portfolio Managers.




The prestigious Jaguar and Mercedes motoring marques have joined Volkswagen Audi on our 147 acre Priory Park development in Hull.

## PROPERTY DEVELOPMENT AND INVESTMENT

The commercial property and investment companies produced some exceptional results contributing substantially to the group's financial performance. This success was achieved through a balance of new development activity and the continued sale of our older properties augmented by the sale of certain newer developments. All properties are actively managed so as to achieve the maximum capital and rental growth. Significant rental increases were achieved at review on our office/retail and autocentre schemes at Wigan and Hereford.

*A high level of interest was shown in Southside 56, our 25,000 sq.ft. office development near Manchester Airport and its sale was completed to Guardian Properties.*

On our 150 acre development at Priory Park, Hull, we received several offers for our B1 office scheme developed specifically for occupation by Kingston Communications and the freehold sale was concluded to the Diamond Property Group.

The keen interest shown and high bid levels received for the properties sold during 1998 is testament to the quality schemes being created.

New development activity continued on our 72,000 sq.ft. retail scheme at Abbey Walk, Selby with completion achieved in mid-year and lettings to Somerfield, Wilkinson, Peacocks, Savers Chemist, Jonathan James and Select Fashion. The completed development is being managed in-house.

Our 70 acre retail and leisure scheme at Clifton Moor, York has been an outstanding success by any measure and the latest phase comprising an 18,000 sq.ft. night club was completed and handed over to the Rank Organisation. Only two acres of developable land remain out of the total scheme and this is currently under negotiation.

Further sales of serviced land were concluded on Wentworth Business Park at Junction 36 of the M1 and on Priory Park, Hull where new Jaguar and Mercedes dealerships were established.

New development opportunities were acquired in the North West, the largest of which was an 11 acre site in Birkenhead with a retail consent for 100,000 sq.ft. This is currently being built and marketed as Rock Retail Park and pre-lets include JJB Sports, Staples and McDonald's. The level of interest in the scheme suggests it will be fully let ahead of the current year end.

We achieved practical completion on a 150,000 sq.ft. B&Q store at Fylde. Located just off Junction 4 on the M55, the development consists of a 100,000 sq.ft. store together with a 20,000 sq.ft. garden centre and a 30,000 sq.ft. building products area.

Also, a succession of transactions was concluded on a 3.5 acre site on Chester Road, Trafford Park, Manchester. The site was purchased in the face of stiff competition and part was pre-let to Motorcycle City for a 25,000 sq.ft. showroom. This investment has been pre-sold to a private trust. The balance of the site has been taken by the Cambos Organisation under a turnkey deal through which Henry Boot Developments Limited will provide a 20,000 sq.ft. bingo hall.

Several other opportunities are also at an advanced stage as a consequence of the increased activity generated in the North West since the setting up of our Manchester office.

During 1998 a regional office was set up in Birmingham which has obtained a detailed planning consent on the final phase of our Paradise Circus development. This comprises a 75,000 sq.ft. high specification office building to be known as West Point and which is currently being marketed.

We have secured a nine acre freehold site in Hailsham, East Sussex with the benefit of a 68,000 sq.ft. non-food retail planning consent. A substantial DIY store pre-let was achieved prior to the year end.

We fully expect 1999 to be an exciting year of accelerating activity with an increasing number of quality investment properties being produced over a widening geographical area.

## LAND MANAGEMENT

Although operating in an increasingly hostile planning environment, Hallam Land Management Limited made further significant progress in profitably expanding its business. Further land was purchased during the year and we achieved a 10% increase in ownership levels. The increase in land controlled through option or agency agreements was more pronounced with a 25% increase taking the total close to 4,000 acres. Land with valid planning permissions remains at almost 200 acres whilst land with local plan allocations has increased by more than 100% to 550 acres.

Planning permissions for residential development have been achieved for a total of 550 plots at Rugby, Fleckney near Leicester and Mosborough, Sheffield, whilst retail permission was obtained for the 150,000 sq.ft. B&Q store at Fylde.

Two additional major sites held by option now enjoy local plan allocation for residential development in the South and together will provide 1,250 plots.

Substantial infrastructure works have been undertaken on the 60 acre first phase of our development at Fylde and we have opened up further land for development by expanding the road and services network.

At Mansfield major infrastructure work was necessary ahead of the opening of a 12 acre Asda store site on our 95 acre scheme and, here again, additional work was undertaken to facilitate the early development of some of our retained land for further residential development. Henry Boot Homes has commenced residential construction and further land sales will be made from the Mansfield land bank in 1999.

The success of Hallam Land Management Limited in securing development land, particularly residential, should generate substantial profits in the course of time and, just as important, will afford Henry Boot Homes Limited the opportunity for rapid growth in new market areas.

With the opening of the Derby office during 1998 the company now operates out of five locations in progressing land through the planning system and processing new opportunities, the bulk of which are now brought to us direct by landowners or their representatives. We plan to achieve a fair measure of growth by increasing activity levels in our present areas of business. Whilst we remain confident for the future, it has to be recorded as fact that the problems facing us have significantly increased, particularly concerning greenfield opportunities.

Targets are being set for brownfield housing development by central Government before proper research has been undertaken to establish an accurate measure of availability. Our own investigations suggest a majority of brownfield sites are totally unsuitable for this designated use. Whilst some measure of recognition exists at Government level in determining adequate housing numbers, the allocation within local authorities always seems to pose major problems. Whereas a few years ago credit could be gained by promoting residential development, it seems the reverse is now the case and some politicians appear to see merit in promoting development restraint.

The planning process is slowing and we believe will slow still further. If, as generally predicted, interest rates continue to fall and confidence returns to the housing market, then the cocktail of land shortage, cheap mortgages and rising demand may quickly be reflected in property and further land price inflation.

We have a number of planning applications lodged and a successful outcome to these will ensure further profitable progress in the current year. Because of the slow-down in the planning system, however, our fears are that achievement of our immediate goals may well be delayed.

## PLANT HIRE

Capital investment reached record levels as the Banner Plant Limited policy for the year centred on product-led expansion. Investment in growth areas concentrated on powered access, dumpers, JCB airmasters, loadalls and modular buildings as well as the ongoing replacement programme for other items.

*An Asda Superstore was the first occupant on Hallam Land Management's 93 acre Rushpool Farm development in Mansfield.*

Profit contributions have come from all trading departments with a particularly commendable performance from the Sheffield centre based on its increasingly important powered access fleet.

At the same time we continued to add greater diversification to our accommodation unit customer base and to reduce dependence on the construction industry. This was typified with the supply of a substantial modular building with a three unit extension to Rolls Royce Aero Engines, Derby and a six unit office complex provided for Trebor Bassett in Sheffield.

Company expansion will continue through product-led growth and in particular the greater availability of access equipment at our hire centres.

## TRAINING

In response to new industry-driven initiatives and analysis of manpower needs, Henry Boot Training Limited has changed its youth training structure. It has been designed not only to provide a more stable working environment for both the trainer and the trainee but to be of longer term benefit to the company and the industry.

This was also influenced by the Government's adoption of a single June school leaving date, a new three year Construction Apprenticeship Scheme and a CITB forecast of increasing manpower requirements in our industry.

In August we introduced the Construction Apprenticeship Scheme into our training centres in England and will be applying it in Scotland later this year. Our three year projection will see 1,200 apprentices on our programmes by the year 2001. Although it is still early days, the scheme is working well with the trainee drop-out rate much reduced.

*Construction industry training in Sri Lanka.*

Managed training and overseas activities are performing successfully in their respective markets with steady growth. Our contract with British Telecom remains on track and our ability to market private training programmes and the training packages of associate training providers is attracting new clients.

We are still active in Singapore and Bangladesh and have retained links in Sri Lanka. We also commenced a support programme in India to assist Larsen & Toubro Limited to promote and develop a unified modular system for construction vocational training. The system has been tried and tested and has been offered to the Construction Industry Development Council of India for acceptance as a model approach.

# Report of the Directors

The directors present their Annual Report and the audited Financial Statements for the year ended 31st December 1998.

## 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 6.6p per ordinary share be paid on 4th June 1999 which, together with the interim dividend of 2.5p paid on 18th November 1998, will make a total dividend of 9.1p for the year ended 31st December 1998.

## 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

In November 1998 and on two occasions in January 1999 under the authority granted by resolution 7 of the Annual General Meeting held on 22nd May 1998 and in accordance with Section 166 of the Companies Act 1985, 500,000, 250,000 and 250,000 ordinary 10p shares of the company were bought in and cancelled for an aggregate consideration of £907,230, £413,310 and £408,753 respectively which represented 1.84%, 0.94% and 0.95% respectively of the company's ordinary issued share capital. The issued ordinary share capital has accordingly been reduced from a total of 27,107,622 shares (£2,710,762) to 26,607,622 (£2,660,762) as at 31st December 1998 and subsequently to 26,107,622 (£2,610,762). This action took advantage of stock market conditions at the time to enhance existing shareholder returns.

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

(a) An ordinary resolution (resolution 5) to renew the authority of the directors to allot shares up to a maximum nominal amount of £870,254 being 33.33% of the company's issued ordinary share capital as at 16th April 1999. The authority will expire on 28th May 2004 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.

(b) A special resolution (resolution 6) to enable the directors to continue to allot equity securities for cash 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 £130,538 (5% of the company's issued ordinary share capital as at 16th April 1999). The authority will expire on 28th May 2004 but it is the present intention of the directors to seek annual renewal of this authority.

(c) A special resolution (resolution 7) to renew the authority of the company to make market purchases of up to 2,975,000 (11.4%) 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 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 any purchase will be in the interests of the shareholders.

## CHANGE OF NAME

As referred to in the Chairman's Statement, a special resolution (resolution 8) will be proposed at the forthcoming Annual General Meeting to change the name of the company from Henry Boot & Sons PLC to Henry Boot PLC and, subject to shareholder approval, it is the intention that the new name will come into effect on 1st June 1999.

## FIXED ASSETS

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

*J S Reis, E J Boot, D H Boot, A P Cooper, D Greaves* and J A B Redgrave held office as directors throughout 1998.

The director to retire by rotation is J A B Redgrave who, being eligible, offers himself for re-appointment. Mr Redgrave does not have a service agreement.

E J Boot and A P Cooper each have a three year rolling service agreement. The Remuneration Committee's view is that three year rolling service agreements are appropriate in these instances for the continuity of the business in this particular industry. This is a departure from provision B.1.7 of the Combined Code. Mr Greaves has a one year rolling service agreement. None of the other directors has a service agreement.

## NON-EXECUTIVE DIRECTORS

*J S Reis is 61, was appointed to the Board in 1983* and was appointed non-executive Chairman in 1996. He manages substantial interests in farming and property.

D H Boot is 67 and joined the company in 1956, was appointed to the Board in 1960 and was non-executive *Chairman from 1987 to 1996.*

J A B Redgrave is 67 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. He was formerly Chairman and Chief Executive of Hunting Gate Group Limited.

## DIRECTORS' INTERESTS

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 1998 | | At 1st January 1998 | |
|---|---|---|---|---|
| | **Beneficial** | **Non-Beneficial** | **Beneficial** | **Non-Beneficial** |
| **J S Reis** | | | | |
| Ordinary | 1,517,404 | 4,395,419 | 1,373,000 | 4,783,272 |
| Preference | 3,259 | 5,214 | 3,259 | 5,214 |
| **E J Boot** | | | | |
| Ordinary | 1,218,435 | 214,050 | 1,208,435 | 214,050 |
| Options | 97,916 | – | 97,916 | – |
| Preference | 8,053 | 8,301 | 8,053 | 8,301 |
| **D H Boot** | | | | |
| Ordinary | 520,980 | 171,070 | 525,980 | 166,070 |
| Preference | 5,068 | 13,027 | 5,068 | 13,027 |
| **A P Cooper** | | | | |
| Ordinary | 235,000 | – | 218,910 | – |
| Options | 73,034 | – | 73,034 | – |
| Preference | 1,250 | – | 1,250 | – |
| **D Greaves** | | | | |
| Ordinary | 48,420 | – | 54,160 | – |
| Options | 76,416 | – | 76,416 | – |
| **J A B Redgrave** | | | | |
| Ordinary | 12,500 | – | 2,500 | – |

There have been no changes to the above interests between 31st December 1998 and 16th April 1999.

No options have been granted or exercised in the year.

## 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 16th April 1999 are:

| | Ordinary Shares Number | % of issued |
|---|---|---|
| A C Boot | 927,050 | 3.55 |
| J H Boot - beneficial | 836,080 | 3.20 |
| - non-beneficial | 173,175 | 0.66 |
| BT Pension Scheme | 977,046 | 3.74 |
| The Equitable Life Assurance Society | 990,000 | 3.79 |
| Moore Street Securities Limited (for company ESOP) | 1,094,920 | 4.19 |
| Rysaffe Nominees | 4,441,400 | 17.01 |

Rysaffe Nominees and 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 J S Reis.

# Report of the Directors *(Continued)*

## 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.

## CREDITOR 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 31st December 1998, the company had an average of 42 days purchases outstanding in trade creditors.

## REMUNERATION REPORT

The Remuneration Committee comprises of J S Reis, D H Boot, E J Boot and J A B Redgrave.

The company's policy on executive directors' remuneration is to ensure that the directors are competitively rewarded on a basis that is comparable with similar companies in this industry.

Further detailed information relating to the amount of each element of the remuneration package for the period under review of each director by name, information on share options and long-term incentive schemes, the justification of other pensionable elements of the remuneration package, contracts in excess of one year and the company's policy on the granting of options and other long-term incentive schemes is contained in the Report of the Directors above, the separate report dealing with Corporate Governance, Directors and Staff Costs (note 5 to the Financial Statements) and Share Capital (note 22 to the Financial Statements).

## EMPLOYEES

It is our policy to keep all employees informed of the progress and affairs of the group by various means including our house journal 'Arena' 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.

## CHARITABLE DONATIONS

Donations for charitable purposes totalled £17,690 (1997 £16,771). 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.

## YEAR 2000

The group's programmes to identify and mitigate risks associated with the potential year 2000 problems which might arise at or before the turn of the century have been largely completed and at this stage no material costs have been incurred. The Board will continue to monitor progress both prior to, and following, the millennium date change.

## 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*

23rd April 1999

# Corporate Governance

## POLICY STATEMENT

The directors generally support, and are committed to, high standards of corporate governance insofar as they assist the overall well-being of the company and its business.

## APPLIANCE STATEMENT

In applying the principles of the Combined Code, the company recognises the need to exercise its judgement in relation to the benefits that might accrue to a company of its size when compared to the costs likely to be incurred. In addition, the nature of the company's majority shareholdings and their long association with the company, inevitably results in the directors having significant financial and personal ties to the company; but this is seen in a positive light and to more closely align their interests to those of other shareholders rather than impair, in the case of the non-executive directors, their independence.

Finally, because of the comparatively small size of the Board and the manner in which it conducts its business, which essentially involves all the directors, the composition of, and in some instances the necessity for, committees will vary from the requirements expected of larger organisations.

## COMPLIANCE STATEMENT

With the exceptions referred to below and those referred to under the Report of the Directors, the company has complied fully throughout the year with all the major provisions of the Combined Code. Provisions, which for the reasons stated above, where full compliance is not effected are as follows: A.3.2, A.6.1, A.6.2, B.2.2, C.2.4.

## INTERNAL FINANCIAL CONTROL

This statement is restricted to a review of internal financial controls pursuant to the Guidance for Directors on Internal Controls and Finance Reporting issued by the Rutteman Working Group in December 1994.

The 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. A report on the review of the effectiveness of internal financial controls applied throughout the group is received by the Audit Committee on a regular basis.

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

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

- the establishment of an appropriate organisational structure and control environment which addresses management competence and integrity, communication at all levels, delegation of authority and financial reporting;
- 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 and reviewed periodically for key areas of business risks.

# Group Profit and Loss Account *for the year ended 31st December 1998*

| | Note | 1998 £'000 | 1997 £'000 |
|---|---|---|---|
| **Turnover – continuing operations** | 1 | 172,120 | 162,150 |
| Cost of sales | | 150,500 | 141,551 |
| Gross profit | | 21,620 | 20,599 |
| Administrative expenses | | 11,641 | 11,267 |
| | | 9,979 | 9,332 |
| Other operating income | 2 | 31 | 32 |
| Operating profit | 3 | 10,010 | 9,364 |
| Interest | 4 | 582 | 761 |
| **Profit on ordinary activities before taxation** | 1 | 10,592 | 10,125 |
| *Tax on profit on ordinary activities* | 6 | 2,966 | 3,014 |
| **Profit for the financial year after taxation** | 7 | 7,626 | 7,111 |
| Dealt with as follows: | | | |
| Dividends (including non-equity) | 8 | 2,327 | 2,247 |
| Profit retained | 23 | 5,299 | 4,864 |
| | | 7,626 | 7,111 |
| **Basic earnings per ordinary share** | 9 | 29.1p | 27.1p |
| **Diluted earnings per ordinary share** | 9 | 28.0p | *25.9p |

There were no discontinued operations.

*Restated in accordance with FRS 14.

# Group and Parent Company Balance Sheets *at 31st December 1998*

| | | Group | | Parent | |
|---|---|---|---|---|---|
| | | 1998 | 1997 | 1998 | 1997 |
| | Note | £'000 | £'000 | £'000 | £'000 |
| **Fixed assets** | | | | | |
| Tangible assets | 10 | 23,225 | 29,562 | 183 | 224 |
| Investments | 12 | 1,534 | 1,609 | 4,551 | 4,234 |
| | | 24,759 | 31,171 | 4,734 | 4,458 |
| **Current assets** | | | | | |
| Stocks | 15 | 71,889 | 54,282 | 3,850 | 3,850 |
| Debtors | 16 | 13,022 | 28,354 | 64,352 | 54,030 |
| Cash at bank and in hand | | 8,401 | 15,789 | 7,731 | 15,385 |
| | | 93,312 | 98,425 | 75,933 | 73,265 |
| Creditors: amounts falling due within one year | 17 | (52,976) | (57,725) | (63,050) | (59,436) |
| **Net current assets** | | 40,336 | 40,700 | 12,883 | 13,829 |
| **Total assets less current liabilities** | | 65,095 | 71,871 | 17,617 | 18,287 |
| Creditors: amounts falling due after more than one year | 17 | (280) | (5,743) | – | – |
| Provisions for liabilities and charges | 18 | (2,382) | (5,565) | (124) | (943) |
| **Net assets employed** | | 62,433 | 60,563 | 17,493 | 17,344 |
| **Capital and reserves** | | | | | |
| Called up share capital | 22 | 3,061 | 3,111 | 3,061 | 3,111 |
| Capital redemption reserve | 23 | 145 | 95 | 145 | 95 |
| Share premium account | 23 | 1,105 | 1,105 | 1,105 | 1,105 |
| Property revaluation reserve | 23 | 9,616 | 12,193 | – | – |
| Profit and loss account | 23 | 47,982 | 43,547 | 10,513 | 10,364 |
| Other reserves | 23 | 524 | 512 | 2,669 | 2,669 |
| **Shareholders' funds** | | 62,433 | 60,563 | 17,493 | 17,344 |
| Being: | | | | | |
| Non-equity shareholders' funds | | 400 | 400 | 400 | 400 |
| Equity shareholders' funds | | 62,033 | 60,163 | 17,093 | 16,944 |
| | | 62,433 | 60,563 | 17,493 | 17,344 |

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

# Group Cash Flow Statement *for the year ended 31st December 1998*

| | Note | 1998 £'000 | 1997 £'000 |
|---|---|---|---|
| Net cash inflow from operating activities | (a) | 6,355 | 8,630 |
| Returns on investment and servicing of finance | (b) | 574 | 724 |
| Taxation | | (2,748) | (2,905) |
| Capital expenditure and financial investment | (b) | (2,990) | (3,322) |
| Equity dividends paid | | (2,279) | (2,147) |
| Cash (outflow) inflow before use of liquid resources and financing | | (1,088) | 980 |
| Financing | (b) | (907) | 177 |
| (Decrease) Increase in cash | | (1,995) | 1,157 |

Reconciliation of net cash flow to movement in net funds

| | Note | 1998 £'000 | 1997 £'000 |
|---|---|---|---|
| (Decrease) Increase in cash in the year | | (1,995) | 1,157 |
| Net funds at 31st December 1997 | | 10,396 | 9,239 |
| Net funds at 31st December 1998 | (c) | 8,401 | 10,396 |

# Notes to Group Cash Flow Statement

| (a) Reconciliation of operating profit to operating cash flow | 1998 £'000 | 1997 £'000 |
|---|---|---|
| Operating profit | 10,010 | 9,364 |
| Depreciation charge | 2,619 | 2,446 |
| Profit on sale of tangible fixed assets | (241) | (107) |
| (Increase) Decrease in stocks | (13,131) | 1,486 |
| Decrease (Increase) in debtors | 15,312 | (11,661) |
| (Decrease) Increase in creditors and provisions | (8,214) | 7,102 |
| **Net cash inflow from operating activities** | 6,355 | 8,630 |

| (b) Analysis of cash flows | 1998 £'000 | 1997 £'000 |
|---|---|---|
| **Returns on investment and servicing of finance** | | |
| Interest received | 1,099 | 1,184 |
| Interest paid | (504) | (439) |
| Preference dividend paid | (21) | (21) |
| **Net cash inflow** | 574 | 724 |
| **Capital expenditure and financial investment** | | |
| Purchase of tangible fixed assets | (4,233) | (3,940) |
| Sale of tangible fixed assets | 1,168 | 814 |
| Purchase of investments | (66) | (196) |
| Sale of investments | 141 | – |
| **Net cash outflow** | (2,990) | (3,322) |
| **Financing** | | |
| Issue of ordinary share capital | – | 7 |
| Premium on issue of ordinary shares | – | 170 |
| Cost of own shares purchased | (907) | – |
| **Net cash (outflow) inflow** | (907) | 177 |

| (c) Analysis of net funds | 1998 £'000 | 1997 £'000 |
|---|---|---|
| Cash at bank and in hand | 8,401 | 15,789 |
| Less bank loan (repaid in 1998) | – | (5,393) |
| | 8,401 | 10,396 |

# Other Primary Statements *for the year ended 31st December 1998*

| Group Statement of Total Recognised Gains and Losses | 1998 £'000 | 1997 £'000 |
|---|---|---|
| Profit for the financial year | 7,626 | 7,111 |
| Cost of own shares purchased | (907) | – |
| Unrealised surplus on property revaluation | 419 | 309 |
| Elimination of revaluation surplus on transfer of properties to stocks | (2,953) | (3,192) |
| Foreign currency translation differences | 12 | 84 |
| Total recognised gains and losses for the year | 4,197 | 4,312 |

| Historical Cost Profits and Losses | 1998 £'000 | 1997 £'000 |
|---|---|---|
| Reported profit on ordinary activities before taxation | 10,592 | 10,125 |
| Realisation of property revaluation surplus of previous years | 43 | 4 |
| Historical cost profit on ordinary activities before taxation | 10,635 | 10,129 |
| Historical cost profit for the year retained after taxation and dividends | 5,342 | 4,868 |

| Reconciliation of Movements in Shareholders' Funds | 1998 £'000 | 1997 £'000 |
|---|---|---|
| Profit for the financial year | 7,626 | 7,111 |
| Dividends | (2,327) | (2,247) |
| | 5,299 | 4,864 |
| Other recognised gains and losses relating to the year | (3,429) | (2,799) |
| New share capital subscribed | – | 177 |
| Net addition to shareholders' funds | 1,870 | 2,242 |
| Shareholders' funds at 31st December 1997 | 60,563 | 58,321 |
| Shareholders' funds at 31st December 1998 | 62,433 | 60,563 |

# 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 carried at their 1989 existing use values or subsequent cost unless there has been any diminution in these amounts.

Surpluses on revaluation are credited to the property revaluation reserve.

The portfolio of investment properties is regularly reviewed and properties which are no longer to be retained for investment purposes are immediately transferred to the group's stock of developments in progress, in accordance with the Companies Act 1985, at the lower of cost or realisable value and, pending sale, redeveloped or 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

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

## EMPLOYEE SHARE OWNERSHIP PLAN (ESOP)

The ESOP is accounted for in accordance with the provisions of UITF Abstract 13 and accordingly shares acquired are included in the balance sheet at cost.

## 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.

# Accounting Policies *(Continued)*

## 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 originally made 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 Financial Reporting Standard 9. The directors considered, however, that the group's investment in this joint venture company was not fairly reflected by such accounting treatment. They believed that it was 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. This treatment has no impact on the reported group profit and continues to be applied.

## 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.

## 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 mainly from the group's activity in the United Kingdom.

| **2. Other Operating Income** | 1998<br>£'000 | 1997<br>£'000 |
|---|---|---|
| Commissions | 31 | 32 |

| **3. Operating Profit** | 1998<br>£'000 | 1997<br>£'000 |
|---|---|---|
| **Operating profit is stated after charging:** | | |
| Depreciation | 2,619 | 2,446 |
| Property rentals under operating leases | 233 | 214 |
| Auditors' remuneration – as auditors (parent company £33,000; 1997 £32,000) | 154 | 152 |
| – for non-audit services | 45 | 44 |
| Staff costs (note 5) | 27,039 | 25,284 |
| **and after crediting:** | | |
| Profit on sale of fixed assets | 241 | 107 |

| **4. Interest** | 1998<br>£'000 | 1997<br>£'000 |
|---|---|---|
| **Receivable:** | | |
| Bank and similar interest | 1,063 | 1,204 |
| **Payable:** | | |
| Bank overdraft and similar interest | (481) | (443) |
| | 582 | 761 |

**5. Directors and Staff Costs**

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

| | Salary<br>£'000 | Bonus<br>£'000 | Taxable benefits<br>£'000 | 1998 Total<br>£'000 | 1997 Total<br>£'000 |
|---|---|---|---|---|---|
| J S Reis (Chairman) | 20 | – | – | 20 | 20 |
| D H Boot (Non-executive) | 15 | – | – | 15 | 15 |
| E J Boot | 138 | 39 | 14 | 191 | 191 |
| A P Cooper | 104 | 29 | 12 | 145 | 147 |
| D Greaves | 104 | 29 | 12 | 145 | 147 |
| J A B Redgrave (Non-executive) | 15 | – | – | 15 | 15 |
| | 396 | 97 | 38 | 531 | 535 |

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. (This is contrary to the Combined Code provision B.1.6, Schedule A, item 7).

# Notes to the Financial Statements *(Continued)*

5. Directors and Staff Costs (continued)

**Directors pension information:**

| | Transfer value of the increase in accrued benefit in excess of inflation | Increase in accrued benefit in excess of inflation | Accumulated benefit accrued 1998 | Accumulated benefit accrued 1997 |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| E J Boot | 31 | 4 | 74 | 68 |
| A P Cooper | 28 | 3 | 35 | 31 |

*The transfer value has been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11 less the director's contributions.*

The increase in accrued pension during the year excludes any increase for inflation.

The pension entitlement shown is that which would be paid annually on retirement, based on service to the end of the year.

Members of the scheme have the option to pay Additional Voluntary Contributions; neither these contributions nor the resulting benefits are included in the above table.

| | 1998 £'000 | 1997 £'000 |
|---|---|---|
| **Staff costs:** | | |
| Wages and salaries | 23,376 | 21,846 |
| Social security costs | 1,804 | 1,697 |
| Other pension costs | 1,859 | 1,741 |
| | 27,039 | 25,284 |

The average number of employees during the year was 1,374 (1997 1,313).

**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 1998. 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. The latest actuarial valuation showed that the market value of the assets of the scheme was £67,056,000 and that the actuarial value of those assets represented 106% of the benefits accrued to the members, after allowing for anticipated future increases in earnings.

| 6. Tax on Profit on Ordinary Activities | 1998 £'000 | 1997 £'000 |
|---|---|---|
| The charge for the year consists of: | | |
| Corporation tax | 2,722 | 3,301 |
| Deferred taxation | 244 | (22) |
| Adjustment in respect of prior years - overseas tax | – | (265) |
| | 2,966 | 3,014 |

### 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 £3,383,000 (1997 £2,329,000).

### 8. Dividends

| | 1998 £'000 | 1997 £'000 |
|---|---|---|
| Cumulative preference shares (non-equity) | 21 | 21 |
| Ordinary shares (equity): | | |
| Interim of 2.5p (1997 2.3p) paid on 18th November 1998 | 655 | 602 |
| Proposed final of 6.6p (1997 6.2p) to be paid on 4th June 1999 | 1,651 | 1,624 |
| | 2,327 | 2,247 |

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 preference share dividends, of £7,605,000 (1997 £7,090,000). The weighted average number of ordinary shares is as follows:

| | 1998 | 1997 |
|---|---|---|
| Shares in issue | 27,039,129 | 27,079,285 |
| Less shares held by the Employee Share Ownership Plan on which dividends have been waived | (948,111) | (918,693) |
| Weighted average number for basic earnings per share | 26,091,018 | 26,160,592 |
| Add back shares held by the Employee Share Ownership Plan | 948,111 | 918,693 |
| Adjustment for the effects of dilutive potential ordinary shares | 124,125 | 287,647 |
| Weighted average number for diluted earnings per share | 27,163,254 | 27,366,932 |

# Notes to the Financial Statements *(Continued)*

| 10. Tangible Fixed Assets<br>Group | Land and buildings<br>Freehold<br>£'000 | Long lease<br>£'000 | Investment properties<br>£'000 | Plant and vehicles<br>£'000 | Office equipment<br>£'000 | Total<br>£'000 |
|---|---|---|---|---|---|---|
| **Cost or valuation** | | | | | | |
| At 31st December 1997 | 4,865 | 184 | 16,983 | 15,795 | 1,974 | 39,801 |
| Additions at cost | 168 | 87 | – | 3,738 | 242 | 4,235 |
| Disposals | (84) | – | (49) | (2,880) | (55) | (3,068) |
| Transfers to stocks | – | – | (7,429) | – | – | (7,429) |
| Adjustments on revaluation | – | – | 419 | – | – | 419 |
| *At 31st December 1998* | *4,949* | *271* | *9,924* | *16,653* | *2,161* | *33,958* |
| Being: | | | | | | |
| Cost | 911 | 237 | – | 16,653 | 2,161 | 19,962 |
| Valuation | 4,038 | 34 | 9,924 | – | – | 13,996 |
| | 4,949 | 271 | 9,924 | 16,653 | 2,161 | 33,958 |
| **Depreciation** | | | | | | |
| At 31st December 1997 | 8 | – | – | 8,761 | 1,470 | 10,239 |
| Charge for year | 3 | – | – | 2,366 | 250 | 2,619 |
| Disposals | – | – | – | (2,074) | (51) | (2,125) |
| At 31st December 1998 | 11 | – | – | 9,053 | 1,669 | 10,733 |
| **Net book value** | | | | | | |
| At 31st December 1998 | 4,938 | 271 | 9,924 | 7,600 | 492 | 23,225 |
| At 31st December 1997 | 4,857 | 184 | 16,983 | 7,034 | 504 | 29,562 |

On the historical cost basis the land and buildings would have been included at a cost of £5,528,000 (1997 £9,839,000).

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 and a review of that valuation has been carried out at each subsequent accounting date by D Greaves, ARICS, MCIOB, a director of the company.

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 1997 | 321 | 611 | 932 |
| Additions | 67 | 47 | 114 |
| Disposals | (144) | (43) | (187) |
| Transfers to group undertakings | – | (2) | (2) |
| At 31st December 1998 | 244 | 613 | 857 |
| **Depreciation** | | | |
| At 31st December 1997 | 191 | 517 | 708 |
| Charge for year | 68 | 47 | 115 |
| Disposals | (104) | (43) | (147) |
| Transfers to group undertakings | – | (2) | (2) |
| At 31st December 1998 | 155 | 519 | 674 |
| **Net book value** | | | |
| At 31st December 1998 | 89 | 94 | 183 |
| At 31st December 1997 | 130 | 94 | 224 |

### 11. Tangible Fixed Asset Expenditure Commitments

The directors have authorised future tangible fixed asset expenditure not provided in these financial statements as follows:

| | Group | | Parent | |
|---|---|---|---|---|
| | **1998 £'000** | 1997 £'000 | **1998 £'000** | 1997 £'000 |
| Contracted for | **381** | 187 | **97** | – |

### 12. Fixed Asset Investments

| | Group | | Parent | |
|---|---|---|---|---|
| | **1998 £'000** | 1997 £'000 | **1998 £'000** | 1997 £'000 |
| Subsidiary companies (note 13) | – | – | **3,196** | 2,945 |
| Quoted investments – own shares held by ESOP | **1,355** | 1,289 | **1,355** | 1,289 |
| Unquoted investments | **179** | 320 | – | – |
| | **1,534** | 1,609 | **4,551** | 4,234 |

**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 £1,183,000 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 the savings related share option scheme and for the long-term incentive scheme. Under the terms of the trust, the trustee has waived all but a nominal dividend on the shares it holds.

# Notes to the Financial Statements *(Continued)*

At 31st December 1998, 944,920 shares were held by the trustee with a cost of £1,354,842 and a market value of £1,587,466. Of this total, 685,335 shares were committed under various share 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.

| **13. Subsidiary Companies** | **1998** | 1997 |
|---|---|---|
| | **£'000** | £'000 |
| **Shares at cost or valuation** | | |
| At 31st December | **3,196** | 2,945 |

The original cost of shares included above is £2,195,000 (1997 £2,195,000). This has been reduced by provisions for losses where necessary and enhanced where the directors have considered it appropriate to reflect in the valuation increases of a permanent nature in the underlying net asset values of subsidiary companies. Such enhancements have been £1,115,000 in 1975 and £1,135,000 in 1989.

Amounts due to and from subsidiary companies are included in notes 16 and 17.

The principal subsidiary companies are listed on page 37 of this report. With the following exceptions, all subsidiary companies are wholly 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. Where appropriate, 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. Related Party Transactions**

As explained in the Accounting Policies the group has a 50% interest in the ordinary share capital of Kirklees Henry Boot Partnership Limited (KHBP). The group's investment included in developments in progress at the beginning and end of the year comprised equity of £250,000 and secured loans of £4,231,000, against which a provision of £2,849,000 (1997 £2,849,000) has been made. Interest of £369,000 was charged during 1998 on the outstanding loans (1997 £342,000).

During the year the group charged £207,000 (1997 £301,000) in respect of administration and project management fees, and was reimbursed £2,068,000 (1997 £2,257,000) in respect of development and other costs incurred on behalf of KHBP. At the balance sheet date £111,898 (1997 £1,069,251) was due to the group from KHBP.

| **15. Stocks** | Group | | Parent | |
|---|---|---|---|---|
| | **1998** | 1997 | **1998** | 1997 |
| | **£'000** | £'000 | **£'000** | £'000 |
| Developments in progress including houses for sale | **50,021** | 37,262 | **3,850** | 3,850 |
| Land held for development | **21,868** | 17,020 | **–** | – |
| | **71,889** | 54,282 | **3,850** | 3,850 |

| **16. Debtors** | Group | | Parent | |
|---|---|---|---|---|
| | **1998** | 1997 | **1998** | 1997 |
| | **£'000** | £'000 | **£'000** | £'000 |
| Amounts recoverable on contracts | **8,342** | 17,186 | **–** | – |
| Trade debtors | **2,781** | 9,860 | **–** | – |
| Other debtors | **644** | 819 | **15** | 171 |
| Prepayments and accrued income | **1,255** | 489 | **69** | 130 |
| Amounts owed by group undertakings | **–** | – | **64,268** | 53,729 |
| | 13,022 | 28,354 | 64,352 | 54,030 |

## 17. Creditors

| | Group 1998 £'000 | Group 1997 £'000 | Parent 1998 £'000 | Parent 1997 £'000 |
|---|---|---|---|---|
| **Amounts falling due within one year:** | | | | |
| Trade creditors | **42,787** | 46,133 | **122** | 136 |
| Corporation tax | **3,165** | 3,429 | **1,285** | 3,429 |
| Advance corporation tax | **389** | 558 | **389** | 558 |
| Other taxation and social security | **2,415** | 3,018 | **911** | 818 |
| Other creditors | **1,779** | 1,911 | **899** | 1,089 |
| Accruals and deferred income | **785** | 1,047 | **223** | 154 |
| Dividends payable: | | | | |
| Preference | **5** | 5 | **5** | 5 |
| Ordinary proposed | **1,651** | 1,624 | **1,651** | 1,624 |
| Amounts owed to group undertakings | **–** | – | **57,565** | 51,623 |
| | **52,976** | 57,725 | **63,050** | 59,436 |
| **Amounts falling due after more than one year:** | | | | |
| Bank loan | **–** | 5,393 | **–** | – |
| Trade creditors | **280** | 350 | **–** | – |
| | **280** | 5,743 | **–** | – |

## 18. Provisions for Liabilities and Charges

| **Group** | Deferred taxation and advance corporation tax £'000 | Provisions relating to contracts and developments £'000 | Other provisions £'000 | Total £'000 |
|---|---|---|---|---|
| At 31st December 1997 | (150) | 4,063 | 1,652 | 5,565 |
| Profit and loss account | 79 | (1,650) | (1,322) | (2,893) |
| Utilised in year | – | (417) | (280) | (697) |
| ACT recoverable | 407 | – | – | 407 |
| At 31st December 1998 | 336 | 1,996 | 50 | 2,382 |
| **Parent company** | | | | |
| At 31st December 1997 | (407) | 735 | 615 | 943 |
| Profit and loss account | – | (411) | (610) | (1,021) |
| Utilised in year | – | (200) | (5) | (205) |
| ACT recoverable | 407 | – | – | 407 |
| At 31st December 1998 | – | 124 | – | 124 |

# Notes to the Financial Statements *(Continued)*

| 19. Deferred Taxation and Advance Corporation Tax | Group | | Parent | |
|---|---|---|---|---|
| | **1998** | 1997 | **1998** | 1997 |
| **Deferred taxation:** | **£'000** | £'000 | **£'000** | £'000 |
| Corporation tax on the excess of the book value of tangible fixed assets qualifying for taxation allowances over their value for taxation purposes | **264** | 206 | **–** | – |
| Other timing differences | **24** | 3 | **–** | – |
| Overseas taxation | **48** | 48 | **–** | – |
| | **336** | 257 | **–** | – |
| **Advance corporation tax** | **–** | (407) | **–** | (407) |
| | **336** | (150) | **–** | (407) |

The full potential liability for deferred taxation in respect of group tangible fixed assets qualifying for taxation allowances is £505,000 (1997 £567,000).

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 £940,000 (1997 £1,384,000).

| 20. Leasing Commitments | Group | |
|---|---|---|
| | **1998** | 1997 |
| | **£'000** | £'000 |
| Annual commitments under operating leases in respect of land and buildings are: | | |
| Operating leases which expire: | | |
| Within one year | **53** | 141 |
| Within two to five years | **129** | 35 |
| After five years | **15** | 15 |
| | **197** | 191 |

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

### 21. Bank and Bonding Facilities

Bank facilities are available to group undertakings on unsecured terms. 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.

| 22. Share Capital | Authorised | | Allotted, issued and fully paid | |
|---|---|---|---|---|
| | **1998** | 1997 | **1998** | 1997 |
| | **£'000** | £'000 | **£'000** | £'000 |
| 5.25% cumulative preference shares of £1 each | **400** | 400 | **400** | 400 |
| 26,607,622 ordinary shares of 10p each (1997 27,107,622) | **3,600** | 3,600 | **2,661** | 2,711 |
| | **4,000** | 4,000 | **3,061** | 3,111 |

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.

On 3rd November 1998 the company bought in and cancelled 500,000 ordinary shares of 10p each for an aggregate consideration of £907,230. The nominal value of the shares cancelled amounting to £50,000 has been transferred to the capital redemption reserve.

At 31st December 1998 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 1998 | 1997 |
|---|---|---|---|---|
| Executive share option scheme | 269.0p | 21.10.96–20.10.03 | **224,000** | 224,000 |
| Savings related share option scheme | 187.0p | 28.01.01–27.07.01 | **395,442** | 435,163 |
| | 204.0p | 01.02.02–31.07.02 | **239,812** | 256,786 |

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

| | Scheme | Number of Options At *01.01.98* | Granted during year | Exercised during year | At *31.12.98* | Exercise price | Date from which exercisable | Expiry date |
|---|---|---|---|---|---|---|---|---|
| E J Boot | Exec. | 89,000 | – | – | 89,000 | 269.0p | 21.10.96 | 20.10.03 |
| | SAYE | 5,534 | – | – | 5,534 | 187.0p | 28.01.01 | 27.07.01 |
| | SAYE | 3,382 | – | – | 3,382 | 204.0p | 01.02.02 | 31.07.02 |
| | | 97,916 | – | – | 97,916 | | | |
| A P Cooper | Exec. | 67,500 | – | – | 67,500 | 269.0p | 21.10.96 | 20.10.03 |
| | SAYE | 5,534 | – | – | 5,534 | 187.0p | 28.01.01 | 27.07.01 |
| | | 73,034 | – | – | 73,034 | | | |
| D Greaves | Exec. | 67,500 | – | – | 67,500 | 269.0p | 21.10.96 | 20.10.03 |
| | SAYE | 5,534 | – | – | 5,534 | 187.0p | 28.01.01 | 27.07.01 |
| | SAYE | 3,382 | – | – | 3,382 | 204.0p | 01.02.02 | 31.07.02 |
| | | 76,416 | – | – | 76,416 | | | |

No options granted to directors lapsed during the year. The market price of ordinary shares at 31st December 1998 was 168p and the range during 1998 was 165p to 315p.

**Executive Option and Long-Term Incentive Schemes**

The Executive Share Option Scheme ended on 27th October 1997. There are a number of unexpired options still outstanding and these are included in the table above. The principle of a long-term incentive scheme for senior executives is one that the company wishes to retain believing as it does that such schemes readily align the interests of directors and shareholders, whilst providing the incentive for your directors to perform at the highest levels.

Therefore a new arrangement was introduced in 1996 in the form of a Long-Term Incentive Plan and this received shareholder approval at an Extraordinary General Meeting held on 24th September 1996.

The maximum potential awards of ordinary shares of 10p each made to directors on 24th October 1996 and on 23rd April 1998 respectively were as follows: E J Boot 28,850 and 20,340; A P Cooper 20,170 and 11,870; D Greaves 20,170 and 11,870. The awards may be enhanced by the award of a further share for every two shares retained for a further three year period.

# Notes to the Financial Statements *(Continued)*

Under the provisions of the Plan no participant during any financial year may receive an award which exceeds 50% of basic salary excluding benefits in kind. This is calculated by reference to the share price at the time of the award. Awards under the Plan are subject to a performance condition reflecting improvement on the underlying financial position of the group and specifically if the percentage growth in earnings per share over the three year performance periods ending 31st December 1998 and 31st December 2000 respectively exceeds the percentage growth in the Retail Price Index over the same periods by 6%. The performance condition has been achieved in respect of the first potential award.

## 23. Reserves

| Group and Parent Company | Capital redemption reserve £'000 | Share premium account £'000 |
|---|---|---|
| At 31st December 1997 | 95 | 1,105 |
| Transfer on own shares purchased and cancelled | 50 | – |
| At 31st December 1998 | 145 | 1,105 |

| 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 1997 | 12,193 | 43,547 | 155 | 357 | 512 |
| Profit retained | – | 5,299 | – | – | – |
| Cost of own shares purchased | – | (907) | – | – | – |
| Realised revaluation surplus | (43) | 43 | – | – | – |
| Adjustment on revaluation | 419 | – | – | – | – |
| Adjustment on transfer of properties to stocks | (2,953) | – | – | – | – |
| Foreign currency translation differences | – | – | – | 12 | 12 |
| At 31st December 1998 | 9,616 | 47,982 | 155 | 369 | 524 |

| Parent Company | Profit and loss account £'000 | Other reserves Investment revaluation £'000 | Other reserves Capital £'000 | Other reserves Total other £'000 |
|---|---|---|---|---|
| At 31st December 1997 | 10,364 | 1,135 | 1,534 | 2,669 |
| Profit retained | 1,056 | – | – | – |
| Cost of own shares purchased | (907) | – | – | – |
| At 31st December 1998 | 10,513 | 1,135 | 1,534 | 2,669 |

## 24. 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.

## 25. Approval of Financial Statements

The Board of Directors approved these financial statements on 23rd April 1999.

# Statement of Directors' Responsiblities

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.

## PRINCIPAL SUBSIDIARY COMPANIES

Henry Boot Construction (UK) Limited

Henry Boot Construction Limited

Henry Boot Scotland Limited

Henry Boot Management Limited

Henry Boot Homes Limited

Henry Boot Developments Limited

Henry Boot Projects Limited

First National Housing Trust Limited

Henry Boot Estates Limited

Hallam Land Management Limited

Banner Plant Limited

Henry Boot Training Limited

# Report of the Auditors

## TO THE MEMBERS OF HENRY BOOT & SONS PLC

We have audited the financial statements on pages 20 to 36 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out on pages 25 and 26.

## RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing the Annual Report including, as described on page 37, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the Report of the Directors is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the company is not disclosed.

We review whether the statement on page 19 reflects the company's compliance with those provisions of the Combined Code specified for our review by the Stock Exchange and we report if it does not. We are not required to form an opinion on the effectiveness of the company's corporate governance procedures or its internal controls.

We read the other information contained in the Annual Report, including the Corporate Governance Statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

## BASIS OF AUDIT 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 misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall 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 1998 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
23rd April 1999

# Notice of Meeting

**Notice is hereby given that the Seventy-Ninth Annual General Meeting of Henry Boot & Sons PLC *will be held at the Sheffield Moat House,* Chesterfield Road South, Sheffield S8 8BW on Friday the 28th day of May 1999 at 11.30am for the following purposes:**

### RESOLUTION 1

To receive the Report of the Directors and the Financial Statements for the year ended 31st December 1998.

### RESOLUTION 2

To declare a final dividend on the ordinary shares.

### RESOLUTION 3

To re-appoint Mr J A B Redgrave, who retires by rotation, as a director.

### RESOLUTION 4

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

**And**

To consider and, if thought fit, pass the following resolutions, which will be proposed as to Resolution 5 as an ordinary resolution of the company and as to Resolutions 6, 7 and 8 as special resolutions of the company:

### RESOLUTION 5

**That:**

(a) in accordance with Article 7 of the company's Articles of Association, the directors be authorised to allot relevant securities up to a maximum nominal amount of £870,254;

(b) this authority shall expire on 28th May 2004; and

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

### RESOLUTION 6

**That:**

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

(b) for the purposes of paragraph (l)(b) of Article 8, the nominal amount to which this power is limited is £130,538; and

(c) this power shall expire on 28th May 2004.

### RESOLUTION 7

**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 2,975,000;

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

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

(d) the authority hereby conferred shall expire at the conclusion of the next 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.

### RESOLUTION 8

That the name of the company be changed to Henry Boot PLC.

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

4th May 1999

### 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.

# The Henry Boot Group of Companies

### HENRY BOOT & SONS PLC

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

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

### *HENRY BOOT CONSTRUCTION (UK) LIMITED*

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

Dronfield, Derbyshire S18 2XN
Tel: (01246) 410111 Fax: (01246) 410595

71 Ardwick Green North, Ardwick, Manchester M12 6FX
Tel: (0161) 273 5302 Fax: (0161) 273 5349

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

41/42 Frederick Street, Birmingham B1 3HN
Tel: (0121) 688 8118 Fax: (0121) 688 8099

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

### HENRY BOOT MANAGEMENT LIMITED

Directors: E J Boot *(Chairman)*; P Elston *(Managing)*; A Arnold; R Balme; P G Hook; M Whittaker

Dronfield, Derbyshire S18 2XN
Tel: (01246) 410111 Fax: (01246) 290449

Bell Lane, London Colney, Hertfordshire AL2 1DU
Tel: (01727) 826766 Fax: (01727) 821626

### HENRY BOOT HOMES LIMITED

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

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

Regional Offices at Birmingham, Derby, Doncaster, Glasgow and Northampton

### HENRY BOOT DEVELOPMENTS LIMITED
### HENRY BOOT PROJECTS 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

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

Regional Offices at Birmingham and Manchester

### 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

Banner Cross Hall, Sheffield S11 9PD
Tel: (0114) 255 5444 Fax: (0114) 255 5927

Regional Offices at Bristol, Derby, Glasgow and Northampton

### BANNER PLANT LIMITED
### BANNER SCAFFOLDING LIMITED

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

Dronfield, Derbyshire S18 2XS
Tel: (01246) 299400 Fax: (01246) 290253

Hire Centres also at Derby, Nottingham, Retford and Wakefield

### HENRY BOOT TRAINING LIMITED

Directors: D Greaves *(Chairman)*; D Hammond *(General Manager)*; G R Hudson

Dronfield, Derbyshire S18 2XN
Tel: (01246) 410111 Fax: (01246) 290436

Regional Offices at Cannock, Dudley, Glasgow, Leeds, Manchester, Nottingham and Sheffield

# Company Advisers

**Henry Boot**
GROUP OF COMPANIES

### AUDITORS

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

### BANKERS

Barclays Bank PLC
2 Arena Court
Sheffield S9 2WU

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

Warburg Dillon Read
1 Finsbury Avenue
London EC2M 2PP

BWD Rensburg Limited
Quayside House
Canal Wharf
Leeds LS11 5PU

Copies of the 1998 Annual Report may be obtained from the Company Secretary, Henry Boot & Sons PLC, Banner Cross Hall, Sheffield S11 9PD

Tel: (0114) 255 5444
Fax: (0114) 258 5548

### 1999 CALENDAR

Announcement of results and dividends

1998 Full year:
26th April 1999

1999 Half year:
mid-October 1999

Dividends paid

1998 Final:
4th June 1999

1999 Interim:
mid-November 1999

Annual Report posted to shareholders
4th May 1999

Annual General Meeting
28th May 1999