

Henry Boot PLC
Annual Report and Financial Statements 2011

Planning and building for the future

Registered in England No 160996

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23/05/2012

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COMPANIES HOUSE

The Henry Boot Group operates in the UK property and construction sectors

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

www.henryboot.co.uk

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Business review

2011 key financial highlights

Scan this QR code with your smartphone to find out more about Henry Boot and its companies

2011 key financial highlights

- Trading profits* of £20.8m (2010: £18.0m)
- Property revaluation deficit £4.3m (2010: surplus £0.6m)
- Investment property disposal profits £Nil (2010: £2.4m)
- Profit on disposal of assets held for sale £0.4m (2010: loss £0.1m)
- Profit before tax: £16.1m (2010: £18.9m)
- Earnings per share: 6.9p (2010: 9.1p)
- Proposed final dividend of 2.60p (2010: 2.15p), giving a total for the year of 4.25p (2010: 3.50p) a 21% increase
- Net asset value per share decreased by 2% to 142p (2010: 145p)
- Net debt reduced to £2.3m (2010: £11.4m) and gearing to 1% (2010: 6%)

* Trading profits comprise operating profit of £16.9m (2010: £20.9m), adjusted for the decrease in fair value of investment property of £4.3m (2010: increase of £0.6m), profit on sale of investment properties of £Nil (2010: £2.4m) and profit on sale of assets held for sale of £0.4m (2010: loss £0.1m)

Business review

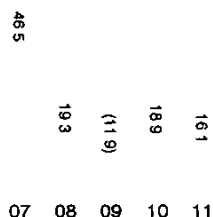
Governance

Financial statements

Shareholder information

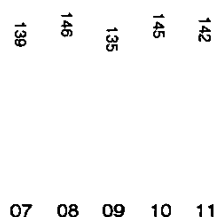
Profit before tax
(£m) 31 December

£16.1m



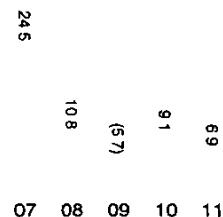
Net asset value per ordinary share
(p) 31 December

142p



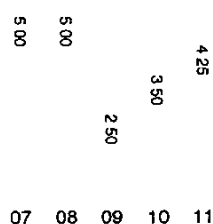
Earnings per ordinary share
(p) 31 December

6.9p



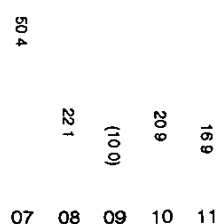
Dividends per ordinary share
(p) 31 December

4.25p



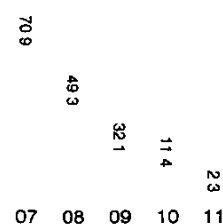
Operating profit
(£m) 31 December

£16.9m



Net debt
(£m) 31 December

£2.3m



Business review
Henry Boot at a glance

Henry Boot at a glance

The Sheffield-based Henry Boot Group is one of the UK's leading property and construction organisations.

We have four principal trading subsidiary companies operating in the property development and investment, land management, construction and plant hire sectors.

Where we operate

Our locations

Group head office
Sheffield

Regional offices

- 1 Bristol
- 2 Dronfield
- 3 Glasgow
- 4 London
- 5 Manchester
- 6 Northampton
- 7 Stocksfield

Regional hire centres

- 1 Chesterfield
- 2 Dronfield
- 3 Derby
- 4 Leeds
- 5 Rotherham
- 6 Wakefield

HENRY BOOT DEVELOPMENTS LIMITED

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

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

HEAD OFFICE

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Ecclesall Road South
Sheffield S11 9PD
t 0114 255 5444
e hbdl@henryboot.co.uk
www.henrybootdevelopments.co.uk

MANAGING DIRECTOR

David Anderson

REGIONAL OFFICES

South East – London t 020 7495 6419
South West – Bristol t 01454 275 261
North West – Manchester t 0161 830 8000
North East – Sheffield t 0114 255 5444
Scotland – Glasgow t 0141 223 9090

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Read this report online
annualreports.henryboot.co.uk/2011

HALLAM LAND MANAGEMENT LIMITED

Hallam Land Management is the strategic land and planning promotion arm of the Henry Boot Group. The Company's key role is to promote and deliver land opportunities through the complexities of the UK Planning System. Experienced land and planning promotion teams cover the UK, operating from regional offices in Bristol, Glasgow, London, Manchester and Northampton, as well as from the Sheffield head office.

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MANAGING DIRECTOR

Keran Power

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South West – Bristol t 01454 625 532
South Midlands – Northampton t 01604 646 588
North Midlands – Sheffield t 0114 255 5444
North West – Manchester t 0161 830 8004
North East – Sheffield t 0114 255 5444
Scotland – Glasgow t 01698 464 320

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HENRY BOOT CONSTRUCTION LIMITED

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

Road Link (A69) Limited, a 61% owned subsidiary, with two other shareholders holding the remaining 39%, operates and maintains the A69 Newcastle-Carlisle trunk road for the Highways Agency under a PFI contract. The contract was initially for 30 years and has 14 years still to run.

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t 01246 410 111
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MANAGING DIRECTOR

Simon Carr

REGIONAL OFFICES

Eastern – Dronfield t 01246 410 111
Western – Manchester t 0161 273 5302
Road Link – Stocksfield t 01661 842 842

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BANNER PLANT LIMITED

Banner Plant is a long established plant hire company offering a wide range of products and services for sale and hire. The Company's head office is in Dronfield, with hire centres located in Dronfield, Chesterfield, Derby, Leeds, Rotherham and Wakefield. Continuing investment is made in providing new equipment, transport and service facilities to meet the increasing needs of its many varied customers in commerce, industry and the general public.

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MANAGING DIRECTOR

Giles Boot

REGIONAL HIRE CENTRES

Chesterfield t 01246 268 593
Derby t 01332 752 035/751 762
Leeds t 0113 240 6350
Rotherham t 01709 515 655/511 500
Dronfield t 01246 299 400
Wakefield t 01924 283 487

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Business review Chairman's statement

Chairman's statement

I am pleased to report, given the continued challenging conditions in the UK property and construction markets, Henry Boot once again produced a solid performance.

John Brown, Chairman

In summary

- We continue to invest significant time and resource to secure planning consents on our greenfield land portfolio, in order to be able to supply the recovering housebuilding market
- We retain, and will continue to add to, a strong portfolio of land opportunities which we are working through the challenges of the new planning regime
- We will bring forward commercial developments on the basis of pre-letting and where the expected financial returns are commensurate with the associated development risk
- We have low levels of gearing and retain significant facility headroom and the support of our long-term banking partners. A new three year bank facility, recently agreed and commencing in May 2012, will allow us to invest in order to unlock the potential, inherent in our businesses, for the benefit of shareholders

I am pleased to report, given the continued challenging conditions in the UK property and construction markets, Henry Boot once again produced a solid performance for the year ended 31 December 2011

As anticipated, the results of Hallam Land, our land management company, improved on 2010, but still have further to go to match those achieved in better market conditions. UK house builders are acquiring land with planning permission and, in our most active year for some time, we successfully concluded a number of transactions. These included a significant sale of optioned land at Buckingham for 700 homes to Barratt Developments PLC and Bovis Homes Group PLC, the sale of the first homes at Clyst Hayes to Bovis Homes Group PLC and other smaller sites at Rugby and Countesthorpe. In 2012, UK house builders continue to report that the new-build housing market remains reasonably flat in terms of unit numbers, at historically very low levels, though margins are recovering, as a higher proportion of more recently acquired land feeds into the sales mix. The planning regime is undergoing substantial change and we are working with the new Localism Bill, National Planning Policy Framework, which is undergoing public consultation. It remains to be seen whether the more permissive policy framework will, as many hope, facilitate a greater number of planning permissions. We have been working to apply for and obtain planning consents (or minded to grant consents) in anticipation of the long-awaited recovery in house building. This, I am pleased to report, has resulted in consents being achieved on ten sites, a further six where applications remain undetermined at Appeal and a further eight awaiting decisions. In addition, we have some 20 new sites coming through where we are in the process of preparing applications for submission within the next two years. We have broadly maintained the site acreage in our portfolio over the period and are actively engaged in acquiring eight new sites to promote over the longer term.

Property investment yields have, on the whole, remained relatively stable although we witnessed a slight weakening in secondary property during the year. Yields on prime

properties such as our retail development in Warrminster have shown continued resilience. This foodstore-led, retail development, pre-let to Waitrose completes in early 2012 and will achieve our target development return. However, we have reviewed the fair value of our development sites to reflect our current estimated returns. This review has resulted in a valuation deficit of £4.3m compared to a small surplus of £0.6m in 2010. During 2011, we concluded the sales of several investment properties, including our shopping centre at Ayr, a Tesco Express in Bradford and two small industrial units at our site in Rotherham. Although commercial property development remains challenging, with the combination of construction, tenant and valuation risk still at historically high levels, we have selectively started development activity once again. As values and occupier demand stabilised during 2011, we committed resources to prepare a number of sites for development in 2012 where we have now secured substantial pre-let or pre-sale agreements with good quality tenants.

Construction activity remains very subdued with difficult market conditions and we do not expect any change to either activity or competitive tender pricing levels in the short term. We continue to be selective in the opportunities we pursue and focus on work streams where higher margins are still achievable. We are also being proactive in sourcing work and this has led to a reasonable level of enquiries and tender opportunities such that we have secured more than 60% of our budgeted workload for 2012, consistent with prior years. In general, we have seen a reduction in the value of individual contracts as new build schemes have been replaced by a growing proportion of refurbishment projects. We continue to focus on work within our core sectors of housing, education, health, retail and custodial, supplemented by initial workloads in renewable technology installations, a new section within our construction division. Activity levels at our plant hire business in 2011 were about 10% higher than 2010, which was impacted by the bad weather in January and December of that year and it was cash generative once again. Capital expenditure remained at a

similar level to that in 2010. Road Link (A69) continued to perform in line with expectations and previous years, contributing solidly to both underlying profit and cash generation in the year. Traffic volumes were relatively stable compared with prior years and revenues were in line with our concession plan.

We continue to operate a national network of offices, creating future land, planning and development opportunities in a cost-effective way and as prudent cash management allows. Road Link (A69) and our property rental income streams provide steady profits and cash flows, which underpin our performance, and we are beginning to see a slightly improved return from the more cyclical property development and land management activities. Our strategic focus during this prolonged recessionary period has been to preserve asset values and reduce debt. For much of 2011, we traded in a cash positive position before beginning to reinvest in land and developments towards the end of the period, ending the year with a small net debt position. We expect to be net investors in property in 2012 as we begin to develop investment property and commit further capital to acquiring and moving residential land through the planning process.

FINANCIAL RESULTS

Turnover reduced to £114.6m (2010: £131.9m), primarily due to lower construction division turnover and less land development turnover during the period. Trading profit increased to £20.8m (2010: £18.0m), with an improved contribution from land trading activities this year. Trading profit before tax in 2011 was unaffected by any one-off pension liability management credits (2010: £4.5m). Property revaluation movements and profits on asset sales together amounted to a net loss of £3.9m compared with a gain of £3.0m in 2010. In part, the revaluation deficit reflects write-downs on development sites, including Tamworth, Rotherham, Bumley and Rochdale, of £1.9m reflecting continued weakness in the occupier markets applicable to those sites. Profits on investment property disposals were £0.4m (2010: £2.4m), largely attributable to the sale of Ayr. Basic earnings per share amounted to 6.9p (2010: 9.1p) as last year's profits exceeded 2011 and benefited from non-taxable pension

adjustments resulting in the comparative tax charge being lower. Total net assets decreased by 1% to £186.0m (2010: £188.6m), equating to 142p per share (2010: 145p), due primarily to the impact of an increase in the IAS 19 pension deficit to £22.6m (2010: £16.2m). This resulted from a rise in our pension scheme's liabilities linked to the reductions in gilt yields witnessed during the year. As we planned, and for the fourth year in succession, gearing was reduced as the cash generated from land and property investment sales was applied to reduce debt. Gearing at 31 December 2011 stood at 1% based on net debt of £2.3m (2010: gearing 6%, net debt £11.4m).

DIVIDENDS

The Board has set a target of building the dividend back to the pre-recession level of 5.0p per share, as market conditions allow. The business performance in 2011 and our prospects for 2012 give us confidence that we can make further progress towards this aim. Therefore, subject to shareholder approval, the Board recommends a 21% increase in the 2011 final dividend to 2.60p (2010: 2.15p). This gives a total dividend for the year of 4.25p (2010: 3.50p), also an increase of 21%.

EMPLOYEES

On behalf of my fellow Directors, I would like to express my thanks to all our employees who continue to work tremendously hard to achieve creditable results in the challenging markets in which we are operating. I believe that the prevailing market conditions will remain for the foreseeable future and respectable results are only achieved through the ongoing dedication, hard work and skill of all our people. We look forward to continuing to work with them to develop our business in the future.

STRATEGY

We continue to invest for the long term in land promotion, property investment and development, with our performance underpinned by the recurring profit and cash flows generated by our construction, road management and plant hire activities. Having succeeded in our objective to reduce debt levels over the last four years, we have

now created the resources to begin to reinvest once again in land and property development, without the need for expensive sources of funding associated with high levels of leverage. We continue to invest significant time and resource to secure planning consents on our greenfield land portfolio, in order to be able to supply the recovering housebuilding market. We retain, and will continue to add to, a strong portfolio of land opportunities which we are working through the challenges of the new planning regime and will bring forward commercial developments on the basis of pre-letting and where the expected financial returns are commensurate with the associated development risk.

OUTLOOK

Whilst still challenging, we have worked hard to adapt and improve our land and development sites so that they deliver acceptable returns for the Group in the more competitively priced market in which we now operate. It is clear that there are still risks to the slowly emerging recovery in the property market, in our view these include the availability of mortgages and bank debt, further upheaval in the planning regime and ongoing cutbacks in Government spending. However, I believe we are adapting well to the issues that affect our sector and, though it is likely that the recovery will be patchy and protracted, the strategy outlined above will allow us to make further strides as a business. We have low levels of gearing and retain significant facility headroom and the support of our long-term banking partners. A new three-year bank facility, recently agreed and commencing in May 2012, will allow us to invest in order to unlock the potential, inherent in our businesses, for the benefit of shareholders.

JOHN BROWN
CHAIRMAN
28 MARCH 2012

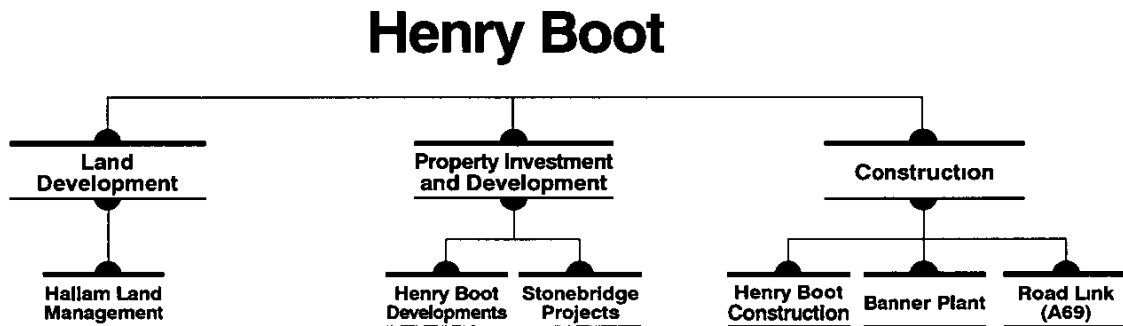
Business review
Strategy

Strategy

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

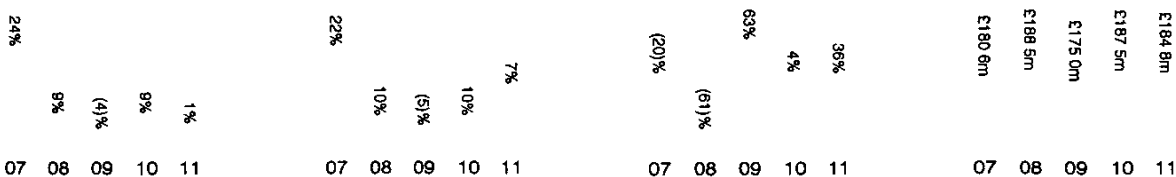
Each Group company is managed autonomously and has set objectives to maximise profits and create valuable long-term asset-backed opportunities.

Henry Boot PLC group structure



Measuring our performance

Shareholder value **1%** Return on capital employed **7%** Shareholder return **36%** Shareholders' funds **£184.8m**



To find out more about our KPIs and how they measure our success go to pages 22 and 23

Scan this QR code with your smartphone to find out more about Henry Boot and its companies

Group strategic objectives

- Provide growing long-term shareholder returns
- Maintain prudent levels of gearing at less than 50% of net assets
- Build recurring income streams through retained development
- Increase the strategic land bank
- Achieve a return on capital in excess of 10%
- Target high levels of dividend cover to build asset base

Business review

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A strong project pipeline

Hallam Land Management

7 sites
with planning permission

22 sites
in the planning process

At least **15 sites**
likely to have planning applications made in 2012/13

Henry Boot Developments

6 sites
where we plan to commence development in 2012

13 sites
which are in our control and being worked on to achieve adequate return

Henry Boot Construction

A circa **£50m construction order book**
across a decent number of relatively small contracts

Business review
Operational review

Operational review

Our aim remains the creation of value in land and property through development, planning promotion and construction.

Jamie Boot, Group Managing Director

John Sutcliffe, Group Finance Director

In summary

- We remain cautious about commercial development and continue to push for a high level of certainty on pre-lets to tenants with decent covenants, before committing ourselves to development risk
- Hallam Land, is a very long-term operation with planning consents taking between 5 and 20 years to achieve. 2011 proved to be our most successful year for some time with the sale of four sites in particular, at Buckingham, Clyst Hayes, Rugby and Countesthorpe, contributing to the result
- The construction division, with its performance underpinned by the recurring revenues from Road Link (A69) performed well, despite activity and profit levels being lower than those achieved in 2010
- One of our key aims for 2011 was to further reduce debt levels whilst selectively investing in each of our businesses. We were successful in this aim and bank debt was reduced by a further £9.7m during the year

Our aim remains the creation of value in land and property through development, planning promotion and construction. Our marketplace throughout the year remained challenging but relatively stable compared to the previous period. It continues to suffer from a lack of liquidity, at an individual level in the mortgage market, at the commercial development level where high equity commitment and pre-let percentages are necessary to gain funding, through to institutional grade investments where lower loan to value covenants reduce the capacity to raise debt against the value of property. Coupled with this, most traditional funders to the UK property market are seeking to reduce their exposure to property and, in many cases, have unwanted assets which they are intending to put onto the market.

We remain cautious about commercial development and continue to push for a high level of certainty on pre-lets to tenants with decent covenants, before committing ourselves to development risk. However, we have worked hard to achieve selected projects with profitable opportunities which we are prepared to undertake. These include the 28,000 sq ft Waitrose in Warminster and we anticipate starting several other projects in 2012. During the year, we took advantage of a relatively stronger investment market to dispose of our shopping centre development in Ayr and other smaller properties in order to recycle capital back into new potential future developments.

Our land planning and promotion business, Hallam Land, is a very long-term operation with planning consents taking between 5 and 20 years to achieve. 2011 proved to be our most successful year for some time with the sale of four sites in particular, at Buckingham, Clyst Hayes, Rugby and Countesthorpe, contributing to the result. UK house builders continued to build houses at roughly half the average rate of the previous 20 years as the demand for new housing settled at a revised lower level. The outlook appears to be a little better with almost all major house builders who have reported results recently, indicating that they are looking to replenish their land banks at current market prices in anticipation of their need to open new sites in a growing market. The changes to the planning system are enshrined in the Localism Bill, within which the new Planning Framework appears to be supportive of more development, and we have been working hard to achieve more planning consents in this potentially more supportive regime. Housing demand continues to be held back, in our view, by the availability of affordable mortgage funding. We therefore regard the announcement by the Government in relation to a Mortgage Indemnity Guarantee Scheme as a very positive move and see some indications that this may revitalise the first time buyer market.

The construction division, with its performance underpinned by the recurring revenues from Road Link (A69) performed well, despite activity and profit levels being lower than those achieved in 2010. There continues to be little work emanating from the private sector and ongoing uncertainty over the level of local authority capital expenditure following cutbacks in Government spending. Refurbishment and maintenance work is still being undertaken but larger, more valuable projects are often subject to delay or cancellation, sadly this has necessitated further downsizing of our staffing levels during the year. However, Plant Hire performed relatively well with profitability slightly ahead of the prior year and once again, tight control on capital expenditure resulted in further cash generation.

**Henry Boot
Developments**

Property investment and development

PROPERTY

Property values in the year continued to show a fair degree of stability, however the unresolved issues relating to the Euro coupled with weak economic growth continued to affect confidence towards the end of 2011. The impact of this has largely been felt within secondary property investments which saw a further softening of investment yields. Prime property investment values have proved more resilient although there are fewer transactions to gauge the trends. The occupier market has largely reflected wider economic conditions. Retail demand for space is concentrated on foodstores, where retailers remain active, and on non-foodstores, where retailers are seeking to replace outdated, often small, retail units with larger modern space in good locations. Demand for bulky goods retail warehousing remains at very low levels. Industrial and warehouse occupiers are still acquiring space, though increasingly this is pre-let or design and build activity, reflecting the scarcity of new, speculatively built accommodation. Good quality, well located stock is attracting occupiers but secondary, poorer quality accommodation continues to struggle. The office market is seeing an increasingly wide valuation gap between city centre and out of town locations.

INVESTMENTS

We concluded one major property sale during the year, that of our retail investment in Ayr, Scotland, which we completed early in the year at a price of £33.8m, slightly ahead of its 2010 valuation. It was felt that this asset represented too high a proportion of our portfolio and we agreed to accept a reasonable offer. The sale of a Tesco Express supermarket in Bradford was also completed at £0.8m, immediately following completion of its development, and the sale of a 10,000 sq ft industrial unit in Rotherham let to Travis Perkins and a regional plastics company was agreed at the end of the year and completed in January 2012 at £0.8m.

Right HRH the Princess Royal officially opened Dents Gloves, our recently constructed custom-built factory complex in Warminster.

Business review

Operational review continued

Property investment and development continued

As values and occupier demand stabilised and we were successful in improving planning or development viability, we saw an increase in development activity across a range of retained sites which are secured by pre-let or pre-sale agreements.

INVESTMENTS CONTINUED

We have made further progress in reducing the number of voids within the portfolio, which continues to be a priority. Lettings were secured on all the speculatively built industrial space in Rotherham and we concluded lettings on 9,000 sq ft of office space within our retail and office investment in Bromley, leaving only 3,000 sq ft of office space, which is being refitted following a lease expiry, still to let. Unconditional agreements for lease have been exchanged on a previously vacant 18,000 sq ft retail warehouse unit in York and the occupier, an outdoor clothing retailer, is due to commence trading early in 2012. It was also pleasing to have let a further two new food retail units within our motorway service area in Kent which experienced a further significant rise in year on year footfall. This was helped by the letting of the 80 space lorry park, built during the year at a cost of £1m. The lessee has since reported very high occupancy rates and negotiations are now underway to expand the operation on the site. The Axis in Nottingham, our 175,000 sq ft mixed-use office, leisure and retail scheme, is now our largest single investment and we concluded an uplifted rent review on the 58,000 sq ft occupied by a key tenant, which increased by £78,000 p a. The joint venture arrangement between Henry Boot and Stonebridge Homes Limited substantially completed the development of 19 homes in the year. In total, 15 have been sold and two further small residential sites have been acquired, along with an investment property with redevelopment potential in Leeds.

DEVELOPMENTS IN PROGRESS

As values and occupier demand stabilised and we were successful in improving planning or development viability, we saw an increase in development activity across a range of retained sites which are secured by pre-let or pre-sale agreements. It is anticipated that 2012 will see us commence work on several sites where we can achieve better returns than our hurdle requirement. Our supermarket development in Warminster was well underway by the end of 2011, having relocated the original industrial occupier earlier in the year, and the 26,500 sq ft retail scheme, substantially pre-let to Waitrose, will complete in the first quarter of 2012.

The strategic location of Markham Vale, our 200 acre business park developed in partnership with Derbyshire County Council, on Junction 29a of the M1 motorway, continued to attract significant investment. We commenced construction of a 41,000 sq ft warehouse and office for Squadron Medical Limited in the second half of the year and are on schedule to complete in early 2012. By the end of 2011, pre-let agreements had been exchanged with automotive parts distributor, Andrew Page Limited, which is to take 100,000 sq ft of warehouse space for its new UK distribution centre. The development will commence on site in the first quarter of 2012. In addition, having successfully obtained detailed planning permission, contracts were exchanged with McDonalds for a pre-let, drive-thru restaurant just off the motorway junction and we hope to report further agreements as 2012 progresses.

FUTURE DEVELOPMENT OPPORTUNITIES

Planning permission was secured during the year for the final phase of development of land at Priory Park, Hull. We are currently marketing the increased amount of office, industrial and warehouse accommodation that has been achieved with this consent.

We have made substantial progress on the 31,000 sq ft city centre, mixed-use conversion of the former County Court building on Deansgate, Manchester. We obtained detailed planning permission and listed building consent and agreed terms to pre-let two of the three retail and leisure units and sell all the office space to an owner occupier. Building work is expected to commence in mid 2012 and take a year to complete.

We have successfully concluded a pre-let agreement for lease with Travelodge to take a 78 bed hotel on our town centre site in Richmond upon Thames and, subject to a planning appeal, we expect building work on site to start in 2013 and complete early in 2014. Negotiations on a smaller pre-let budget hotel development in Malvern are also expected to be concluded shortly with that project taking place in 2012/13.

We have also had success with our 335,000 sq ft mixed-use planning application, including a 45,000 sq ft supermarket, on a 23 acre site at Thorne, Doncaster, just off the M18, where we have a development agreement with Royal Bank of Scotland. The permission secured also includes a hotel, a petrol station, restaurants and industrial and office space. Terms are being finalised with a number of

Right We completed a new factory complex during the year for Dents Gloves in Warminster

Far right The construction of a 41,000 sq ft office and warehouse for Squadron Medical at Markham Vale, Derbyshire was completed in early 2012

prospective occupiers, which should enable development work to begin late in 2012

During the year we also formed a joint venture company, Pennine Property Partnership LLP, with Huddersfield & Calderdale NHS Foundation Trust following our selection as the Trust's preferred development partner. Design work will soon be finalised on the 56,000 sq ft first phase of clinical and office accommodation, with construction work involving the conversion of a listed, derelict mill building expected to begin in the second half of 2012 and to be completed in 2014. Planning work on a second site, a 23 acre former hospital, is also now underway and aims to maximise the site value ahead of development and disposal. We are also appraising other surplus trust properties with a view to maximising the value of these opportunities.

In addition to the specific projects mentioned above, we have made good progress to secure or improve planning consent with other sites we already control and with new sites controlled via conditional contracts, development agreements or options. Of these, a number are earmarked for large supermarket developments, which continue to see strong demand from occupiers and investors. In order to maximise our returns in the current uncertain market, we aim initially to secure such opportunities at minimal cost, only committing larger capital sums once the letting and planning risks have been mitigated.

Right The sale of our 220,000 sq ft Ayr Central Shopping Centre was completed early in the year

Business review
Operational review continued
Land development

Hallam Land
Management

Land development

Hallam Land Management Limited, our strategic land business, had a very successful year, both in terms of its trading activity and also in securing new planning commitments.

In summary

- At December 2011, we held interests in over 8,051 acres in total
- The inventory value of these assets was £58.8m (2010: £55.0m) representing 120 sites within the portfolio (2010: 120)
- We completed profitable land sales on our sites at Winsick, Mansfield, Rugby, Countesthorpe, Clyst Hayes and Buckingham
- At 31 December 2011, the land bank stood at 8,051 acres of which some 1,800 acres (22%) either has a planning consent or a local plan allocation

Hallam Land Management Limited, our strategic land business, had a very successful year, both in terms of its trading activity and also in securing new planning commitments. This success is especially pleasing at a time when the market for housing land is constrained by the modest scale of new house building activity and there is considerable change occurring in the planning system.

The trading performance for the year has significantly improved on the last two years, though still below levels achieved from 2006 to 2008, with external turnover of £30.1m (2010: £33.9m) and a profit before tax of £11.1m (2010: £0.1m). At December 2011, we held interests in over 8,051 acres in total (2010: 8,052 acres) with 1,432 acres being owned (2010: 1,409 acres), 3,986 acres under option (2010: 4,076 acres) and 2,633 acres under planning promotion agreement (2010: 2,567 acres). The inventory value of these assets was £58.8m (2010: £55.0m) representing 120 sites within the portfolio (2010: 120).

At the year end, we were close to securing a further eight new sites for the portfolio.

The majority of the UK's major house builders have now stabilised their businesses at lower levels of activity. Funding to the sector remains constrained and continues to be affected by the ongoing uncertainties regarding sovereign debt within Europe. The ability of first time buyers to fund house purchases is also restricted and we believe this too is having an impact on the land market. Notwithstanding this environment, we completed profitable land sales on our sites at Winsick, Mansfield, Rugby, Countesthorpe, Clyst Hayes and Buckingham. The prices achieved, particularly on the four southern sites, were very pleasing, demonstrating that good sites in prime locations can still command premium prices.

Right A planning application has been submitted for 125 houses and 17 acres of industrial development at Marston Moretaine in Bedfordshire.

Right Public consultations are an integral part of the planning process

Bottom right Planning approval is being sought for 950 homes and community facilities, including a primary school and children day nursery at Burton-upon-Trent

We have also made very good progress during the year in relation to the planning prospects of many of our sites. Although the full impact of the new planning system will take some time to assess and bed down, the indications so far are encouraging

Local planning authorities, planning inspectors and the Secretary of State have all shown a greater willingness to grant planning permissions in areas where there is an evident undersupply of housing land and where all technical matters have been properly dealt with

Business review

Operational review continued

Land development continued

As a consequence, we have secured planning permission or minded to grant planning permission, subject to the signing of a planning agreement, on the following sites during 2011 and post year end

Site	Status	No of residential units*
Bolsover	Owned	250
Mansfield, Penniment Farm	Owned	215
Kilmarnock	Owned	500
Burdiehouse	Option	100
Desford	Option	68
Bishopbriggs	Owned	51
Buckingham (sold 2011)	Planning promotion agreement	700
Countesthorpe (sold 2011)	Planning promotion agreement	180
Rugby, Calvestone Road (sold 2011)	Owned	36
Nuneaton	Option	326
Kilmarnock	Owned	20 acres employment

In addition, on the following sites we have already achieved a permission but, with the exception of Rushpool Farm, are still working towards a sale

Site	Status	No of residential units*
Tillicoultry	Owned	215
Kettering	Owned	75
Oxclose, Sheffield	Owned	18 acres employment
Clyst Hayes	Owned/option	560
Bridgwater	Owned/option	470
Mansfield, Rushpool Farm	Owned	196
Banbury	Planning promotion agreement	336

We have also made applications at the following sites, which at this stage remain undetermined

Site	Status	No of residential units*
Chatters	Planning promotion agreement	1,000
Bedford	Owned	495
Rolleston	Owned	23
Evesham	Option	59
Market Harborough	Owned	500
Long Buckby	Option	132
Grimsargh	Option	200
Torrance	Owned	9
Irthingborough	Option	700
Monmouth	Option	145
Blaby	Planning promotion agreement	1,061
Marston Moretaine	Owned	125
Highbridge	Planning promotion agreement	550
Rugby	Owned	183
Ardrie	Owned	65
Burton upon Trent	Planning promotion agreement	950
Winsford	Option	180

Finally, the following sites have had the initial application rejected and we are in the process of an appeal

Site	Status	No of residential units*
Bradford	Option	292
Selby	Option	12.5 MW wind farm
Cam	Owned	71
Oxclose, Sheffield	Owned	85,000 sq ft foodstore
Stratford-upon-Avon	Option	200

* On sites where we are working in conjunction with other developers, only the Hallam Land share is noted

The Coalition Government announced a major overhaul of the planning system through the introduction of the Decentralisation and Localism Bill. This bill will remove the regional tier of the planning system and introduce a new local layer of complexity. Local authority cutbacks have seen staff numbers in already overloaded departments reduced further. It is still unclear how the bill and the new system will eventually impact on planning delivery but, as we are working on many applications throughout the country, the indications are that planners are reacting differently, depending on the authority. The planning process now needs more careful management than ever before and we are working as closely as possible with the planners, local politicians and the local community, reflecting the localism agenda in order to maximise our prospects of success on each individual site.

Despite these difficulties, once again we improved the number of planning allocations and permissions on our site portfolio during the year. It is worth noting that six years ago Hallam Land's total land bank was 6,194 acres of which 651 acres (10.5%) had either a planning permission or were allocated for development. At 31 December 2011, the land bank stood at 8,051 acres of which some 1,800 acres (22%) either has a planning consent or a local plan allocation. We expect to bring this acreage forward over the next three to four years, as we interact with the new planning regime in earnest. As these sites gain full consent, this should be reflected in increased sales values notwithstanding the challenging market. We continue to believe that land price increases will remain subdued until there is a stronger recovery in the volume and pricing of new house sales. In our opinion, it is vital that mortgage availability improves, particularly for first time buyers, and it will be interesting to see how successful the Mortgage Indemnity Guarantee Scheme will be in encouraging people from the tenanted sector into home ownership.

Top 50 acres of land at Buckingham was sold to a national developer for a scheme of 700 houses.

Right. We completed the sale of our Countesthorpe site during the year, this master plan shows a development of 180 new homes.

Business review
Case study Bridgwater

Regenerating communities with brownfield development

It is also anticipated that much of the key worker accommodation for the Hinckley Point nuclear power plant will be accommodated on the site

HLM originally became involved in this 235 acre regeneration site in early 1999. The initial scheme involved the acquisition of several land interests, including an agreement with Network Rail, over about 136 acres. The master planning later brought in a redundant former British cellophane factory and in conjunction with the owners of that site a major regeneration scheme was formulated. The detailed planning and negotiation of Section 106 agreements alongside the land acquisition process took some eleven years to conclude. In July 2010 we finally achieved an outline planning consent for 2,000 dwellings and 750,000 sq ft of commercial space, including in excess of 650,000 sq ft B8 which was sold to Wm Morrison Supermarkets plc for their South West Regional Distribution Centre. Concurrent with the outline consent we secured a reserved matters approval for the first 400 house plots, sold to David Wilson Homes in October 2010. The Regional Distribution Centre became operational in late 2011 and will ultimately employ circa 2,000 local people. This comprehensive re-development will also

include neighbourhood shopping, a primary school, playing fields and associated community buildings.

It is also anticipated that much of the key worker accommodation for the Hinckley Point nuclear power plant will be accommodated on the site.

The site attracted in excess of £11m Kick Start funding from the Homes and Communities Agency which was crucial in helping to fund the substantial (and front loaded) infrastructure burden across the site, including the provision of a new road bridge over the Bristol to Penzance mainline railway.

This case study is an example of the type of site Hallam Land brings forward to create long-term value for both the communities in which it operates, in this case Sedgemoor District Council, and the Henry Boot Group. It is a credit to the team in the Bristol office who have worked on the site from inception through to ultimate sale process that is part way through today.

North East Bridgwater In short

- **Planning Application**
– December 2008
- **Commencement of Development**
– September 2010
- **Planning consent, section 106, 278 and s38 agreements**
- **Third party land agreements**
- **Funding £11.5m NAHP Kick Start Funding – largest in UK**
- **Transactions to site purchasers Wm Morrison Supermarkets plc and David Wilson Homes**
- **Occupier Interest and Ongoing Programme of Land Sales**

We've obtained planning consent for

- **2,000 homes**
- **Mixed use commercial services centre**
- **Employment development 110,000m² of employment including 27,500m² of offices, a hotel, trade units, car showrooms, a primary school, sports and recreation facilities, and strategic infrastructure**

NAHP Kick Start funding

£11.5m

largest in the UK

Business review

Operational review continued

Construction

Henry Boot
Construction

Banner Plant

Road Link
(A69)

Construction

At the end of December we held a healthy forward order book for 2012 at levels we would usually expect for the time of year.

In summary

- Our proactive tender strategy targets a mix of public sector projects and private sector leisure, commercial and industrial opportunities
- We continue to work alongside partner contractors on major Decent Homes schemes and environmental programmes
- We continue to believe that the financial forecasts for the foreseeable future will be in line with management expectations
- Trading in Plant Hire in 2011 proved to be more buoyant than we had forecast internally, with activity about 10% higher than the previous year, although pricing remained intensely competitive

Above Our renewables division completed the fitting of photovoltaic panels to the Stop 24 motorway service station on the M20 in Kent

Henry Boot Construction continued to trade in line with expectations in 2011, in what remains a very challenging marketplace with activity levels down on 2010. At the end of December we held a healthy forward order book for 2012 at levels we would usually expect for the time of year. At this stage, the work secured, combined with our industry view on 2012, leads us to believe activity will be at a similar level to 2011, although we expect margins will remain tight. Our approach continues to be underpinned by an assessment of the risk profile of opportunities and careful selection of types of contracts and clients, retaining our focus on key partnering, framework and negotiated contracts, predominantly in social housing, education, health and prison sectors.

Our proactive tender strategy targets a mix of public sector projects and private sector leisure, commercial and industrial opportunities. This is supported by the ongoing expansion and delivery of our integrated regeneration agenda, offering high quality, innovative and modern construction processes, to deliver value for our customers, whilst also incorporating the social and green agendas. During the year, we established a team to focus on the renewable energy sector, which has now begun to build some sales momentum and is being considered for larger contracts in 2012. We have noted a reduction in the value of schemes available for tender as clients move away from new build to less capital intensive maintenance or refurbishment of their existing stock.

We continue to work alongside partner contractors on major Decent Homes schemes and environmental programmes in Rotherham and for Doncaster Metropolitan Borough Council. We expect to see a reasonable flow of work in 2012 and these schemes will continue in some form for several years. The partnering contract, secured in 2010 with Eastlands Homes, Manchester, is going well and we recently won a further contract to refurbish three high rise tower blocks alongside the Decent Homes and environmental work programmes. In addition, we are working on other Decent Homes programmes with

Southway Housing Trust, Manchester, North Lincolnshire Homes, Leicester City Council and the Nottingham City Homes maintenance programme.

New work was secured during the year at several high security prisons. We anticipate that several new projects will arise during 2012 which, if we are successful in winning, will maintain our strong presence within this sector. In addition we have been appointed to undertake refurbishment work at a number of law courts in the north west of England, which we expect to commence in 2012. Our education workload includes a £5.5m contract at Westcliffe Primary School in Scunthorpe and a £2.4m contract at Arboretum Primary School in Derby. We are also working with both Sheffield University and Sheffield Hallam University on a number of potential projects. Other school extension and modernisation projects are also in progress, including a £1.7m extension and refurbishment at Heptonstall School for Calderdale Metropolitan Borough Council.

Our health sector experience continues to expand with work in progress at the Northern General Hospital and at the Royal Hallamshire Hospital under the Sheffield Teaching Hospitals framework for major refurbishment works to existing facilities. Work is also in progress on the £5m Rawmarsh Joint Service Centre incorporating a doctor's surgery, pharmacy, library and sports facilities for Rotherham Metropolitan Borough Council and the Rotherham Primary Care Trust.

Notably during 2011, Henry Boot Construction received the following awards:

- RoSPA Gold Award for the second consecutive year,
- five National Considerate Constructors Scheme Awards for the second year running. These included two Gold Awards and one Silver Award, as well as the additional accolade of two 'runner up' awards for the Most Considerate Site in the United Kingdom,
- Construction Best Practice Awards (Yorkshire & Humber) Health and Safety Award winner,

Right A Genie Boom S-65 in action completing routine works at the stadium of Chesterfield Football Club

Far right A section of the A69 Trunk Road undergoing maintenance

- two Excellence and Quality Awards and a Health and Safety Award from The Chartered Institute of Building, and
- Green Apple Award for Best Practice in Green Construction for the Shirecliffe Housing Project

ROAD LINK (A69)

On 31 March 2012, Road Link (A69) will complete 16 years of its 30 year contract to operate and maintain the A69 between Newcastle and Carlisle for the Highways Agency. Traffic volumes on the road have remained stable during the year but we have benefited from an uplift in the revenue price adjustment indices, which has enabled our financial targets to be achieved. Planned and proactive maintenance of the A69 road and bridges, including the use of innovative maintenance techniques, continues to provide savings against the original, long-term cost plan. In addition, there have been no significant problems with traffic flows due to severe weather this year. Whilst predicting far into the future is always difficult, at this stage we continue to believe that the financial forecasts for the foreseeable future will be in line with management expectations.

PLANT HIRE

Trading in 2011 proved to be more buoyant than we had forecast internally, with activity about 10% higher than the previous year, although pricing remained intensely competitive. We continue to aim to maximise turnover and profit through high plant utilisation levels, whilst also targeting positive cash flow, cost control and fleet realignment to reflect the current market. The unit performed well in the year, achieving or exceeding all its targets. The hire fleet, at original cost, grew by 4.3% during the year as investments were made to match the increased activity. New plant items acquired ensured we continued to offer a modern, technically strong and competitively priced fleet. Investment was targeted towards powered access equipment, accommodation units and mechanical plant and, in total, amounted to £2.37m.

Right We have been awarded a contract to externally refurbish three tower blocks in Manchester for the Eastlands Homes Partnership. Scaffolding erection is well underway.

Business review
Financial review

Financial review

As debt has been reduced, indeed we have been cash positive at times during the year, we believe it is vital that we retain the flexibility to undertake developments and land deals without reference to the lending institutions.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Turnover reduced to £114.6m (2010 £131.9m) primarily due to lower construction division revenues and land sales. The strong results from land sales gave rise to an improvement in trading profit to £20.8m (2010 £18.0m), operating profit was £16.9m (2010 £20.9m) after a net revaluation deficit of £4.3m (2010 surplus £0.6m), profit on sale of investment properties of £Nil (2010 £2.4m) and profit on sale of assets held for sale of £0.4m (2010 loss £0.1m). The revaluation deficit was a combination of fair value adjustments on development sites including Burnley, Tamworth, Rotherham and Rochdale, totalling £1.9m and valuation adjustments of £2.4m on investment properties, but particularly affecting the secondary properties. Administrative costs increased to £13.4m compared with £12.2m in 2010. Costs in 2011 include £0.3m from our joint venture with Stonebridge Homes Limited, and under recovered overhead within construction, in addition, 2010 benefited from £0.6m of provision releases which did not recur. Pension expenses were £1.7m in the year, compared to a credit of £2.7m in 2010. In particular, 2010 benefited from a number of one off liability management exercises, which, under IAS 19, are treated as a credit to the Statement of Comprehensive Income rather than to reserves.

The segmental result analysis shows that land development produced a significantly improved operating profit of £11.0m (2010 £0.6m) and property development and investment activities showed a small operating profit of £0.3m (2010 £10.5m), the reduction arising from revaluation changes and lower profit on sales. Construction division operating profits were lower at £7.3m (2010 £9.2m) after activity levels reduced by 15% in difficult trading conditions.

Basic earnings per share amount to 6.9p (2010 9.1p). The total dividend payable for

the year has been increased by 21% to 4.25p (2010 3.50p), with the final proposed dividend also increasing by 21% to 2.60p (2010 2.15p) payable on 1 June 2012 to shareholders on the Register as at 4 May 2012. The date the shares become ex-dividend is 2 May 2012.

FINANCING AND GEARING

As debt has been reduced, indeed we have been cash positive at times during the year, net finance costs fell to £0.8m (2010 £2.0m). Most of the actual costs incurred during 2011 were non-utilisation fees rather than interest. It is anticipated that interest costs will begin to rise in 2012 as we start to gear up once again, investing in both our land and development assets. Interest cover, expressed as the ratio of operating profit (excluding the valuation movement on investment properties and disposal profits) to net interest, was 28 times (2010 9 times). No interest incurred in either year has been capitalised.

Receipts from land and property sales achieved in the year were partially reduced by deferred payment arrangements on those sales and were also offset by the requirement for continued investment in our development and investment property portfolio. Notwithstanding this, net debt fell to £2.3m (2010 £11.4m). Gearing on net assets of £186.0m fell to 1% (2010 net assets £188.6m, gearing 6%). All borrowings continue to be from facilities linked to floating rates or short-term fixed commitments. Included in receivables are £5.4m (2010 £7.7m) of negotiable instruments, arising from deferred payment arrangements on land sales, which have not been forfeited. During the year, we maintained three year committed bank facilities totalling £50m and have agreed renewed facilities for a further three years from May 2012 on improved terms. Throughout the year, we operated comfortably within the facility covenants and continue to do so, with the new facilities retaining the same covenants as previously.

TAX

The tax charge for the year is £5.3m (effective rate of tax 33.0%) (2010 £5.4m). Taxation on profit for the year is £3.9m (2010 £2.2m) and benefits from prior year adjustments of £0.3m. The increased effective rate of tax for the year arises, in the main, from the decrease in fair value of investment properties which is not tax deductible. The deferred tax charge was £1.4m (2010 £3.2m) and arose largely from the revaluation deficit and change in IAS 19 pension deficit. Deferred tax has been calculated at 25%, being the rate expected to be applicable at the date the actual tax will arise.

CONSOLIDATED STATEMENT OF CASH FLOWS

One of our key aims for 2011 was to further reduce debt levels whilst selectively investing in each of our businesses. We were successful in this aim and bank debt was reduced by a further £9.7m during the year (2010 £21.2m). We believe it is vital that we retain the flexibility to undertake developments and land deals without reference to the lending institutions, who are unwilling to lend against assets that represent the speculative phase of the property cycle. We must therefore retain the ability to fund these from our own resources, reserving investment assets as the covenant support for our bank facilities. It is likely that debt levels by the end of 2012 will rise as our forecast increased net investment in land and property investment and development occurs. During 2011, cash generated from operations reduced to £4.0m (2010 £20.1m) after a £3.8m increase in inventories and deferred receivables offset the operating cash flows derived from land sales. These operating cash inflows were augmented by an inflow from investing activities of £16.6m (2010 £11.1m) as we recycled investment capital. This net figure included cash outflows from asset purchases and developments in progress of £12.5m (2010 £5.7m), offset by cash flows from

property and asset disposals totalling £29.0m (2010 £16.5m). Dividends paid, including those to non-controlling interests, totalled £6.7m (2010 £5.3m) a 26% increase on the previous year.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Investment property and assets in the course of construction are valued at £138.2m after adjustments for tenant incentives (2010 £135.1m). The only additions of note in the year were the development costs of a food store at Warminster and the creation of a lorry park at the motorway service area at Saltwood. The market value of investment property including assets held for sale is £90.8m (2010 £122.1m) and the value of investment property under construction within investment property is £52.2m (2010 £48.4m).

Intangible assets reflect the Group's asset investment in Road Link (A69) of £10.4m (2010 £11.7m). The treatment of this asset as an intangible asset is a requirement of IFRIC 12 and arises because the underlying road asset reverts to the Highways Agency at the end of the concession period. Property, plant and equipment comprises Group occupied buildings valued at £6.9m (2010 £6.9m) and plant, equipment and vehicles with a net book value of £8.7m (2010 £8.3m). Non-current trade and other receivables have increased to £15.8m (2010 £10.4m) due to deferred receipts on land sales already undertaken. This arises, and has increased, as house builders defer payment for land, more closely reflecting their cash flows and build-out periods. In particular, deferred payment arrangements on land sales at Buckingham and Clyst Hayes contributed to the increase in the year. Deferred tax assets have grown as a result of the larger pension deficit. In total, non-current assets have increased to £187.5m (2010 £179.1m).

Within current assets, inventories of £62.1m (2010 £58.0m) increased due to further investment in the land portfolio. Trade and other receivables at £37.6m (2010 £27.3m) again reflect higher deferred land receipts. The Ayr investment property which was included within current assets held for sale in 2010 was sold during 2011 at slightly better than valuation. The Statement of Financial Position value of £0.9m in 2011 relates to two investment properties which were sold following the year end.

Current liabilities have reduced by 22% to £62.6m (2010 £80.0m) as the current portion of debt fell to £1.4m (2010 £11.4m), trade and other payables fell by £5.0m and provisions fell by £2.8m as amounts provided for the infrastructure work at Bridgwater were utilised. Net current assets were £42.3m (2010 £37.1m). Non-current liabilities increased to £43.7m (2010 £27.6m) after increased IAS 19 pension liabilities (£6.4m) and increased land infrastructure cost provisions were made for sites at Clyst Hayes and Bridgwater (£7.6m).

Net assets reduced by 1.4% to £186.0m (2010 £188.6m) as dividends paid and the increase in the pension deficit exceeded retained profits. Net asset value per share was 2% lower at 142p (2010 145p).

PENSION SCHEME

The annual IAS 19 valuation of the defined benefit pension scheme showed the deficit increasing to £22.6m (2010 £16.2m) at the year end. This increase is due to the impact of the Bank of England's quantitative easing programme on gilt yields, which had the effect of reducing the discount rate used to 5.0% (2010 5.4%). Each 0.1% change in the assumed differential between long-term investment returns and inflation affects the deficit by approximately £2.5m, therefore the change in gilt yields this year has had a marked effect. The attributable deferred tax asset was £5.7m from £4.4m in 2010.

Adding back this net deficit of £16.9m (2010 £11.8m) to net assets, the 2011 deficit equates to 8% of equity shareholders' funds (2010 5.9%). The triennial valuation deficit, calculated at 1 January 2010, was £25.0m and this gave rise to an agreed recovery plan under which the Company contributes £3.8m per annum in addition to its normal contributions. The defined benefit scheme is closed to new entrants and new employees are offered a defined contribution scheme. The Directors undertook a programme of liability management exercises during 2010 to reduce scheme risk. We offered enhanced transfer value terms to certain deferred members, we capped future salary increases at 1% and offered a pension increase and exchange alternative to pensioners. We continue to evaluate cost-effective ways of reducing risk and liabilities within the scheme and will undertake further exercises as appropriate.

JAMIE BOOT
GROUP MANAGING DIRECTOR
25 APRIL 2012

JOHN SUTCLIFFE
GROUP FINANCE DIRECTOR
25 APRIL 2012

Business review

Key performance indicators (KPIs) and resources

Key performance indicators (KPIs)

The key performance indicators used by the Board are as follows:

Each business unit within the Group is required to establish targets at the beginning of each financial year against a broad range of financial and non-financial indicators. The Managing Director of each subsidiary reports on progress at Board meetings every two months. The two main Board Executive Directors attend these meetings and are able to assess whether each unit is performing in accordance with its plan throughout the year. The KPIs differ in each

subsidiary with the exception of financial targets which focus on profitability growth, cash generation and levels of debt, forecast cash requirements, return on capital employed, shareholder return and asset value created. We also review health and safety matters and how economic conditions and changes in legislation may affect individual business units. The Board have decided that the following KPIs, which are included within the papers for each

Board meeting, are indicators measuring our success towards achieving long-term, sustainable growth for all stakeholders in our business.

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

LAND – the size of the strategic land bank, the split between owned and optioned land, the extent to which we have full or outline

KPI	Objective	2011	2010	Performance	Comments
Profit before tax	To increase profit levels over time	£16.1m	£18.9m	15% decrease	Excluding one off pension gains last year, underlying earnings were ahead of last year.
Cash generation	To monitor cash generated over time	£9.1m	£20.7m	Positive £9.1m	Lower than 2010 as we begin to reinvest in opportunity portfolio of assets.
Debt levels	To monitor levels of debt over time	£2.3m	£11.4m	Reduced to give high levels of headroom in £50m facility	Low levels of debt allow for reinvestment as markets improve.
Gearing levels	To monitor levels of cash required over time	1%	6%	5% decrease	This low level gives us flexibility to invest in land sites and development.
Return on capital employed	To increase returns on capital employed over time	7%	10%	Return lower, but sufficient to pay tax and dividends and contribute to increase in pension deficit	Whilst lower than 2010 level still acceptable for property sector.

Resources

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

People	Our development portfolio	Strategic land bank
The Group's employees are its foremost asset. Their skill, commitment, drive and enthusiasm are vitally important to the long-term success of our business. We succeed in the delivery of shareholder value because our people, individually, achieve the targets set for them. They source and acquire land, promote planning consents, acquire, develop, manage or sell investment properties and service constructors with plant, run our PFI project and refurbish and construct buildings.	We have an extensive geographical spread of commercial development opportunities within the UK on sites across the retail, leisure, office and industrial sectors. The current portfolio should allow us to maintain current activity levels for several years and in particular food stores currently offer very strong returns. In some circumstances completed investments may give a better return than developments and will be considered alongside and as an alternative to development.	At 31 December 2011 we owned over 1,432 acres and had interests in a further 6,619 acres through option or agency agreements which give us the right to promote that land for a planning consent and share in the benefit created on ultimate disposal. We anticipate that this land bank will grow in future years and represents a significant future profit opportunity to the Group.

planning consent and the number of residential units or commercial space contained in those consents

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

CONSTRUCTION – workload forecasts and capacity utilisation in relation to plan, general activity levels, tender opportunities, contract costing workload and wins, health and safety and environmental matters and contract completion, sign off and financial closure

PLANT HIRE – activity levels by depot and class of asset, health and safety matters, levels of cash generated and returns on plant asset

capital employed, which in turn drive asset investment decisions

GROUP – at Group level the business units' financial performance against expectations forms an integral part of the reporting criteria. In addition Group performance indicators of cash and facilities, pension scheme performance, shareholder return and return on capital employed along with health and safety matters are reported on at each meeting

KPI	Objective	2011	2010	Performance	Comments
Shareholder return	To generate growing shareholder returns over time	36%	4%	A level we are unlikely to exceed in all years and has been achieved by a rise in the share price to 31 December 2011 of £1 23	Solid growth in share price in the year was the reason for growth. Market re-evaluated strength of house building sector, we followed
Dividends	To generate growing shareholder returns over time	4 25p	3 50p	Profit, cash flow and pipeline of opportunities give confidence to increase the dividend	21% increase as we move towards our short-term target of 5 0p
Asset value created	To grow the asset base over time	£186 0m	£188 6m	1% decrease	Slightly reduced due to dividends paid and rise in pension deficit
NAV per share	To increase shareholder value over time	142p	145p	2% decrease	Increase in shares in issue resulting from SAYE scheme
Pension scheme performance	To reduce the pension scheme deficit over time	(£22 6m)	(£16 2m)	After attributable deferred tax the deficit represents circa 8% of net assets, a level we are comfortable with. We aim to manage the position to keep a low level of deficit rather than get the scheme in surplus	Bank of England quantitative easing programme reduced gilt yields and affected the discount rate. Impact on the pension scheme was in excess of £10m

Construction activities

The construction business works on an order book of between one and two years, though several of the framework contracts it has won are spread over several years. We have many years experience working in our chosen markets and have delivered many successful projects and developed strong relationships with our key customers. Our plant hire business operates from six locations and has a modern, well maintained fleet of assets servicing the construction sector. Furthermore we operate our own delivery fleet to ensure that our customers' requirements are satisfied quickly. Our PFI asset is well established, cash generative and efficiently maintained and has 14 years remaining on the concession, furthermore the market for PFI assets remains reasonably strong even in these recessionary times.

Robust financial position

We have long-established relationships with our three key funding partners, Barclays Bank, Lloyds Banking Group and Royal Bank of Scotland. We maintain significant headroom within our three year banking facilities, renewed from May 2012 and consider our property investment portfolio as a 'store of value' to be realised to augment these facilities if required. The land bank and development opportunities, together with the investment portfolio, have been acquired largely from retained resources ensuring our gearing levels are prudent. In the longer term we aim to achieve a high return on capital employed and a healthy dividend cover level allowing for reinvestment in our core activities which in turn creates improving longer-term shareholder returns.

Business review

Operating risk statement

Operating risk statement

In common with all organisations, the Group faces risks that may affect its performance.

The Group operates a system of internal control and risk management in order to provide assurance that it is managing risk whilst achieving its business objectives. No system can fully eliminate risk and

therefore the understanding of operational risk is central to the management process within Henry Boot. The long-term success of the Group depends on the continual review, assessment and control of the key business

risks it faces. To enable shareholders to appreciate what the business considers are the main operational risks, they are briefly outlined below.

Risk and description	Mitigation
Development	<ul style="list-style-type: none"> • Monthly performance meetings • Defined appraisal process • Monitoring of property market trends • Highly experienced development team
Not developing marketable assets for both tenants and the investment market on time and cost effectively	<ul style="list-style-type: none"> • Sites for foodstores preferred • Diverse range of sites within the portfolio
Rising market yields on completion making development uneconomic	<ul style="list-style-type: none"> • Active asset management • Monitoring property market trends • Only develop when yields are stable • Development subject to a 'hurdle' profit rate
Construction and tenant risk which is not matched by commensurate returns on development projects	<ul style="list-style-type: none"> • Construction projects, including returns and cash flows, are monitored monthly by subsidiary company management teams • Seek high level of pre-lets • Development subject to a 'hurdle' profit rate • Shared risk with landowners where applicable
Land	<ul style="list-style-type: none"> • Monthly operational meetings detail land owned or under control, new opportunities and status of planning • Each land acquisition is subject to a formal appraisal process which must exceed the Group defined rate of return and is subject to approval by the Group's Executive Directors • Land bank of over 8,000 acres with aspiration to grow towards 10,000 acres • Finance available to support speculative land purchases • Well respected name within the industry • Long-established contact base
The inability to source, acquire and promote land would have a detrimental effect on the Group's strategic land bank and income stream	

Risk and description**Mitigation****Land continued**

Prices may be affected by changes in Government policy, legislation, planning environment and taxation

- The Group has extensive in-house technical and planning expertise devoted to monitoring and complying with regulations and achieving implementable planning consents
- The Group has adopted a low risk strategy to tax planning Potential and actual changes are monitored by both experienced in-house finance staff and external advisers
- Healthy profit margin
- Demand for housing land is strong in the long term

A dramatic change in house builder funding sentiment and demand for housing can have a marked change on the demand and pricing profile for land

- The Group's policy is to only progress land which is deemed to be of high quality and in prime locations
- The business is a long-term business and is not seriously affected by short-term events
- Greenfield land is probably the most sought after land to build upon
- Long-term demographics see growing trends, therefore demand for land will follow

Investments

Identifying and retaining assets which have the best opportunity for long-term rental and capital growth, or conversely selling those assets where capital values have been maximised

- This is an ongoing process with regular reviews of the assets and market conditions and is undertaken dispassionately to achieve best value
- Broad range of development opportunities to choose from
- Investment assets seen as a tradeable asset base if required

Interest rates

Significant upward changes in interest rates affect interest costs, yields and asset prices and reduce demand for commercial and residential property

- The Group uses a mixture of fixed and floating rate loans in order to minimise interest rate costs
- Statement of Financial Position strength allows the Group to warehouse sites in tough markets
- Tough markets often create opportunities to acquire new sites
- Long-term nature of land business helps smooth short-term interest rate impacts

Business review

Operating risk statement continued

Risk and description	Mitigation
<p>Treasury</p> <p>The lack of readily available funding to either the Group or third parties to undertake property transactions can have a significant impact on the marketplace in which the Group operates</p>	<ul style="list-style-type: none"> • Due to the difficulties within the banking sector, the Group has agreed three year facilities with its banking partners • Detailed cash requirements are forecast up to 15 months in advance and reviewed and revised monthly • Financial instruments are considered where applicable and any short-term positive cash balances are placed on deposit • Facilities backed by investment property assets • Development funding not utilised • Group funding levels are prudent in relation to the Statement of Financial Position
<p>Planning</p> <p>Increased complexity, cost and delay in the planning process may slow down the project pipeline</p>	<ul style="list-style-type: none"> • The Group's highly skilled in-house technical and planning teams monitor changes in the market and in the planning process and react accordingly to ensure that planning consents are achieved in the most cost-effective and timely manner, whilst ensuring a broad spread of developments remain in the planning system at any one time • Good local knowledge assists in bringing forward prime land and contractual agreements ensure land can be brought to market at an appropriate time • Long-established successful operator • Over 120 sites in progress Inventory of over 120 sites throughout the UK • Sites are greenfield and of a high quality
<p>The recent significant change in demand for housing and the attendant decline in land prices may have a detrimental effect on the supply of land being brought to market by landowners</p>	<ul style="list-style-type: none"> • Pricing and demand are stabilising • Mortgage availability slowly improving • Continue to work to acquire land for the longer term • Large land bank can help smooth short-term fluctuations
<p>Changes in Government or Government policy, as happened in 2010, towards planning policies could impact on the speed of the planning consent process or the value of sites</p>	<ul style="list-style-type: none"> • Large land bank can help smooth short-term fluctuations • A high profit margin when successful • No revaluations are taken on land through the planning process, therefore though profits may be smaller if site values fall the Group should still achieve a good profit margin on sale
<p>Personnel</p> <p>Attraction and retention of the highest calibre people with the appropriate experience is crucial to our long-term growth in the highly competitive labour markets in which the Group works</p>	<ul style="list-style-type: none"> • In the short term this risk is reduced as unemployment rises and recessionary conditions prevail • Good long-term employment record indicates that good people stay within the Group • Decent record of sharing profits with staff

Risk and description	Mitigation
<p>Pension</p> <p>The Group operates a defined benefit pension scheme which has been closed to new members for some time. Whilst the Trustees have a prudent approach to the mix of both return seeking and fixed interest assets, times of economic instability can have an impact on those asset values with the result that the reported pension deficit increases. Furthermore, the relationship between implied inflation and long-term gilt yields has a major impact on the pension deficit and the business has little control over those variables.</p>	<ul style="list-style-type: none"> • Operation of Trustee approved Recovery Plan • Whilst pension schemes are a long-term commitment, regulations require the Group to respond to deficits in the short term • Move out of index linked gilts will provide a cushion should rates rise • Risk mitigated by move to diversified growth funds on around 25% of assets, along with index linked property fund • Treat pension scheme as any other business segment to be managed • Strong working relationship maintained between Company sponsor and pension Trustees • Use good quality external firms for actuarial and investment advice
<p>Environmental</p> <p>The Group is inextricably linked to the property sector and environmental considerations are paramount to our success.</p> <p>Stricter environmental legislation will increase development and house building costs and therefore could impact on profitability if capital and land values do not increase to reflect more efficient energy performance.</p>	<ul style="list-style-type: none"> • Our interaction with the environment and the agencies that have an overarching responsibility has to be positive at all times in order to achieve best value • Through the National Federation of Builders the Group attempts to reduce the impact on our business • Internal design helps mitigate environmental planning issues • Record of awards given in respect of good safety and environmental performance • Addressed at each subsidiary company board meeting • Construction division has formed a Renewable Energy Unit to progress Group aims in this area
<p>Economic</p> <p>The Group operates solely in the UK and is closely allied to the real estate, house building and construction sectors. A strong economy with strong tenant demand is vital to create long-term growth in rental and asset values, whilst at the same time creating a healthy market for the construction and plant hire divisions. The much published reductions in public spending, the more difficult planning regime and comparatively low levels of property lending could have an impact on the Group's business.</p>	<ul style="list-style-type: none"> • Strong Statement of Financial Position with low gearing and long-term shareholder base means that we can ride out short term economic fluctuations • Different business streams increase the probability that not all of them are in recession at the same time • The City recognises the Group is a cyclical business and understands performance will be affected by economic cycles • Directors and shareholders share common goal of less aggressive leveraging than some competitors
<p>Counterparty</p> <p>Depends on the stability of customers, suppliers, funders and development partners to achieve success.</p>	<ul style="list-style-type: none"> • In recessionary periods the Group pays particular attention to the financial strength of counterparties before contracting with them in order to mitigate financial exposure

Business review
Corporate social responsibility

Corporate social responsibility

During 2011 the Group businesses have continued to make health and safety the top priority.

Our goals

One

To ensure our employees, our customers, our supply chain partners and our clients have a safe and healthy environment

Two

To provide work and life skills and career opportunities to all

Three

To improve the lives of those within the communities in which we work

Four

To have a positive impact on our environment

Henry Boot's social responsibility and sustainability approach focuses on building on our long history by prioritising and managing environmental, social and community activities within our core business strategy

We have identified four areas of focus: our health and safety, our people, our communities and our environment

OUR HEALTH AND SAFETY

During 2011 the Group businesses have continued to make health and safety the top priority. This focus and commitment from our employees and our supply chain partners has resulted in a 58% reduction in the number of reportable accidents to five in the period (2010 twelve)

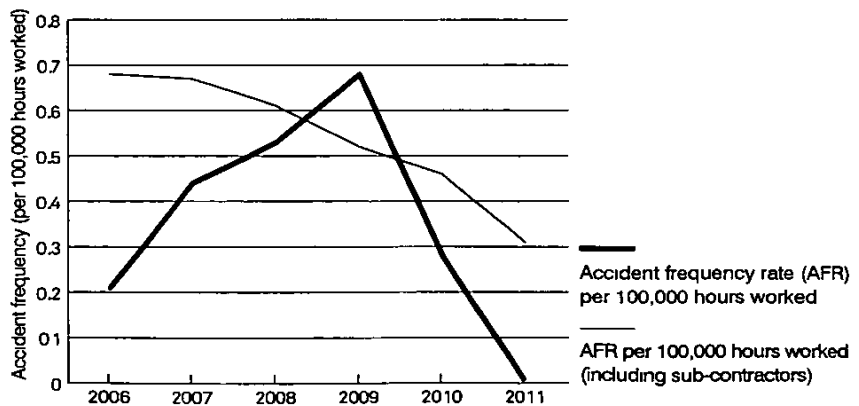
The Group runs a bespoke health and safety audit system which is used to benchmark our sites, offices and depots over the year, in 2011 191 audits were undertaken with the results reported at subsidiary board meetings

Performance

We benchmark our safety performance against the Constructing Excellence Health and Safety Key Performance Indicators (KPIs), our continued focus and commitment in this area has led to a further reduction in our accident frequency rate (AFR) to 0.31 per 100,000 hours worked including our subcontractors (2010 0.46). We are delighted that the construction business related AFR for our directly employed staff for 2011 is zero (2010 0.28)

In 2011, as a further check to ensure the Company processes and procedures were robust, a mock emergency incident was staged on a live Henry Boot Construction site to test the current management systems in an emergency situation, together with legal advice, including interviews under caution, facilitated by law firm Nabarro LLP

Accident record



Right Pupils from Holgate Meadows School enjoy a residential visit to Whirlow Hall Farm as part of the 480 Club

Far right Posters designed by local school children as part of a site safety initiative in Doncaster

Achievements

We have been committed to achieving a fully Construction Skills Certification Scheme (CSCS) carded workforce on all our sites, regardless of employment status. We have achieved this aim and are recognised by CSCS with a Platinum Certificate of Commitment to the scheme. We are now working with our clients to encourage suppliers to ensure that their workers have CSCS cards before entering a Henry Boot site.

We again celebrated the achievement of the Royal Society for the Prevention of Accidents (RoSPA) Gold Award for Occupational Health and Safety which recognised the Company's commitment to achieving the highest standards throughout all operations and putting health and safety first in all its operations.

In addition to this award we were recipients of other health and safety awards from the following bodies: CIOB (South Yorkshire), Construction Best Practice Awards (Yorkshire & Humber), Health and Safety Award winner, and CIOB (East Midlands). We were also a finalist in the Constructing Excellence National Health and Safety Awards.

Case study

Our commitment to working considerably with our communities

As an Associate Member, Henry Boot is fully committed to the registering of all projects with the Considerate Constructors Scheme. This membership demonstrates a commitment within the organisation to improving the image of the industry, through registering all qualifying sites with the scheme and performing to a consistently high level.

Our success is largely due to community involvement, communication and support programmes in the immediate locality of each of our projects, in addition to exceeding the code requirements in terms of environmental impact management and providing a safe and healthy working environment.

The following are examples of how we have worked collaboratively with our communities:

- involving local schools in site safety poster design,
- sponsorship of community days and donations of time and materials to community groups,
- provision of on-site smoking shelters and Quit Kits,
- undertaking extensive environmental and ecological surveys,
- monitoring energy use and promoting energy reduction to customers,
- providing 'home comfort' respite facilities including the provision of clothes washing and drying facilities,
- segregation of waste for recycling and reuse purposes, and
- undertaking 'Good Neighbour' customer satisfaction surveys.

Business review

Corporate social responsibility continued

At the heart of Henry Boot are our people, not only those who are directly employed but also those who are affiliated with our Group.

OUR PEOPLE

At the heart of Henry Boot are our people, not only those who are directly employed but also those who are affiliated with our Group, such as our supply chain partners and clients, whom we see as an integrated extension of our business

What we do, how we act and what our customers and the communities in which we work think of us is critical to how Henry Boot is perceived. It is vitally important to us to have the right people in the right job roles doing what they do best.

To achieve this, the Group has continued to develop its HR strategy, focusing our efforts on employee engagement, personal development and management development.

Performance

During 2011 we employed an average of 439 people (2010 496), a reduction of 11% on 2010. Our employee turnover equated to 13.7% (2010 23.6%) with voluntary turnover (e.g. resignations) equating to over 50% of this number, due to continued difficulties in trading in the early part of 2011 we had to take steps to further reduce headcount which is attributable for 41% of the turnover.

Of the total number of employees, 79% (2010 78%) are male and 21% (2010 22%) are female, with 8% (2010 7.5%) of the total headcount being employed on a part-time basis. We continue to be justifiably proud of the long-standing relationships we build with our employees and currently we have 154 employees (35%) who have more than ten years' service with the Company. In 2011, we saw the retirement of our longest serving member of staff, Alan Turner, who left Banner Plant Limited after 50 years' service with the Company.

Training and development

We made further investment in our employees in 2011 by delivering 927 days of training

(2010 649) which is the equivalent of 2.2 days per employee (2010 1.47 days). We have actively sought external funding for several courses which has seen a reduction in per capita spend to £123 per head during 2011 (2010 £218).

In the second half of 2011, we were delighted to introduce an Apprenticeship Training Programme with Banner Plant Limited, which saw us recruit four apprentices across the Company's activities. All four are attending Reaseheath College in Crewe, Cheshire where they are undertaking a NVQ Level 2 in Plant Maintenance.

In 2011, a cohort of our Trainee Managers from Henry Boot Construction Limited were invited to spend two weeks in Belgium as part of an education programme aimed at sharing expertise in sustainable construction. The scheme, which was run jointly by Business & Education South Yorkshire and Les Compagnons de Devoir, was the first of its kind in Europe, with the aim of bringing together ten major eco-building suppliers and to build the participants' knowledge of environmentally sustainable housing construction, with particular focus on the 'Passive House' system, where the buildings heat and cool themselves.

Achievements

In 2011 Henry Boot Construction Limited's Senior Project Manager, David Goddard, was nominated for the CIOB Construction Manager of the Year (£4m to £7m category) for his work with Sheffield Teaching Hospitals. He was placed in the top five of the nominees for this award, something which he is justifiably proud of.

Again we have had a number of awards bestowed upon our employees and our teams, testament to our drive to ensure a best in class approach. We achieved three awards from the Considerate Constructors

Scheme, two Gold awards and one Silver award, in addition to two runner-up awards for the Most Considerate Site of 2011. At the time of going to press, we had been nominated for a further three awards for 2012.

In 2011, we partnered with Investors in Diversity to benchmark our current business practices and to undertake a survey of existing employees, senior managers and external stakeholders to determine the current position and look for potential areas of improvement. We easily achieved Stage One accreditation, which shows our commitment to working in a collaborative manner recognising the knowledge that differing cultures and people can bring. In 2012 we will develop our strategies to achieve Stage Two and finally full accreditation.

Compliance

2011 saw the introduction of the Bribery Act. This led to the Group implementing new procedures including a comprehensive policy and guidelines, specifically centred around corporate hospitality and the use of agents.

In addition to the policy, we also partnered with Expolink Europe Limited to provide our employees, our clients and our extended supply chain a freephone helpline to which suspicions of misconduct, fraud or theft can be reported.

We have also completed an exhaustive process to ensure compliance within our supply chain with the relevant parts of the Agency Workers Regulations which came into effect on 1 October 2011.

OUR COMMUNITIES

We are fully committed to developing more sustainable communities by raising aspirations for local people through improving their local environment, education, skills and where possible offering employment.

Left to right Banner Plant apprentices
Tom Harrott, Billy Turner, Zac Parkinson
and Ryan Carlton

opportunities. We also support numerous charities through Company donations.

Local environment

As in previous years we are incredibly active in the communities in which we are working. In 2011 some of the projects with which we have been involved are:

- continued support of the Whirlow Hall Farm Trust 480 Club which gives sponsorship to allow children from challenging circumstances to experience life on a working farm,
- Highwoods Community Base, Brodsworth Miners Welfare and the Harrogate Drive Community Centre, all in Doncaster, benefited from the provision of community based facilities for voluntary groups to utilise. All the projects were associated with housing modernisation works we are undertaking in Doncaster,
- Ryegate Therapy Block, Sheffield Childrens Hospital – working with our colleagues at Dransfield Properties, we have assisted them through the donation of management time and construction expertise to facilitate the re-development of the hydrotherapy suite,
- donation of wood to Holgate Meadows School, Sheffield for their students to utilise during woodwork lessons, and
- in conjunction with our colleagues at Irwin Mitchell, sponsorship of a Variety Club Sunshine Coach for the Seven Hills School, Sheffield.

Our Company activities saw us raise over £4,000 for the Sheffield Childrens Hospital at a dinner to celebrate 125 years in construction at the Cutlers Hall in Sheffield in November 2011, we also raised over £6,000 for the Variety Club of Great Britain through an evening of greyhound racing at Owlerton Stadium, Sheffield.

Right Ivor Goodsie visits Plover School, Intake, Doncaster to give a talk on site safety and the dangers of playing on or near construction sites.

Business review

Corporate social responsibility continued

We are fully committed to developing more sustainable communities by raising aspirations for local people through improving their local environment, education, skills and where possible offering employment opportunities.

OUR COMMUNITIES CONTINUED

Education and skills

We have continued to forge links with local education establishments and were pleased to host a group of Malaysian students who were attending a summer school with Sheffield Hallam University, undertaking a short conversion degree to top up qualifications already gained in their home country. The visit reinforced the relationship the Group has with our local universities and gave the students an opportunity to chat with our staff and gain experience of the building and management methods adopted in the UK.

We are also developing a suite of opportunities with the ULT Academies of South Yorkshire, the pilot programme being a number of work experience students spending a day with Henry Boot Construction staff to understand best practice construction techniques before heading to site for the afternoon to see what they had been discussing in action. As part of our ongoing commitment to providing skills and opportunities to our local communities it is intended to roll this programme out to other schools to give a different perspective on careers in the construction industry.

As a leading contractor we feel that it is important for us to demonstrate our commitment to being a good neighbour along with our responsibility and accountability in providing a safe, healthy and friendly environment for the community.

As an Associate Member of the Considerate Constructors Scheme we believe that using the scheme as a benchmark leads to higher standards of site cleanliness and tidiness, better housekeeping and traffic management, less dust and noise, minimises the impact on the environment and encourages further community and stakeholder involvement. This in turn creates a greater understanding and respect from the community and also provides better working conditions, a more

productive workforce and improves the image of the industry as a whole.

We recognise that our works are often attractive to children and in order to work safely in the community we often invite our colleague Ivor Goodsite from the Considerate Constructors Scheme to come into local schools and talk about the dangers on construction sites. By actively engaging with the children we have found that we rarely have issues with trespass, theft or other antisocial behaviour.

Charitable donations

We continue to support the Charities Trust sponsored Give As You Earn Scheme whereby employees can opt to have a deduction made from payroll to a charity of their choice. This is matched on a pound for pound basis by the Group. In 2011 a total in excess of £18,900 was donated by employees which was matched, our commitment meant that we were once again awarded a Payroll Giving Silver Award.

In addition to our support of payroll giving and despite the ongoing uncertain financial climate during the year, the Group still maintained its charitable activities and made donations to a wide and varied range of causes totalling in excess of £22,000 during 2011. Charities supported in 2011 included the Lighthouse Club, Help for Heroes, Ashgate Hospice, ACFA Outreach programme, Whirlow Hall Farm Trust and the Variety Club of Great Britain.

OUR ENVIRONMENT

Henry Boot is committed to utilising energy efficiently in order to reduce our carbon emissions and to work with our supply chain to reduce their emissions.

In 2011 we opened our TROPO Renewable Energy division (part of Henry Boot Construction Limited), as an initial project we fitted 38 photovoltaic modules to the roof

of the office at Dronfield which should deliver up to an 8.93kW maximum output in optimum operating conditions. In a full operational year, the panels should reduce the energy needs for the Dronfield office by 7,927kWh, meaning a reduced carbon footprint for the office of some 4,320kg of CO₂.

Our Carbon Management Plan sets out a number of improvement objectives and targets, all of which can be applied across the Group and include the following measures which not only reduce emissions but also save the Group money:

- introduction of a diesel-only fleet with a fleet emission target of sub 120 CO₂/km,
- review of journey planning to ensure that where possible colleagues are car sharing or using public transport to reduce emissions,
- regular review of fuel usage on all sites and in all offices,
- introduction of video conferencing from all main offices to reduce the requirement to physically attend meetings, and
- consideration of installation of renewable energy sources at all main offices, on sites we have introduced tool charging stations which are solar powered.

2011 has seen us make significant strides in our desire to achieve sustainability and a green business model, we have been recognised by Business in the Community (BITC) as a Significant Improver when measured against its environmental index, we have improved our rating to 91% (2010 77%) and are now listed in the Gold banding, putting us in the top 14% of companies listed.

We have also achieved recognition from Green Apple Awards with a Bronze award for Best Practice in Green Construction for our project for Sheffield City Council at Shirecliffe where we built 27 flats and houses to Level 4 standard for the Code for Sustainable Homes. However, we used the site as a pilot scheme.

Right Senior Quantity Surveyor Sarah Adams imparting her construction knowledge to a Malaysian construction student from Sheffield Hallam University

to investigate ways of achieving Level 5
The Green Apple awards form part of a campaign to find Britain's greenest companies and winners secure a place in The Green Book, a leading international work of reference for best practice in green construction

2011 was another year of progress in reducing waste. We currently operate on the basis of avoiding the generation of waste in the first instance, followed by a policy of reuse where practical, in doing so we have achieved a recycling rate of 93% (2010 92%)

Business review

Governance

Financial statements

Shareholder information

Right Group Finance Director John Sutcliffe with Kevin Docherty of Irwin Mitchell presenting our co-sponsored Variety Club Sunshine Bus to the staff and pupils of Seven Hills School, Sheffield

Governance

Board of directors, subsidiary company managing directors and advisers

Board of directors**JOHN BROWN**
CHAIRMAN

John Brown, FCCA, CTA, 67, was appointed to the Board in 2006 as a Non-executive Director and became Chairman in May 2011. He was formerly the Chief Executive of Speedy Hire plc which he founded in 1977. He is also the Non-executive Chairman of Norcros plc and a Non-executive Director of Lookers plc, both London Stock Exchange listed companies, and he holds a number of other directorships. He is a member of both the Audit and the Remuneration Committees of the Board.

MICHAEL GUNSTON**NON-EXECUTIVE DIRECTOR**

Michael Gunston, FRICS, 68, was appointed to the Board in 2006 having retired as the Chief Surveyor of The British Land Company PLC where he worked for nearly 32 years. He is the Senior Independent Director, Chairman of the Remuneration Committee and a member of the Audit Committee.

JAMES SYKES**NON-EXECUTIVE DIRECTOR**

James Sykes, BA, ACA, 47, was appointed to the Board in March 2011 as a Non-executive Director. He is a Partner in the London office of Saffery Champness, Chartered Accountants, which he joined from university in 1987. He is the Head of its Private Wealth and Estates Group and is also a member of the firm's Management Board. He is the Chairman of the Audit Committee and a member of the Remuneration Committee.

JAMIE BOOT**GROUP MANAGING DIRECTOR**

Jamie Boot, 60, joined the Company in 1979 and was appointed to the Board in 1985. He became Group Managing Director in 1986. He is also the Chairman of the Company's four principal operating subsidiaries – Henry Boot Construction Limited, Hallam Land Management Limited, Henry Boot Developments Limited and Banner Plant Limited – and reports to the Board on these businesses. He is the Board member responsible for health and safety matters.

JOHN SUTCLIFFE**GROUP FINANCE DIRECTOR**

John Sutcliffe, BA, ACA, 52, joined the Company and the Board in 2006 as Group Finance Director and Company Secretary. He previously held a similar role with Town Centre Securities PLC and prior to that was Finance Director of Abbeycrest plc. John is a member of the CBI Yorkshire and the Humber Regional Council. He is the Board member responsible for finance, company secretarial, risk and pensions.

Subsidiary company managing directors

DAVID ANDERSON

HENRY BOOT DEVELOPMENTS LIMITED
David Anderson, BSc (Hons), MRICS, 45, started his career in town planning consultancy and then joined Henry Boot Developments Limited in 1990 as an Assistant Development Surveyor, rapidly rising to the position of Senior Development Surveyor. He was appointed a Director in 1996 and became Managing Director of the Company in 2005.

SIMON CARR

HENRY BOOT CONSTRUCTION LIMITED
Simon Carr, BSc (Hons), FRICS, 53, has been with Henry Boot for over 23 years. He has held a number of positions on the construction side of the business, including Partnering Manager and Operations Director. He took over as Managing Director in 2009. Simon is a member of the Board of The Sheffield City Region Local Enterprise Partnership and the Sheffield City Region Joint Housing and Regeneration Board.

GILES BOOT

BANNER PLANT LIMITED
Giles Boot, BA (Hons), 52, joined the Henry Boot Group in 1982 and had a variety of management roles in Rothervale Trading Limited, the retail side of the then Group's door manufacturing business. Moving to Banner Plant Limited in 1988, he held a number of positions, including Depot Manager and Business Development Manager, before being appointed to its Board in 1995, becoming Managing Director in 2000.

KERAN POWER

HALLAM LAND MANAGEMENT LIMITED
Keran Power, MRTPI, 61, began his career in Local Government as a Planning Officer. He joined the then newly created Hallam Land Management Limited in 1990 and was appointed a Director in 1993. He became Managing Director in 2010. Keran is a Chartered Town Planner and for a number of years was a member of the National Council of The Royal Town Planning Institute.

Advisers

**CHARTERED ACCOUNTANTS
AND STATUTORY AUDITORS**
PRICEWATERHOUSECOOPERS LLP
1 East Parade
Sheffield S1 2ET

BANKERS

BARCLAYS BANK PLC
1 St Paul's Place
121 Norfolk Street
Sheffield S1 2JW

LLOYDS TSB BANK PLC
14 Church Street
Sheffield S1 1HP

THE ROYAL BANK OF SCOTLAND PLC
2 Whitehall Quay
Leeds LS1 4HR

CORPORATE FINANCE

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

FINANCIAL PR

TOOLEYSTREET COMMUNICATIONS LIMITED
Barn 9
North Courtyard
Dunston Business Village
Dunston
Staffordshire ST18 9AB

REGISTRARS

CAPITA REGISTRARS LIMITED
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

SOLICITORS

DLA PIPER UK LLP
1 St Paul's Place
Sheffield S1 2JX

STOCKBROKERS

INVESTEC BANK PLC
2 Gresham Street
London EC2V 7QP

Governance Directors' report

The Directors have pleasure in presenting the Annual Report and the audited Financial Statements for the year ended 31 December 2011

PRINCIPAL ACTIVITIES OF THE GROUP

The principal activities of the Group during the financial year were

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

RESULTS FOR THE YEAR AND DIVIDENDS

The results are set out in the Consolidated Statement of Comprehensive Income on page 47. The principal active subsidiary companies affecting the profit or net assets of the Group in the year are listed in note 34 to the Financial Statements.

The Directors recommend that a final dividend of 2.60p per ordinary share be paid on 1 June 2012 to ordinary shareholders on the register at the close of business on 4 May 2012. This, together with the interim dividend of 1.65p per ordinary share paid on 27 October 2011, will make a total dividend of 4.25p per ordinary share for the year ended 31 December 2011.

BUSINESS REVIEW

The review of the development and performance of the business of the Group during the year and the future outlook of the Group is set out in the Chairman's Statement on pages 4 and 5 and the Business Review on pages 6 to 33. Details of the principal risks and uncertainties that the Company faces and key performance indicators are set out in the Business Review on pages 22 to 27.

The Group's policy in respect of financial instruments is set out within the Accounting Policies on page 54 and details of credit risk, capital risk management, liquidity risk and cash flow risk are given respectively in notes 16, 23, 24 and 25 to the Financial Statements.

SHARE CAPITAL

Details of the Company's issued share capital during the year are set out in note 30 to the Financial Statements.

The Notice of the Annual General Meeting (AGM) on pages 84 and 85 includes the following resolutions:

- an ordinary resolution (Resolution 7) to renew the authority of the Directors to allot shares up to a maximum nominal amount of £4,369,870 being 33.33% of the Company's issued ordinary share capital at 26 March 2012. The authority will expire on 23 August 2013 or at the conclusion of the next AGM, whichever is the earlier, but it is the present intention of the Directors to seek annual renewal of this authority. The Directors do not have any present intention of exercising the authority;
- a special resolution (Resolution 8) to enable the Directors to continue to allot equity securities for cash in connection with a rights or other issue pro rata to the rights of the existing shareholders, but subject to certain exceptions, and for any other purpose provided that the aggregate value of such allotments does not exceed £655,000 (4.99% of the Company's issued ordinary share capital at 26 March 2012). The authority will expire on 23 August 2013 or at the conclusion of the next AGM, whichever is the earlier, but it is the present intention of the Directors to seek annual renewal of this authority; and
- a special resolution (Resolution 9) to renew the authority of the Company to make market purchases of up to 11,055,000 of its own issued ordinary shares (8.43% of the Company's issued ordinary share capital at 26 March 2012). The minimum price that may be paid under the authority for an ordinary share is 10p and the maximum price is limited to not more than 5% above the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days before the purchase is made. The Directors will exercise the authority only if they are satisfied that it would be likely to result in an increase in expected earnings per share of the ordinary share capital in issue and that any purchase will be in the best interests of shareholders generally. If the Directors do decide to exercise the authority, ordinary shares so acquired will either be cancelled or held as treasury shares, depending upon the circumstances prevailing at the time.

DIRECTORS

E J Boot, J T Sutcliffe, J E Brown and M I Gunston held office as Directors throughout 2011. J S Reis stepped down as Chairman and a Non-executive Director at the conclusion of the AGM held on 27 May 2011, whereupon J E Brown took over as Chairman. J J Sykes was appointed a Non-executive Director of the Company on 22 March 2011 in order to represent the substantial shareholdings of the Reis family in the Company. As a result, from a corporate governance point of view, he is not regarded as an independent Non-executive Director. Biographical details of the current Directors are shown on page 34.

In accordance with the Articles of Association of the Company, E J Boot and M I Gunston will retire by rotation at the forthcoming AGM and offer themselves for re-appointment. In accordance with the June 2010 edition of the UK Corporate Governance Code, the Chairman confirms that the performances of both E J Boot and M I Gunston continue to be effective and demonstrate commitment to their respective roles.

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

DIRECTORS' INTERESTS

The interests of Directors in the share capital of the Company, other than with respect to options to acquire ordinary shares, are shown in the table below

		At 31 December 2011		At 31 December 2010	
		Beneficial	Non-beneficial	Beneficial	Non-beneficial
J E Brown	- Ordinary	25,000	—	15,000	—
E J Boot	- Ordinary	5,224,662	1,067,580	5,083,862	1,105,085
	- Preference	14,753	—	14,753	—
J T Sutcliffe	- Ordinary	235,921	—	108,010	—
M I Gunston	- Ordinary	23,000	—	23,000	—
J J Sykes (appointed 22 March 2011)	- Ordinary	10,000	22,057,155	N/A	N/A
	- Preference	—	6,843	N/A	N/A
J S Reis (retired 27 May 2011)	- Ordinary	N/A	N/A	6,646,185	20,915,430
	- Preference	N/A	N/A	3,259	8,167

Between 31 December 2011 and 26 March 2012, being a date not more than one month prior to the date of the Notice of the AGM, there have been no changes in the beneficial and non-beneficial interests of any Director

Details of Directors' long-term incentive awards and share options are provided in the Directors' Remuneration Report on pages 42 to 44

DIRECTORS' INDEMNITY

Subject to the provisions of and to the extent permitted by relevant statutes, under the Articles of Association of the Company, the Directors and other officers throughout the year, and at the date of approval of these Financial Statements, were indemnified out of the assets of the Company against liabilities incurred by them in the course of carrying out their duties or the exercise of their powers

GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Operational Review on pages 8 to 19. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 20 and 21.

As highlighted in note 23 to the Financial Statements, the Company meets its day-to-day working capital requirements through a secured loan facility, which includes an overdraft facility, which was renewed with effect from May 2012. The current economic conditions create uncertainty for all businesses over a number of risk areas. As part of their regular going concern review the Directors specifically address all the risk areas that they consider material to the assessment of going concern. The report arising from these discussions is made available to the auditors and the conclusion is that the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and thus they continue to adopt the going concern basis of accounting in preparing the annual Financial Statements.

TAKEOVERS DIRECTIVE

Information for shareholders required pursuant to the relevant companies' legislation which implements the Takeovers Directive is disclosed in the Shareholder section on page 83.

EMPLOYEES

The Group is an equal opportunities employer, and it is our commitment to ensure that all our employees, potential recruits and other stakeholders are treated fairly and equitably. Selection in recruitment, for training, promotion and any other employment related matter is based upon individual skills and aptitude. We give full consideration to the diverse needs of our employees and potential recruits and are fully compliant with all current legislation. We are committed to the employment of disabled people and will provide specific support and training where required, where an employee becomes disabled during their employment we will work with the employee to provide support and reasonable adjustments including suitable alternative job roles.

We have a highly engaged workforce, who are keen to develop their careers within the Group, we regard communication as the key to ensuring that our employees are on board and develop with our business.

New employees are eligible to join the Group's stakeholder pension plans which includes life assurance arrangements. In addition we also offer private medical insurance, childcare vouchers and income replacement (PHI) arrangements. We also continue to encourage employee share ownership through participation in various share option plans.

HEALTH AND SAFETY

The Group recognises the importance of its employees working in a healthy and safe environment and its responsibilities to clients, visitors, contractors, tenants, members of the public and anyone who comes into contact with our operations. Further information is provided in the Corporate Social Responsibility Report on pages 28 to 33.

SUPPLIER PAYMENT POLICY

The Group's policy is for all companies within the Group to agree terms and conditions with their suppliers and subcontractors. Payments are then generally made on the basis of this agreement, providing the suppliers and subcontractors conform to the terms and conditions stipulated. At 31 December 2011 the Company had an average of 15 days' (2010: 31 days') purchases outstanding in trade payables.

Governance

Directors' report continued

CHARITABLE DONATIONS

Donations for charitable purposes totalled £41,130 (2010 £54,770) Details of some of the charities supported are set out in the Corporate Social Responsibility Report on pages 31 and 32

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

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

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

INDEPENDENT AUDITORS

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

CORPORATE GOVERNANCE

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

During the accounting period under review, the Company, as a premium listed company, was subject to the June 2010 edition of the UK Corporate Governance Code issued by the Financial Reporting Council (FRC) The UK Corporate Governance Code is publicly available free of charge on the FRC website at www.frcpublications.com

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

In applying the Principles of Good Governance, including both the Main Principles and the Supporting Principles, the policies adopted by the Board follow the Code's guidelines insofar that they assist the overall wellbeing of the Company and its shareholders' interests Pragmatism also constitutes a very important element in the Board's approach and adoption of all the supporting principles of the Code is not an objective as such Further explanations of how the Main Principles and the Supporting Principles have been applied are set out below and on pages 39 to 41

The Board

The Board consists of five Directors and their details appear in the Directors' Report on page 36 and 37 Two of the Directors are executive and the remaining three, including the Chairman, are non-executive Consequent upon the departure of J S Reis, Chairman, at the conclusion of the AGM held in May 2011, J E Brown was appointed Chairman and M I Gunston became the Senior Independent Director J J Sykes is the Non-independent Non-executive Director

The Board's role is to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls that enables risk to be assessed and managed It sets the Company's strategic aims and ensures that the necessary financial and human resources are in place for the Company to meet its objectives and review management performance The Board also sets the Company's values and standards and ensures that its obligations to its shareholders and others are understood and met

The Board retains a Schedule of Reserved Matters which is reviewed annually to ensure that strategy and key elements that might affect the implementation of corporate goals are adhered to At its regular Board meetings there is a series of matters that are dealt with including a health and safety review, a finance review, operational reviews on all the main trading subsidiaries and a secretarial review encompassing corporate governance, risk, shareholder matters, pensions and insurance The Board also reviews strategy, budgets and matters relating to internal controls as appropriate

All Directors have access to the Company Secretary and there is in place a written procedure for all Directors to take independent professional advice

Board effectiveness

The Chairman is responsible for leadership of the Board and ensuring it operates effectively The Directors possess an appropriate balance of skills, experience, independence and knowledge of the Company to enable them to discharge their respective duties and responsibilities effectively

The roles of the Non-executive Chairman, J E Brown, and the Managing Director, E J Boot, are clearly defined and they act in accordance with the Main and Supporting Principles of the Code

Throughout the year there were seven Board meetings attended by all Directors, three Audit Committee meetings, two Remuneration Committee meetings and the AGM, which they were entitled to attend The Non-executive Directors meet without the Executive Directors being present usually just prior to Board meetings The Board considers that the Non-executive Directors constructively challenge both the Executive Directors and divisional management at Board meetings and through ad hoc discussions

Divisional Managing Directors attend Board meetings on a rotational basis to present their operational business plans and strategy to the Board

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

CORPORATE GOVERNANCE CONTINUED**Training and development**

The Board received appropriate training and updates on various matters as part of the regular Board meetings. All Directors are offered the opportunity and are encouraged to continue their professional development and update their commercial and Company knowledge as required. Mr J J Sykes received a full induction on joining the Board which included meetings with various Company advisers.

Board balance and independence

For the purposes of the accounting period under review, J E Brown and M I Gunston are the independent Non-executive Directors and, with the Company being a 'smaller company' as defined by the Code, they fulfil the requirement for having two such Directors. J J Sykes was appointed in order to represent the substantial shareholdings of the Reis family and is not regarded as an independent Non-executive Director.

Board evaluation

The Executive Directors' performance is reviewed annually by the Remuneration Committee to ensure that they continue to contribute effectively to the Group's overall objectives. The Non-executive Directors' performance and commitment is kept under review throughout the year by the Executive Directors. Whilst performance evaluation of individual Directors was carried out, there was no formal evaluation of the Board or its committees in 2011.

The Board Committees

The Board has formally constituted Audit and Remuneration Committees. The terms of reference for the Audit Committee fully incorporate the Code's provisions in relation to the role and responsibilities of audit committees and are available for inspection at the Company's registered office.

Audit Committee

Those serving as members of the Audit Committee in 2011 were J E Brown (Chairman), M I Gunston and J S Reis. Upon the retirement of J S Reis on 27 May 2011, J J Sykes, a Non-independent Non-executive Director, joined the Committee and was appointed Chairman with J E Brown remaining a member.

The Committee met twice during the year, with the Company's auditors in attendance for part of each meeting. The Committee's responsibilities include, amongst other matters, the following:

- to monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance,
- to review and make recommendations to the Board in relation to the Half-yearly and Annual Reports,
- to review and consider the scope and effectiveness of the Company's financial controls, Company internal control and risk management systems,
- to consider the appointment/re-appointment of external auditors,
- to oversee the selection process with regard to external auditors and make appropriate recommendations through the Board to the shareholders to consider at the AGM,
- to review the annual management report of the auditors, the level of fees charged by the auditors for non-audit services, the independence and objectivity of the auditors and the proposed nature and scope of their work before the audit commenced. Details of fees paid for non-audit services are set out in note 3 to the Financial Statements. The level of these fees and the services provided are reviewed by the Committee to ensure that they do not threaten auditor objectivity and independence,
- to consider annually whether there is a need for an internal audit function and make recommendations to the Board. However, from past experience, the use of this function has not resulted in added value to the business,
- to review the Company's procedures for handling allegations from 'whistleblowers', and
- to review annually the Company's anti-bribery policy.

The Board believes that J J Sykes, the Committee Chairman, has recent relevant financial experience as a partner in Saffery Champness, a firm of chartered accountants.

Remuneration Committee

Those serving as members of the Remuneration Committee in 2011 were M I Gunston (Chairman), J E Brown and J S Reis who retired on 27 May 2011 and was replaced by J J Sykes. E J Boot attended in an advisory and supportive role. The Committee met twice in the year to review the Executive Directors' performance, levels of pay, bonuses, Long-Term Incentive Plan (LTIP) grants and awards and to consider other remuneration and employment matters as deemed appropriate from time to time.

Details of the work of the Remuneration Committee and the policies and procedures adopted with regard to Directors' remuneration are set out in the Directors' Remuneration Report on page 42.

Nomination Committee

There is no Nominations Committee currently in place as the Board as a whole deals with the appointment of any new Director. New Directors are appointed after a rigorous and transparent evaluation process and shortlists are usually drawn up by external search consultants.

Accountability and audit

Details of the Directors' responsibilities and the Directors' Responsibility Statement are contained on page 45. The Independent Auditors' Report is given on page 46.

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

Governance

Directors' report continued

CORPORATE GOVERNANCE CONTINUED

Risk management and internal control

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

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

- the business organisation and structured reporting framework – each of the Company's activities is monitored through bi-monthly management meetings and formal bi-monthly subsidiary company Board meetings. The latter are attended by the Board's Executive Directors and chaired by E J Boot. Formal lines of responsibility and levels of authority are in place within each subsidiary company. Annual plans, budgets (with two out-post years) and performance criteria for each business are set by the Executive Directors and performance against these targets is reviewed monthly by the Board. Annual profit forecasts and 15 month cash flow forecasts are produced on a monthly basis. The Board monitors the risks and associated controls over financial reporting processes, including the consolidation process. The financial reporting controls are monitored and maintained through the use of internal control frameworks which address key financial reporting risks, including risks arising from changes in the business or accounting standards. Operations on the ground are also monitored frequently by way of visits to sites, depots, properties and regional offices by the Executive Directors, and
- centralised operations – specific risks and compliance issues associated with health and safety, treasury and banking operations, company secretarial, pensions, legal, human resources and training, public and investor relations, information communication technology and insurance are managed centrally and report functionally to the appropriate Executive Director responsible for that particular operation.

Each operation reviews its own system of internal controls and reports twice a year to the Audit Committee.

- business procurement – development appraisals, land purchases, options and construction contracts above a certain value require the authority of the Executive Directors to proceed. A strict routine covering the authorisation of capital expenditure is in place and Board approval is required for any corporate acquisition or disposal, and
- day-to-day operations – responsibility for running the day-to-day operations and for reviewing the associated systems of control is devolved to each subsidiary company Managing Director. Policy and procedure manuals cover major areas of their operations, including safety, purchasing, estimating, marketing, production and quality. The subsidiary company Managing Directors review and report to the Audit Committee on the effectiveness of the systems of internal controls in place and any matters of concern are raised at Board meetings.

Whistleblowing arrangements

The Company has operated a 'whistleblowing' arrangement throughout the year whereby all employees of the Group are able, via an independent external third party, to confidentially report any malpractice or matters of concern they have regarding the actions of employees, management and Directors and any breaches of the Anti-Bribery Policy.

Anti-Bribery Policy

The Company values its long-standing reputation for ethical behaviour and integrity. Conducting its business with a zero tolerance approach to all forms of corruption is central to these values, the Group's image and reputation. The Company policy sets out the standards expected of all Group employees in relation to anti-bribery and corruption and the Board has overall responsibility for ensuring this policy complies with the Group's legal and ethical obligations and that everyone in our organisation complies with it.

This policy is also relevant for third parties who perform services for or on behalf of the Group. The Group expects those persons to adhere to this policy or have in place equivalent policies and procedures to combat bribery and corruption.

Relations with shareholders

The Company is active in communicating with its thousand or so private and institutional shareholders and likewise receives feedback from them. It is this close relationship with shareholders that is seen as one of the particular strengths and characteristics of the Company. During the year a number of formal presentations were made by members of the Board to institutional shareholders. Our website is used to aid a two-way communication process with both present and potential investors and includes all London Stock Exchange announcements, presentations to analysts and press releases over the last twelve months and links to the websites of our four principal operating subsidiaries. The attendance and participation of all shareholders at the AGM is much encouraged. At the AGM held in May 2011 proxies were received representing 73.28% of the number of shares in issue and is a demonstration of shareholders' active involvement in the affairs of the Company. Further information for shareholders is available under Shareholder Information on pages 82 to 88.

Major shareholder notifications

Excluding Directors, at 26 March 2012, being a date not more than one month prior to the date of the Notice of the AGM, the information in the table below had been disclosed to the Company in accordance with the requirements of Chapter 5 of the Disclosure Rules and Transparency Rules.

	Voting rights over ordinary shares	
	Number	% of issued
Rysaffe Nominees and J J Sykes (joint holding)	22,057,155	16.82**
FMR Corp*	12,979,170	9.90**
The Fulmer Charitable Trust	5,739,580	4.38**

* Notified as indirect voting rights

** Adjusted for number of ordinary shares in issue at 26 March 2012

CORPORATE GOVERNANCE CONTINUED**Major shareholder notifications** continued

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

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

Repurchase of shares

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

Amendment to the Articles of Association

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

Appointment and replacement of Directors

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

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

- (i) he is prohibited by law from being a Director,
- (ii) he becomes bankrupt or makes any arrangement or composition with his creditors generally,
- (iii) he is or may be suffering from mental disorder as referred to in the Articles,
- (iv) for more than six months he is absent, without special leave of absence from the Board, from meetings of the Board held during that period and the Board resolves that his office be vacated, or
- (v) he serves on the Company notice of his wish to resign

Compliance with the provisions of the Code

The Company has complied with the vast majority of the provisions of the June 2010 version of the Code but has not complied in full or in part with the following during the period

B 2 1, B 2 2, B 2 4, B 3 1

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

A 4 2, B 6 1, B 6 3

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

C 3 1, D 2 1

The Chairman is a member of the Remuneration Committee and the Audit Committee. The view is that he has a valuable role to play on these Committees

D 2 2, D 2 3

With the Chairman as a member of the Remuneration Committee, along with the other two Non-executive Directors, their remuneration is set by the Executive Directors. As a smaller listed company, it is felt that this is the most appropriate approach

On behalf of the Board



J T SUTCLIFFE
COMPANY SECRETARY
25 APRIL 2012

Governance

Directors' remuneration report

The Directors present the Directors' Remuneration Report for the year ended 31 December 2011. A resolution to approve the Report will be proposed at the Company's AGM (Resolution 10). The auditors are required to report to the shareholders on the audited section of the Report and to state whether in their opinion it has been prepared in accordance with the Companies Act 2006. The Report therefore has separate sections containing unaudited and audited information.

UNAUDITED SECTION

Remuneration Committee

The remuneration of the Executive Directors is fixed by the Remuneration Committee which during 2011 comprised the three Non-executive Directors, namely M I Gunston (Chairman), J E Brown and J S Reis until his retirement as a Director on 27 May 2011 and thereafter J J Sykes, with the Managing Director, E J Boot, in attendance at the Committee's invitation.

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

To assist the Directors in determining the appropriate policy and levels of remuneration, reference is made, in addition to comparisons of policies with peer companies, to a variety of published sources.

Remuneration policy

The Company's policy on Directors' remuneration is to ensure that the Directors are competitively rewarded on a basis that is comparable with similar companies, taking into account the need to attract, motivate and retain Directors of an appropriate calibre to achieve the Company's objectives, without making excessive payments. When setting the pay of Directors, the pay and employment conditions of employees across the Group are taken into account by the Remuneration Committee. As with employees, Directors are rewarded based on their role, their performance and the market rate for the job. Directors' basic salaries and benefits, where applicable, are reviewed annually, taking into account individual performance, the recommendations of the Group Managing Director and published remuneration information. Benefits include the provision of a company car or a cash allowance alternative, permanent health insurance and private medical insurance. The value of benefits is not pensionable and is set out for each Director in the table of Directors' remuneration.

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

E J Boot and J T Sutcliffe each have a one year rolling service agreement. Termination of these arrangements would therefore be subject to their contractual terms and conditions which require a notice period of twelve months. Contractual compensation in the event of early termination of either contract provides for compensation of basic salary for the notice period.

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

The Executive Directors participated in the Henry Boot PLC 2000 Sharesave Scheme. The Scheme was approved by shareholders and is subject to HMRC rules. A grant of options was made on 22 October 2008 at an exercise price of 77 Op, a 10% discount to the prevailing market price. There were no performance criteria attached to the exercise of these options which are capable of exercise for a six month period three years from the date of grant. This scheme was replaced by The Henry Boot PLC 2010 Sharesave Plan which was also approved by shareholders and is HMRC approved. A grant of options was made on 26 October 2011 at an exercise price of 106p, a 10% discount to the prevailing market price. There were no performance criteria attached to the exercise of these options which are capable of exercise for a six month period three years from the date of grant. Both Executive Directors participate in this plan.

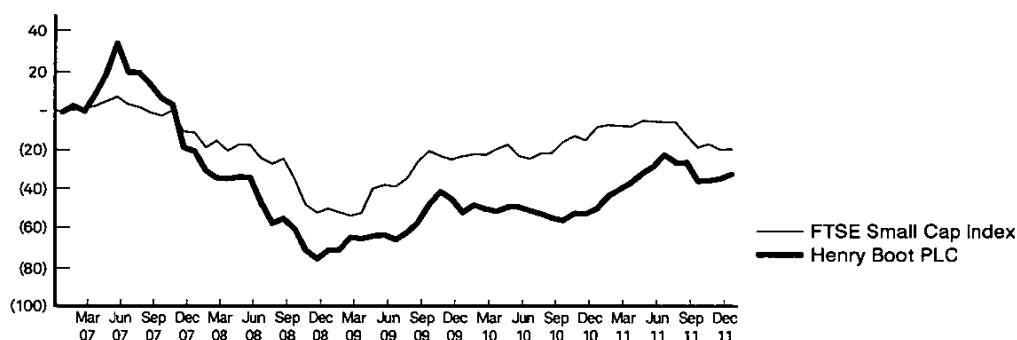
During the year the Executive Directors participated in the Company's long-term incentive plan, details of which are set out in the table opposite. The principle of a long-term incentive plan for senior executives is one that the Remuneration Committee and the Company believes readily aligns the interests of Executive Directors and shareholders, whilst providing the motivation and incentive for the Directors to perform at the highest levels.

Under the provisions of The Henry Boot PLC 2006 Long-Term Incentive Plan, participants may receive a provisional allocation of shares up to 120% of basic salary calculated by reference to the share price at that time. This limit can only be exceeded in exceptional circumstances at the discretion of the Remuneration Committee. Awards under the Plan, which usually vest in three years, are subject to three performance conditions over that three year period. These are the per annum increase in net asset value per share compared to an industry standard investment property annual index, the increase in profitability compared to the Retail Prices Index and Total Shareholder Return (TSR) compared to the median of a comparator group of the FTSE Small Cap Index. These targets ensure that the actual awards at the vesting date are aligned closely with the factors that drive shareholder return.

E J Boot is a deferred member of The Henry Boot Staff Pension and Life Assurance Scheme, a defined benefit pension scheme. J T Sutcliffe is an active member of The Henry Boot Group Stakeholder Pension Scheme, a defined contribution scheme. Both schemes provide a lump sum death in service benefit and a pension for dependants of members on their death in service and, on death after retirement, a pension for dependants. The notional leaving work age is currently 65.

UNAUDITED SECTION CONTINUED**Five year TSR performance**

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

**AUDITED SECTION****Directors' remuneration**

The emoluments of the Directors, excluding pension contributions, are shown below

	Salary £'000	Salary in lieu of pension £'000	Bonus £'000	Taxable benefits £'000	2011 Total £'000	2010 Total £'000
J E Brown (Chairman)	42	—	—	—	42	30
E J Boot	331	44	270	27	672	581
J T Sutcliffe	226	—	184	22	432	398
M I Gunston (Non-executive)	34	—	—	—	34	30
J J Sykes (Non-executive) (appointed 22 March 2011)	25	—	—	—	25	—
J S Reis (Chairman) (retired 27 May 2011)	15	—	—	—	15	35
D Greaves (retired 30 June 2010)	—	—	—	—	—	116
	673	44	454	49	1,220	1,190

Long-term incentive plan awards*Performance shares*

	Plan	Date of award	Market price at date of award	At 1 January 2011	Awarded during the year	Vested during the year	Lapsed during the year	At 31 December 2011	Earliest/ actual vesting date	Market valuation on vesting
E J Boot	2006	12/05/2008	135 0p	256,666	—	128,333	128,333	—	13/06/2011	142 75p
	2006	05/05/2009	72 5p	335,637	—	—	—	335,637	04/06/2012	—
	2006	04/05/2010	96 5p	336,785	—	—	—	336,785	03/06/2013	—
	2006	21/04/2011	121 5p	—	272,840	—	—	272,840	23/04/2014	—
J T Sutcliffe	2006	12/05/2008	135 0p	238,888	—	119,444	119,444	—	13/06/2011	142 75p
	2006	05/05/2009	72 5p	229,086	—	—	—	229,086	04/06/2012	—
	2006	04/05/2010	96 5p	229,480	—	—	—	229,480	03/06/2013	—
	2006	21/04/2011	121 5p	—	185,908	—	—	185,908	23/04/2014	—

Governance

Directors' remuneration report continued

AUDITED SECTION CONTINUED

Long-term incentive plan awards continued

Performance shares continued

The number of shares at 1 January 2011 are the awards achievable under the long-term incentive plans' maximum performance conditions

Of the shares awarded on 12 May 2008, 50% vested on 13 June 2011 on the attainment of a per annum increase in net asset value per share compared to an industry standard investment property annual index, and on the attainment of the TSR element of the performance conditions, and 50% lapsed due to the failure to attain the required increase in profitability compared to the Retail Prices Index

Details of performance conditions applicable to the 2006 Plan can be found on page 42

There have been no variations to the terms and conditions or performance criteria for the long-term incentive plans during the financial year

Savings related share options

Details of options exercised by Directors under the Henry Boot PLC 2000 Sharesave Scheme and granted to Directors under the Henry Boot PLC 2010 Sharesave Plan are shown below

	Scheme/ Plan	Number of options					At 31 December 2011	Exercise price	Date from which exercisable	Expiry date
		At 1 January 2011	Granted during year	Exercised during year	Lapsed during year					
E J Boot	2000	12,467	—	12,467	—	—	77 0p	01/12/2011	31/05/2012	
	2010	—	8,490	—	—	8,490	106 0p	01/12/2014	31/05/2015	
J T Sutcliffe	2000	12,467	—	12,467	—	—	77 0p	01/12/2011	31/05/2012	
	2010	—	8,490	—	—	8,490	106 0p	01/12/2014	31/05/2015	

Details of the schemes are set out in note 30 of the Financial Statements

There have been no variations to the terms and conditions for share options during the financial year. Options granted under the 2000 Sharesave Scheme and the 2010 Sharesave Plan were not subject to performance criteria

The market price of ordinary shares at 31 December 2011 was 123 0p and the range during the year was 93 5p to 154 0p

Directors' pension information

1 Defined benefit pension scheme

	Transfer value at 1 January 2011 £'000 ^(a)	Transfer value at 31 December 2011 £'000 ^(b)	Increase in transfer value £ 000	Increase in transfer value less member contributions over year £ 000	Changes in accrued benefit in relation to inflation £ 000 ^(c)	Transfer value of the change in accrued benefit in relation to inflation £ 000 ^(c)	Accumulated benefit accrued 2011 £'000 ^(a)	Accumulated benefit accrued 2010 £ 000 ^(a)
E J Boot	4,605	5,874	1,269	1,262	(7)	(27)	221	221

The transfer value has been calculated on the basis of actuarial advice in accordance with regulations 7 to 7E of the Occupational Pension Schemes (Transfer Values) Regulations 1996

- 1 E J Boot's transfer values as at 1 January 2011 and 31 December 2011 are based on a capped final pensionable salary of £331,002
- 2 The transfer values include changes due to revaluation in deferment
- 3 The increase in accrued benefit during the year is net of any increase for revaluation in deferment and the transfer value thereof calculated in accordance with the Trustees' chosen transfer value basis less an estimate of the Director's contributions for the year
- 4 E J Boot ceased to be an active member of the pension scheme in April 2011, becoming a deferred member of the scheme at that time. The accumulated benefit accrued at 31 December 2011 is the deferred pension due to E J Boot at the time of his becoming a deferred member
- 5 Benefits and contributions relating to additional voluntary contributions are not included in the above table

2 Defined contribution pension scheme

J T Sutcliffe is a member of the defined contribution pension scheme. Contributions paid by the Company in the year were £45,176 (2010 £44,290)

On behalf of the Board



J T SUTCLIFFE
COMPANY SECRETARY
25 APRIL 2012

Directors' responsibilities

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

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

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

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the Financial Statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation. They are responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

DIRECTORS' STATEMENT PURSUANT TO THE DISCLOSURE AND TRANSPARENCY RULES

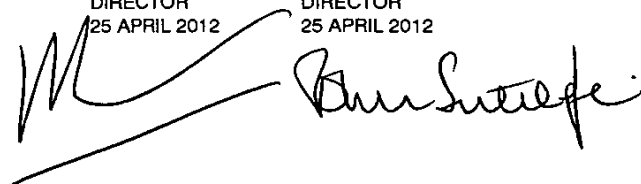
Each of the Directors, whose names and functions are listed on page 34, confirms that, to the best of each person's knowledge

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

On behalf of the Board

E J BOOT
DIRECTOR
25 APRIL 2012

J T SUTCLIFFE
DIRECTOR
25 APRIL 2012



Financial statements Independent auditors' report to the members of Henry Boot PLC

We have audited the Financial Statements of Henry Boot PLC for the year ended 31 December 2011 which comprise the Consolidated Statement of Comprehensive Income, the Group and Parent Company Statements of Financial Position, the Group and Parent Company Statements of Changes in Equity, the Group and Parent Company Statements of Cash Flows, the Principal Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' Responsibilities Statement set out on page 45, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the Accounting Policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited Financial Statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2011 and of the Group's profit and Group's and Parent Company's cash flows for the year then ended,
- the Group Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the Parent Company Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006, and
- the information given in the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the Directors' Statement, set out on page 37, in relation to going concern,
- the parts of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review, and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

IAN MORRISON
IAN MORRISON (SENIOR STATUTORY AUDITOR)
FOR AND ON BEHALF OF PRICEWATERHOUSECOOPERS LLP
CHARTERED ACCOUNTANTS AND STATUTORY AUDITORS
SHEFFIELD
25 APRIL 2012

Consolidated statement of comprehensive income
for the year ended 31 December 2011

	Note	2011 £'000	2010 £'000
Revenue	1	114,583	131,944
Cost of sales		(78,783)	(104,522)
Gross profit		35,800	27,422
Other income	1	25	23
Administrative expenses		(13,420)	(12,205)
Pension (expenses) / credit	4	(1,657)	2,718
		20,748	17,958
(Decrease) / increase in fair value of investment properties	13	(4,275)	555
Profit on sale of investment properties		19	2,433
Profit / (loss) on sale of assets held for sale		390	(60)
Operating profit	3	16,882	20,886
Finance income	5	795	507
Finance costs	6	(1,595)	(2,475)
Share of profit of joint ventures	15	30	—
Profit before tax		16,112	18,918
Tax	7	(5,323)	(5,395)
Profit for the year from continuing operations		10,789	13,523
Other comprehensive income			
Deferred tax on property revaluations	17	60	(19)
Actuarial (loss) / gain on defined benefit pension scheme	27	(9,902)	4,649
Deferred tax on actuarial loss / (gain)	17	2,155	(1,465)
Movement in fair value of cash flow hedge	25	184	122
Deferred tax on cash flow hedge	17	(54)	164
Other comprehensive (expense) / Income for the year		(7,557)	3,451
Total comprehensive income for the year		3,232	16,974
Profit for the year attributable to			
Owners of the Parent Company		8,934	11,827
Non-controlling interests		1,855	1,696
		10,789	13,523
Total comprehensive income attributable to			
Owners of the Parent Company		1,327	15,167
Non-controlling interests		1,905	1,807
		3,232	16,974
Basic earnings per ordinary share for the profit attributable to owners of the Parent Company during the year	9	6 9p	9 1p
Diluted earnings per ordinary share for the profit attributable to owners of the Parent Company during the year	9	6 8p	9 1p

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Statements of financial position

at 31 December 2011

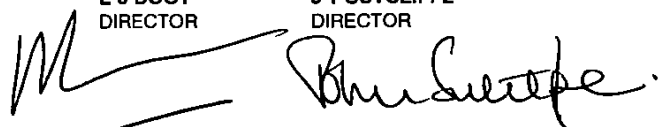
	Note	Group		Parent Company	
		2011 £'000	2010 £'000	2011 £'000	2010 £'000
ASSETS					
Non-current assets					
Intangible assets	11	10,417	11,707	—	—
Property, plant and equipment	12	15,622	15,234	133	182
Investment properties	13	138,198	135,117	—	—
Investments	14	—	—	3,021	5,222
Investment in joint ventures	15	30	—	—	—
Trade and other receivables	16	15,838	10,449	—	—
Deferred tax assets	17	7,364	6,631	6,008	4,726
		187,469	179,138	9,162	10,130
Current assets					
Inventories	18	62,115	58,005	—	—
Trade and other receivables	16	37,617	27,331	161,815	172,373
Current tax assets		—	—	—	71
Cash and cash equivalents		4,246	4,037	166	979
Assets classified as held for sale	20	909	27,719	—	—
		104,887	117,092	161,981	173,423
LIABILITIES					
Current liabilities					
Trade and other payables	21	50,242	55,216	78,897	75,952
Current tax liabilities		1,957	1,602	406	—
Borrowings	24	1,422	11,362	—	10,000
Provisions	26	8,973	11,835	—	—
		62,594	80,015	79,103	85,952
NET CURRENT ASSETS					
		42,293	37,077	82,878	87,471
Non-current liabilities					
Trade and other payables	21	2,462	1,347	—	—
Borrowings	24	5,083	4,069	—	—
Retirement benefit obligations	27	22,649	16,221	22,649	16,221
Provisions	26	13,531	5,937	—	—
		43,725	27,574	22,649	16,221
NET ASSETS					
		186,037	188,641	69,391	81,380
EQUITY					
Share capital	30	13,510	13,424	13,510	13,424
Property revaluation reserve	31	3,354	3,294	—	—
Retained earnings	31	165,093	168,528	51,731	63,776
Other reserves	31	3,425	2,774	4,751	4,180
Cost of shares held by ESOP trust	32	(601)	(476)	(601)	—
Equity attributable to owners of the Parent Company		184,781	187,544	69,391	81,380
Non-controlling interests		1,256	1,097	—	—
Total equity		186,037	188,641	69,391	81,380

The financial statements of Henry Boot PLC, registered number 160996, were approved by the Board of Directors and authorised for issue on 25 April 2012

On behalf of the Board

E J BOOT
DIRECTOR

J T SUTCLIFFE
DIRECTOR



Statements of changes in equity
at 31 December 2011

Group	Note	Attributable to owners of the Parent Company					Total £'000	Non- controlling interests £'000	Total equity £'000
		Share capital £'000	Revaluation reserve £'000	Retained earnings £'000	Other reserves £'000	Cost of shares held by ESOP trust £'000			
At 1 January 2010		13,424	3,349	156,200	2,599	(602)	174,970	1,230	176,200
Profit for the period		—	—	11,827	—	—	11,827	1,696	13,523
Other comprehensive income		—	(19)	3,184	175	—	3,340	111	3,451
Total comprehensive income		—	(19)	15,011	175	—	15,167	1,807	16,974
Equity dividends	10	—	—	(3,378)	—	—	(3,378)	(1,940)	(5,318)
Transfer to retained earnings	30, 31	—	(36)	36	—	—	—	—	—
Share-based payments	30, 31	—	—	659	—	126	785	—	785
		—	(36)	(2,683)	—	126	(2,593)	(1,940)	(4,533)
At 31 December 2010		13,424	3,294	168,528	2,774	(476)	187,544	1,097	188,641
Profit for the period		—	—	8,934	—	—	8,934	1,855	10,789
Other comprehensive (expense) / income		—	60	(7,747)	80	—	(7,607)	50	(7,557)
Total comprehensive income		—	60	1,187	80	—	1,327	1,905	3,232
Equity dividends	10	—	—	(4,941)	—	—	(4,941)	(1,746)	(6,687)
Proceeds from shares issued	30, 31	86	—	—	571	—	657	—	657
Purchase of treasury shares	32	—	—	—	—	(360)	(360)	—	(360)
Share-based payments	30, 31	—	—	319	—	235	554	—	554
		86	—	(4,622)	571	(125)	(4,090)	(1,746)	(5,836)
At 31 December 2011		13,510	3,354	165,093	3,425	(601)	184,781	1,256	186,037

Parent Company	Note	Share capital £'000	Retained earnings £'000	Other reserves £'000	Cost of shares held by ESOP trust £'000	Total equity £'000
At 1 January 2010		13,424	22,138	4,180	—	39,742
Profit for the period	8	—	41,312	—	—	41,312
Other comprehensive income		—	3,184	—	—	3,184
Total comprehensive income		—	44,496	—	—	44,496
Equity dividends	8	—	(3,378)	—	—	(3,378)
Share-based payments	31	—	520	—	—	520
		—	(2,858)	—	—	(2,858)
At 31 December 2010		13,424	63,776	4,180	—	81,380
Profit for the period	8	—	452	—	—	452
Other comprehensive expense		—	(7,747)	—	—	(7,747)
Total comprehensive expense		—	(7,295)	—	—	(7,295)
Equity dividends	8	—	(4,941)	—	—	(4,941)
Proceeds from shares issued	30,31	86	—	571	—	657
Purchase of treasury shares		—	—	—	(836)	(836)
Share-based payments	31	—	191	—	235	426
		86	(4,750)	571	(601)	(4,694)
At 31 December 2011		13,510	51,731	4,751	(601)	69,391

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Statements of cash flows

for the year ended 31 December 2011

	Note	Group		Parent Company	
		2011 £'000	2010 £'000	2011 £'000	2010 £'000
Cash flows from operating activities					
Operating profit / (loss)		16,882	20,886	(9,509)	2,112
Adjustments for non-cash items					
Amortisation of PFI asset	11	1,126	1,117	—	—
Goodwill impairment	11	204	204	—	—
Depreciation of property, plant and equipment	12	2,994	3,024	90	117
Impairment losses on land and buildings	12	—	24	—	—
Revaluation decrease / (increase) in investment properties	13	4,275	(555)	—	—
Amortisation of capitalised letting fees		20	—	—	—
Share-based payment expense		554	659	428	520
Pension scheme credit		(3,474)	(4,862)	(3,474)	(4,862)
Provision against investments in subsidiaries		—	—	2,201	32,775
Movements on provision against loans to subsidiaries		—	—	5,309	(34,488)
Movements in fair value of cash flow hedge		184	122	—	—
Share of profit of joint ventures (net of tax)	15	30	—	—	—
(Gain) / loss on disposal of assets held for sale		(390)	60	—	—
Gain on disposal of property, plant and equipment	3	(342)	(554)	—	—
Gain on disposal of investment properties		(19)	(2,433)	—	—
Operating cash flows before movements in working capital		22,044	17,692	(4,957)	(3,826)
Increase in inventories		(3,797)	(2,888)	—	—
(Increase) / decrease in receivables		(15,004)	(8,606)	7,958	53,407
Increase / (decrease) in payables		734	13,905	4,452	(6,896)
Cash generated from operations		3,977	20,103	7,453	42,685
Interest paid		(1,518)	(1,754)	(3,709)	(3,839)
Tax paid		(3,539)	(3,438)	(1,808)	(1,727)
Net cash flows from operating activities		(1,080)	14,911	1,938	37,119
Cash flows from investing activities					
Purchase of intangible assets	11	(40)	(344)	—	—
Purchase of property, plant and equipment	12	(3,601)	(2,479)	(50)	(25)
Purchase of investment property	13	(8,900)	(2,857)	—	—
Purchase of investments in subsidiaries		—	—	—	(59,134)
Proceeds on disposal of property, plant and equipment		561	954	9	—
Proceeds on disposal of investment properties		321	13,823	—	—
Proceeds on disposal of assets held for sale		28,140	1,732	—	—
Interest received		124	273	6,934	8,056
Dividends received from subsidiaries		—	—	5,000	36,456
Net cash flows from investing activities		16,605	11,102	11,893	(14,647)
Cash flows from financing activities					
Proceeds from issuance of ordinary shares	30	657	—	657	—
Purchase of treasury shares	32	(360)	—	(360)	—
Decrease in borrowings		(9,678)	(20,963)	(10,000)	(20,000)
Increase in borrowings		752	—	—	—
Dividends paid		(4,920)	(3,357)	(4,920)	(3,357)
– ordinary shares	10	(4,920)	(3,357)	(4,920)	(3,357)
– non-controlling interests		(1,748)	(1,940)	—	—
– preference shares	10	(21)	(21)	(21)	(21)
Net cash flows from financing activities		(15,316)	(26,281)	(14,644)	(23,378)
Net increase / (decrease) in cash and cash equivalents		209	(268)	(813)	(906)
Net cash and cash equivalents at beginning of year		4,037	4,305	979	1,885
Net cash and cash equivalents at end of year		4,246	4,037	166	979
Analysis of net (debt) / funds					
Cash and cash equivalents		4,246	4,037	166	979
Net cash and cash equivalents		4,246	4,037	166	979
Bank loans	24	(5,553)	(15,231)	—	(10,000)
Related party loans	24	(200)	(200)	—	—
Government loans	24	(752)	—	—	—
Net (debt) / funds		(2,259)	(11,394)	166	(9,021)

Principal accounting policies

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

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

BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

The Consolidated Financial Statements have been prepared in accordance with IFRS adopted by the EU, IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS and therefore comply with Article 4 of the EU IAS regulations. They have been prepared on the historical cost basis, except for financial instruments, investment properties and Group occupied land and buildings, which are measured at fair value.

CONSOLIDATION

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

Where necessary, adjustments are made to the Financial Statements of subsidiaries to bring the Accounting Policies used in line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation. The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Comprehensive Income from the effective date of acquisition or disposal.

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

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

GOING CONCERN

The Directors have, at the time of approving the Financial Statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the Financial Statements. Further detail is contained in the Directors' Report on page 37.

INVESTMENTS IN ASSOCIATES

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

JOINT VENTURES

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

GOODWILL

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

ASSETS CLASSIFIED AS HELD FOR SALE

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

Financial statements

Principal accounting policies continued

REVENUE RECOGNITION

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

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

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

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

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

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

CONSTRUCTION CONTRACTS

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

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

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

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

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

OPERATING SEGMENTS

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

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

The Board considers the business based on the following operating segments

- property operations, inclusive of property development, property investment and trading activities,
- land operations, inclusive of land management, development and trading activities, and
- construction operations, inclusive of its PFI company, plant hire and regeneration activities

Whilst the following is not a reportable segment, information about it is considered by the Board in conjunction with the reportable segments

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

INVESTMENT PROPERTY

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

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

INVESTMENT PROPERTIES UNDER CONSTRUCTION

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

PROPERTY, PLANT AND EQUIPMENT

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

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

Plant and vehicles and office equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Cost includes the original purchase price of the asset plus any costs attributable to bringing the asset to its working condition for its intended use.

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

- plant and machinery – between 25% and 50%
- motor vehicles – between 20% and 25%
- office equipment – 25%

INTANGIBLE ASSETS EXCLUDING GOODWILL

The PFI asset represents the capitalised cost of the initial project, together with the capitalised cost of any additional major works to the road and structures, which are then amortised, on a straight line basis, over 20 years or the remaining life of the concession. The concession lasts a period of 30 years and has a further 14 years to run.

LEASING

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

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

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

Where the Group acts as a lessee in the case of operating leases, rentals payable are recognised on a straight line basis over the term of the relevant lease.

INVENTORIES

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

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

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

RETIREMENT BENEFIT COSTS

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

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

SHARE-BASED PAYMENTS

Equity-settled share-based payments to employees are measured at fair value of the equity instruments at the date of grant and are expensed on a straight line basis over the vesting period. Fair value is measured by a Monte Carlo pricing model taking in to account any market performance conditions and excludes the effect of non market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 30. At each reporting period date, the Group estimates the number of equity instruments expected to vest as a result of the effect of non market-based vesting conditions. The impact of the revision, if any, is recognised in the Consolidated Statement of Comprehensive Income with a corresponding adjustment to equity reserves.

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

Details regarding the determination of the fair value of share-based transactions are set out in note 30.

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Principal accounting policies continued

TAX

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

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

The Group's liability for current taxation is calculated using tax rates that have been enacted or substantially enacted by the Statement of Financial Position date.

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

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

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

Deferred tax is calculated at tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

DIVIDENDS

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

SHARE CAPITAL

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

FINANCIAL INSTRUMENTS

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

Financial assets or financial liabilities are recognised by the Group in the Statement of Financial Position only when the Group becomes a party to the contractual provisions of the instrument.

The principal financial instruments are:

- trade and other receivables which are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost using the effective interest rate method (see Interest Income and Expense on page 55). Provision is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote. Should an amount previously written off prove recoverable the amount written off is reversed through the Statement of Comprehensive Income to the extent that the amount written back does not exceed the amortised cost had the write off not been recognised.
- cash and cash equivalents, which comprise cash in hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value with an original maturity of three months or less.
- trade and other payables which are on normal credit terms, are not interest bearing and are stated at their nominal values. Where the time value of money is material, payables are carried at amortised cost using the effective interest rate method (see Interest Income and Expense on page 55).
- borrowings see below, and
- derivatives see page 55.

BORROWINGS

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

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

DERIVATIVES AND HEDGING

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

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

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

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

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

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

PROVISIONS

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

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

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

INTEREST INCOME AND EXPENSE

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

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

GOVERNMENT GRANTS

Government grants are recognised at their fair value in the Statement of Financial Position, within deferred income, where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Government grants are then released to the Statement of Comprehensive Income and recognised within cost of sales over the period necessary to match the grant on a systematic basis to the costs that they are intended to compensate.

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Principal accounting policies continued

JUDGEMENTS AND KEY ASSUMPTIONS

The critical judgements in applying the Group's Accounting Policies and that have the most significant effect on the amounts recognised in the Financial Statements, apart from those involving estimations (see below), relate to revenue recognition, construction contracts and inventories. All of these are referred to on pages 52 and 53 and each is interpreted by management in the light of IAS 18 'Revenue', IAS 11 'Construction Contracts' and IAS 2 'Inventories'.

The key assumptions concerning the future and other key sources of estimation uncertainty at the Statement of Financial Position date, and that could have a material adjustment to the carrying amounts of assets and liabilities over the ensuing year, are retirement benefit costs, fair value of investment properties, provisions and the impairment review of land, option and agency costs carried forward in inventories. The estimates used in retirement benefit costs are arrived at in conjunction with the scheme's actuary and advisers, those having the most significant impact being mortality rates and bond yields. The fair value of completed investment property is determined by independent valuation experts using the Yield Method valuation technique. In most cases the fair values are determined based on recent market transactions with similar characteristics and location to those of the Company's assets. The fair value of investment property under construction has been determined using the Residual Method by the Directors of the Company. Amounts recognised in relation to provisions are determined based on assumptions about items such as the risk adjustment to cash flows or discount rates used, future changes in prices and estimates of costs. Impairment relating to land, option and agency costs is considered individually by management in the light of progress made in the planning process, feedback from local planning officers and other external factors that might be considered likely to influence the eventual outcome.

IMPACT OF ACCOUNTING STANDARDS AND INTERPRETATIONS

At the date of authorisation of these Financial Statements, the following standards, amendments and interpretations to existing standards are mandatory for the first time for the accounting period ended 31 December 2011.

		Effective from
IFRIC 14 (amended 2009)	'Prepayments of a Minimum Funding Requirement'	1 January 2011
IFRIC 19 (issued 2009)	'Extinguishing Financial Liabilities with Equity Instruments'	1 July 2010
IAS 24 (revised 2009)	'Related Party Disclosures'	1 January 2011
IAS 32 (amended 2009)	'Classification of Rights Issue'	1 February 2010
IFRS 1 (amended 2010)	'Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters'	1 July 2010
Annual Improvements 2010	'Improvements to IFRSs'	Mostly 1 January 2011

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

At the date of the authorisation of these Financial Statements, the following standards, amendments and interpretations were in issue but not yet effective.

		Effective from
IFRIC 20 (issued 2011)	'Stripping Costs in the Production Phase of a Surface Mine'	1 January 2013*
IAS 1 (amended 2011)	'Presentation of Items of Other Comprehensive Income'	1 July 2012*
IAS 12 (amended 2010)	'Deferred Tax Recovery of Underlying Assets'	1 January 2012*
IAS 19 (amended 2011)	'Employee Benefits'	1 January 2013*
IAS 27 (issued 2011)	'Separate Financial Statements'	1 January 2013*
IAS 28 (issued 2011)	'Investments in Associates and Joint Ventures'	1 January 2013*
IAS 32 (amended 2011)	'Offsetting Financial Assets and Financial Liabilities'	1 January 2014*
IFRS 1 (amended 2010)	'Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters'	1 July 2011*
IFRS 7 (amended 2011)	'Disclosures – Offsetting Financial Assets and Financial Liabilities'	1 January 2013*
IFRS 9 (issued 2009) and subsequent amendments (issued 2011)	'Financial Instruments'	1 January 2015*
IFRS 10 (issued 2011)	'Consolidated Financial Statements'	1 January 2013*
IFRS 11 (issued 2011)	'Joint Arrangements'	1 January 2013*
IFRS 12 (issued 2011)	'Disclosures of Interests in Other Entities'	1 January 2013*
IFRS 13 (issued 2011)	'Fair Value Measurement'	1 January 2013*

* Not yet endorsed by the EU

A review of the impact of these standards, amendments and interpretations continues. At this stage the Directors do not believe that they will give rise to any significant financial impact.

There are a number of minor amendments to other standards which are part of the International Accounting Standards Board's annual improvements project issued on 22 June 2011. The improvements comprise amendments that result in accounting changes for presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. The amendments are effective for annual periods beginning on or after 1 January 2013. No material changes to Accounting Policies are expected as a result of these amendments.

In 2011, the Group did not early adopt any new or amended standards and does not plan to early adopt any of the standards issued but not yet effective.

Notes to the financial statements for the year ended 31 December 2011

1 REVENUE

Analysis of the Group's revenue is as follows

	2011 £'000	2010 £'000
Activity in the United Kingdom		
Revenue from construction contracts	52,745	64,712
Property development	4,139	3,735
Land development	30,005	33,801
PFI concession income	11,155	11,411
Plant and equipment hire	9,291	8,452
Investment property rental income	7,093	9,733
Other rental income	155	100
	114,583	131,944
Other income	25	23
	114,608	131,967

Contingent rents recognised as income during the year amount to £315,000 (2010 £193,000)

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

2 SEGMENT INFORMATION

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

Operations are carried out entirely within the United Kingdom.

Inter-segment sales are charged at prevailing market prices.

The accounting policies of the reportable segments are the same as the Group's Accounting Policies described on pages 51 to 56.

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

Revenues from external sales are detailed in note 1.

	2011					Total £'000
	Property investment and development £'000	Land development £'000	Construction £'000	Group overheads £'000	Eliminations £'000	
Revenue						
External sales	12,478	30,124	71,981	—	—	114,583
Inter-segment sales	310	—	363	446	(1,119)	—
Total revenue	12,788	30,124	72,344	446	(1,119)	114,583
Operating profit	272	11,017	7,339	(1,746)	—	16,882
Finance income	1,233	678	1,339	11,934	(14,389)	795
Finance costs	(6,219)	(636)	(698)	(3,431)	9,389	(1,595)
Share of profit of joint ventures	30	—	—	—	—	30
Profit / (loss) before tax	(4,684)	11,059	7,980	6,757	(5,000)	16,112
Tax	(1,705)	(2,996)	(2,086)	1,386	78	(5,323)
Profit / (loss) for the year	(6,389)	8,063	5,894	8,143	(4,922)	10,789
Other information						
Capital additions	8,927	17	2,535	1,062	—	12,541
Depreciation	51	51	2,426	466	—	2,994
Goodwill impairment	—	—	204	—	—	204
Amortisation	20	—	1,126	—	—	1,146

During the year the Land development segment made disposals to a single external customer amounting to 16% of the Group's total revenue. Due to the nature of land transactions the segment often has large value, low volume transactions. As the segment receives offers from multiple customers for its sales it is not reliant on any major customer individually.

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2 SEGMENT INFORMATION CONTINUED

	2010						2011 £'000	2010 £'000
	Property investment and development £'000	Land development £'000	Construction £'000	Group overheads £'000	Eliminations £'000	Total £'000		
Revenue								
External sales	13,467	33,901	84,576	—	—	131,944		
Inter-segment sales	304	440	199	520	(1,463)	—		
Total revenue	13,771	34,341	84,775	520	(1,463)	131,944		
Operating profit	10,528	581	9,230	527	20	20,886		
Finance income	1,331	275	1,412	8,026	(10,537)	507		
Finance costs	(7,515)	(730)	(735)	(4,032)	10,537	(2,475)		
Profit before tax	4,344	126	9,907	4,521	20	18,918		
Tax	(833)	(51)	(2,858)	(1,302)	(351)	(5,395)		
Profit for the year	3,511	75	7,049	3,219	(331)	13,523		
Other information								
Capital additions	3,009	22	2,207	442	—	5,680		
Depreciation	54	61	2,465	444	—	3,024		
Impairment losses	24	—	—	—	—	24		
Goodwill impairment	—	—	204	—	—	204		
Amortisation	—	—	1,117	—	—	1,117		
Segment assets								
Property investment and development						159,452	183,964	
Land development						93,899	74,396	
Construction						25,503	25,428	
Group overheads and other						1,892	1,774	
						280,746	285,562	
Unallocated assets								
Deferred tax assets						7,384	6,631	
Cash and cash equivalents						4,246	4,037	
Total assets						292,356	296,230	
Segment liabilities								
Property investment and development						4,684	4,080	
Land development						26,373	27,958	
Construction						42,442	39,918	
Group overheads and other						1,709	2,379	
						75,208	74,335	
Unallocated liabilities								
Current tax liabilities						1,957	1,602	
Current borrowings						1,422	11,362	
Non-current borrowings						5,083	4,069	
Retirement benefit obligations						22,649	16,221	
Total liabilities						106,319	107,589	
Total net assets						186,037	188,641	

3 OPERATING PROFIT

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

	2011 £'000	2010 £'000
Depreciation of property, plant and equipment – owned assets	2,994	3,024
Impairment of goodwill included in administrative expenses	204	204
Amortisation of PFI asset included in cost of sales	1,126	1,117
Amortisation of capitalised letting fees	20	—
Impairment losses on land and buildings	—	24
(Profit) / loss on sale of assets held for sale	(390)	60
Impairment losses recognised on trade receivables	93	46
Impairment losses reversed on trade receivables	—	(468)
Property rentals under operating leases	151	261
Decrease / (increase) in fair value of investment property	4,275	(555)
Cost of inventories recognised as expense	19,393	29,940
Employee costs	20,936	16,496
Amounts payable to Deloitte LLP by Road Link (A69) Limited in respect of audit services	8	7
Profit on sale of property, plant and equipment	(342)	(554)

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

	2011 £'000	2010 £'000
Fees payable for the audit of the Company's annual accounts and consolidated financial statements	44	44
Fees payable to the auditors and their associates for other services		
– audit of the Company's subsidiaries pursuant to legislation	96	95
– tax services	75	153
– other services	36	320
Total fees	251	612

In addition, fees of £12,592 (2010 £12,125) were paid to Hawsons in their capacity as auditors of The Henry Boot Staff Pension and Life Assurance Scheme

4 EMPLOYEE COSTS

	2011 £'000	2010 £'000
Wages and salaries	16,569	16,483
Share-based payment expense	554	659
Social security costs	1,961	1,712
Defined benefit pension costs / (credit) (see note 27)	1,416	(2,961)
Defined contribution pension costs (see note 27)	178	153
Other pension costs	63	90
Total	20,741	16,136

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

	2011 Number	2010 Number
Property investment and development	28	24
Land development	28	31
Construction	225	288
Plant hire	108	106
Group overheads	50	47
Total	439	496

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5 FINANCE INCOME

	2011 £'000	2010 £'000
Interest on bank deposits	109	26
Interest on other loans and receivables	15	248
Fair value adjustments on trade receivables	671	233
	795	507

6 FINANCE COSTS

	2011 £'000	2010 £'000
Interest on bank loans and overdrafts	1,194	1,942
Interest on other loans and payables	19	6
Fair value adjustments on trade payables	353	527
Fair value adjustments on borrowings	3	—
Provisions unwinding of discount (note 26)	26	—
	1,595	2,475

7 TAX

	2011 £'000	2010 £'000
Current tax		
UK corporation tax on profits for the year	4,162	2,684
Adjustment in respect of earlier years	(267)	(464)
Total current tax	3,895	2,220
Deferred tax (note 17)		
Origination and reversal of temporary differences	1,321	2,307
Adjustment in respect of earlier years	107	868
Total deferred tax	1,428	3,175
Total tax	5,323	5,395

Corporation tax is calculated at 26.5% (2010: 28.0%) of the estimated assessable profit for the year

During the year, as a result of the change in the UK corporation tax rate from 26% to 25% that was substantively enacted on 5 July 2011 and planned to be effective from 1 April 2012, the relevant deferred tax balances have been re-measured. Deferred tax balances at the year end have been measured at 25%.

Further reductions to the UK tax rate have been announced. The changes reduce the rate to 24% from 1 April 2012, which was substantively enacted on 26 March 2012, and propose to further reduce the rate to 22% by 1 April 2014. The changes had not been substantively enacted at the Statement of Financial Position date and, therefore, are not recognised in these Financial Statements. The impact of these changes on the deferred tax position of the Group is not expected to be material.

The charge for the year can be reconciled to the profit per the Statement of Comprehensive Income as follows

	2011 £'000	2010 £'000
Profit before tax	16,112	18,918
	2011 %	2010 %
Tax at the UK corporation tax rate	26.50	28.00
Effects of		
Permanent differences	7.59	(1.13)
Adjustment in respect of earlier years	(1.66)	(2.45)
Joint venture results reported net of tax	(0.05)	—
Capital losses	—	(0.49)
Deferred tax adjustment in respect of earlier years	0.66	4.59
Effective tax rate	33.04	28.52

7 TAX CONTINUED

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

	2011 £'000	2010 £'000
Deferred tax		
- property revaluations	60	(19)
- actuarial gain / (loss)	2,155	(1,465)
- cash flow hedge	(54)	164
Total tax recognised in other comprehensive income	2,161	(1,320)

8 RESULTS OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the Statement of Comprehensive Income of the Parent Company is not presented as part of these Financial Statements. The loss dealt with in the Financial Statements of the Parent Company, excluding dividends received from subsidiaries of £5,000,000 (2010 £36,456,000), is £4,548,000 (2010 profit £4,856,000)

9 EARNINGS PER ORDINARY SHARE

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

	2011 £'000	2010 £'000
Earnings		
Profit for the year	10,789	13,523
Non-controlling interests	(1,855)	(1,696)
Preference dividend	(21)	(21)
	8,913	11,806
Number of shares	2011	2010
Weighted average number of shares in issue	130,316,724	130,244,385
Less shares held by the ESOP on which dividends have been waived	(799,235)	(1,009,452)
Weighted average number for basic earnings per share	129,517,489	129,234,933
Adjustment for the effects of dilutive potential ordinary shares	2,331,189	1,171,972
Weighted average number for diluted earnings per share	131,848,678	130,406,905

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

10 DIVIDENDS

	2011 £'000	2010 £'000
Amounts recognised as distributions to equity holders in year		
Preference dividend on cumulative preference shares	21	21
Interim dividend for the year ended 31 December 2011 of 1.65p per share (2010 1.35p)	2,141	1,745
Second interim dividend for the year ended 31 December 2010 of 2.15p per share (2009 1.25p)	2,779	1,612
	4,941	3,378

The proposed final dividend for the year ended 31 December 2011 of 2.60p per share (2010 2.15p) makes a total dividend for the year of 4.25p (2010 3.50p)

The proposed final dividend is subject to approval by shareholders at the AGM and has not been included as a liability in these Financial Statements. The total estimated dividend to be paid is £3,367,000

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

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for the year ended 31 December 2011

11 INTANGIBLE ASSETS

	Goodwill £ 000	PFI asset £ 000	Total £ 000
Cost			
At 1 January 2010	4,070	15,408	19,478
Additions at cost	—	344	344
At 1 January 2011	4,070	15,752	19,822
Additions at cost	—	40	40
At 31 December 2011	4,070	15,792	19,862
Accumulated impairment losses and amortisation			
At 1 January 2010	1,085	5,709	6,794
Amortisation	—	1,117	1,117
Impairment losses for the year	204	—	204
At 1 January 2011	1,289	6,826	8,115
Amortisation	—	1,126	1,126
Impairment losses for the year	204	—	204
At 31 December 2011	1,493	7,952	9,445
Carrying amount			
At 31 December 2011	2,577	7,840	10,417
At 31 December 2010	2,781	8,926	11,707
At 1 January 2010	2,985	9,699	12,684

The Group's investment in Road Link (A69) Holdings Limited is 61.2%. The goodwill arising on the acquisition represents the excess of consideration over net assets acquired and is subject to an impairment test at the Statement of Financial Position date. This company's subsidiary, Road Link (A69) Limited, operates a PFI concession which comprises managing and maintaining the A69 Carlisle to Newcastle trunk road. The company receives payment from the Highways Agency based on the number and type of vehicles using the road. The concession lasts for a period of 30 years and has a further 14 years to run, at the end of which the road reverts to the Highways Agency. Whilst the impairment test demonstrates significant headroom, an impairment charge of £204,000 has been recognised during the year to reflect the fact that the PFI concession will revert to the Highways Agency at the end of the 30 year period, at which point no goodwill should remain. There were no significant changes to these arrangements during the year.

Amortisation of the PFI asset is recognised within cost of sales in the Statement of Comprehensive Income.

Although the Companies Act 2006 Section 390(5) requires a coterminous year end, the subsidiary company's accounting reference date is 31 March in order to align with the Highways Agency's financial year end and hence interim Financial Statements are prepared for incorporation into these consolidated Financial Statements.

Bank borrowings are secured on the PFI asset for the value of £4,068,000 (2010: £5,231,000), see note 24.

12 PROPERTY, PLANT AND EQUIPMENT

Group	Land and buildings £'000	Plant and vehicles £'000	Office equipment £'000	Total £'000
Cost or fair value				
At 1 January 2010	7,363	26,317	1,585	35,265
Additions at cost	74	2,298	107	2,479
Disposals	(150)	(2,936)	(69)	(3,155)
At 31 December 2010	7,287	25,679	1,623	34,589
Additions at cost	—	3,405	196	3,601
Disposals	—	(2,361)	(76)	(2,437)
At 31 December 2011	7,287	26,723	1,743	35,753
Being				
Cost	—	26,723	1,743	28,466
Fair value at 31 December 2011	7,287	—	—	7,287
	7,287	26,723	1,743	35,753
Accumulated depreciation and impairment				
At 1 January 2010	313	17,519	1,230	19,062
Charge for year	—	2,856	168	3,024
Impairment loss	24	—	—	24
Eliminated on disposals	—	(2,687)	(68)	(2,755)
At 31 December 2010	337	17,688	1,330	19,355
Charge for year	—	2,824	170	2,994
Eliminated on disposals	—	(2,142)	(76)	(2,218)
At 31 December 2011	337	18,370	1,424	20,131
Carrying amount				
At 31 December 2011	6,950	8,353	319	15,622
At 31 December 2010	6,950	7,991	293	15,234
At 1 January 2010	7,050	8,798	355	16,203

Land and buildings have been revalued at 31 December 2011 by Jones Lang LaSalle Limited in accordance with the Practice Statements contained in the RICS Appraisal and Valuation Standards on the basis of market value at £6,950,000 (2010 £6,950,000)

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

On the historical cost basis, the land and buildings would have been included at a carrying amount of £2,849,000 (2010 £2,849,000)

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for the year ended 31 December 2011

12 PROPERTY, PLANT AND EQUIPMENT CONTINUED

Parent Company	Plant and vehicles £ 000	Office equipment £ 000	Total £ 000
Cost			
At 1 January 2010	116	677	793
Additions	—	25	25
Disposals	—	(31)	(31)
At 31 December 2010	116	671	787
Additions	—	50	50
Disposals	(23)	(31)	(54)
At 31 December 2011	93	690	783
Depreciation			
At 1 January 2010	31	488	519
Charge for year	29	88	117
Disposals	—	(31)	(31)
At 31 December 2010	60	545	605
Charge for year	18	72	90
Disposals	(14)	(31)	(45)
At 31 December 2011	64	586	650
Carrying amount			
At 31 December 2011	29	104	133
At 31 December 2010	56	126	182
At 1 January 2010	85	189	274

13 INVESTMENT PROPERTIES

Fair value	Completed investment property £'000	Investment property under construction £ 000	Total £'000
At 1 January 2010	121,305	50,985	172,290
Subsequent expenditure on investment property	557	2,300	2,857
Disposals	(11,101)	(289)	(11,390)
Transfers to assets held for sale	(27,719)	(1,792)	(29,511)
Transfers from inventories	316	—	316
Increase / (decrease) in fair value in year	1,282	(727)	555
Transfers within investment property	2,075	(2,075)	—
At 31 December 2010	86,715	48,402	135,117
Direct acquisitions of investment property	2,369	—	2,369
Subsequent expenditure on investment property	1,133	5,185	6,318
Capitalised letting fees	116	97	213
Amortisation of capitalised letting fees	(20)	—	(20)
Disposals	(8)	(294)	(302)
Transfers to assets held for sale	(909)	—	(909)
Transfer to inventories	(313)	—	(313)
Decrease in fair value in year	(3,065)	(1,210)	(4,275)
At 31 December 2011	86,018	52,180	138,198
Adjustment in respect of tenant incentives	4,726	6	4,732
Adjustment in respect of tax benefits	(817)	—	(817)
Market value at 31 December 2011	89,927	52,186	142,113

13 INVESTMENT PROPERTIES CONTINUED

With the exception of houses, completed investment properties have been revalued at 31 December 2011 by Jones Lang LaSalle Limited in accordance with the Practice Statements contained in the RICS Appraisal and Valuation Standards on the basis of market value at £85,020,000 (2010 £84,800,000). The valuation conforms to International Valuation Standards and was based on recent market transactions with similar characteristics and location using the Yield Method valuation technique.

The fair value of houses at 31 December 2011 has been determined by the Directors of the Company at £4,907,000 (2010 £5,282,000). The fair value takes into account other observable prices in an active market.

Investment properties under construction are developments which have been valued at 31 December 2011 at fair value by the Directors of the Company using the Residual Method at £52,186,000 (2010 £48,402,000). The property rental income earned by the Group from its occupied investment property, all of which is leased out under operating leases, amounted to £7,093,000 (2010 £9,733,000). Direct operating expenses arising on investment property generating rental income in the year amounted to £830,000 (2010 £967,000). Direct operating expenses arising on the investment property which did not generate rental income during the year amounted to £331,000 (2010 £64,000).

At 31 December 2011, the Group had entered into contractual commitments for the acquisition and repair of investment property amounting to £2,335,000 (2010 £2,088,000).

14 INVESTMENTS

Parent Company – shares in Group undertakings	Total £'000
Cost	
At 1 January 2010	26,622
Additions	34,135
At 31 December 2010	60,757
Losses recognised	(34,985)
At 31 December 2011	25,772
Fair value adjustments	
At 1 January 2010	(22,760)
Provisions for losses	(32,775)
At 31 December 2010	(55,535)
Utilisation of provisions	34,985
Provisions for losses	(2,201)
At 31 December 2011	(22,751)
Carrying amount	
At 31 December 2011	3,021
At 31 December 2010	5,222
At 1 January 2010	3,862

The original cost of shares has been reduced by provisions for losses where necessary and enhanced where the Directors have considered it appropriate to reflect in the valuation increases of a permanent nature in the underlying net asset values of subsidiary companies. Such enhancements were £1,115,000 in 1975 and £1,135,000 in 1989.

Final meetings of the members of Begone Limited, Constructionend Limited, Glasgowend Limited and Warringtonend Limited, companies entered into Voluntary Members Liquidation, were held on 17 October 2011, following which the companies were formally dissolved on 25 January 2012. The cost of the share capital of these companies had been provided against in full. These provisions were utilised in full on 9 September 2011 following the final distribution of any assets held by the companies made by the liquidator.

On 3 August 2011 Stonebridge Projects Limited acquired 100% of the issued share capital of Stonebridge Projects (Park House) Limited, a company incorporated in the United Kingdom on 3 August 2011, for £1. The principal activity of the Company is of the investment in and re-development of property.

Amounts due from and to subsidiary companies are listed in notes 16 and 21. The principal active subsidiary companies are listed in note 34. All trading subsidiaries operate in the United Kingdom and are wholly owned, with the exception of:

- Road Link (A69) Holdings Limited which is 61.2% owned by Henry Boot Construction Limited,
- Stonebridge Projects Limited which is 50% owned by, and under board control of, Henry Boot Land Holdings Limited, and
- Stonebridge Projects (Park House) Limited which is indirectly 50% owned by, and under board control of, Henry Boot Land Holdings Limited.

They are all incorporated in the United Kingdom.

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

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for the year ended 31 December 2011**15 INVESTMENT IN JOINT VENTURES**

Group	Total £'000
Cost	
At 1 January 2010 and 2011	—
Share of profit for the year	30
At 31 December 2011	30

The Group's share of its joint ventures' aggregated assets, liabilities and results are as follows

	2011 £'000
Assets	203
Liabilities	(173)
Net investment in joint ventures	30
	2011 £'000
Revenue	400
Expenses	(366)
Profit before tax	34
Tax	(4)
Share of profits from joint ventures after tax	30

Details of the Group's significant investments in joint ventures are listed in note 34

16 TRADE AND OTHER RECEIVABLES

	Group		Parent Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Trade receivables	51,102	36,225	106	199
Pre-payments	2,055	1,555	172	455
Amounts owed by related companies	298	—	—	—
Amounts owed by Group undertakings	—	—	161,537	171,719
	53,455	37,780	161,815	172,373
Due within one year	37,617	27,331	161,815	172,373
Due after more than one year	15,838	10,449	—	—
	53,455	37,780	161,815	172,373

Included in the Group's trade receivable balance are receivables with a carrying amount of £1.9m (2010: £1.4m) which are past due at the reporting date and for which the Group has not provided, as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Ageing of past due but not impaired trade receivables

	2011 £'000	2010 £'000
30–60 days	1,407	957
60–90 days	244	301
90–120 days	129	42
120+ days	74	81
	1,854	1,381

16 TRADE AND OTHER RECEIVABLES CONTINUED
Movement in the allowance for doubtful receivables

	2011 £'000	2010 £'000
At 1 January	182	709
Impairment losses recognised	93	46
Amounts written off as uncollectable	(21)	(98)
Amounts recovered during the year	(75)	(7)
Impairment losses reversed	—	(468)
At 31 December	179	182

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

Ageing of impaired trade receivables

	2011 £'000	2010 £'000
0–30 days	4	4
30–60 days	3	8
60–90 days	4	8
90–120 days	2	6
120+ days	166	156
	179	182

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

Parent Company

Amounts owed by Group undertakings are unsecured and are stated net of provisions for irrecoverable amounts of £8,036,000 (2010 £2,727,000), of which £5,472,000 (2010 £Nil) has been provided in the year, £Nil (2010 £34,488,000) has been released in the year and £163,000 (2010 £Nil) has been recovered in the year.

The Parent Company has no impaired trade receivables.

Credit risk

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

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

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

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

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17 DEFERRED TAX

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

Deferred tax asset

Group	Accelerated capital allowances £'000	Property revaluations £'000	Retirement benefit obligations £'000	Other timing differences £'000	Total £'000
At 1 January 2010	—	3,001	7,205	925	11,131
Recognised in income	86	(1,321)	(1,360)	(585)	(3,180)
Recognised in other comprehensive income	—	(19)	(1,465)	164	(1,320)
At 31 December 2010	86	1,661	4,380	504	6,631
Recognised in income	(67)	(456)	(873)	(32)	(1,428)
Recognised in other comprehensive income	—	60	2,155	(54)	2,161
At 31 December 2011	19	1,265	5,662	418	7,364
Parent Company					
At 1 January 2010	14	—	7,205	617	7,836
Recognised in income	13	—	(1,360)	(298)	(1,645)
Recognised in other comprehensive income	—	—	(1,465)	—	(1,465)
At 31 December 2010	27	—	4,380	319	4,726
Recognised in income	7	—	(873)	(7)	(873)
Recognised in other comprehensive income	—	—	2,155	—	2,155
At 31 December 2011	34	—	5,662	312	6,008

Deferred tax assets relating to unused tax losses carried forward and deductible temporary differences are recognised if it is probable that they can be offset against future taxable profits or existing temporary differences.

Unrecognised deferred tax assets relating to property revaluations amounted to £1,740,000 (2010: £2,315,000). These assets have not been recognised as it is probable that in future periods there will be no suitable profits or gains available to the Group against which they may be relieved. There are no other significant unrecognised deferred tax assets and liabilities.

During the year, as a result of the change in the UK corporation tax rate from 26% to 25% that was substantively enacted on 5 July 2011 and planned to be effective from 1 April 2012, the relevant deferred tax balances have been re-measured. Deferred tax balances at the year end have been measured at 25%.

Further reductions to the UK tax rate have been announced. The changes reduce the rate to 24% from 1 April 2012, which was substantively enacted on 26 March 2012, and propose to further reduce the rate to 22% by 1 April 2014. The changes had not been substantively enacted at the Statement of Financial Position date and, therefore, are not recognised in these Financial Statements. The impact of these changes on the deferred tax position of the Group is not expected to be material.

18 INVENTORIES

	2011 £'000	2010 £'000
Developments in progress	3,288	4,135
Land, options and agency agreements held for development	58,827	53,870
	62,115	58,005

Within developments in progress £265,000 (2010: £Nil) has been written down and recognised as an expense in the year. These costs relate to development projects no longer likely to proceed. Within land, options and agency agreements held for development £287,000 (2010: £1,926,000) has been written down and recognised as an expense in the year. These costs relate to land, options and agency agreements where planning permission for development has been refused or is deemed to be doubtful.

Previous provisions within land, options and agency agreements held for development amounting to £91,000 (2010: £58,000) have been reversed and reduced the amount of inventories recognised as an expense in the year. The reversals relate to costs previously provided where planning permission for development was doubtful but where prospects have now significantly improved or actual planning consent has been granted.

19 CONSTRUCTION CONTRACTS

	2011 £'000	2010 £'000
Contracts in progress at 31 December		
Amounts due from contract customers included in trade receivables	1,358	—
Amounts due to contract customers included in trade payables	(7,654)	(8,799)
	(6,296)	(8,799)
Contract costs incurred plus recognised profits less recognised losses to date	304,738	278,861
Less progress billings	(311,034)	(287,660)
	(6,296)	(8,799)

At 31 December 2011, retentions held by customers for contract work amounted to £658,000 (2010 £952,000) Advances received from customers for contract work amounted to £7,654,000 (2010 £8,799,000)

20 ASSETS CLASSIFIED AS HELD FOR SALE

Assets classified as held for sale are investment properties, within the property investment and development segment, which are individually being actively marketed for sale with expected completion dates within one year At the Statement of Financial Position date assets classified as held for sale represent industrial units at our Rotherham and Markham Vale developments

Assets classified as held for sale comprise the following

	Investment property £'000
Fair value	
At 1 January 2010	—
Transfer from investment property	29,511
Disposals	(1,792)
At 31 December 2010	27,719
Additions	31
Transfers from investment property	909
Disposals	(27,750)
At 31 December 2011	909
Adjustment in respect of tenant incentives	34
Adjustment in respect of tax benefits	—
Market value at 31 December 2011	943

Assets classified as held for sale have been valued at 31 December 2011 at fair value by the Directors of the Company at £943,000 The fair value is based on agreed terms of sale at 31 December 2011

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for the year ended 31 December 2011

21 TRADE AND OTHER PAYABLES

	Group		Parent Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Trade payables	46,739	44,870	743	1,155
Social security and other taxes	2,701	6,087	344	257
Accrued expenses	1,044	2,848	605	936
Deferred income	1,798	2,144	—	—
Interest rate swap liability	422	606	—	—
Amounts owed to related parties	—	8	—	—
Amounts owed to Group undertakings	—	—	77,005	73,604
	52,704	56,563	78,697	75,952
Due within one year	50,242	55,216	78,697	75,952
Due after more than one year	2,462	1,347	—	—
	52,704	56,563	78,697	75,952

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

22 GOVERNMENT GRANTS

Government grants have been received in relation to the infrastructure of one of the Company's developments. Grant income received is included within deferred income and released to the Statement of Comprehensive Income on a systematic basis to match the costs it is intended to compensate. There are no unfulfilled conditions or contingencies attached to the grants that have been recognised.

Amounts credited to the Statement of Comprehensive Income during the year were £745,000 (2010: £Nil)

23 CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are:

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

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

The Group monitors capital on the basis of net debt to equity. Net debt is total debt less cash and cash equivalents and at 31 December 2011 this was £2.3m (2010: £11.4m). Equity comprises all components of equity and at 31 December 2011 this was £186.0m (2010: £188.6m).

During 2011 the Group's strategy, which was unchanged from 2010, was to maintain the debt to equity ratio below 50%. This level was chosen to ensure that we can access debt relatively easily and inexpensively if required.

In February 2012 the Group concluded negotiations with our three banking partners to renew the existing £50m facility we had in place at the year end. The existing facilities become due for renewal on 7 May 2012 at which point the renewed three year facility will commence with a renewal date of 7 May 2015. The renewed facilities, on improved terms, maintain the same covenants as the existing facilities.

24 BORROWINGS

	Group		Parent Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Bank loans	5,553	15,231	—	10,000
Government loans	752	—	—	—
Loans from related parties	200	200	—	—
	6,505	15,431	—	10,000
The borrowings are repayable, including future interest, as follows				
On demand or within one year	1,758	11,763	—	10,027
In the second year	1,579	1,440	—	—
In the third to fifth years inclusive	3,904	3,228	—	—
After five years	—	—	—	—
	7,241	16,431	—	10,027
Due within one year	1,758	11,763	—	10,027
Due after one year	5,483	4,668	—	—
	7,241	16,431	—	10,027

The weighted average interest rates paid were as follows

	2011 %	2010 %
Bank overdrafts	3.91	4.00
Bank loans – floating rate	3.09	3.06
Bank loans – floating rate (relating to Road Link (A69) Limited)	1.92	1.68
Bank loans – floating rate (relating to Stonebridge Projects (Park House) Limited)	3.16	—
Government loans	—	—
Related party loans – floating rate (relating to Stonebridge Projects Limited)	5.00	5.00

Bank overdrafts are repayable on demand

Liquidity risk

Interest on floating rate borrowings is arranged for periods from overnight to three months. These borrowings are secured by a fixed and floating charge over the assets of the Group excluding those of Road Link (A69) Limited, Stonebridge Projects Limited and Stonebridge Projects (Park House) Limited.

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

The Stonebridge Projects (Park House) Limited bank loan is secured by a specific charge over the freehold property of that company and is without recourse to the rest of the Group. It is repayable in quarterly instalments of £15,000 that commenced on 21 November 2011 with full and final settlement becoming due on 19 August 2014.

Government loans were issued at a borrowing rate of nil%, as a result the Company has no exposure to interest rate changes in relation to these loans. These borrowings are therefore recognised at fair value, where the fair values are based on cash flows discounted using variable market rates. The Government loans were received to fund specific residential construction expenditure. Repayment of the loan commences three years after the quarter date of the construction completion of the first residential unit. Subsequent repayments will follow each quarter until the principle is repaid in full. The repayments are calculated at £8,000 per residential unit and are linked to the Land Registry House Price Index.

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

The bank loan of £4,068,000, relating to Road Link (A69) Limited, is arranged at an effective floating interest rate of LIBOR plus 0.8%. The loan is fully hedged (see note 25), giving rise to an effective fixed interest rate of 7.37%. Other borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

Based on approximate average borrowings during 2011, a 1% change in interest rates would affect profitability before tax by £31,264.

The fair value of the Group's borrowings is not considered to be materially different from the carrying amounts, other than as disclosed in note 25.

At 31 December 2011, the Group had available £50,000,000 (2010: £72,886,000) undrawn committed borrowing facilities.

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25 DERIVATIVE FINANCIAL INSTRUMENTS

Interest rate swap – cash flow hedge

At 31 December 2011, an interest rate swap transaction was in place covering a bank loan of £4,068,000 (2010 £5,231,000) whereby the Group's subsidiary, Road Link (A69) Limited, pays a fixed rate of interest of 6.57% and receives a variable rate based on LIBOR. Interest is payable or receivable, as appropriate, semi-annually. The swap is used to hedge the exposure to the variable interest rate payments on the variable rate secured loan of the subsidiary (note 24).

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

The fair value of the interest rate swap arrangement at 31 December 2011 was a liability of £422,000 (2010 £606,000), included in 'Trade and other payables', giving rise to a hedge reserve deducted from other reserves.

Fair value measurements recognised in the statement of financial position

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

	2011 £'000	2010 £'000
Derivative financial liabilities		
Level 1	—	—
Level 2	422	606
Level 3	—	—
Total fair value	422	606

Explanation of the fair value hierarchy

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

26 PROVISIONS

	Land development £'000	Road maintenance £'000	Other £'000	Total £'000
At 1 January 2011				
Included in current liabilities	10,810	1,025	—	11,835
Included in non-current liabilities	5,912	—	25	5,937
	16,722	1,025	25	17,772
Additional provisions in year	9,935	756	20	10,711
Unwinding of discount	26	—	—	26
Utilisation of provisions	(5,149)	(856)	—	(6,005)
At 31 December 2011	21,534	925	45	22,504
Included in current liabilities	8,048	925	—	8,973
Included in non-current liabilities	13,486	—	45	13,531
	21,534	925	45	22,504

The land development provision represents management's best estimate of the Group's liability to provide infrastructure and services over the next twelve years to land that has been disposed of during the current and prior period.

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

Any liabilities where the Directors anticipate that a present obligation would result in a future outflow of resources, including legal and regulatory penalties or claims, are taken into account in the Financial Statements.

27 RETIREMENT BENEFIT OBLIGATIONS**Defined contribution pension scheme**

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

The total cost charged to income of £178,000 (2010: £153,000) represents contributions payable to the scheme by the Group.

Defined benefit pension scheme

The Group operates a defined benefit pension scheme ('the scheme') for eligible employees which is funded to provide for future pension liabilities, including anticipated increases in earnings and pensions. The assets of the scheme are held in a fund independently administered by trustees. Contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent triennial valuation was carried out as at 1 January 2010. The results of that valuation have been projected to 31 December 2011 and then recalculated based on the following assumptions:

	2011 %	2010 %
Retail Prices Index (RPI)	2.75	2.75
Consumer Prices Index (CPI)	2.00	2.00
Pensionable salary increases	1.00	1.00
Rate in increase to pensions in payment liable for Limited Price Indexation (LPI)	2.75	2.65
Revaluation of deferred pensions	2.00	2.00
Liabilities discount rate	5.00	5.40
Expected rate of return on scheme assets	5.33	5.81

The overall expected rate of return is determined as follows:

- the assumption for return on equities of 7.00% is based upon gilt yields of 3.75% (commonly adopted as a 'risk-free rate') prevailing at the measurement date plus an equity risk premium of 3.25%.
- the assumption for return on bonds represents the expected return on the current portfolio of gilts and corporate bonds as at the measurement date.
- the assumption for return on cash is the bank base rate applicable at the measurement date and represents the expected returns on the scheme's cash holdings, and
- property is generally assumed to have the same expected return as equities.

Mortality assumptions	2011 Years	2010 Years
Retiring today (aged 65)		
Male	21.4	21.3
Female	24.2	24.1
Retiring in 20 years (currently aged 45)		
Male	23.3	23.2
Female	26.0	26.0

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

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

	Change in assumption	Impact on scheme liabilities
Retail Prices Index (RPI)	Increase by 0.25%	Increase by 2.2%
Consumer Prices Index (CPI)	Increase by 0.25%	Increase by 1.3%
Rate of general increases in salaries	Increase by 0.25%	Nil*
Rate in increase to pensions in payment liable for LPI	Increase by 0.25%	Increase by 2.4%
Revaluation of deferred pensions	Increase by 0.25%	Increase by 1.0%
Liabilities discount rate	Decrease by 0.25%	Increase by 4.5%
Rate of mortality	Increase by 1 year	Increase by 1.9%

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

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for the year ended 31 December 2011

27 RETIREMENT BENEFIT OBLIGATIONS CONTINUED

Defined benefit pension scheme continued

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

	2011 £'000	2010 £'000
Current service cost	(905)	(1,111)
Interest on obligation	(6,875)	(7,151)
Expected return on scheme assets	6,563	6,659
Past service gain	—	877
Gain on curtailment	—	3,299
Gain on settlement	—	389
Pension Protection Fund	(199)	(1)
Pension expenses	(1,416)	2,961

Actuarial losses have been reported in other comprehensive income of £9,902,000 (2010 gains £4,649,000)

The cumulative amount of actuarial losses recognised in other comprehensive income since the date of transition to IFRS is £1,989,000 (2010 gains £7,913,000)

The actual gain on scheme assets was £7,229,000 (2010 gain £9,759,000)

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

	2011 £'000	2010 £'000
Present value of scheme obligations	142,322	129,668
Fair value of scheme assets	(119,673)	(113,447)
	22,649	16,221

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

	2011 £'000	2010 £'000
Non-current liabilities	22,649	16,221

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

	2011 £'000	2010 £'000
At 1 January	129,668	137,830
Current service cost	905	1,111
Interest on obligation	6,875	7,151
Contributions from scheme members	339	367
Actuarial loss / (gain)	10,568	(1,548)
Past service gain	—	(877)
Gain on curtailment	—	(3,299)
Gain on settlement	—	(3,794)
Benefits paid	(6,033)	(7,273)
At 31 December	142,322	129,668

27 RETIREMENT BENEFIT OBLIGATIONS CONTINUED**Defined benefit pension scheme** continued

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

	2011 £'000	2010 £'000
At 1 January	113,447	112,098
Expected return on scheme assets	6,563	6,659
Actuarial gain on scheme assets	666	3,100
Employer contributions	4,691	1,900
Contributions from scheme members	339	367
Gain on settlement	—	(3,404)
Benefits paid	(6,033)	(7,273)
At 31 December	119,673	113,447

The analysis of the scheme assets and the expected rate of return at 31 December 2011 was as follows

	Rate of return		Market value	
	2011 %	2010 %	2011 £'000	2010 £'000
Equities	7.00	7.00	62,339	62,225
Bonds	3.75	4.37	53,058	51,032
Cash	0.50	0.50	4,276	190
			119,673	113,447

Included in equities are 2,250,000 (2010 2,250,000) ordinary 10p shares in Henry Boot PLC with a value at the year end of £2,767,500 (2010 £2,103,750)

The history of experience adjustments is as follows

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Present value of defined benefit obligations	142,322	129,668	137,830	125,851	144,260
Fair value of scheme assets	(119,673)	(113,447)	(112,098)	(103,215)	(121,806)
Deficit in the scheme	22,649	16,221	25,732	22,636	22,454
Experience adjustments on scheme liabilities	—	6,666	—	—	(1,853)
Percentage of scheme liabilities	—	5%	—	—	(1%)
Experience adjustments on scheme assets	(666)	(3,100)	(6,620)	24,144	(18)
Percentage of scheme assets	(1%)	(3%)	(6%)	23%	—

The current estimated amount of total contributions expected to be paid to the scheme by the Group, inclusive of contributions payable by the Company, during the 2012 financial year is £4,740,000, being £4,400,000 payable by the Group and £340,000 payable by scheme members

In January 2008 the Company provided the Trustees of the scheme with an 'on demand' letter of credit for £7,000,000 as part of the Recovery Plan for the scheme as a result of the outcome of the scheme's triennial valuation as at 31 December 2006. As part of the Recovery Plan for the scheme as a result of the 31 December 2009 triennial valuation, this letter of credit was replaced by the Company agreeing to contribute a further £175,200 per annum for a period of ten years beginning in 2011. In addition to this the Company has increased the level of Recovery Plan funding to the Scheme from £650,000 to £3,600,000 per annum which will be reviewed at the next triennial valuation.

28 OPERATING LEASES**The Group as lessee**

	2011 £'000	2010 £'000
Minimum lease payments under operating leases recognised in the Statement of Comprehensive Income for the year	151	261

At 31 December 2011, the Group had outstanding commitments for future aggregate minimum lease payments under non-cancellable operating leases which fall due as follows

	2011 £'000	2010 £'000
Within one year	124	126
In the second to fifth years inclusive	98	51
After five years	—	—
	222	177

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for the year ended 31 December 2011

28 OPERATING LEASES CONTINUED

The Group as lessee continued

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

The Group as lessor

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

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

	2011 £'000	2010 £'000
Within one year	6,845	8,085
In the second to fifth years inclusive	24,646	27,803
After five years	58,346	65,852
	89,837	101,740

29 RELATED PARTY TRANSACTIONS

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

Parent Company	2011 £'000	2010 £'000
Management charges receivable	1,596	1,599
Interest receivable	6,833	8,048
Interest payable	(2,557)	(2,519)
Rents payable	(157)	(156)
Recharge of expenses	132	121

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

Purchases of goods and services	2011 £'000	2010 £'000
Close family members of key management personnel (amounts paid for IT services)	38	43
Related companies of key management personnel (amounts paid for Non-executive Director services)	25	—

Related party transactions are charged at prevailing market prices. Amounts owing by related parties (note 16) or to related parties (notes 21 and 24) are unsecured, repayable on demand and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

Remuneration of key management personnel

The remuneration of the Directors, who are key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'. Further information about the remuneration of individual Directors is provided in the audited part of the Directors' Remuneration Report on pages 43 and 44.

	2011 £'000	2010 £'000
Salaries and other short-term employee benefits	1,345	1,350
Post-employment benefits	59	101
Share-based payments	354	190
	1,758	1,641

30 SHARE CAPITAL

	Allotted, issued and fully paid	
	2011 £'000	2010 £'000
5 25% cumulative preference shares of £1 each	400	400
131,096,122 ordinary shares of 10p each (2010: 130,244,385)	13,110	13,024
	13,510	13,424

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

30 SHARE CAPITAL CONTINUED

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

On 1 December 2011 the Company issued 851,737 shares under the Henry Boot PLC 2000 Sharesave Scheme for consideration of 77p per share.

On 1 December 2011 The Company acquired 319,779 of its own shares from employees exercising their options under the Henry Boot PLC 2000 Sharesave Scheme. The total amount paid to acquire the shares was £378,938. The shares are held as 'treasury shares'.

Share-based payments

The Company operates the following share-based payment arrangements:

(A) The Henry Boot PLC 2000 Sharesave Scheme

This savings related share option scheme was approved by shareholders in 2000 and is HMRC approved. The first grant of options to participating employees was made on 1 November 2006 at a price of 155.4p at a discount of just under 15% of the prevailing market price. These became exercisable for a six month period from 1 December 2009. A further grant of options was made on 22 October 2008 at an exercise price of 77.0p, a discount of 10% of the prevailing market price. These became exercisable for a six month period from 1 December 2011. There are no performance criteria attached to the exercise of these options which are normally capable of exercise up to six months after the third anniversary of the Sharesave contract commencement date. The right to exercise options terminates if a participating employee leaves the Group, subject to certain exceptions.

	Options outstanding at 31 December 2010	Options lapsed	Options exercised	Options outstanding at 31 December 2011
October 2008 grant	926,036	32,877	865,233	27,926

The weighted average share price at the date of exercise for share options exercised during the period was 117.0p (2010: 94.4p).

(B) The Henry Boot PLC 2010 Sharesave Plan

This savings related share option plan was approved by shareholders in 2010 in order to replace the Henry Boot PLC 2000 Sharesave Scheme after reaching its ten year expiry date. It is HMRC approved. A grant of options to participating employees was made on 26 October 2011 at a price of 106.0p at a discount of just over 10% of the prevailing market price. These become exercisable for a six month period from 1 December 2014. There are no performance criteria attached to the exercise of these options which are normally capable of exercise up to six months after the third anniversary of the Sharesave contract commencement date. The right to exercise options terminates if a participating employee leaves the Group, subject to certain exceptions.

	Options outstanding at 31 December 2010	Options granted	Options lapsed	Options exercised	Options outstanding at 31 December 2011
October 2011 grant	—	885,867	8,490	—	877,377

(C) The 1996 Henry Boot PLC Long-Term Incentive Plan

This plan was approved by shareholders in 1996 and operated for ten years.

(D) The Henry Boot 2006 Long-Term Incentive Plan

This plan was approved by shareholders at an EGM held on 20 July 2006. Details of the Plan and the vesting requirements are also set out in the Directors' Remuneration Report on page 42.

(E) The Henry Boot PLC 2010 Approved Company Share Option Plan

This plan, more commonly known as a CSOP, was approved by shareholders in 2010 and is HMRC approved. Any full-time Director or employee (full-time or part-time) is eligible to participate at the discretion of the Remuneration Committee of the Board. Options are granted by deed with no consideration payable by the participant. The aggregate subscription price at the date of grant of all outstanding options granted to any one participant under the plan and any other HMRC approved plan operated by the Company (but excluding options granted under any savings related share option plan) must not exceed £30,000. The aggregate market value at the date of grant of ordinary shares options may be granted to any one participant in any one financial year of the company shall not normally exceed two times the amount of a participant's remuneration for that financial year. The Remuneration Committee may impose objective conditions as to the performance of the Group which must normally be satisfied before options can be exercised. Options are normally exercisable only within the period of three to ten years after the date of grant. The right to exercise options generally terminates if a participant leaves the Group, subject to certain exceptions. The first grant of options under the plan was made to certain senior employees (none of whom at the time were Directors of Group companies) on 17 May 2011 at an option price of 121.5p. There were no performance conditions imposed on this particular grant.

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for the year ended 31 December 2011

30 SHARE CAPITAL CONTINUED

Share-based payments continued

(E) The Henry Boot 2010 Approved Company Share Option Plan continued

	Options outstanding at 31 December 2010	Options granted	Options lapsed	Options exercised	Options outstanding at 31 December 2011
May 2011 grant	—	272,000	—	—	272,000

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

	2011 Number	2010 Number
Share options granted at 1 January	2,105,950	2,091,825
Lapses of share options in year	(403,753)	(287,989)
Awards of shares in year	(516,500)	(264,151)
Share options granted in year	817,588	566,265
Share options granted at 31 December	2,003,285	2,105,950

The weighted average share price at the date of exercise for share options exercised during the period was 142.75p (2010 93.50p)

Fair value

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

	LTIP	CSOP	Sharesave 2008	Sharesave 2011
Weighted average exercise price	Nil	121.5p	77.0p	106.0p
Weighted average share price	103.1p	121.5p	57.5p	115.5p
Expected volatility	16.71% to 42.72%	41.47%	33.20%	37.14%
Expected life	3 to 6 years	3 years	3 years	3 years
Risk-free rate	1.67% to 4.73%	1.67%	3.52%	0.86%
Expected dividend yield	3.67% to 5.02%	5.02%	2.61%	5.02%

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last three years

The weighted average fair value of share options granted during the year was 35.2p (2010 83.1p)

Expense recognised in the Statement of Comprehensive Income

	2011 £'000	2010 £'000
The total expense recognised in the Statement of Comprehensive Income arising from share-based payment transactions	554	659
The total expense recognised in the Statement of Comprehensive Income arose solely from equity-settled share-based payment transactions		

31 RESERVES

Group	Property revaluation £ 000	Retained earnings £ 000	Other				Total other £ 000
			Capital redemption £ 000	Share premium £ 000	Capital £ 000	Hedging £ 000	
At 1 January 2010	3,349	156,200	271	2,563	209	(444)	2,599
Profit for the year	—	11,827	—	—	—	—	—
Dividends paid	—	(3,378)	—	—	—	—	—
Movements in fair value of cash flow hedge	—	—	—	—	—	75	75
Deferred tax on fair value movements of cash flow hedge	—	—	—	—	—	100	100
Realised revaluation surplus	(36)	36	—	—	—	—	—
Deferred tax on revaluation surplus	(19)	—	—	—	—	—	—
Arising on employee share schemes	—	659	—	—	—	—	—
Unrecognised actuarial gain	—	4,649	—	—	—	—	—
Deferred tax on actuarial gain	—	(1,465)	—	—	—	—	—
At 31 December 2010	3,294	168,528	271	2,563	209	(269)	2,774
Profit for the year	—	8,934	—	—	—	—	—
Dividends paid	—	(4,941)	—	—	—	—	—
Premium arising from shares issued	—	—	—	571	—	—	571
Movements in fair value of cash flow hedge	—	—	—	—	—	113	113
Deferred tax on fair value movements of cash flow hedge	—	—	—	—	—	(33)	(33)
Deferred tax on revaluation surplus	60	—	—	—	—	—	—
Arising on employee share schemes	—	319	—	—	—	—	—
Unrecognised actuarial loss	—	(9,902)	—	—	—	—	—
Deferred tax on actuarial loss	—	2,155	—	—	—	—	—
At 31 December 2011	3,354	165,093	271	3,134	209	(189)	3,425

Parent Company	Retained earnings £ 000	Other				Total other £ 000
		Capital redemption £ 000	Share premium £ 000	Capital £ 000	Investment revaluation £ 000	
At 1 January 2010	22,138	271	2,563	211	1,135	4,180
Profit for the year	41,312	—	—	—	—	—
Dividends paid	(3,378)	—	—	—	—	—
Unrecognised actuarial gain	4,649	—	—	—	—	—
Deferred tax on actuarial gain	(1,465)	—	—	—	—	—
Arising on employee share schemes	520	—	—	—	—	—
At 31 December 2010	63,776	271	2,563	211	1,135	4,180
Profit for the year	452	—	—	—	—	—
Dividends paid	(4,941)	—	—	—	—	—
Premium arising from shares issued	—	—	571	—	—	571
Unrecognised actuarial loss	(9,902)	—	—	—	—	—
Deferred tax on actuarial loss	2,155	—	—	—	—	—
Arising on employee share schemes	191	—	—	—	—	—
At 31 December 2011	51,731	271	3,134	211	1,135	4,751

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for the year ended 31 December 2011

32 COST OF SHARES HELD BY THE ESOP TRUST

Group	2011 £'000	2010 £'000
At 1 January	476	602
Additions	360	—
Disposals	(235)	(126)
At 31 December	601	476

Quoted investments represent own shares held by the Henry Boot PLC Employee Trust as an ESOP to provide an incentive to greater ownership of shares in the Company by its employees

At 31 December 2011, the Trustee held 799,235 shares (2010 1,009,452 shares) with a cost of £601,261 (2010 £475,937) and a market value of £983,059 (2010 £943,838). All of these shares were committed to satisfy existing grants by the Company under the 2006 Henry Boot PLC Long-Term Share Incentive Plan, the Henry Boot PLC 2000 Sharesave Scheme, the Henry Boot PLC 2010 Sharesave Scheme and the Henry Boot PLC 2010 Company Share Option Plan. In accordance with IAS 32, these shares are deducted from shareholders' funds. Under the terms of the Trust, the Trustee has waived all but a nominal dividend on the shares it holds.

33 GUARANTEES AND CONTINGENCIES

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

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

34 ADDITIONAL INFORMATION – PRINCIPAL ACTIVE SUBSIDIARIES AND JOINT VENTURE PARTNERS

Details of the Company's principal active subsidiaries and joint ventures, all of which are incorporated in England and are consolidated in the Group Financial Statements at 31 December 2011, are as follows:

Subsidiary name	Proportion of ownership	Activity
Banner Plant Limited	100%	Plant hire
First National Housing Trust Limited	100%	Property investment
Hallam Land Management Limited	100%	Land development
Henry Boot Construction Limited	100%	Construction
Henry Boot Developments Limited	100%	Property development and investment
Henry Boot Estates Limited	100%	Property investment
Henry Boot 'K' Limited	100%	Property development and investment
Henry Boot Projects Limited	100%	Property development and investment
Henry Boot Tamworth Limited	100%	Property development and investment
Henry Boot Whittington Limited	100%	Property investment
Road Link (A69) Limited	61.2%	PFI road maintenance
Stonebridge Projects Limited	50%	Property development
Stonebridge Projects (Park House) Limited	50%	Property development and investment
Winter Ground Limited	100%	Property development and investment
Joint venture partner	Proportion of ownership	Activity
Pennine Property Partnership LLP	50%	Property development and investment
I-Prop Developments Limited	50%	Property development

Shareholder information
Property valuers' report

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THE DIRECTORS

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31 December 2011

Gentlemen

HENRY BOOT PLC**Group property portfolio valuation – 31 December 2011**

In accordance with your written instructions, we have valued the various freehold and leasehold properties held by Henry Boot PLC and its subsidiary companies, for accounts purposes as at 31 December 2011. The valuations have been made in accordance with the Practice Statements contained within the RICS Valuation Standards (7th Edition), in our capacity as External Valuers, on the basis of Market Value. No allowances have been made for expenses of realisation or for taxation that might arise in the event of a disposal and our valuations are expressed as exclusive of any Value Added Tax that may become chargeable. Each property has been considered as if free and clear of all mortgages or other charges which may have been secured thereon. Where appropriate, the properties have been valued subject to and with the benefit of any lettings which have been disclosed.

Having regard to the foregoing we are of the opinion that the aggregate market value of the freehold and leasehold interests owned by Henry Boot PLC and its subsidiaries, as at 31 December 2011 is

Freehold properties	£86,455,000
Leasehold properties	£5,350,000
Mixed tenure properties	£165,000
Total	£91,970,000

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

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

Yours faithfully

SIMON CULLIMORE MRICS

DIRECTOR
FOR AND ON BEHALF OF JONES LANG LASALLE LIMITED

Jones Lang LaSalle Limited
Registered in England and Wales Number 1188567
Registered Office 22 Hanover Square London W1A 2NB

Shareholder information

ADDITIONAL INFORMATION FOR SHAREHOLDERS

Following the implementation of the EU Takeover Directive in the UK, the following description provides the required relevant information for shareholders where not already provided elsewhere in these Financial Statements. This description summarises certain provisions of the current Articles of Association of the Company (as adopted by special resolution on 27 May 2011) ('the Articles') and applicable English law concerning companies (the Companies Act 2006). This is a summary only and the relevant provisions of the Companies Act 2006 or the Articles should be consulted if further information is required.

Share capital

The Company's issued share capital comprises two classes of shares being, respectively, ordinary shares of 10p each ('ordinary shares') and cumulative preference shares of £1 each ('preference shares'). Further details of the share capital of the Company are set out in note 30 to the Financial Statements. As at 26 March 2012, the ordinary shares represent 96.95% of the total issued share capital of the Company by nominal value and the preference shares represent 3.05% of such total issued share capital. The ordinary shares and the preference shares are in registered form. Both classes of share are admitted to the Official List of the UK Listing Authority. The Company's ordinary shares are categorised as 'Premium Listed' and its preference shares as 'Standard Listed'. A Standard Listing is based on EU minimum standards for floating a company on a public market whereas a Premium Listing requires compliance with additional requirements set out in the Listing Rules of the UK Listing Authority.

Rights and obligations attaching to shares

Subject to the Companies Act 2006 and other shareholders' rights, any share may be issued with such rights and restrictions as the Company may by ordinary resolution decide or, if no such resolution has been passed or so far as the resolution does not make specific provision, as the Board of Directors for the time being of the Company ('Board') may decide. Subject to the Companies Act 2006, the Articles and any resolution of the Company, the Board may deal with any unissued shares as it may decide.

Rights of preference shares

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

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

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

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

Voting

Under and subject to the provisions of the Articles and subject to any special rights or restrictions as to voting attached to any shares, on a show of hands every member present in person shall have one vote and on a poll every member who was present in person or by proxy shall have one vote for every share of which he is the holder. Under the Companies Act 2006, members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at a general meeting or class meeting.

Restrictions on voting

A member shall not be entitled to vote at any general meeting or class meeting in respect of any shares held by him unless all calls and other sums presently payable by him in respect of that share have been paid. In addition, holders of default shares (as defined in the Articles) shall not be entitled to vote during the continuance of a default in providing the Company with information concerning interests in those shares required to be provided (following relevant notification) under the Companies Act 2006.

Deadlines for voting rights

Full details of the deadlines for exercising voting rights in respect of the resolutions to be considered at the AGM to be held on 24 May 2012 are set out in the Notice of AGM on page 84 of this Annual Report and Financial Statements.

Dividends and distributions

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

Winding up

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

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

Variation of rights

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

ADDITIONAL INFORMATION FOR SHAREHOLDERS CONTINUED**Transfer of shares**

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

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

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

Repurchase of shares

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

Amendment to the Articles of Association

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

Appointment and replacement of Directors

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

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

- (i) he is prohibited by law from being a Director,
- (ii) he becomes bankrupt or makes any arrangement or composition with his creditors generally,
- (iii) he is or may be suffering from mental disorder as referred to in the Articles,
- (iv) for more than six months he is absent, without special leave of absence from the Board, from meetings of the Board held during that period and the Board resolves that his office be vacated, or
- (v) he serves on the Company notice of his wish to resign

Powers of the Directors

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

Takeovers and significant agreements

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

- the Company's share schemes and plans, and
- bank facilities which upon the occurrence of a takeover the lenders shall consult with the Company for a period of not greater than 30 days to determine whether and on what basis the lenders are prepared to continue the facilities

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

Information rights

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

Shareholder information

Notice of annual general meeting

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting (AGM) of Henry Boot PLC will be held at Baldwin's Omega, Brincliffe Hill, Off Psalter Lane, Sheffield S11 9DF on Thursday 24 May 2012 at 12 30pm for the following purposes

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

Resolution 1

To receive the Directors' and auditors' report and the Financial Statements for the year ended 31 December 2011

Resolution 2

To declare a final dividend of 2 60p per ordinary share

Resolution 3

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

Resolution 4

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

Resolution 5

To re-appoint PricewaterhouseCoopers LLP as auditors of the Company

Resolution 6

To authorise the Directors to fix the auditors' remuneration

Resolution 7

THAT pursuant to Section 551 of the Companies Act 2006, the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £4,369,870, provided that (unless previously revoked, varied or renewed) this authority shall expire on 23 August 2013 or at the conclusion of the next AGM of the Company, whichever is the earlier, save that the Company may make an offer or agreement before this authority expires which would or might require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after this authority expires and the Directors may allot shares or grant such rights pursuant to any such offer or agreement as if this authority had not expired. This authority is in substitution for all existing authorities under Section 551 of the Companies Act 2006 (which, to the extent unused at the date of this resolution, are revoked with immediate effect)

Resolution 8

THAT subject to the passing of Resolution 7 and pursuant to Section 570 of the Companies Act 2006, the Directors be and are generally empowered to allot equity securities (within the meaning of Section 560 of the Companies Act 2006) for cash pursuant to the authority granted by Resolution 7 as if Section 561(1) of the Companies Act 2006 did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities

(a) in connection with an offer of equity securities (whether by way of a rights issue, open offer or otherwise)

- (i) to holders of ordinary shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of ordinary shares held by them, and
- (ii) to holders of other equity securities in the capital of the Company, as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary,

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

(b) otherwise than pursuant to paragraph (a) of this resolution, up to an aggregate nominal amount of £655,000,

and (unless previously revoked, varied or renewed) this power shall expire on 23 August 2013 or at the conclusion of the next AGM of the Company, whichever is the earlier, save that the Company may make an offer or agreement before this power expires which would or might require equity securities to be allotted for cash after this power expires and the Directors may allot equity securities for cash pursuant to any such offer or agreement as if this power had not expired. This power is in substitution for all existing powers under Section 570 of the Companies Act 2006 (which, to the extent unused at the date of this resolution, are revoked with immediate effect)

NOTICE OF ANNUAL GENERAL MEETING CONTINUED**Resolution 9**

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

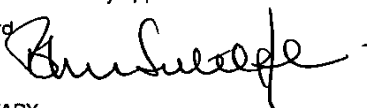
- (a) the maximum aggregate number of ordinary shares hereby authorised to be purchased is 11,055,000,
- (b) the minimum price (excluding expenses) which may be paid for an ordinary share is 10p,
- (c) the maximum price (excluding expenses) which may be paid for an ordinary share is not more than the higher of
 - (i) an amount equal to 105% of the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days before the purchase is made, and
 - (ii) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share on the trading venue where the purchase is carried out,
- (d) the authority hereby conferred shall expire at the conclusion of the next AGM of the Company after the passing of this resolution or, if earlier, on 23 August 2013, and
- (e) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority

Resolution 10

THAT the Directors' Remuneration Report for the year ended 31 December 2011 as set out in the 2011 Annual Report and Financial Statements of the Company be and is hereby approved

By order of the Board

J T SUTCLIFFE
COMPANY SECRETARY
25 APRIL 2012



HENRY BOOT PLC
REGISTERED OFFICE
BANNER CROSS HALL
ECCLESALL ROAD SOUTH
SHEFFIELD
UNITED KINGDOM
S11 9PD
REGISTERED IN ENGLAND NO 160996

Shareholder information

Notice of annual general meeting continued

NOTES

- 1 Only holders of ordinary shares in the Company are entitled to attend and vote at the AGM
- 2 The holders of preference shares in the Company are not entitled to attend and vote at the AGM
- 3 The right to vote at the meeting is determined by reference to the register of members. Only those shareholders registered in the register of members of the Company as at 6 00pm on 22 May 2012 (or, if the meeting is adjourned, 6 00pm on the date which is two working days before the date of the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after that time shall be disregarded in determining the rights of any person to attend or vote (and the number of votes they may cast) at the meeting
- 4 A shareholder is entitled to appoint another person as his or her proxy to exercise all or any of his or her rights to attend and to speak and vote at the meeting. A proxy need not be a shareholder of the Company

A shareholder may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. Failure to specify the number of shares each proxy appointment relates to or specifying a number which when taken together with the numbers of shares set out in the other proxy appointments is in excess of the number of shares held by the shareholder may result in the proxy appointment being invalid.

A proxy may only be appointed in accordance with the procedures set out in notes 5 to 7 below and the notes to the proxy form. The appointment of a proxy will not preclude a shareholder from attending and voting in person at the meeting.

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

To be valid, a proxy form must be received by post or (during normal business hours only) by hand at the offices of the Company's registrars, Capita Registrars, 34 Beckenham Road, Beckenham BR3 4TU no later than 12 30pm on 22 May 2012 (or, if the meeting is adjourned, 48 hours (excluding any part of a day that is not a working day) before the time of any such adjourned meeting).

- 6 As an alternative to completing the hard copy proxy form, a shareholder may appoint a proxy or proxies electronically using the Share Portal service at www.capitashareportal.com. For an electronic proxy appointment to be valid, the appointment must be received by Capita Registrars no later than 12 30pm on 22 May 2012 (or, if the meeting is adjourned, no later than 48 hours (excluding any part of a day that is not a working day) before the time of any adjourned meeting).

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

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by Capita Registrars (ID RA10) no later than 12 30pm on 22 May 2012 (or, if the meeting is adjourned, 48 hours (excluding any part of a day that is not a working day) before the time of any such adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Capita Registrars is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

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

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

NOTES CONTINUED

- 8 A shareholder which is a corporation may authorise one or more persons to act as its representative(s) at the meeting. Each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual shareholder, provided that (where there is more than one representative and the vote is otherwise than on a show of hands) they do not do so in relation to the same shares.
- 9 Where a copy of this notice is being received by a person who has been nominated to enjoy information rights under Section 146 of the Companies Act 2006 ('Nominated Person')
- (a) the Nominated Person may have a right under an agreement between him/her and the shareholder by whom he/she was nominated, to be appointed, or to have someone else appointed, as a proxy for the meeting, or
- (b) if the Nominated Person has no such right or does not wish to exercise such right, he/she may have a right under such an agreement to give instructions to the shareholder as to the exercise of voting rights.
- The statement of the rights of shareholders in relation to the appointment of proxies in notes 4 to 7 above does not apply to a Nominated Person. The rights described in such notes can only be exercised by shareholders of the Company.
- 10 A shareholder or shareholders having a right to vote at the meeting and holding at least 5% of the total voting rights of the Company (see note 15 below), or at least 100 shareholders having a right to vote at the meeting and holding, on average, at least £100 of paid up share capital, may require the Company to publish on its website a statement setting out any matter that such shareholders propose to raise at the meeting relating to either the audit of the Company's accounts (including the auditors' report and the conduct of the audit) that are to be laid before the meeting or any circumstances connected with an auditor of the Company ceasing to hold office since the last AGM of the Company in accordance with Section 527 of the Companies Act 2006.
- Any such request must
- (a) identify the statement to which it relates, by either setting out the statement in full or, if supporting a statement requested by another shareholder, clearly identifying the statement that is being supported,
- (b) comply with the requirements set out in note 11 below, and
- (c) be received by the Company at least one week before the meeting.
- Where the Company is required to publish such a statement on its website
- (i) it may not require the shareholders making the request to pay any expenses incurred by the Company in complying with the request,
- (ii) it must forward the statement to the Company's auditors no later than the time when it makes the statement available on the website, and
- (iii) the statement may be dealt with as part of the business of the meeting.
- 11 Any request by a shareholder or shareholders to require the Company to publish audit concerns as set out in note 10
- (a) may be made either
- (i) in hard copy, by sending it to the Company Secretary, Henry Boot PLC, Banner Cross Hall, Ecclesall Road South, Sheffield S11 9PD, or
- (ii) in electronic form, by sending it by e-mail to cosec@henryboot.co.uk. Please state 'Henry Boot PLC AGM' in the subject line of the email,
- (b) must state the full name(s) and address(es) of the shareholder(s), and
- (c) where the request is made in hard copy form, it must be signed by the shareholder(s).
- 12 Shareholders have the right to ask questions at the meeting relating to the business being dealt with at the meeting in accordance with Section 319A of the Companies Act 2006. The Company must answer any such question unless
- (a) to do so would interfere unduly with the preparation for the meeting or would involve the disclosure of confidential information,
- (b) the answer has already been given on a website in the form of an answer to a question, or
- (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
- 13 The information required by Section 311A of the Companies Act 2006 to be published in advance of the meeting, which includes the matters set out in this notice and information relating to the voting rights of shareholders, is available at www.henryboot.co.uk.
- 14 Except as expressly provided above, shareholders who wish to communicate with the Company in relation to the meeting should do so using the following means
- (a) telephone 0114 255 5444, or
- (b) e-mail to cosec@henryboot.co.uk.
- No other methods of communication will be accepted.
- 15 The issued ordinary share capital of the Company as at 25 April 2012 was 131,096,122 ordinary shares, carrying one vote each and representing the total number of voting rights in the Company.

Shareholder information
Financial calendar

**LONDON STOCK EXCHANGE
ANNOUNCEMENTS**

Preliminary Statement of Results 2011
28 March 2012

First 2012 Interim Management Statement
early May 2012

Half-yearly Results 2012
end August 2012

Second 2012 Interim Management Statement
mid November 2012

Trading Update 2012
mid January 2013

**ANNUAL REPORT AND FINANCIAL
STATEMENTS 2011 AND HALF-YEARLY
REPORT 2012 POSTED TO
SHAREHOLDERS**

**Annual Report and Financial Statements
2011**
by 25 April 2012

Half-yearly Report 2012
early September 2012

ANNUAL GENERAL MEETING

24 May 2012

DIVIDENDS PAID ON ORDINARY SHARES

2011 Final
1 June 2012

2012 Interim
end October 2012

Front cover photographs from top clockwise

- Refurbishment of Intake local authority flats in Doncaster by Henry Boot Construction
 - A Banner Plant owned JCB Loadall assisting in the construction of a pre-fabricated bridge destined for Belize
 - A site meeting at Henry Boot Construction's £5m Rawmarsh Joint Service Centre.
 - Hallam Land's Bridgwater scheme is well underway with completion of the Wm Morrison Supermarkets plc Regional Distribution Centre and planning consent for 2,000 homes
 - The Axis in Nottingham city centre, Henry Boot Development's mixed use retail and office scheme.
-

Further copies of the 2011
Annual Report and Financial
Statements may be obtained
from the Company Secretary

Henry Boot PLC
Registered office
Banner Cross Hall
Ecclesall Road South
Sheffield S11 9PD
United Kingdom

Registered in England No 160996

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f 0114 258 5548
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www.henryboot.co.uk
