

Henry Boot

HENRY BOOT DEVELOPMENTS LIMITED

(Company Number 1390361)

ANNUAL REPORT

2006



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COMPANY INFORMATION

Directors

D Greaves *Chairman*
D R Anderson *Managing*
E J Boot
J H Boot
V Clements
T M Washer

Company Secretary

E S S Foster

Registered Office

Banner Cross Hall
Sheffield
S11 9PD

Registered in England
No 1390361

Auditors

Hawsons
Pegasus House
463a Glossop Road
Sheffield
S10 2QD

Bankers

Barclays Bank PLC
2 Arena Court
Sheffield
S9 2WU

REPORT OF THE DIRECTORS

The Directors present their report together with the audited financial statements for the year ended 31 December 2006. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

Results and dividend

The loss for the year is set out in the Income Statement.

The Directors do not recommend a dividend.

Principal activity

The principal activity of the Company is the development, letting, sale and management of commercial properties.

Review of operations and future prospects

The Company made good progress with a number of development opportunities. We invested in the development of a number of schemes during the year and when complete we intend to review each one as appropriate, in line with our stated policy of growing our investment portfolio.

Investment property yields continued to harden throughout the year. There is little doubt that average interest rates will be higher in 2007 and, whilst it is not anticipated that this will have a detrimental impact on yields, it is likely that they will consolidate around the current levels.

Construction work was largely completed by the year end on the retail scheme in Ayr. Work continued through the year on our 220,000 sq ft mixed-use scheme in Nottingham and the 100,000 sq ft mixed-use redevelopment in Bromley. Development commenced mid-way through 2006 on our much-awaited M20 Motorway Service Area near Folkestone and on a further phase of development at Priory Park, Hull.

Ayr Central Shopping Complex

After two years of site preparation and construction work, this 220,000 sq ft retail scheme along with its award-winning 495 space car park was completed in June 2006 and was substantially let and trading prior to Christmas. With retailers such as Debenhams, H&M, Next and Primark now attracting the public, strong interest in the remaining units is being actively progressed.

The Mall, Bromley

The Mall is a part redevelopment/part refurbishment of an existing shopping centre which will provide 100,000 sq ft of retail and office accommodation. Following completion of phase one in 2005, work on the final phase took place through the year and will be completed in 2007. The retail space in this phase has been taken by Sportsworld and the office accommodation is about to be fitted out with completion by mid year. We plan to retain this asset within our investment portfolio as it has good, long-term income and capital growth prospects.

REPORT OF THE DIRECTORS (CONTINUED)

Markham Vale Business Park, M1

Markham Vale is a major regeneration of the ex-Markham Main Colliery site where we are working in partnership with Derbyshire County Council to create a 200-acre business park. Located almost in the centre of the country and adjacent to the M1, it is ideally located and expected to be a major development project for the foreseeable future. The agreement with Derbyshire County Council is now unconditional and in early 2007 we drew down the first 60 acres on which to commence development. Infrastructure works have already commenced and a new M1 motorway junction 29A is scheduled to be open at the end of 2007. A wide range of properties is planned for the park, some of which are in the design phase and terms and conditions are being progressed with leading occupiers. We feel so confident in this location that some industrial units will be built on a speculative basis.

Stop 24 Motorway Service Area, M20

Situated on Junction 11 of the M20, this new motorway service area, one of the largest on the UK motorway network, will service traffic heading for the Channel ports and tunnel. Construction commenced in mid 2006 and is programmed for completion and trading later in 2007. Contracts have already been exchanged for the sale of the hotel and petrol station sites and tenants have been secured for the retail and restaurant units within the 25,000 sq ft amenity building.

The Axis Mixed Use Scheme, Nottingham

All aspects of this 220,000 sq ft redevelopment scheme in Nottingham city centre progressed satisfactorily with the main elements of the construction work completed by the early part of 2007. Fit-out is now in progress on the first 52,000 sq ft of offices and terms are agreed on the bulk of this space. There is also strong interest in the remaining 22,000 sq ft of the offices. All the retail space is fully let and the 80,000 sq ft casino, taken by London Clubs International, is being fitted out and expected to be open in 2007.

In addition to the key schemes noted above, we continue to have a growing investment in developments under construction with many being successfully progressed through the various stages of acquisition and development.

We also purchased a 2.5-acre site in Bodmin with planning consent for 37,000 sq ft of retail warehouse development. A revised planning application to vary the scheme's layout has been submitted and it is proposed to commence work on site in the second half of 2007.

Plans for the development of 37,000 sq ft of retail warehousing in Bromborough progressed with all necessary consents obtained. Work commenced on site in 2007 on a phased construction programme which is expected to complete in spring 2008. The scheme has been pre-let in full to Magnet and Homebase.

Outline planning consent was secured for our shopping and business park scheme in Rotherham. The park will provide 100,000 sq ft of retail accommodation, some of which is already pre-let to Wickes DIY, and a further 7 acres for employment use. We expect to start the construction phase of this project in late 2007.

Road infrastructure works at Priory Park, Hull, are currently under construction to service a further 30 acres of our industrial park which sits on the side of the A63, linking Hull to the M62. Once completed, we intend developing a further 60,000 sq ft of industrial units on a phased basis, a 28,000 sq ft joint venture development of office units and a number of owner occupied design and build units. In addition to these developments, we have concluded negotiations for a land sale on the site which will take place in 2007.

REPORT OF THE DIRECTORS (CONTINUED)

Contracts for a 60,000 sq ft Asda store on the Waterloo Square retail scheme in South Shields are unconditional and enabling works have started. The main contract for construction of the store is likely to commence in late 2007 with completion in 2008.

At The Square Shopping Centre in Beeston, we have agreed to exchange space to accommodate the new Nottingham Tramway extension for an area currently in the control of the council. This will permit the development of a 60,000 sq ft scheme extension to provide at least 50% more space than is available at present. We expect to receive planning permission during 2007 so that construction work can commence in 2008.

Detailed planning permission is about to be granted for our retail and leisure scheme at Worksop. This will permit construction work to start on the 70,000 sq ft leisure park and 60,000 sq ft food store development with completion programmed for late 2008. All the principal operators have been secured, including Tesco, KFC and Apollo Cinemas.

We have an extensive geographical spread of opportunities within the UK to develop or redevelop sites across the retail, leisure, office and industrial sectors. The current portfolio should allow us to maintain current activity levels for at least three years.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. Accordingly, the principal risks and uncertainties of Henry Boot PLC, which include those of the Company, are discussed on pages 11 and 12 of the group's annual report which does not form part of this report.

Directors

D Greaves, D R Anderson, E J Boot, J H Boot, V Clements and T M Washer held office as Directors of the Company throughout 2006.

Directors' interests in shares

The interests of Directors in the share capital of the Company, its Parent Company and other subsidiary companies of the Parent Company appearing in the register maintained under the provisions of the Companies Act 1985 were

REPORT OF THE DIRECTORS (CONTINUED)

Directors' interests in shares (continued)

	As at 1 January 2006	As at 31 December 2006
The Company	None	None
Parent Company		
Ordinary shares of 10p each		
D R Anderson	9,408	9,408
J H Boot	946,966	762,435
V Clements	-	-
T M Washer	17,703	17,703
5.25% cumulative preference shares of £1 each		
J H Boot	11,978	11,978
Other subsidiary companies of the Parent Company	None	None

Statement of disclosure of information to auditors

The Directors of the Company who held office at the date of approval of this Annual Report as set above 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

Auditors

The Auditors, Hawsons, have signified their willingness to remain in office and a resolution reappointing them as Auditors and fixing their remuneration will be proposed at the Annual General Meeting



On behalf of the Board,
E S S Foster Secretary

5 March 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements. The Directors have elected to prepare financial statements for the Company in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the European Union. Company law requires the Directors to prepare such financial statements in accordance with International Financial Reporting Standards and the Companies Act 1985.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. Directors are also required to

- properly select and apply accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report which complies with the requirements of the Companies Act 1985.

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Henry Boot Developments Limited

We have audited the financial statements of Henry Boot Developments Limited for the year ended 31 December 2006 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted for use in the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with IFRSs as adopted for use in the European Union, of the state of the Company's affairs as at 31 December 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



HAWSONS
Registered Auditors

5 March 2007

Pegasus House
463a Glossop Road
Sheffield
S10 2QD

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	2006 £	2005 £
Revenue – continuing operations	1	15,543,176	9,445,302
Cost of sales		(9,219,670)	(7,278,957)
Gross profit		6,323,506	2,166,345
Administrative expenses		(2,866,623)	(2,240,286)
		3,456,883	(73,941)
Surplus on capitalisation of a development		-	246,416
Increase in fair value of investment property		-	658,213
Profit from operations	2	3,456,883	830,688
Investment income	5	9,531	5,193
Finance costs	6	(4,407,352)	(3,123,339)
(Loss) before tax		(940,938)	(2,287,458)
Taxation	7	199,037	751,548
(Loss) for the year from continuing operations	18	(741,901)	(1,535,910)
Attributable to Equity holders of the company		(741,901)	(1,535,910)

There were no discontinued operations

BALANCE SHEET

AT 31 DECEMBER 2006

	Note	2006 £	2005 £
ASSETS			
Non-current assets			
Property, motor vehicles and equipment	8	61,659,012	37,936,754
Investment property	9	7,264,000	7,264,000
Investments	10	100,204	100,102
Deferred tax asset	16	1,118,350	1,117,762
		70,141,566	46,418,618
Current assets			
Inventories	11	37,057,680	42,640,291
Trade and other receivables	12	20,033,930	13,416,540
Cash at bank and in hand		2,346	1,022,346
		57,093,956	57,079,177
LIABILITIES			
Current liabilities			
Trade and other payables	13	123,353,316	99,985,378
Bank overdraft	14	1,113,925	2,235
		124,467,241	99,987,613
Net current (liabilities) assets		(67,373,285)	(42,908,436)
Net assets		2,768,281	3,510,182
SHAREHOLDERS' EQUITY			
Share capital	17	12	12
Capital reserve	18	20,969	20,969
Retained earnings	18	2,747,300	3,489,201
Total equity attributable to equity holders of the company		2,768,281	3,510,182

On behalf of the Board
D R Anderson *Director*



CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2006

	2006 £	2005 £
Cash flows from operating activities		
Profit from operations	3,456,883	830,688
Surplus on capitalisation of a development	-	(246,416)
Increase in fair value of investment property	-	(658,213)
Depreciation of motor vehicles and equipment	38,821	42,010
Operating cash flows before movements in working capital	3,495,704	(31,931)
Decrease/(increase) in inventories	830,371	(12,795,109)
(Increase) in receivables	(6,418,941)	(1,154,642)
Increase in payables	23,367,938	31,554,025
Cash generated from operations	21,275,072	17,572,343
Interest received	9,531	5,193
Interest paid	(4,407,352)	(3,123,339)
Net cash from operating activities	16,877,251	14,454,197
Cash flows from investing activities		
Purchase of investment property	-	(15,787)
Purchase of property, motor vehicles and equipment	(19,015,734)	(13,429,439)
Proceeds on disposal of property, motor vehicles and equipment	6,900	44,075
Purchase of investments	(102)	(2)
	(19,008,936)	(13,401,153)
Net increase in cash and cash equivalents	(2,131,690)	1,053,044
Opening net (debt)	1,020,111	(32,933)
Closing net (debt) funds	(1,111,579)	1,020,111

ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs)

The financial statements have been prepared on the historical cost basis, except for investment properties and financial instruments, which are measured at fair value

Revenue Recognition

Revenue is measured as the fair value of sales proceeds or the fair value of rents and management fees receivable

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

Property, Motor vehicles and Equipment

Motor vehicles and equipment are stated at cost less accumulated depreciation and any recognised impairment loss

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

- Motor vehicles	25%
- Office equipment	
Costing £1,000 and over	25%
Items costing under £1,000 are treated as revenue expenditure	

No depreciation is charged on properties under construction

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

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

ACCOUNTING POLICIES (CONTINUED)

Taxation

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

Corporation tax liabilities of the Company are transferred to and paid by the Parent Company and credit is received from 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 balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered

Provision for taxation is made at the appropriate tax rate anticipated to apply at the time of payment

Dividends

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

Financial Instruments

Financial assets or financial liabilities are recognised by the Company on the Balance Sheet only when the Company becomes a party to the contractual provisions of the instrument

Pensions

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

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 Income Statement

Judgements and Key Assumptions

The critical judgements in applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements, apart from those involving estimations relate to inventories

These are referred to above, and are interpreted by management in the light of IAS 2 Inventories

NOTES TO THE FINANCIAL STATEMENTS

1 Revenue

An analysis of revenue is as follows

	2006 £	2005 £
Rents and management fees received	3,437,426	1,728,390
Sales of land buildings	12,105,750	7,716,912
	15,543,176	9,445,302

2. Profit from operations

2006
£

2005
£

Profit from operations has been arrived at after charging

Auditors' remuneration and expenses

- as auditors	17,500	17,000
- for non audit services	7,695	7,450

Staff costs (note 3) 1,675,408 1,417,123

Depreciation of motor vehicles and equipment 38,821 42,010

Rentals under property operating leases 73,642 46,000

Rentals under operating leases other than property 35,485 28,689

Cost of inventories recognised as expense 7,457,087 6,929,588

Write down of inventories recognised as expense 1,438,153 -

Previous write down of inventories written back (644,666) -

3. Staff costs

2006
£

2005
£

Wages and salaries 1,424,354 1,182,330

Social security costs 147,487 123,773

Other pension costs 103,567 111,020

1,675,408 **1,417,123**

The average number of employees during the year was 30 (2005 29)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Emoluments of directors

The remuneration of the directors, who are the key management personnel of the Company was as follows

	2006 £	2005 £
Salaries and short term employee benefits	483,098	438,558
	483,098	438,558

The number of directors for whom retirement benefits are accruing under the Henry Boot Staff Pension and Life Assurance Scheme (note 21) is 5 (2005 5) comprising 4 directors who are paid by the company (2005 4) and one director (2005 1) who is paid by the parent company

The management remuneration of the highest paid director was £179,071 (2005 £145,482) and his accrued pension at the end of the year was £40,222 (2005 £36,118) Gains on the award of shares issued under the Long-Term Incentive Plan of the parent company amounted to £Nil (2005 £ Nil)

The number of directors receiving shares under the Long-Term incentive Plan of the parent company was 2 (2005 2)

5. Investment income	2006 £	2005 £
Interest receivable	9,531	5,193
	9,531	5,193

6. Finance costs	2006 £	2005 £
Interest payable on group company loans	4,407,269	3,123,290
Bank overdraft and similar interest	83	49
	4,407,352	3,123,339

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Tax charge on (loss) on ordinary activities	2006	2005
	£	£
(a) Analysis of charge in year		
Current tax		
Corporation tax (credit) charge at 30% (2005 30%) on the loss for the year	(198,449)	452,326
Adjustment in respect of prior years	-	(67,993)
	(198,449)	384,333

Deferred taxation (note 16)

Origination and reversal of timing differences	(588)	(1,135,881)
	(199,037)	(751,548)

(b) Factors affecting tax charge for year

The tax assessed for the year is lower than the standard rate of corporation Tax (30%) The differences are explained below

	2006	2005
	£	£
Loss on ordinary activities before taxation	(940,938)	(2,287,458)
(Loss) on ordinary activities before taxation at 30%	(282,281)	(686,237)
Effect of		
Expenses disallowable for tax	83,319	17,448
Other timing differences	(75)	(14,766)
Prior year adjustment	-	(67,993)
	(199,037)	(751,548)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Property, motor vehicles and equipment

	Properties under construction £	Motor vehicles £	Office equipment £	Total £
Cost				
At 1 January 2005	-	178,613	82,561	261,174
Transfers from inventories	24,463,394	-	-	24,463,394
Additions	13,363,371	56,492	9,576	13,429,439
Disposals	-	(102,666)	-	(102,666)
At 1 January 2006	37,826,765	132,439	92,137	38,051,341
Transfers from inventories	4,752,240	-	-	4,752,240
Additions	18,930,080	68,294	17,365	19,015,739
Disposals	-	(22,943)	-	(22,943)
At 31 December 2006	61,509,085	177,790	109,502	61,796,377
Accumulated depreciation				
At 1 January 2005	-	51,419	79,749	131,168
Charge for the year	-	37,602	4,408	42,010
Eliminated on disposals	-	(58,591)	-	(58,591)
At 1 January 2006	-	30,430	84,157	114,587
Charge for the year	-	33,601	5,220	38,821
Eliminated on disposals	-	(16,043)	-	(16,043)
At 31 December 2006	-	47,988	89,377	137,365
Net book value at 31 December 2006	61,509,085	129,802	20,125	61,659,012
Net book value at 31 December 2005	37,826,765	102,009	7,980	37,936,754

9. Investment property	Freehold £
Fair value	
At 1 January 2005	-
Transfers from inventories at fair value	6,590,000
Addition	15,787
Increase in fair value during the year	658,213
At 1 January 2006 and 31 December 2006	7,264,000

The fair value of the investment properties has been determined by D Greaves, MRICS, MCIOV, a director of the company. The property rental income earned by the company from its investment property amounted to £548,372 (2005 £570,048).

Direct operating expenses arising on the investment property in the period amounted to £42,603 (2005 £51,174).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Investments	Shares in Group Undertaking £
Company:	
At 1 January 2005	100,100
Additions	2
At 1 January 2006	100,102
Additions	102
At 31 December 2006	100,204

In 2005 the Company acquired the whole of the issued share capital of Henry Boot Ripon Limited

In 2006 the Company acquired the whole of the issued share capital of Henry Boot Tamworth Limited and Henry Boot Developments (Ayr) Limited

Shares in group undertaking comprise the whole of the issued share capital of

Octan Limited (dormant), Henry Boot Developments (Saltwood) Limited (dormant), Henry Boot Ripon Limited (property development), Henry Boot Tamworth Limited (property development), Henry Boot Development (Ayr) Limited (car park operations) These companies are registered in England and Wales

The Company is exempt from the obligation to prepare and deliver group accounts as it is a subsidiary of an immediate parent undertaking established in a member state of the E E C (note 22)

11. Inventories	2006 £	2005 £
Developments in progress	37,057,680	42,640,291
	37,057,680	42,640,291

During the year £4,752,240 (2005 £24,463,394) was transferred to properties under construction and £Nil (2005 £6,343,584) was transferred to investment properties

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Trade and other receivables	2006 £	2005 £
Trade receivables and pre-payments	7,976,265	3,436,006
Amounts owed by group undertakings		
- Fellow subsidiaries	2,936,536	9,065,544
- Parent company in respect of taxation	1,113,439	914,990
- Subsidiary companies	8,007,690	-
	20,033,930	13,416,540

The directors consider that the carrying amount of trade and other receivables approximates to their fair value

13. Trade and other payables	2006 £	2005 £
Trade payables, accrued expenditure and deferred income	4,396,727	4,843,726
Amounts owed by group undertakings		
- Parent company and fellow subsidiaries	118,862,453	95,047,516
- Subsidiary companies	94,136	94,136
	123,353,316	99,985,378

The directors consider that the carrying amount of trade and other receivables approximates to their fair value

14. Bank overdraft	2006 £	2005 £
Bank overdraft	1,113,925	2,235
	1,113,925	2,235

The bank overdraft is unsecured and repayable on demand. The bank overdraft interest is at a floating rate thus exposing the company to cash flow interest rate risk.

The weighted average interest rates paid were as follows

	2006 %	2005 %
Bank overdraft	5.64	5.65

The fair value of the company's borrowings are not considered to be materially different from the carrying amounts

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Credit risk

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

Other than amounts owed by group undertakings, the company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment

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

The company has no significant concentration of credit risk in respect of trade receivables

16. Deferred tax assets and liabilities	2006 £	2005 £
Deferred tax liabilities		
At 1 January 2006	(1,117,762)	18,119
Income statement	(588)	(1,135,881)
At 31 December 2006	(1,118,350)	(1,117,762)

Deferred tax (assets) liabilities comprise

Corporation tax on the excess (deficit) of the book value of fixed assets qualifying for taxation allowances over their value for taxation purposes	(3,415)	(2,827)
Short term timing differences	23,211	23,211
Corporation tax on unrealised surplus on revaluation of investment properties	197,464	197,464
Corporation tax on unrealised surplus arising on transfer of investments to properties under construction	(1,335,610)	(1,335,610)
At 31 December 2006	(1,118,350)	(1,117,762)

17 Share capital

The authorised share capital throughout the year consisted of 10,000 ordinary shares of £1 each, of which 12 were allotted, issued and fully paid

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. Reserves

	Capital Reserve £	Retained Earnings £
At 1 January 2005	20,969	5,025,111
Loss for the year	-	(1,535,910)
At 1 January 2006	20,969	3,489,201
Net loss for the year	-	(741,901)
At 31 December 2006	20,969	2,747,300

19. Guarantees

The Company, together with other undertakings in the Group, 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

20 Leasing commitments

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings, which fall due as follows

	2006 £	2005 £
Within one year	66,500	34,500
In the second to fifth years inclusive	119,833	-
After five years	-	-
	186,333	34,500

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. Pensions

Defined contribution scheme

The Company operates a defined contribution scheme for all qualifying employees. The Scheme is administered and managed by the Norwich Union 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 £14,808 (2005: £5,759) represents contributions payable to the Scheme by the Company.

Defined benefit scheme

The group operates a defined benefit 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 2004. The results of that valuation have been projected to 31 December 2005 and 31 December 2006 and then recalculated based on the following assumptions:

	2006 %	2005 %
Rate of inflation	3.00	2.90
Rate of general increases in salaries	4.45	4.35
Rate of increase to pensions in payment liable for Limited Price Indexation (LPI)	2.80	2.70
Revaluation of deferred pensions	3.00	2.90
Liabilities discount rate	5.20	4.80
Expected rate of return on scheme assets	6.96	6.44

The overall expected rate of return is determined as follows:

- The assumption for return on equities of 7.6% is based upon gilt yields of 4.6% (commonly adopted as a 'risk-free rate') prevailing at the measurement date plus an equity risk premium of 3%.
- 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.

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

	2006 £'000	2005 £'000
At 31 December 2005	142,982	120,958
Service cost	1,768	1,439
Interest cost	6,836	6,302
Contributions from Scheme members	464	454
Actuarial (gain)/loss	(7,111)	17,360
Past service cost	-	22
Benefits paid	(3,359)	(3,553)
	141,580	142,982

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. Pensions (continued)

Defined benefit scheme (continued)

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

	2006 £'000	2005 £'000
At 31 December 2005	106,183	88,521
Expected return on Scheme assets	6,773	5,480
Actuarial gains	4,783	14,045
Employer contributions	923	1,236
Contributions from Scheme members	464	454
Benefits paid	(3,359)	(3,553)
	115,767	106,183

The analysis of the Scheme assets and the expected rate of return at 31 December 2006 was as follows

	Rate of Return		Market Value	
	2006 %	2005 %	2006 £'000	2005 £'000
Equities	7.60	7.10	87,487	81,491
Bonds	5.00	4.25	27,920	24,186
Cash	4.75	4.50	360	506
			115,767	106,183

Included in equities are 550,000 (2005 750,000) ordinary 10p shares in Henry Boot PLC with a value at the year end of £5,912,500 (2005 £5,043,750)

The history of experience adjustments is as follows

	2006 £'000	2005 £'000	2004 £'000	2003 £'000	2002 £'000
Present value of defined benefit obligations	(141,580)	(142,982)	(120,958)	(106,018)	(95,727)
Fair value of scheme assets	115,767	106,183	88,521	81,693	71,205
Deficit in the scheme	(25,813)	(36,799)	(32,437)	(24,325)	(24,522)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. Pensions (continued)

Defined benefit scheme (continued)

	2006 £'000	2005 £'000	2004 £'000	2003 £'000	2002 £'000
Experience adjustments on scheme liabilities	(2,935)	-	(1,009)	1,112	-
Percentage of scheme liabilities	(2%)	-	(1%)	1%	-
Experience adjustments on scheme assets	4,783	14,045	4,052	3,111	(18,491)
Percentage of scheme assets	4%	13%	5%	4%	(26%)

The estimated amount of total contributions expected to be paid to the Scheme by the group, inclusive of contributions payable by the Company, during the current financial year is £1,404,000

22 Related parties

The Company's ultimate parent company and ultimate controlling party is Henry Boot PLC, a company registered in England & Wales. The only group of undertakings of which the Company is a member is the Henry Boot PLC Group. Copies of the financial statements of this Group can be obtained from Banner Cross Hall, Sheffield, S11 9PD.

Transactions between the company and its related parties are shown below

	2006 £	2005 £
Rent received	14,300	-
Rent paid	2,500	-
Work in progress	4,744,392	-
Management fees received	-	50,000
Management charges paid	250,000	250,000
Interest paid	4,407,269	3,123,290
Motor vehicle leasing and maintenance	35,485	32,456

Amounts owing by or to group companies are disclosed in notes 12 and 13 respectively, are unsecured 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 is disclosed on note 4.

23. Approval of financial statements

The Board of Directors authorised these financial statements for issue on 5 March 2007.