Henry Boot

HENRY BOOT DEVELOPMENTS LIMITED

(Company Number 1390361)

ANNUAL REPORT

2010

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COMPANY INFORMATION

Directors

E J Boot *Chairman*
D R Anderson *Managing*
V Clements
J A Greenway
J L Painter
J T Sutcliffe
T M Washer

Company Secretary

E S S Christmas

Registered Office

Banner Cross Hall
Ecclesall Road South
Sheffield
S11 9PD

Registered in England
No 1390361

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 East Parade
Sheffield
S1 2ET

Bankers

Barclays Bank PLC
2 Arena Court
Sheffield
S9 2WU

REPORT OF THE DIRECTORS

The Directors present their annual report together with the audited financial statements for the year ended 31 December 2010

Results and dividend

The profit for the year is set out in the Statement of Comprehensive Income

The Directors do not recommend the payment of a dividend

Principal activities

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

Review of operations and future prospects

Property

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

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

Investments

A number of investment properties were sold during the year, either to take advantage of strong values or because particular properties were not seen as long-term portfolio holds Waterloo Square, our 70,000 sq ft unrestricted retail warehouse investment in South Shields, let on long leases to Debenhams, Next, River Island and BHS, was sold for £11 4m early in 2010 to take advantage of a strong off-market offer, substantially in excess of the 2009 year end valuation of £9 0m

The neighbourhood retail centre investment in Mansfield, completed and fully let at the end of 2009, was sold in the year at valuation of £2 1m as it was not considered a core long-term investment All but one of the remaining speculatively built small industrial units at our business parks at Priory Park, Hull and Markham Vale on Junction 29A of the M1, have now been sold or let, with a modest improvement in capital value arising at 31 December 2010 The remaining unit is expected to be leased in 2011 The only remaining speculatively built small office unit investment, at Bridge View Office Park in Hull, let to the Humberside Police Authority, was also sold in 2010

REPORT OF THE DIRECTORS (CONTINUED)

Review of operations and future prospects (continued)

Investments (continued)

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

We accepted an offer on our largest retail investment property in Ayr, Scotland, during 2010 Negotiations were very protracted and were not concluded until the early part of 2011 at £33 8m, a figure slightly ahead of the £32m gross valuation disclosed at the year end before the provision for lease incentives brought the asset held for sale value down to £27 7m The mixed-use office, retail and leisure development known as The Axis in Nottingham remains fully let and we saw a 10% increase in valuation over the year, reflecting the significant uplift in rental income arising in the second half of 2011 from fixed increase rent reviews

We continue to hold the 50,000 sq ft B&Q investment in Rotherham, the development of which was completed in 2009 This site has benefited from the strengthening investment values for such prime properties during the year We continue to market the adjoining development land which has planning consent for a further 50,000 sq ft of retail warehousing, but we will only progress this on a viable pre-let basis We have agreed terms on the adjoining 10,000 sq ft speculatively built industrial space and aim to conclude these lettings in 2011 We also have occupier interest in a design and build scheme on the balance of the site but there is no agreement in place yet

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

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

Developments in progress

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

- The initial phase of our foodstore-led, retail development in Warminster, where we are now on site building the relocation premises for the existing industrial occupier for completion in 2011 Once this move is completed, we will immediately commence the development of the 26,500 sq ft foodstore, pre-let to Waitrose, and three ancillary retail units which we expect to complete by the end of 2011

REPORT OF THE DIRECTORS (CONTINUED)

Review of operations and future prospects (continued)

Developments in progress (continued)

- The development of a small supermarket, pre-let to Tesco, in Bradford, is also now under construction and is expected to be completed in the first half of 2011
- Our business park at Markham Vale, on Junction 29A of the M1 Motorway, has continued to attract good quality industrial occupiers with the completion of a bespoke, design and build, 15,000 sq ft industrial unit in the year for one owner occupier This has been quickly followed by the agreement of terms for another owner occupied design and build project, comprising 41,000 sq ft of offices and warehousing The predominance of interest from owner occupiers at Markham Vale reflects the site's highly visible, strategic location on the M1

Future development opportunities

- In Daventry, planning applications for both the 100,000 sq ft town centre redevelopment and the 140,000 sq ft edge of centre retail park are being prepared for submission in the first half of 2011 Once consent has been granted for this £50m scheme, an early start on development work is anticipated
- Demolition work at our site in Tamworth town centre has now been completed following the grant of the 200,000 sq ft retail planning permission and negotiations with a range of prospective occupiers are progressing In the meantime, the cleared site is being operated as a temporary car park by the local authority, generating some income in the short-term
- At Priory Park, Hull, negotiations for off-site highway improvement works have now been finalised with the Highways Agency This will now allow for the grant of planning permission for the final phase of development to include an increased amount of higher value office space and we will commence the infrastructure to open up this office-based phase in 2011
- The detailed planning application and listed building consent application have been submitted for our mixed use conversion of the former County Court building on Deansgate in Manchester city centre With the support of English Heritage, we expect planning approval to be granted in the first half of 2011, followed by a marketing phase and ultimately redevelopment
- Terms are being finalised on a number of smaller sites for a range of pre-let developments and if no planning delays are experienced, we anticipate being on site with developments of budget hotels in Richmond upon Thames and Malvern before the end of 2011 Where occupier demand for other sites remains weak, we are taking the opportunity to secure improved planning permissions and planning renewals to enhance values and occupier attraction and reiterate that we will not undertake speculative development in the current market

New development opportunities have been secured through joint development agreements with Royal Bank of Scotland on a 23 acre site in Thorne, Doncaster, where we have applied for a mixed-use planning consent including a foodstore, offices, a hotel and industrial space We are also delighted to have been chosen as the preferred development partner by Calderdale and Huddersfield NHS Foundation Trust to enter into a long-term joint venture to construct additional accommodation for the Trust, as well as to work with their surplus property assets in order to maximise development or disposal values

Going concern

The Directors believe that preparing the accounts on the going concern basis is appropriate due to the continued financial support of the ultimate Parent Company Henry Boot PLC The Directors have received confirmation that Henry Boot PLC intend to support the Company for at least one year after these financial statements are signed

REPORT OF THE DIRECTORS (CONTINUED)

Key performance indicators (KPIs)

KPIs are used to provide a comprehensive analysis of the performance of the company The financial KPIs of the company focus on profitability growth, cash generation and levels of debt, forecast cash requirements, return on capital employed, shareholder return and asset value created KPIs are evaluated by comparing the results to management forecasts

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 in the group's annual report which does not form part of this report

Directors

D R Anderson, E J Boot, J A Greenway, J L Painter, V Clements, T M Washer and J T Sutcliffe held office as Directors of the Company throughout 2010 and up to the date of signing these financial statements

D Greaves resigned as a Director of the Company on 30 June 2010

Creditor Payment Policy

The Company's policy is to agree the terms and conditions with suppliers and subcontractors

Payments are then generally made on the basis of this agreement, providing the suppliers and subcontractors conform with the terms and conditions stipulated

At 31 December 2010, the Company had an average of 32 days purchases outstanding in trade payables

Statement of disclosure of information to auditors

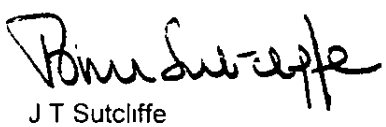
The Directors of the Company who held office at the date of approval of this Annual Report as set above each confirm that

- 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

This report has been prepared in accordance with the special provisions relating to medium-sized companies within Part 15 of the Companies Act 2006

On behalf of the Board,



J T Sutcliffe
Director

30 March 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES

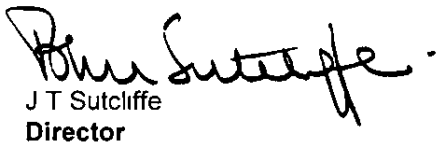
The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 Company and of the profit or loss of the Company 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 IFRSs as adopted by the European Union 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 adequate 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 enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

On behalf of the Board,



J T Sutcliffe
Director

30 March 2011

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HENRY BOOT DEVELOPMENTS LIMITED

We have audited the financial statements of Henry Boot Developments Limited for the year ended 31 December 2010 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity, the 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

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities on page 6, 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 Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HENRY BOOT DEVELOPMENTS LIMITED (CONTINUED)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements 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

Ian Morrison

Ian Morrison (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Sheffield

30 March 2011

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 £	2009 £
Revenue – continuing operations	1	**10,235,061**	25,573,372
Cost of sales		**(2,584,499)**	(19,163,472)
Gross profit		**7,650,562**	6,409,900
Administrative expenses		**(2,245,639)**	(7,815,277)
		5,404,923	(1,405,377)
Increase/(decrease) in fair value of investment property		**254,829**	(18,283,389)
Profit on sale of investment property		**2,520,047**	951,507
Operating profit/(loss)	3	**8,179,799**	(18,737,259)
Finance income	6	**1,573,331**	1,274,849
Finance costs	7	**(7,314,421)**	(7,459,354)
Profit/(loss) before tax		**2,438,709**	(24,921,764)
Tax	8	**(1,124,826)**	6,730,557
Profit/(loss) for the year from continuing operations	21	**1,313,883**	(18,191,207)
Total comprehensive income for the year		**1,313,883**	(18,191,207)
Attributable to			
Equity holders of the Company		**1,313,883**	(18,191,207)

There were no discontinued operations

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2010

	Note	2010 £	2009 £
ASSETS			
Non-current assets			
Property, plant and equipment	9	**119,240**	96,996
Investment property	10	**94,051,762**	127,306,351
Investment in joint venture		**50**	-
Investment in subsidiaries	11	**306**	716
Deferred tax asset	19	**4,950,831**	5,758,796
		99,122,189	133,162,859
Current assets			
Inventories	12	**3,104,658**	3,926,298
Trade and other receivables	13	**37,824,273**	40,622,022
Cash at bank and in hand		**3,643**	4,881
Assets classified as held for sale	14	**27,719,624**	-
		68,652,198	44,553,201
LIABILITIES			
Current liabilities			
Trade and other payables	15	**165,089,979**	175,557,870
Bank overdraft	16	**483,046**	117,314
Provisions	17	**-**	1,200,000
		165,573,025	176,875,184
Net current liabilities		**(96,920,827)**	(132,321,983)
Net assets		**2,201,362**	840,876
SHAREHOLDERS' EQUITY			
Share capital	19	**25,000,000**	25,000,000
Retained earnings	20	**(22,934,738)**	(24,328,821)
Other reserves	20	**136,100**	169,697
Total equity attributable to equity holders of the Company		**2,201,362**	840,876

The financial statements, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows, the Accounting Policies and the related notes, were approved by the Board of Directors and authorised for issue on 30 March 2011

Signed on behalf of the Board



J T Sutcliffe
Director

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2010

	2010 £	2009 £
Cash flows from operating activities		
Operating profit/(loss)	**8,179,799**	(18,737,259)
(Increase)/decrease in fair value of investment property	**(254,829)**	18,283,389
Gain on disposal of investment property	**(2,520,047)**	(951,507)
Depreciation of motor vehicles and equipment	**53,928**	61,799
Gain on disposal of property, motor vehicles and equipment	**(11,038)**	(6,124)
Employee share schemes	**46,603**	79,023
Provision against investment in subsidiaries	**410**	302
Movements on provision against loans to subsidiaries	**89,686**	4,349,283
Operating cash flows before movements in working capital	**5,584,512**	3,078,906
Decrease in inventories	**368,061**	1,145,207
Decrease/(increase) in receivables	**241,688**	(5,688,296)
Decrease in payables	**(11,613,631)**	(16,182,078)
Cash generated from operations	**(5,419,370)**	(17,646,261)
Interest paid	**(7,405,593)**	(7,459,354)
Tax received from parent	**1,565,579**	9,825,012
Net cash from operating activities	**(11,259,384)**	(15,280,603)
Cash flows from investing activities		
Interest received	**2,194,127**	1,274,849
Purchase of investment property	**(2,290,445)**	(3,003,162)
Purchase of property, plant and equipment	**(78,990)**	(36,257)
Proceeds on disposal of investment property	**11,053,866**	16,998,446
Proceeds on disposal of property, plant and equipment	**13,856**	28,351
Purchase of investments	**-**	(200)
Proceeds on disposal of investments	**-**	100
Net cash from investing activities	**10,892,414**	15,262,127
Net increase in cash and cash equivalents	**(366,970)**	(18,476)
Net cash and cash equivalents at beginning of year	**(112,433)**	(93,957)
Net cash and cash equivalents at end of year	**(479,403)**	(112,433)
Analysis of net cash and cash equivalents:		
Cash and cash equivalents	**3,643**	4,881
Bank overdrafts	**(483,046)**	(117,314)
Net cash and cash equivalents	**(479,403)**	(112,433)

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2010

	Share Capital £	Capital Reserve £	Equity-Settled Employee Benefits £	Retained Earnings £	Total Equity £
At 1 January 2009	25,000,000	20,969	-	(6,067,909)	18,953,060
Total comprehensive income for the year	-	-	-	(18,191,207)	(18,191,207)
Decrease in fair value of Group occupied property	-	(20,969)	-	20,969	-
Credit to equity for equity-settled share based payments	-	-	79,023	-	79,023
Transfer from retained earnings	-	-	300,194	(300,194)	-
Transfer to retained earnings	-	-	(209,520)	209,520	-
At 31 December 2009	25,000,000	-	169,697	(24,328,821)	840,876
Total comprehensive income for the year	-	-	-	1,313,883	1,313,883
Credit to equity for equity-settled share based payments	-	-	46,603	-	46,603
Transfer from retained earnings	-	-	-	-	-
Transfer to retained earnings	-	-	(80,200)	80,200	-
At 31 December 2010	**25,000,000**	**-**	**136,100**	**(22,934,738)**	**2,201,362**

ACCOUNTING POLICIES

General information

The Company is a limited Company incorporated and domiciled in the UK under the Companies Act The address of the registered office is given on page 1

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS

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

Going concern

The Directors believe that preparing the accounts on the going concern basis is appropriate due to the continued financial support of the ultimate Parent Company Henry Boot PLC The Directors have received confirmation that Henry Boot PLC intend to support the Company for at least one year after these financial statements are signed

Revenue recognition

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

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

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 Company 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

Investment properties

Investment property, including property that is being constructed or developed for future use as investment property, are properties held to earn rentals and/or capital appreciation are stated at fair value at the Statement of Financial Position date Gains or losses arising from changes in the fair value of investment properties are included in the Statement of Comprehensive Income for the period in which they arise

Property, plant 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

ACCOUNTING POLICIES (CONTINUED)

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 Statement of Financial Position date less the value of any impairment losses

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 period

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 Statement of Financial Position 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 tax 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

Share capital

Ordinary shares are classified as shareholders' equity Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds

Financial instruments

Financial assets or financial liabilities are recognised by the Company in the Statement of Financial Position only when the Company 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 below) Provision is made when there is objective evidence that the Company will not be able to recover balances in full Balances are written off when the probability of recovery is assessed as being remote,
- Cash and cash equivalents which comprise cash in hand, and
- 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 below)

ACCOUNTING POLICIES (CONTINUED)

Share-based payments

Equity-settled share-based payments are measured at fair value 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

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

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 Company 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 of 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 liability

Capital management

The objectives, policies and processes for managing capital are performed on a Group wide basis and disclosed in the financial statements of Henry Boot PLC This is unchanged from the previous period

Pensions

Contributions to defined contribution pension schemes and related benefits are charged to the Statement of Comprehensive Income as incurred so as to appropriately apportion the cost over the employees' working lives with the Company

The Company is a member of the Henry Boot Group defined benefit pension scheme It is not possible to reasonably allocate the scheme assets and liabilities for the employees of the Company and there is no policy for charging the net defined benefit cost The Company therefore accounts for contributions paid to the defined benefit pension scheme as if it were a defined contribution pension scheme

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 judgement in applying the Company's accounting policies and that has the most significant effect on the amounts recognised in the financial statements, apart from those involving estimations relates to inventories

This is referred to above, and is interpreted by management in the light of IAS 2 'Inventories'

ACCOUNTING POLICIES (CONTINUED)

Impact of accounting standards and interpretations

At the date of authorisation of these Financial Statements, the following standards and interpretations to existing standards are mandatory for the first time for the accounting period ended 31 December 2010

		Effective from
IFRIC 9 & IAS 39 (amended 2009)	'Embedded Derivatives'	30 June 2009
IFRIC 15 (issued 2008)	'Agreements for Construction of Real Estate'	1 January 2010
IFRIC 16 (issued 2008)	'Hedges of a Net Investment in a Foreign Operation'	1 July 2009
IFRIC 17 (issued 2008)	'Distributions of Non-cash Assets to Owners'	1 July 2009
IFRIC 18 (issued 2009)	'Transfers of Assets from Customers'	1 July 2009
IAS 17 (amended)	'Leases'	1 January 2010
IAS 27 (revised 2008)	'Consolidated and Separate Financial Statements'	1 July 2009
IAS 39 (amended 2008)	'Financial Instruments Recognition and Measurement Eligible Hedged Items'	1 July 2009
IFRS 1 (amended 2008)	'First-time Adoption of IFRS'	1 July 2009
IFRS 1 (amended 2009)	'Additional Exemptions for First-time Adopters'	1 January 2010
IFRS 2 (amended 2009)	'Group Cash-settled Share-based Payment Transactions'	1 January 2010
IFRS 3 (revised 2008)	'Business Combinations'	1 July 2009

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

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

		Effective from
IFRIC 14 (Amended 2009)	'Prepayments of a Minimum Funding Requirement'	1 January 2011
IFRIC 19 (Issued 2009)	'Extinguishing Financial Liabilities with Equity Instruments'	1 July 2010
IAS 12 (Amended 2010)	'Deferred Tax Recovery of Underlying Assets'	1 January 2012*
IAS 24 (Revised 2009)	'Related Party Disclosures'	1 January 2011
IAS 32 (Amended 2009)	'Classification of Rights Issue'	1 February 2010
IFRS 1 (Amended 2010)	'Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters'	1 July 2010
IFRS 1 (Amended 2010)	'Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters'	1 July 2011*
IFRS 7 (Amended 2010)	'Financial Instruments Disclosures'	1 July 2011*
IFRS 9 (Issued 2009)	'Financial Instruments'	1 January 2013*

* Not yet endorsed by the EU

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

There are also a number of minor amendments to other standards which are part of the International Accounting Standards Board's annual improvements projects issued on 16 April 2009 and 6 May 2010 The improvements comprise amendments that result in accounting changes for presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards Most of the amendments are effective for annual periods beginning on or after 1 July 2010 and 1 January 2011 No material changes to Accounting Policies are expected as a result of these amendments

In 2010, the Company 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

1. Revenue

An analysis of revenue is as follows	**2010** £	2009 £
Rents and management fees received	**7,069,352**	7,697,119
Sales of land and buildings	**3,165,709**	17,876,253
	10,235,061	25,573,372

2 Operating leases

The Company has entered into commercial leases on its investment property portfolio The commercial property leases typically have lease terms between 5 and 25 years and include clauses to enable periodic upward revision of the rental charge according to prevailing market conditions Some leases contain options to break before the end of the lease term

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

	2010 £	2009 £
Within 1 year	**6,903,470**	7,613,956
After 1 year but not more than 5 years	**24,912,606**	29,362,833
More than 5 years	**60,332,277**	77,013,818
	92,148,353	113,990,607

3. Operating profit/(loss)

Operating profit/(loss) has been arrived at after charging/(crediting)	**2010** £	2009 £
Auditors' remuneration and expenses		
- as auditors	**32,000**	38,000
- for non audit services	**35,110**	13,095
Staff costs (note 4)	**1,293,012**	1,496,593
Profit on disposal of fixed assets	**(11,038)**	(6,124)
Profit on disposal of investment property	**(2,520,047)**	(951,507)
Depreciation of plant and equipment	**53,928**	61,799
Rentals under property operating leases	**83,260**	80,260
Rentals under operating leases other than property	**8,859**	13,730
Cost of inventories recognised as expense	**414,291**	14,705,584
Write down of inventories recognised as expense	**-**	521,537
Provision against investments in subsidiaries	**410**	302
Provision against loans to subsidiaries	**89,686**	4,349,283

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Staff costs

	2010 £	2009 £
Wages and salaries	**1,037,522**	1,135,175
Social security costs	**118,603**	201,200
Other pension costs	**136,887**	160,218
	1,293,012	1,496,593

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

	2010 Number	2009 Number
Directors	**5**	6
Administration	**6**	6
Operations	**13**	15
	24	27

5 Emoluments of Directors

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

	2010 £	2009 £
Short term employee benefits	**507,506**	639,998
Termination benefits	**-**	129,750
	507,506	769,748

The number of Directors for whom retirement benefits are accruing under the Henry Boot Staff Pension and Life Assurance Scheme (note 24) is 6 (2009 7) comprising 5 Directors who are paid by the Company (2009 5) and 1 Director (2009 1) who is paid by the Parent Company

The management remuneration of the highest paid Directors was £ 140,397 (2009 £146,312) and his accrued pension at the end of the year was £53,871 (2009 £49,059)

The number of Directors receiving shares under the Long-Term Incentive Plan of the Parent Company was nil (2009 4)

6 Finance income

	2010 £	2009 £
Interest receivable on group Company loans	**1,443,850**	1,114,752
Interest receivable on bank deposits and similar interest	**129,481**	160,097
	1,573,331	1,274,849

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Finance costs	2010 £	2009 £
Interest payable on Parent Company loans	**7,314,421**	7,458,680
Bank overdraft and similar interest	**-**	674
	7,314,421	7,459,354

8. Tax	2010 £	2009 £
(a) Analysis of charge(credit) in year		
Current tax		
Corporation tax charge(credit) at 28% (2009 28%) on the profit(loss) for the year	**136,470**	(1,579,052)
Adjustment in respect of prior years	**180,391**	(266,527)
	316,861	(1,845,579)
Deferred tax charge(credit) at 27% (2009 28%) (note 19)		
Origination and reversal of timing differences	**807,965**	(4,884,978)
	1,124,826	(6,730,557)

(b) Factors affecting tax charge/(credit) for year

The tax assessed for the year is higher (2009 higher) than the standard rate of corporation tax 28% (2009 28%) The differences are explained below

	2010 £	2009 £
Profit(loss) on ordinary activities before tax	**2,438,709**	(24,921,764)
Profit(loss) on ordinary activities before tax at 28% (2009 28%)	**682,839**	(6,978,094)
Effect of		
Expenses disallowable for tax	**113,960**	747,274
Capital gains	**147,636**	(233,183)
Other timing differences	**-**	(27)
Adjustment in respect of prior years	**180,391**	(266,527)
	1,124,826	(6,730,557)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 Property, plant and equipment

	Properties under Construction £	Motor vehicles £	Office Equipment £	Total £
Cost				
At 1 January 2009	53,050,298	196,818	156,164	53,403,280
Transfers from inventories	-	-	-	-
Additions	-	30,515	5,930	36,445
Disposals	-	(74,641)	(1,507)	(76,148)
Transfers to investment properties	(53,050,298)	-	-	(53,050,298)
At 1 January 2010	-	152,692	160,587	313,279
Additions	-	77,605	1,385	78,990
Disposals	-	(50,117)	-	(50,117)
Transfers to investment properties	-	-	-	-
At 31 December 2010	-	180,180	161,972	342,152
Accumulated depreciation				
At 1 January 2009	1,500,000	94,086	114,131	1,708,217
Inter group additions	-	-	188	188
Charge for the year	-	45,067	16,732	61,799
Transfer to investment properties	(1,500,000)	-	-	(1,500,000)
Eliminated on disposals	-	(53,827)	(94)	(53,921)
At 1 January 2010	-	85,326	130,957	216,283
Charge for the year	-	40,773	13,155	53,928
Eliminated on disposals	-	(47,299)	-	(47,299)
At 31 December 2010	-	78,800	144,112	222,912
Net book value at **31 December 2010**	-	101,380	17,860	119,240
Net book value at 31 December 2009	-	67,366	29,630	96,996

At 31 December 2010, the Company had entered into no contractual commitments for the acquisition of property, plant and equipment

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 Investment property

	Completed Investment Property	Investment Property Under Construction £	Total £
Fair value			
At 1 January 2009	107,083,219	-	107,083,219
Additions	463,829	2,539,333	3,003,162
Transfer from properties under construction	-	51,550,298	51,550,298
Disposals	(5,549,360)	(10,497,579)	(16,046,939)
Transfer within investment property	9,362,130	(9,362,130)	-
Decrease in fair value during the year	(16,633,389)	(1,650,000)	(18,283,389)
At 31 December 2009	94,726,429	32,579,922	127,306,351
Additions	428,055	1,862,390	2,290,445
Disposals	(7,942,970)	(288,849)	(8,231,819)
Transfer within investment property	1,475,000	(1,475,000)	-
Transfer from inventories	453,579	-	453,579
Transfer to assets classified as held for sale	(27,719,624)	(302,000)	(28,021,624)
Increase/(decrease) in fair value during the year	906,225	(651,396)	254,829
At 31 December 2010	62,326,694	31,725,067	94,051,761
Adjustment in respect of rent-free periods	688,714	-	688,714
Adjustment in respect of tenant incentives	2,222,116	-	2,222,116
Adjustment in respect of tax benefits	(787,524)	-	(787,524)
Market value at 31 December 2010	64,450,000	31,725,067	96,175,067

The fair value of the completed investment property has been based on a valuation as at 31 December 2010, by independent, professionally qualified external valuers, Jones Lang Lasalle, Chartered Surveyors, who hold a recognised relevant professional qualification and have recent experience in the locations and categories of the investment property valued In arriving at their estimates of market value, the valuers have used their market knowledge and professional judgement and not only relied on historical transactional comparables

Investment properties in the course of construction are developments which have been valued at fair value by the Directors of the Company at £31,725,067 Fair value takes into account other observable prices in an active market

The property rental income earned by the Company from its investment property amounted to £7,069,352 (2009 £7,697,119)

Direct operating expenses arising on the investment property in the period amounted to £204,973 (2009 £3,104,363) of which £56,961 (2009 £199,289) related to properties which were non income generating

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11 Investments Company:	Shares in Group Undertaking £
At 1 January 2009	918
Additions	200
Disposals	(100)
Provision for losses	(302)
At 1 January 2010	716
Disposals	(410)
At 31 December 2010	306

In 2010 the Company disposed of the whole of the issued share capital of Bridge View Management Company (Hull) Limited, Burnleyend Limited (formerly Henry Boot Burnley Limited),Cliftonend Limited (formerly Henry Boot Clifton Moor Limited),Mended Limited (formerly Henry Boot "M" Limited), and Rended Limited (formerly Henry Boot "R" Limited)

In 2009 the Company acquired the whole of the issued share capital of Henry Boot "R" Limited and Henry Boot "S" Limited and disposed of the whole of the issued share capital of Henry Boot "Q" Limited

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

Henry Boot Developments (Saltwood) Limited (dormant), Henry Boot Tamworth Limited (property development), Henry Boot Developments (Ayr) Limited (car park operations), Henry Boot 'K' Limited (property development), Henry Boot Sandlands Limited (property development), Henry Boot "S" Limited, Winter Ground Limited (property development) and Waterloo Court Limited (dormant) 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 25)

12. Inventories	2010 £	2009 £
Developments in progress	**3,104,658**	3,926,298
	3,104,658	3,926,298

During the year £453,579 (2009 £nil) was transferred to investment properties

13. Trade and other receivables	2010 £	2009 £
Trade receivables and pre-payments	**8,947,281**	10,076,086
Amounts owed by group undertakings		
- Fellow subsidiaries	**17,250**	11,077
- Parent Company in respect of tax	**-**	1,845,579
- Subsidiary companies	**28,644,742**	28,689,280
- Related companies	**215,000**	-
	37,824,273	40,622,022

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Assets classified as held for sale

Assets classified as held for sale comprises of the following	Investment Property £
Fair Value	
At 1 January 2009 and 21010	-
Transfers from Investment property	**28,021,624**
Disposals	**(302,000)**
At 31 December 2010	**27,719,624**
Adjustment in respect of tenant incentives	**4,706,920**
Adjustment in respect of tax benefits	**(426,544)**
Market value at 31 December 2010	**32,000,000**

Assets classified as held for sale have been revalued by Jones Lang LaSalle in accordance with the Practice Statements contained in the RICS Appraisal and Valuation Standards on the basis of market value at £32,000,000 The valuation conforms to International Valuation Standards and was based on recent market transactions with similar characteristics and location using the Yield Method valuation technique

Post reporting period events

In February 2011, Henry Boot Developments Limited completed the sale of Ayr Central Shopping centre to Soverign Land and AREA Property Partners for £33 8m before costs, reflecting a net initial yield of 6 25% Located in the heart of Ayr town centre, the 180,000 sq ft shopping centre was developed in 2006 by Henry Boot Developments Limited and is anchored by Debenhams and Primark, with other tenants including H&M, JD Sports, HMV, Clarks and River Island The profit on disposal of this asset held for sale is a 'Non-adjusting event after the reporting period' in accordance with IAS 10 'Events after the Reporting Period' and will impact the Statement of Comprehensive Income in 2011

15. Trade and other payables

	2010 £	2009 £
Trade payables, accrued expenditure and deferred income	**3,276,032**	3,976,637
Amounts owed by group undertakings		
- Parent Company and fellow subsidiaries	**161,392,194**	171,580,617
- Parent Company in respect of tax	**36,861**	-
- Subsidiary companies	**384,892**	616
	165,089,979	175,557,870

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

16. Bank overdraft

	2010 £	2009 £
Bank overdraft	**483,046**	117,314

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	2010 %	2009 %
Bank overdraft	**4 00**	3 90

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)

17 Provisions	2010 £	2009 £
At 31 December	-	1,200,000
Included in current liabilities	-	1,200,000

The provision related to litigation originated by tenants in respect of an investment property, the outcome of which was determined in 2010

18 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 Statement of Financial Position 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

19. Deferred tax assets	2010 £	2009 £
Deferred tax assets		
At 1 January	**(5,758,796)**	(873,818)
Recognised in income	**807,965**	(4,884,978)
At 31 December	**(4,950,831)**	(5,758,796)

Deferred tax (assets) liabilities comprise

Corporation tax on the (deficit) excess of the book value of fixed assets qualifying for tax allowances over their value for tax purposes	**(10,953)**	(11,864)
Short term timing differences	**20,890**	21,664
Deficit arising on revaluation of investment property	**(4,960,768)**	(5,306,596)
Impairment of asset under construction	**-**	(462,000)
At 31 December	**(4,950,831)**	(5,758,796)

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20 Share capital

The authorised share capital throughout the year consisted of 25,000,000 ordinary shares of £1 each, all of which were allotted, issued and fully paid

21. Reserves

	Equity-settled Employee Benefits	Capital Reserve £	Retained Earnings £
At 1 January 2009	-	20,969	(6,067,909)
Net loss for the year	-	-	(18,191,207)
Transfer from retained earnings	300,194	-	(300,194)
Equity-settled share based payments for the year	79,023	-	-
Decrease in fair value of group occupied property	-	(20,969)	20,969
Transfer to retained earnings	(209,520)	-	209,520
At 1 January 2010	169,697	-	(24,328,821)
Net profit for the year	-	-	1,313,883
Equity-settled share based payments for the year	46,603	-	-
Transfer to retained earnings	(80,200)	-	80,200
At 31 December 2010	**136,100**	**-**	**(22,934,738)**

22 Guarantees

The Company, together with certain other companies 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 At 31 December 2010 borrowings covered by these guarantees amounted to £10,000,000 (2009 £30,000,000) In the opinion of the Directors, no loss is expected to arise in connection with these matters

23. Leasing commitments

At the Statement of Financial Position 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

	2010 £	2009 £
Within one year	**76,640**	85,213
In the second to fifth years inclusive	**44,582**	121,222
After five years	**-**	-
	121,222	206,435

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. 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 Company 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 £24,677 (2009 £28,975) represents contributions payable to the Scheme by the Company

Defined benefit scheme
The Company is a member of the Henry Boot Group defined benefit pension scheme It is not possible to reasonably allocate the scheme assets and liabilities for the employees of the Company and there is no policy for charging the net defined benefit cost The Company therefore accounts for contributions paid to the defined benefit pension scheme as if it were a defined contribution pension scheme

Details of the Group defined benefit pension scheme are as follows

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

	2010 %	2009 %
Retail Price Index - RPI	**2.75**	2 75
Consumer Price Index - CPI	**2 00**	2 00
Pensionable salary increases	**1 00**	2 75
Rate in increase to pensions in payment liable for Limited Price Indexation (LPI)	**2 65**	2 65
Revaluation of deferred pensions	**2 00**	2 75
Liabilities discount rate	**5.40**	5 75
Expected rate of return on scheme assets	**5.81**	6 17

The overall expected rate of return is determined as follows

- The assumption for return on equities of 7 00% is based upon gilt yields of 4 37% (commonly adopted as a 'risk-free rate') prevailing at the measurement date plus an equity risk premium of 2 63%,
- The assumption for return on bonds represents the expected return on the current portfolio of gilts and corporate bonds as at the measurement date,
- The assumption for return on cash is the bank base rate applicable at the measurement date and represents the expected returns on the Scheme's cash holdings, and
- Property is generally assumed to have the same expected return as equities

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24 Pensions (continued)

Defined benefit scheme (continued)

Mortality assumptions:	2010 Years	2009 Years
Retiring today		
Male	21 3	19 7
Female	24 1	22 7
Retiring in 20 years		
Male	23 2	21 0
Female	26 0	24 0

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

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

Assumption	Change in assumption	Impact on scheme liabilities
Retail Price Index – RPI	Increase by 0 25%	Increase by 2 3%
Consumer Price Index – CPI	Increase by 0 25%	Increase by 0 9%
Rate of general increases in salaries	Increase by 0 25%	Nil*
Rate in increase to pensions in payment liable for LPI	Increase by 0 25%	Increase by 2 3%
Revaluation of deferred pensions	Increase by 0 25%	Increase by 0 7%
Liabilities discount rate	Decrease by 0 25%	Increase by 4 1%
Rate of mortality	Increase by 1 year	Increase by 3 1%

* Increases in salaries above the 1% assumed would not affect the scheme liabilities as future increases in pensionable salaries are to be capped at a maximum of 1 0% per annum

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24 Pensions (continued)

Defined benefit scheme (continued)

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

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

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

	Rate of Return		**Market Value**	
	2010 %	2009 %	**2010 £'000**	2009 £'000
Equities	**7 00**	7 45	**62,225**	62,150
Bonds	**4 37**	4 61	**51,032**	49,514
Cash	**0 50**	0 50	**190**	434
			113,447	112,098

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

The history of experience adjustments is as follows

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

The estimated amount of total contributions expected to be paid to the Scheme by the group, inclusive of contributions payable by the Company, during the current financial year is £5,000,000, being £4,600,000

payable by the Group and £400,000 payable by scheme members

In January 2008 the Group provided the trustees of the scheme with an 'on demand' letter of credit for £7,000,000

25 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, Ecclesall Road South, Sheffield, S11 9PD

Transactions between the Company and its related parties are shown below	**2010**	2009
	£	£
Rent paid	**18,463**	27,171
Work in progress	**-**	27,827
Management charges paid	**444,000**	386,534
Interest received	**1,443,850**	1,114,752
Interest paid	**7,314,417**	7,458,680
Motor vehicle leasing and maintenance	**10,644**	16,104

Amounts owing by or to group companies are disclosed in notes 13 and 15 respectively, are unsecured, repayable on demand and will be settled in cash No guarantees have been given or received No provisions have been made in respect of the amounts owed by related parties

Remuneration of key management personnel is disclosed on note 4