

# LAND PROMOTION

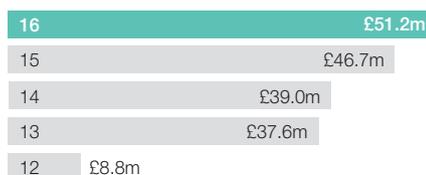
**Our business model in action: Creating long-term cyclical revenue potential and realisation through strategic land promotion for a variety of different land uses.**

“During the year we sold 16 sites comprising 1,609 plots, coupled with land having consent for employment use. We secured new planning consents for some 5,800 plots during the year and at the end of 2016, we held a portfolio of 16,417 plots with planning consent.”

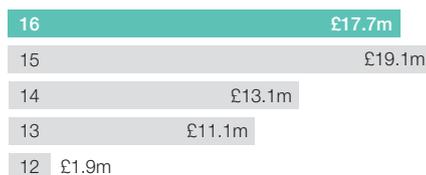
**Nick Duckworth**  
Hallam Land Management Limited



**Total revenue** **+10%**  
**£51.2m**



**Profit before tax** **-7%**  
**£17.7m**



## Hallam Land Management Limited

Hallam Land Management Limited, our strategic land promotion business increased both the acres of land it held in its portfolio and the number of consented plots it had on that land, charts on page 25 show the year end position.

2016 started very positively. Ahead of the EU referendum, Hallam Land had exchanged or completed the bulk of its 2016 budgeted sales which ultimately resulted in a pre-tax profit of £17.7m (2015: £19.1m). Furthermore, we exchanged several sites for completion in 2017 and 2018. For the UK house builders, the uncertainty caused by the referendum vote initially created a slowdown in land acquisition, however, through the autumn, they re-entered the land buying market, albeit with increased hurdle rates in less attractive locations. In the early months of 2017, house builders continued to show strong interest in high quality sites and good market areas. The recent Housing White Paper is broadly

supportive of increased delivery of housing, albeit with a focus on the affordable end of the market.

During the year, we sold 16 sites comprising 1,609 residential plots, coupled with land having consent for employment use at Lutterworth and Bridgwater and land consented for a public house at Cranbrook, Exeter. We secured new planning consents for some 5,800 plots during the year and at the end of 2016, we held a portfolio of 16,417 plots with planning consent, a 36% increase on 2015. Our total land interests at 31 December 2016 were 11,888 acres (2015: 11,061 acres), of which 2,405 acres (2015: 1,982 acres) had planning consent with a further 1,078 acres (2015: 1,160 acres) allocated for residential development; the remainder we are promoting through the planning permission and allocation process.

## Key Projects

The first six months of the year saw the disposal of two successful schemes at

 See the **Land Promotion** Case Study on page 17

Kettering and Marston Moretaine. The East of Kettering scheme sits within the 5,500-unit strategic urban extension for the town and outline planning consent was granted in 2015. As is often the case with large, strategic sites, in order to successfully dispose of development land once outline consent has been achieved, a significant amount of time and resource needs to go into delivering the relevant service infrastructure to enable house builders to build houses. In early 2016, final collaboration agreements were secured with the service providers and owners of the wider site, allowing 174 plots to be sold to Barratt with provisions that require them to service our retained land, comprising 264 plots.

The second significant sale of 2016 was at Marston Moretaine, a site which we have owned since 2007 with a first tranche sold in 2013. In September 2016, we completed a second tranche for 180 plots, and a third tranche of 183 plots is contracted for sale in 2017.

Though no further residential land was sold at Cranbrook (the 3,500-unit new community outside Exeter), residential sales values remained strong and we expect to see a further land sale here in 2018. At Kingsdown, our urban extension at Bridgwater, the decision to build Hinckley Point nuclear power station brought with it increased interest in the site. A parcel of consented employment land was sold to the Homes and

Communities Agency to progress a starter homes scheme, and a conditional contract was entered into with Persimmon for 130 plots, which we expect to complete in 2017.

During 2016, we obtained a significant planning consent, subject to Section 106 agreement, at Didcot for a 2,170-unit scheme which sits within a 4,200-unit housing site. We anticipate making significant progress on this scheme during 2017, with a first, part-disposal expected in 2018. The Didcot area has a strong housing market with good potential for family housing well within commuter distance of London.

### Outlook for 2017 and beyond

2017 has started well with 850 plots exchanged for sale as we entered the year, and a further 290 plots exchanged with completion subject to detailed planning consent. A further two sites are close to exchange and we hope to complete these sales during 2017.

We expect the house builders to remain cautious about the implications of the EU referendum and, therefore, selective when purchasing land, however, we have entered the year in a strong position. We have a strong land portfolio with a substantial number of sites available for sale and, at this stage, we anticipate that 2017 will be another year of steady progress.

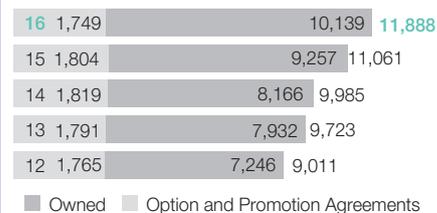
**Pictured** A full planning permission has been finalised at Buxton for 375 plots, with a sale agreement in place with a national developer.



## Land bank +8%

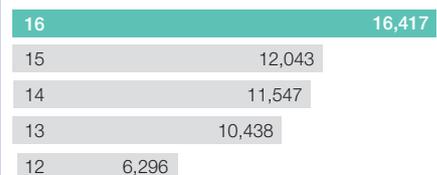
(acres)

# 11,888



## Plots with planning permission +36%

# 16,417



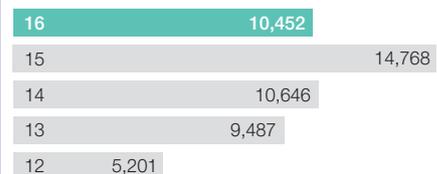
## Number of plots sold -9%

# 1,609



## Plots in planning process -29%

# 10,452



# PROPERTY INVESTMENT AND DEVELOPMENT

**Our business model in action: Investment assets giving year on year recurring revenue, with property development creating long-term cyclical revenue.**

“We significantly increased our residential activity in the year, starting four material projects. The conversion of the listed Terry’s chocolate factory in York into 165 apartments is progressing well.”

**David Anderson**  
Henry Boot Developments Limited

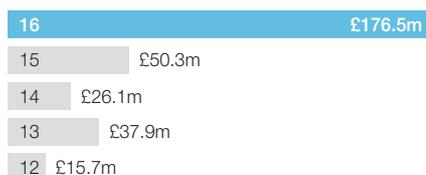
“We continue to strengthen the future site portfolio and now have some 675 plots either secured or under option.”

**Darren Stubbs**  
Stonebridge Projects Limited



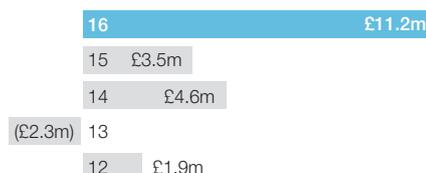
**Total revenue** **+251%**

**£176.5m**



**Profit before tax** **+220%**

**£11.2m**



 See the [Property Investment and Development](#) Case Studies on page 18

## Henry Boot Developments Limited

Henry Boot Developments, our commercial development business had one of its busiest ever years in 2016. Of particular significance was the finalisation of development, funding and contractor agreements for the new 800,000 sq ft exhibition and conference centre, 10,000 seat performance venue and a 200-bed, four-star hotel for Aberdeen City Council. The construction of this initial phase, costing £333m, began in mid-2016 and is currently progressing on programme.

During 2016, we developed over 875,000 sq ft of new, pre-let and pre-sold, largely industrial space and, furthermore, agreed terms on a further two million sq ft, most of which is expected to start or be completed in 2017, including a second 480,000 sq ft distribution warehouse for Great Bear at Markham Vale. We also completed at Markham Vale a 480,000 sq ft distribution unit, pre-let to Great Bear Distribution

Limited, and a 225,000 sq ft unit for automotive parts distributor, Ferdinand Bilstein. Further smaller lettings and sales were concluded at our industrial parks at Thorne and Salford.

We continue to maintain a broadly based development pipeline, with over 80,000 sq ft of retail warehousing completed at Belper, Derbyshire, and in Livingston town centre, benefiting from pre-let agreements with Aldi, B&M Retail and Dunelm. We also commenced the construction of a 110,000 sq ft Head Office scheme for Atkins PLC in Epsom.

We significantly increased our residential activity in the year, starting four material projects. The conversion of the listed former Terry’s chocolate factory in York into 165 apartments is progressing well. We concluded 89 sales in the second half of the year and anticipate completing that part of the scheme in 2017. In Manchester city centre, we secured planning permission for a 540-unit private rented sector (PRS)



development, which triggered unconditional development and funding agreements and the site purchase. We expect the building phase of this scheme to begin mid-2017. In Bristol, in partnership with a local student housing operator, we completed the conversion of a former office building to create a fully let, 86-bed student residential scheme to complement the 100-unit scheme in which we already hold an interest. In Skipton, we obtained outline planning permission for a 30-acre mixed residential and commercial development and, by the year end, had agreed terms for the sale of the residential land element.

Though we saw a significant increase in development activity in the year, we were able to pre-fund projects including the warehouse schemes at Markham Vale, the PRS residential development in Manchester, the office HQ development in Epsom and the retail warehouse scheme in Belper, as well as the initial phase of development in Aberdeen, amounting to over £600m in total. Therefore, internal funding was only required for a number of our smaller projects, helping us maintain prudent gearing levels within the Group.

As well as delivering the major schemes noted above we also secured high quality, future development opportunities. By December 2016, we had obtained planning permission and commenced initial infrastructure works at the 50-acre Airport Business Park in Southend, developed jointly with Southend Borough Council. We entered into a joint venture agreement for a strategic site in Huyton, Merseyside, adjoining the M57/M62 motorway junction, and purchased a high yielding city centre

office investment in Bath, which has potential as a future residential conversion opportunity.

### Outlook for 2017 and beyond

Contractual terms are in discussion or have been agreed on a number of projects which we expect to bring into our portfolio during 2017, providing us with a range of future development opportunities.

### Stonebridge Projects Limited

Stonebridge Projects, our jointly owned housebuilding company, completed 70 sales in the year, up from 41 in 2015, having begun to complete sales on both the Headingley and Stocksbridge sites. We continue to strengthen the future site portfolio and now have some 675 plots either secured or under option. We are targeting 100 sales in 2017 and, subject to obtaining the necessary permissions, anticipate further progress in 2018.



Rental income **-7%**

**£6.7m**

16	£6.7m
15	£7.2m
14	£6.2m
13	£7.3m
12	£6.6m

Number of plots sold **+71%**  
**(Stonebridge Projects)**

**70 plots £18.4m**

16	70	£18.4m
15	41	£12.3m
14	32	£10.0m
13	26	£6.5m
12	9	£1.8m

Plots      £m plot sales

**Pictured Far Left** Darren Stubbs (left) and David Anderson (right).

**Pictured Above** Work commenced on the new Head Office for Atkins PLC in Epsom.

**Pictured Below** Aerial view of Victoria Gardens in Leeds, a development of 101 plots.

# CONSTRUCTION

**Our business model in action: Creating regular revenue to enable long-term funding relationships with financial partners.**

“Following completion of the £35m Fox Valley retail park at Stocksbridge, we commenced phase one of the £35m Better Barnsley town centre regeneration scheme. We are also delivering work for Manchester City Council at Piccadilly Gardens, our first project through the North West Construction Hub framework.”

**Simon Carr**

Henry Boot Construction Limited

“Banner Plant had a very successful year. Our power tool depot in Ossett, West Yorkshire, successfully completed its first year of trading.”

**Giles Boot**

Banner Plant Limited

“Financially, the contract performed well in the year with traffic volumes slightly ahead of 2015.”

**Trevor Walker**

Road Link (A69) Limited



## Henry Boot Construction Limited

Henry Boot Construction specialise in serving both public and private clients in all construction sectors, including civil engineering.

After a good start, Henry Boot Construction exceeded targeted profit levels for 2016. It is also pleasing that the business started 2017 with a contracted workload of almost 90% of its forecast activity, the healthiest order position seen in recent years.

Following completion of the £35m Fox Valley retail park at Stocksbridge, we commenced phase one of the £35m Barnsley town centre regeneration scheme. In addition, we are delivering Snowhill Retail Park for Kier Property and a new spa facility at Rudding Park Hotel, Harrogate, which will be completed in the first half of 2017.

Within the civil engineering sector, we commenced work on: the Olympic Legacy Park and the Advanced Manufacturing Park, both for the University of Sheffield; a multi-storey car park for B. Braun in Sheffield; and we continue to be a major supply chain partner on the 25-year, Amey PFI Sheffield Highway Scheme. Finally, we are working with Stonebridge Projects to deliver

infrastructure works on schemes in Leeds and Stocksbridge and are refurbishing the former Leeds Girls High School for residential use.

We are carrying out structural works to six tower blocks for Leeds City Council through the YORbuild framework and were appointed in 2016 to the new YORbuild2 North of England local authority framework. We are also delivering work for Manchester City Council at Piccadilly Gardens, our first project through the North West Construction Hub framework.

In the health and social care sectors we delivered a 60-unit extra care housing scheme for Leeds City Council and a residential block for St Wilfrid’s Charity in Sheffield. In 2017 we will deliver a further 60-unit extra care scheme for Newark & Sherwood Homes and have won a place on the Sheffield Teaching Hospitals NHS Trust framework.

In the education sector, we were awarded the Spine Remodelling project for Lancaster University, the Mappin Street Building refurbishment for the University of Sheffield and phase one of the University of Hull Sports Facility development. We have also

**Profit before tax** **+11%**  
**£11.0m**

16	£11.0m
15	£9.9m
14	£10.1m
13	£9.0m
12	£8.6m



See the **Construction** Case Studies on page 19

completed an over-roof project for the University of Huddersfield, the refurbishment of the Management School for the University of Sheffield and the refurbishment of the Grade II listed St Helena's campus for the University of Derby.

We remain cautious regarding risks to construction activity due to the UK's decision to leave the EU, price pressures on imported materials caused by exchange rate volatility and EU related skilled labour pressures. However, the business has a good blend of both private and public sector clients across a wide range of building and civil engineering sectors, giving us a good base to weather this market uncertainty.

### Health and Safety

Health, Safety and Environmental management remains of paramount importance and we are fully committed to actively finding ways of eliminating risks and incidents. We were, therefore, delighted that for the fifth consecutive year, our construction related accident frequency rate (AFR) for the directly employed workforce was zero. This strong commitment to our health and safety management culture resulted in us winning a prestigious RoSPA Gold Medal Award for seven continuous years of Gold Award achievements.

### Banner Plant Limited

Banner Plant had a very successful year with turnover up 4.4%, net profit up 3.6%, and net margin remaining strong at 11.6%. Confidence in our markets saw capital investment increase, with a 7.8% growth in the hire fleet. Our power tool depot in Ossett, West Yorkshire, successfully

completed its first year of trading and on 3 April this year we announced the acquisition of Premier Plant and Tool Hire Limited (see note 14 on page 116).

All the individual departments contributed to what was a record profit for the business, however, we did see geographical variations in demand. Derby and North Derbyshire saw only modest activity growth, whilst West and South Yorkshire were more buoyant.

The key challenges within plant hire are the higher capital costs resulting from the weaker pound, recent clean engine technology requirements and the recovery, through increased hire rates, of these higher equipment costs.

### Road Link (A69) Limited

The PFI contract to run the A69 trunk road between Carlisle and Newcastle has completed 21 years in operation and has nine years to run. Financially, the contract performed well in the year with traffic volumes slightly ahead of 2015. Weather conditions during 2016 proved to be relatively benign and the road operated normally throughout the year.

### Outlook for 2017 and beyond

The constituents of the Construction segment continue to provide very stable returns from a low level of capital employed. We do not expect that this will change in 2017 and the year has started well. The contractual workload brought into the year is encouraging, the plant business contract count is currently running slightly ahead of 2016 and, at this stage, we expect another solid performance from this segment of the Group.



### External revenue

**£84.4m**

16	£79.4m
15	£79.5m
14	£82.4m
13	£78.5m
12	£79.0m



**Pictured Far Left** Giles Boot (left), Simon Carr (centre) and Trevor Walker (right).

**Pictured Above** A JCB Loadall capable of lifting 4 tonnes, part of our evolving Banner Plant fleet.

**Pictured Left** Our latest project with Sheffield University, 'The Management School'.