

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.

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David Anderson
Henry Boot Developments Limited

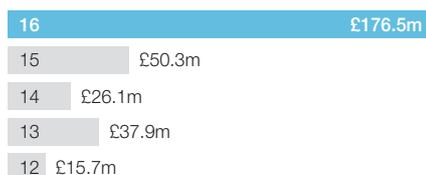
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Darren Stubbs
Stonebridge Projects Limited



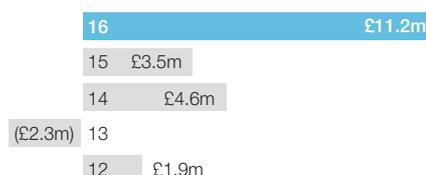
Total revenue **+251%**

£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.