

Segmental Review

Land Promotion



“The major UK house builders have reported that they are trading well and we are in advanced discussions with them in relation to a range of our projects.”

NICK DUCKWORTH
Hallam Land Management Limited

Progress in 2017

Hallam Land Management, our strategic land promotion business, had a strong 2017 as, in general, the UK house builders put the EU referendum and the General Election behind them. Whilst these events slowed transactions for eight weeks or so, they did not dent builders' appetite for land in the right locations.

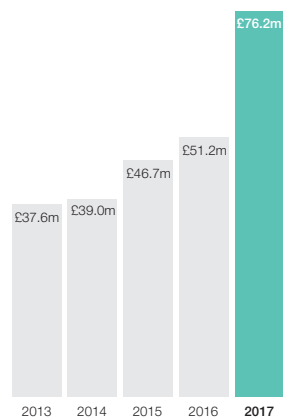
During the year, Hallam Land secured a £23.1m profit (2016: £17.7m) from selling 15 residential sites comprising 2,169 plots and, at the same time, successfully secured 14 new planning consents (or consent subject to Section 106 agreement) and increased its consented portfolio by 13% to 18,529 plots (December 2016: 16,417). We also entered 2018 with 780 plots exchanged for sale later this year. Hallam Land also sold a three-acre commercial site at Bridgwater to its sister company, Henry Boot Developments.

New consents obtained during 2017 included sites at Swindon (1,000 plots), Bridport (760 plots), Moulton (125 plots), Warton (115 plots), Sapcote (125 plots), Buckingham (400 plots), Haverhill (1,250 plots) and Milton Keynes (524 plots). With regard to land interests, at the year end Hallam Land benefited from 2,884 acres with planning consent (or consent subject to signing a Section 106 agreement) (2016: 2,405 acres) and a further 937 acres (2016: 1,078 acres) being allocated in local plans for residential development. In total, at the year end, the Company held 13,273 acres (2016: 11,888 acres) as freehold or under Option/Promotion Agreement.

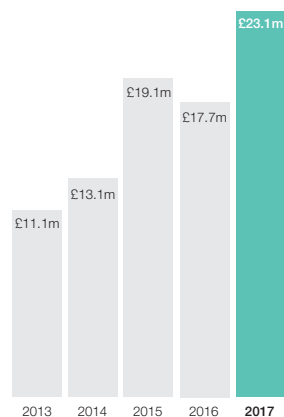
In terms of particularly significant projects, during the year, Hallam Land sold the final tranches of our residential land holdings at Bedford and Marston Moretaine, and pleasingly these have been replaced with other substantial projects coming forward, including Didcot (2,170 plots), Market Harborough (462 plots) and Haverhill (1,250 plots).

Contracted only in 2013, our 51% stake in Valley Park, Didcot, has been allocated, planning consent has been obtained and we are now negotiating a sale with a preferred bidder. Similarly, at Haverhill, south east of Cambridge, our 50% stake in the 2,500-plot urban extension to the north of the town is being marketed for sale, and has generated significant interest. At Market Harborough, where we own the freehold of 462 plots with outline consent, the site will be marketed for sale once we have concluded a commercial negotiation with a previous owner. These are just three of a range of larger projects that we control and whilst securing outline planning consent is task enough, it is invariably insufficient to ensure a market sale. To secure a disposal, utility and service provision needs to be guaranteed, infrastructure contracts procured, Reserved Matters planning consent secured and planning conditions discharged. Satisfying these and other buyer requirements takes time and contributes to the Government's concerns about 'land banking'. There are a variety of stakeholders involved in the disposal of strategic urban extension sites to build new communities and satisfying all their requirements takes significant time, effort and diligence.

Total revenue
£76.2m

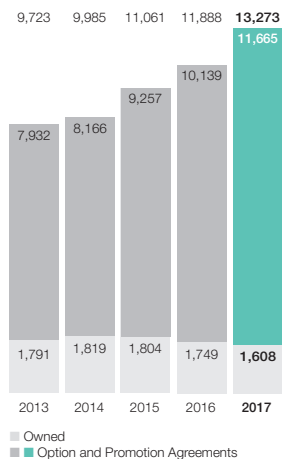


Profit before tax
£23.1m



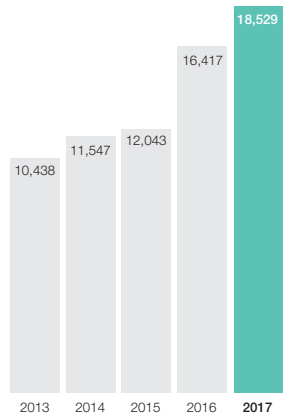
Land bank (acres)

13,273



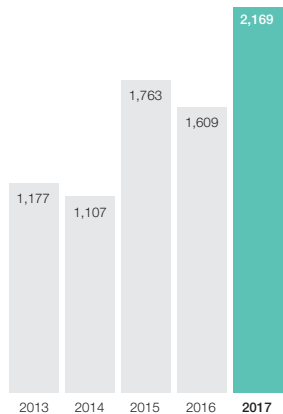
Plots with planning permission

18,529



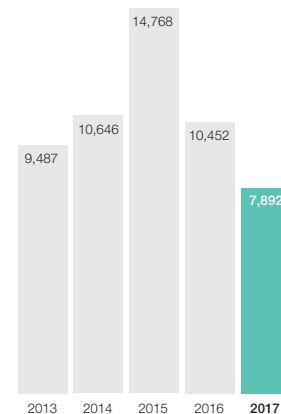
No. of plots sold

2,169



Plots in planning process

7,892



As to our two long-standing projects: at Cranbrook (the 3,500-unit new community at Exeter) we have negotiated a disposal of 180 plots which exchanged early in 2018; and at Kingsdown, Bridgwater, we completed on a 130-plot sale, exchanged on a further 72 plots and sold three acres of industrial land to Henry Boot Developments. Both projects continue to deliver well, in line with our expectations.

2018 has started positively with 780 plots exchanged for sale. The major UK house builders have reported that they are trading well and we are in advanced discussions with them in relation to a range of our projects. At this stage, we anticipate that 2018 will be another year of steady progress.



Pictured top right: A new local public house at Cranbrook, a part of the development at Exeter.

Pictured bottom right: Milton Keynes, an allocation within the Vale of Aylesbury Local Plan has been secured for 1,855 new homes, our share being 524 properties.

Segmental Review

Property Investment and Development



“Activity levels and turnover exceeded the previous year, which itself was a record for the Company.”

DAVID ANDERSON
Henry Boot Developments Limited

“Stonebridge Homes had another year of growing momentum, achieving 79 house sales in total.”

DARREN STUBBS
Stonebridge Homes Limited

Pictured below: The iconic clock tower at the former Terry's Chocolate Factory, York.



Progress in 2017

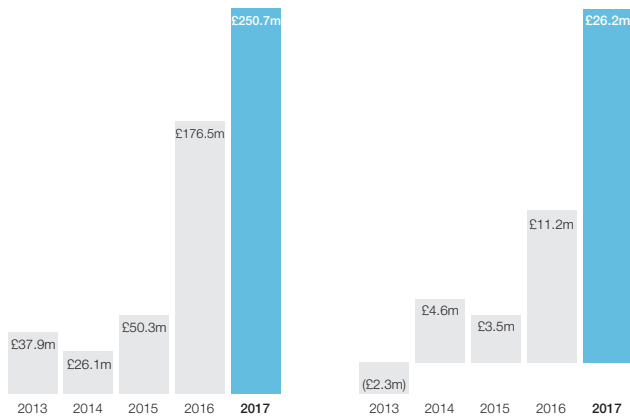
Henry Boot Developments, our commercial development business, had one of its busiest years in 2017, continuing to progress a broad range of commercial and an increasing number of residential projects. Activity levels and turnover exceeded the previous year, which itself was a record for the Company. Our major, long-term projects continued to make satisfactory progress as expected. The largest of these is the 800,000 sq ft forward-funded development of the new £333m Aberdeen Exhibition and Conference Centre, which remains on track to be completed in mid-2019. In Manchester city centre, the development of the initial phase of the £220m forward-funded, build-to-rent residential project, providing 533 apartments, commenced mid-year 2017. Completion of the final phase is scheduled for 2020.

Developments within the industrial and business park sector significantly increased during the year with the completion of 575,000 sq ft of logistics space at Markham Vale, off Junction 29A of the M1. A further 100,000 sq ft of industrial space on the park is now the subject of exchanged contracts. Elsewhere, the first phase of infrastructure was completed at the Airport Business Park in Southend, with the first development expected to commence in late 2018. We also expect to see the first phase of development on Butterfields Business Park in Luton in 2018 after securing a full employment use planning allocation in 2017. Completion of the mixed-use, retail and industrial scheme off Junction 6 of the M18 motorway (near Doncaster) was achieved late in 2017, with disposal of the last two, speculatively-built industrial units totalling 48,000 sq ft, together with a small development plot, all at values ahead of original forecasts. Further business park locations have now been placed under contract on the M5 Junction in Taunton and at the former Horizons tobacco factory in Nottingham. Notably, during the latter part of the year, we were also selected as preferred development partner on four other business parks at locations across the UK, which we will be progressing through 2018 and beyond.

The Company maintains a broad sector spread of development projects and was active on retail, leisure and residential projects in 2017. In York, the award-winning conversion and redevelopment of the former Terry's Chocolate Factory continued apace. All the remaining apartments were sold in the year, completing the 163-unit factory conversion well ahead of the original programme. Planning permission is expected shortly for the 22-apartment conversion of the adjoining iconic clock tower which is planned to be completed in 2018. Furthermore, on the balance of the site, pre-application planning negotiations have commenced for an apartment scheme. In Manchester, detailed planning permission was secured for a 140-bed hotel in the city centre on a site held under option. This site was subsequently sold, well ahead of schedule. We also completed the purchase of Equitable House, located on one of the city's prime retail areas, St Ann's Square, and agreements have been reached to re-gear the existing ground floor retail leases. In parallel, we are progressing the conversion of the upper floors to luxury apartments and this development is expected to commence in 2018 for completion in 2020.

Total revenue

£250.7m



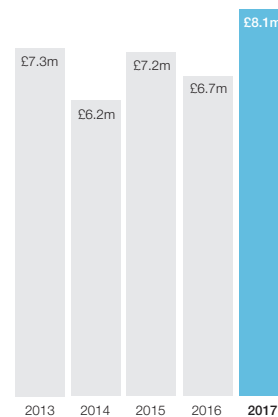
Profit before tax

£26.2m



Rental income

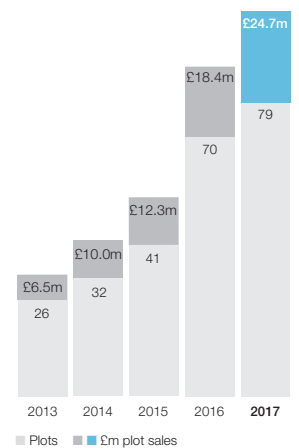
£8.1m



No. of plots sold

(Stonebridge Homes Limited)

79



The retail warehouse market remained relatively stable over the year, and the 43,000 sq ft project in Livingston town centre, pre-let to Dunelm and B&M Retail, was successfully completed and sold in the year. Elsewhere, the development of a small pre-let neighbourhood centre in Monmouth, Wales, was completed and sold. In Daventry, detailed planning permission was granted for an 83,000 sq ft edge-of-centre retail scheme undertaken in partnership with the District Council. This is now the subject of pre-let negotiations with a range of retailers and is targeted to commence in the second half of 2018. Further investment within Henry Boot Developments' existing investment portfolio included the extension and comprehensive refitting of office space in Uxbridge and the development of a pre-let Travelodge hotel in our mixed-use investment in Bromley, Kent.

House Building

Our joint venture house builder, Stonebridge Homes, had another year of growing momentum, achieving 79 house sales in total with almost half that number arising in the last two months of the year as, in particular, residential units in the former Leeds Girls' High School became available to sell.

We also carried over 20 reservations into 2018 and have added to this in the current year, which is very pleasing. Although early in the year, we anticipate house sales will be in the range of 110-130 units for 2018, at an average selling price of circa £250,000, based on current levels of activity.

Our land bank of secured planning permissions is now over 250 units and the longer term secured sites that are subject to planning decisions encompass some 750 additional units. Successfully achieving planning permission on these sites will allow annual activity levels to grow towards 200 units per annum over the next three years.

Pictured top right: New town centre retail and leisure park, Livingston.

Pictured bottom right: Fox Valley, Stockbridge, a site which will consist of over 100 newly built houses.



Segmental Review Construction



“Repeat business continued to underpin our success, and is an excellent indicator of how we are performing.”

SIMON CARR
Henry Boot Construction Limited

“The financial results and capital investment within our existing profit centres were in line with our forecasts, whilst cash generated was ahead of target.”

GILES BOOT
Banner Plant Limited

“The contract continued to perform to our financial expectations.”

TREVOR WALKER
Road Link (A69) Limited

Progress in 2017

2017 was a busy and successful year for Henry Boot Construction, which specialises in serving both public and private clients in all construction sectors, including civil engineering, with the business exceeding our targeted profit levels. Repeat business continued to underpin our success, and is an excellent indicator of how we are performing, particularly by achieving and integrating sustainable value into projects. This, along with the high-quality people within our business, has resulted in existing clients returning to us with prestigious follow-on projects and remains crucial to achieving success.

Henry Boot Construction has continued to deliver the first phase of the £35m Better Barnsley town centre regeneration scheme, now known as The Glass Works. Aligned with this project is the Barnsley skills village, with the Government taking interest in the excellent track record of this initiative, providing skills to new trainees from all backgrounds entering employment which, in turn, helps reduce the skills shortage within the construction sector.

After a lengthy period of bidding, Henry Boot Construction was selected for the Education and Skills Funding Agency (‘ESFA’) regional framework. This £8bn Government-funded programme will provide improved education provision through refurbishment and replacement of schools. We expect this to be a prominent part of our business moving forward. Other notable projects in 2017 were the prestigious spa facility at Rudding Park Hotel, Harrogate, and the refurbishment of the Grade II listed St George’s Hall in Bradford.

In the civil engineering sector, Henry Boot Construction has recently completed the regeneration and infrastructure work on the Olympic Legacy Park in Don Valley, Sheffield, and we are working on the Advanced Manufacturing Park for the University of Sheffield. We continue as a major supply chain partner on the 25-year, Amey PFI Sheffield Streets Ahead scheme and also continue to deliver work through the YORcivils framework, having been successful in securing a place on the new YORcivils2 framework, under which we are carrying out structural works to six tower blocks for Leeds City Council, together with the remodelling of Iverson Primary School in Horsforth.

In the health and social care sectors, we completed a 60-bed extra care unit for Newark and Sherwood Homes, enhancing our offering in that market. We are also a delivery partner on the Sheffield Teaching Hospitals NHS Trust framework.

Within the higher education sector, we were awarded the Aerothermal Research Building at Loughborough University, the Sports Sciences Building for the University of Hull, Concourse Public Realm works for the University of Sheffield and the SEE (School of Earth and Environment) expansion at the University of Leeds. We also continue to progress works to deliver a Public Realm scheme for Lancaster University.

We have several schemes being delivered through the Ministry of Justice refurbishment framework, where we have three projects currently on site and another two that begin in the first quarter of 2018.

Profit before tax

£10.0m



External revenue

£81.9m



Henry Boot Construction started 2018 with the healthiest order book seen in recent years; although we remain cautious, particularly in the medium to long term, regarding the possible reduction in construction activity due to market uncertainty associated with exiting the EU, price pressures on imported materials associated with exchange rate volatility and other labour and supply chain price pressures.

Health and Safety

Health, Safety and Environmental management remains of paramount importance, and we continue to be committed to providing a safe and healthy working environment and actively finding ways to eliminate risk. We have continued to maintain approval of our Company Management System to meet the requirements of OHSAS 18001, ISO 14001 and ISO 9001.

We are delighted that, for the sixth consecutive year, our construction-related Accident Frequency Rate (AFR) for our directly employed staff and operatives is zero.

This strong health and safety management culture has resulted in us securing the CIOB Health and Safety Award and Contractor of the Year Award, in addition to receiving a further RoSPA Gold Medal Award to recognise eight continuous years of Gold Award achievements, coupled with a project-specific RoSPA Gold Award for the University of Derby St Helena project.

Plant Hire

In 2017, Banner Plant had a year dominated by the purchase and integration of Premier Plant Tool Hire & Sales Limited. The acquisition in the early part of the year added a plant and a tool hire depot, both in the Leicester area. Both locations made a positive contribution during the remainder of 2017, in line with our expectations. The financial results and capital investment within our existing profit centres were in line with our forecasts, whilst cash generated was ahead of target. Particularly positive performances came from our powered access and accommodation depots, closely followed by plant depots at Dronfield and Ossett. Overall, this resulted in a record trading performance for this customer-focused operation.

Road Link

Our PFI contract Road Link (A69), which maintains the A69 trunk road between Carlisle and Newcastle, has completed another strong year. 2017 saw an increase in traffic volume and with no major disruptions or impact from adverse weather conditions, the contract continued to perform to our financial expectations. The contract remains on course to operate to plan throughout the remaining eight years of the concession.

Pictured: 60-unit extra care scheme for Newark & Sherwood Homes.