

Segmental Review

LAND PROMOTION



NICK DUCKWORTH

Hallam Land Management Limited

Hallam Land Management had another very strong year despite the previously mentioned uncertain backdrop during 2019. Our UK housebuilder customers saw continued strong demand for new homes and were keen to replenish their land banks in good market areas. We secured £31.8m profit for the year (2018: £28.5m) from selling 3,427 plots. Despite sales achieved in the year, our consented portfolio was 14,713 plots at the year end (2018: 16,489 plots) and we had 10,665 plots subject of planning applications (2018: 11,929 plots).

As our strategic land portfolio is held as inventory, accounting policy requires these assets to be held at the lower of cost or net realisable value. In accordance with this policy, no uplift in value can be recognised within our accounts relating to any of the 14,713 plots over which planning permission has been secured. Any increase in value created from securing planning permission over these assets will therefore only be recognised on disposal.

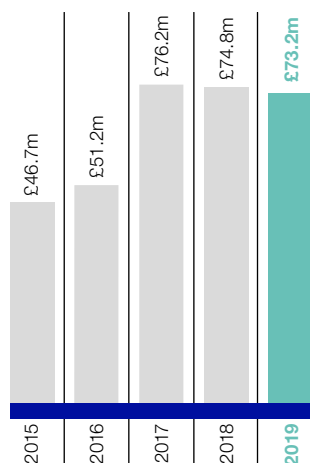
During the year, we sold 22 residential sites across all regions of the UK and, unusually for Hallam, these sales did not include any large site disposals. However, we continued to dispose of land at Market Harborough, selling 118 plots, leaving a further 118 contracted in this favourable market area, for disposal in 2020. In addition, we sold land at Buckingham for a Premier Inn, Beefeater public house and Costa Coffee drive thru.

The Company also secured a total of 1,651 units in new planning consents (or consents subject to Section 106 Agreement (S106)) during the year, including at Bathgate (180 plots), Burdiehouse (115 plots), Derby (100 plots), Doncaster (650 plots), Hamstreet (80 plots), Pagham (300 plots), and Worcester (450 plots). At the end of 2019, the Company benefited from 2,348 acres (2018: 2,599 acres) of land with planning consent (or consent subject to S106), with total land interests of 14,898 acres (2018: 14,325 acres) across freehold, option and planning promotion agreements.

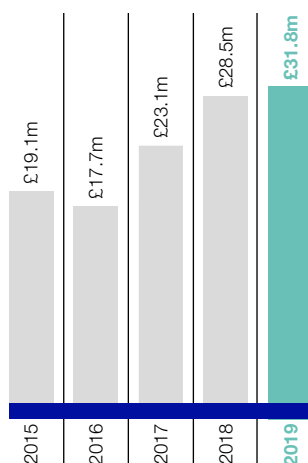
Changes in the make-up of local government, arising from the local elections last year, created uncertainty in several places, with new administrations seeking to go against decisions previously agreed, with little central government governance. This occurred at Didcot in Oxfordshire, where we were unable to unlock, and dispose of, a 2,182 plot scheme and local centre with planning permission to the west of the town. In the post-general election political climate, we hope to finally secure this outline planning consent during 2020.

A major project that progressed very well during 2019 was at Eastern Green, Coventry, where we have reached agreement with the Housing Infrastructure Fund who will commit funding to deliver a grade separated junction to access the site from the A45. We expect this 2,625 plot site, including 15ha of commercial development, a primary school and a local centre, to secure a planning consent (subject to the signing of a S106) during 2020, allowing the infrastructure works to commence towards the end of the year.

Total revenue £73.2m



Profit before tax £31.8m





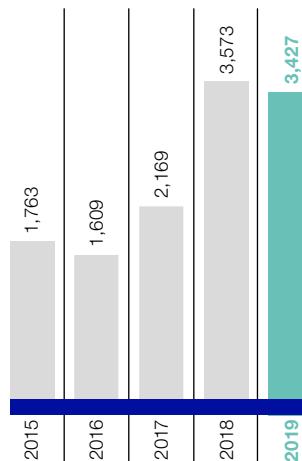
Pictured: Doncaster – Edenthorpe, 79 acres was signed under Option in 2013. Following a successful planning appeal 650 dwellings were granted consent in 2019.

Steady progress continued during the year at our longstanding projects at Cranbrook (the new community near Exeter) and Kingsdown, Bridgwater. We contracted to sell 315 plots at Cranbrook to Taylor Wimpey; at Bridgwater, 142 plots were sold to Persimmon. Both projects continue to perform well, and at Bridgwater we are now working on re-planning some of the commercial land to deliver further residential plots. At Cranbrook, we are in negotiation with a national food retailer to provide a store in the town centre.

2020 started well with 1,268 plots exchanged for sale across 2020 and 2021. Our major house building customers, re-invigorated by the general election result, continued to replenish land banks in the early part of 2020. With a reduction in the number of successful planning appeals made by our competitors, we have also seen renewed interest and stiffer competition for our consented sites. COVID-19 will have a significant impact on 2020 although, we have a number of transactions already completed or unconditionally exchanged with major house builders for completion in 2020 and, we remain confident that our land promotion business is well placed to deliver solid results in the future.

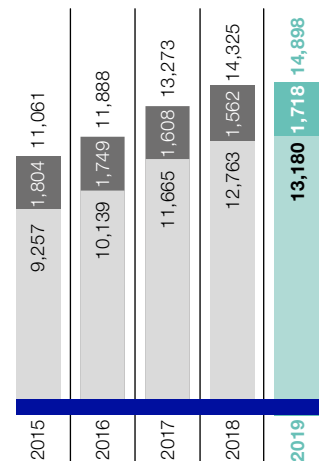


Plots sold 3,427

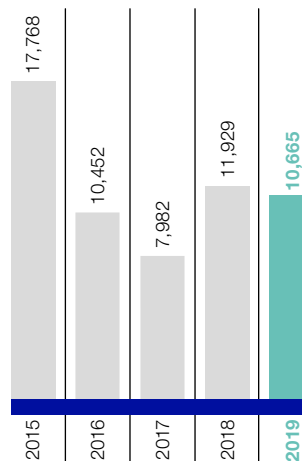


Land portfolio (acres) 14,898

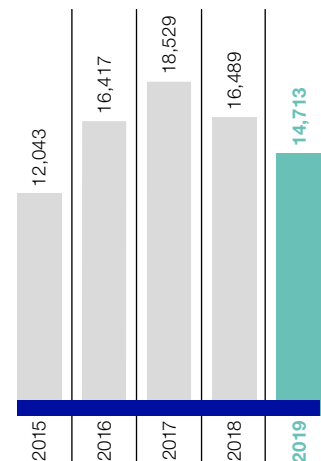
- Agency and optioned
- Purchased



Plots in planning process 10,665



Plots with planning permission 14,713



Segmental Review

PROPERTY INVESTMENT AND DEVELOPMENT



EDWARD HUTCHINSON

Henry Boot Developments Limited



DARREN STUBBS

Stonebridge Homes Limited

The property investment and development segment achieved profits of £13.4m (2018: £15.9m) on revenue of £192.2m (2018: £221.5m) and which included six completed schemes with GDV of £407m (1.15m sq ft).

The property investment and development segment achieved profits of £13.4m (2018: £15.9m) on revenue of £192.2m (2018: £221.5m) and which included six completed schemes with GDV of £407m (1.15m sq ft). These included the successful completion and handover of TECA to Aberdeen City Council (ACC) in August. This £333m project was delivered on time and on budget, and was the culmination of outstanding teamwork from all project stakeholders since Henry Boot Developments' selection as ACC's preferred development partner in 2013. We also saw the completion of a new 92,613 sq ft purpose-built office for Atkins in Epsom. We are proud of the finished building, which achieved a BREEAM Excellent rating, and has already been put forward for several regional property awards.

Other building completions achieved in the year include Markham Vale, where we delivered a 55,000 sq ft design and build unit for Protec, together with a 55,000 sq ft speculative unit. In addition, we finished the development of 10 speculative units, comprising a total of 83,000

sq ft, at Butterfield Business Park, Luton. As at 31 December 2019, approximately 50% of the combined speculative space at Markham Vale and Luton was occupied and we will continue marketing the remainder of the space either for sale or to let.

2019 saw us successfully implement a strategic rationalisation of our investment portfolio. The sale of residual land holdings at Hull, Rotherham and Tamworth completed, resulting in a cumulative receipt of £1.3m. Sales of long-term investments also completed at The Mall in Bromley, The Axis in Nottingham, Carver Street in Sheffield, and Recticel, Stoke-on-Trent. The sale of these – largely retail-focused assets – created a cash receipt of approximately £60m, and whilst this reduces rental income and profit in the year, this allows us to rebalance the make-up of the investment portfolio in accordance with our forward-looking investment strategy. Our strategy will be to reinvest these proceeds by either retaining completed developments in locations that we think will improve, or to buy investments that have redevelopment or significant refurbishment angles.

As we look ahead to 2020, we are currently developing a further nine schemes with a GDV of £315m, some 763,000 sq ft of industrial space and 717 urban residential units. All these developments are pre-sold, pre-let or under offer. On our largest scheme in progress, Kampus in Manchester, we expect to complete construction works and launch this jointly owned scheme to the market in 2021. Kampus comprises

Committed Schemes

Scheme	GDV (£m)	Share of GDV (£m)	Commercial (sq ft)	Residential (Units)	Status
Industrial					
Luton, Eden Foods	10	10	73,528	–	Pre-let
Markham Vale, Aver	23	23	297,018	–	Conditional contract to forward fund
Pool, MKM	4	4	15,000	–	Pre-let
Southend, IPECO	13	13	121,815	–	Sold under forward funding contract
Sunderland, Faltec	12	12	124,441	–	Sold under forward funding contract
Sunderland, CESAM	17	17	131,622	–	Sold under forward funding contract
	79	79	763,424	–	
Residential					
Manchester, Kampus	216	11	44,000	533	Sold under forward funding contract
Skipton, Bellway	14	14	–	184	Sold under conditional contract
	230	25	44,000	717	
Retail					
Huyton, Aldi	6	3	18,750	–	Pre-let
Total for year	315	107	826,174	717	



Pictured: Kampus – £216M urban regeneration project to create a new garden neighbourhood in Manchester City Centre

533 build to rent residential apartments together with 44,000 sq ft of retail and leisure space in 20 units. Manufacturing and logistics development continues at Airport Business Park, Southend, where we are delivering a 121,815 sq ft unit for IPECO, together with associated infrastructure works. At the International Advanced Manufacturing Park (IAMP), Sunderland, where we completed the 131,622 sq ft Centre of Excellence in Sustainable Advanced Manufacturing (CESAM) building and a 124,441 sq ft building for Faltec in the first quarter of 2020.

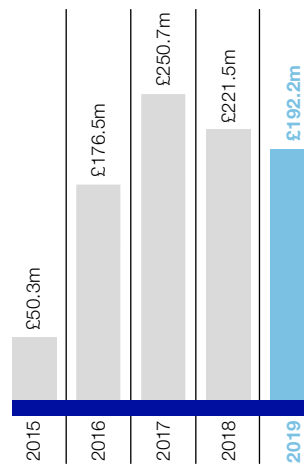
Furthermore, we have many more opportunities within the development pipeline with a potential GDV of c£1.3bn, around 70% of which is either manufacturing or logistics space, with the rest dominated by urban office and residential development. During 2020, we anticipate exchanging contracts to allow design and build construction at our sites at Melton Road, Leicester, Markham Vale and Wakefield Hub to commence, albeit later than anticipated due to the impact of COVID-19. We also hope to obtain planning consents and possibly commence construction of speculative unit schemes at our manufacturing and logistics parks at Preston East, Butterfield Business Park in Luton, and the Airport Business Park in Southend. Decisions will be made on whether to progress these schemes, in the light of occupier demand at the time.

Various other projects, such as Plymouth House in Bath (offices), Cornwall House in Birmingham (residential), Cloverhill in Aberdeen (residential) and, the joint venture, Island site in Manchester (offices) will progress through the design stage during 2020, and we look forward to these schemes contributing profits in 2021 and beyond.

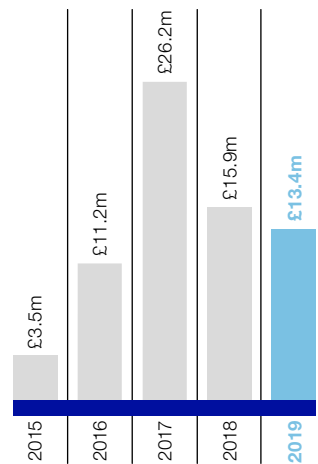
Our jointly owned housebuilder, Stonebridge Homes, achieved 159 sales in 2019 (2018: 145 sales) and carried over eight reservations into 2020. Our 2020 target is made up from the existing active sites with the expectation of two new sites that enter our delivery programme in early 2020. We anticipated that we would be able to deliver units from several more land bank sites in 2020, but delays in the planning process, compounded by COVID-19, will push delivery into 2021 and beyond. 2020, with the obvious caveat of COVID-19, had started well.

During 2019 we have added 222 units to the land bank with planning permission, increasing it to 601 units (2018: 379 units). Longer term secured sites, subject to obtaining planning permission, equate to 422 units (2018: 489 units). We hope to secure our first site in the North East, a natural extension outside the Yorkshire region, in 2020. The growth in the land bank now provides a fantastic opportunity for the business to achieve its key strategic objective of becoming a sustainable, multi-regional, premium housebuilding business.

Total revenue £192.2m

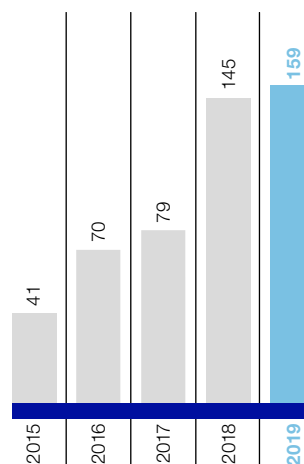


Profit before tax £13.4m



Plots sold (Stonebridge Homes Limited)

159



Segmental Review

CONSTRUCTION



GILES BOOT

Banner Plant Limited



SIMON CARR

Henry Boot Construction Limited



TREVOR WALKER

Road Link (A69) Limited

The construction segment achieved combined profits of £9.4m (2018: £9.2m) and was marginally ahead of our expectations in terms of both turnover and profit margin.

In the commercial sector, we completed Phase 1 of the £44m Glass Works Barnsley town centre regeneration and we are now well underway with the £88m Glass Works Phase 2 retail and leisure centre, which will continue into 2021. We recently completed a complex of industrial units at Butterfields Business Park in Luton, and a 55,000 sq ft unit at Markham Vale in Derbyshire for HBD.

Following the successful completion of the Grade II refurbishment of St George's Hall in Bradford, we are working to transform the existing Opera North facilities in Leeds city centre, for completion in 2021.

We have also seen an increase in multi-storey housing opportunities coming to market and are currently involved in developing the design for a 364 apartment PRS scheme in Sheffield, for which we hope to be on site in early 2021.



We remain active in the education sector where we have successfully completed the new £10m sports development for the University of Hull, and works continue on the Royce Institute for the University of Sheffield and Brookfield Campus for the University of Leicester. We delivered a new £5m extension to Longcroft School, Beverley, and have recently commenced on site with the Axis Academy at Crewe through the DfE Framework. Furthermore, we commenced our first scheme for Leeds Local Education Partnership at Beeston Park Primary School.

Works have begun on a three-year prison refurbishment scheme, and on two court re-roofing schemes, for the Ministry of Justice. We have several other projects in the pipeline, which we hope to progress from project award to delivery on site.

In the health sector, we continue to be a framework delivery partner for the Sheffield Teaching Hospitals NHS Foundation Trust where we are refurbishing operating theatres at the Royal Hallamshire Hospital and creating a new link bridge at Weston Park Hospital in Sheffield.

The civil engineering sector continues to deliver opportunities with infrastructure works completed at Leeds Skelton Lake Services, a road bridge installed for a new housing development in Chesterfield, and enabling works carried out for a major project at the University of Leeds.

We acquired a place on several high-profile public and private sector frameworks during 2019 to complement our existing framework activity including Crown Commercial Services (CCS), Pagabo and Procure Partnerships. We secured our first project on the Pagabo framework for a works department at Caenby Corner in Lincolnshire.

Recognising the importance and current underprovision in the affordable housing market, we acquired Starfish Commercial in December 2019 and are currently integrating it into our construction business. We consider this to be an important market moving forward with this small acquisition helping to support our growth aspirations in this area. Starfish Commercial works with housing associations, local authorities and house builders to deliver affordable and social housing units, often through framework arrangements. It is currently building homes on sites in Scunthorpe, Leeds, Nottingham, and Sheffield and is a joint venture partner with Magenta Living providing affordable new-build housing in North West England and Wales.



Pictured: Glass Works – Phase 2, which will bring 100,000 sq ft of retail and leisure and 25,000 sq ft of cafés and restaurants.

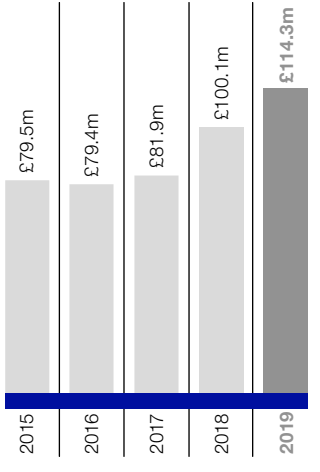
Although we have started the year relatively well, and already have 88% of our order book for 2020 secured and are aware of opportunities to win work for 2021 and beyond, clearly COVID-19 will cause delays and a reduction in output on all our active sites.

Banner Plant Hire saw a slight reduction in its results during 2019, caused by difficulties experienced by a large customer who ultimately failed post-year end, causing a bad debt cost of £0.2m. We continued to operate in a highly competitive plant hire market, with pressure on hire rates. The fundamentals of the business remain sound, capital investment in new plant was 12% of the hire fleet. Redundant plant disposals produced strong returns and cash inflows were ahead of plan.

Apprenticeships represent 8% of our workforce and that programme continues to have our full commitment. Looking to 2020, the quality of the plant fleet, and efficient customer service, will help support the business as it deals with the impacts of COVID-19.

Road Link (A69) that runs the A69 between Newcastle and Carlisle under a Design, Build, Finance and Operate agreement, completed another successful year in line with expectations. The contract has six years to run until the hand-back to Highways England occurs.

**Total revenue
£114.3m**



**Profit before tax
£9.4m**

