

Fairview Holdings Limited – financial summary

The Fairview Holdings Limited group (“Fairview”) is a residential property developer. Fairview specialises in the unconditional purchase of brownfield sites, securing the necessary planning consents and building a full range of homes from studio apartments to large family houses according to location. The Group’s core focus is on the first time buyer and second stepper markets in Greater London and the south east of England. No change is anticipated to this business model.

The Fairview Holdings Limited Employee Benefit Trust owns 100% of Fairview Holdings Limited.

Financial highlights for the year ended 31 December 2019

	2019	2018
Legal completions (including joint ventures)	896	512
	£m	£m
Total sales including share of joint ventures	<u>413.9</u>	<u>237.5</u>
Operating profit including share of joint ventures	<u>98.3</u>	<u>57.0</u>
Land & work in progress	290.5	370.2
Share of joint venture developments	57.1	40.6
Other net liabilities	<u>(91.4)</u>	<u>(129.3)</u>
Shareholder’s funds	<u>256.2</u>	<u>281.5</u>
Net borrowings	8.0	49.9

Turnover, including share of joint ventures, for the year was £413.9 million (2018: £237.5 million). There were 896 legal completions inclusive of joint ventures (2018: 512 completions). The 75% increase in completions from the previous year reflects a 33% uplift in the average number of sales outlets, recovery of plots deferred from earlier years as a result of planning delays and 67 sales within joint ventures (2018: nil). Purchaser confidence in London and the South East continued to be affected by the macroeconomic and political uncertainties surrounding the various Brexit deadlines and the General Election, although conditions in the first-time buyer market remained supported by good availability of mortgages and the Government’s Help to Buy scheme. Sales prices remained broadly stable during the year with some moderate reductions on certain sites.

Shareholder’s funds were £256.2 million at 31 December 2019 (2018: £281.5 million). Net borrowings at the year-end were £8.0 million (2018: £49.9 million).

The Group had committed secured bank loan facilities of £90m at 31 December 2019. These facilities expire in October 2024.

Land and work in progress

During the year land was acquired for the development of 554 new homes including joint ventures (2018: 1,446) and contracts were exchanged for a further 791 plots (2018: 75 plots). At 31 December 2019 the land bank for the Group comprised over 4,200 plots (2018: 3,900 plots), of which over 2,600 benefited from resolutions to grant planning consent (2018: 3,100).

At 31 December 2019, land and work in progress of £290.5m comprised 23 development sites. In addition there was investment in two joint ventures totalling £57.1m.

Future prospects

The Help to Buy scheme remains an important factor in enabling first-time buyers to access the market. Changes to the scheme in 2021 are not expected to make a material difference to market conditions in London, although price caps in other regions will affect demand.

The complexity of the planning system remains a major obstacle to increasing housing supply exacerbated by the lack of adequate resource in local planning authorities. Four developments are currently the subject of planning appeals or local moratoriums on granting consents which will slow the delivery of much needed new homes in future years. However, 99% of sales completions forecast for the next two years already benefit from the necessary planning approvals.

Following the UK’s exit from the EU there remains a concern over the continued availability of sufficient skilled subcontract labour and the ready supply of construction materials, with over half of those working on our London sites being from other EU countries.

The Covid-19 outbreak is having a significant impact on all aspects of residential development leading to delays in planning, construction and sales. The macroeconomic effects will become more apparent over time. The group has the financial resources to withstand a period of significant disruption, but it will inevitably result in an adverse impact on financial performance in the coming year. However more recently the Government announced that developers can meet with customers, reopen sales offices, and show homes and undertake viewings. Furthermore the group has started to gradually increase construction activity across its sites without encountering disruption of supply for labour and materials.

Fairview Holdings Limited – s172(1) statement

Stakeholder engagement

In carrying out their duties under s172(1) (a) to (f), the Directors have regard to both the short- and long-term impact of their decisions, the interests of the Group's employees, its sub-contractors, suppliers, consultants and purchasers of new homes developed by the Group, the impact of its activities on the communities in which it operates and the environment. Other key business relationships are with land vendors and their agents, planning authorities, new home warranty providers and building control, housing association purchasers of affordable homes, the Group's bank lenders, taxation authorities and The Fairview Holdings Limited Employee Benefit Trust, the Group's sole shareholder.

The Group's business model is based on providing purchasers with value-for-money new homes, built to a good standard, delivered on programme, generally on previously-developed land. The Group aims to optimise the development potential of sites in consultation with planning authorities and local communities; provide a well-ordered and safe working environment for employees and sub-contractors; make prompt payment to all members of its supply chain (except in the case of dispute); operate in compliance with applicable laws and regulations; and conduct its business in an open and direct manner with all stakeholders. From contact with the Group's various stakeholders over many years, these are considered to be the most important factors in our engagement with them.

The principal means of engaging with stakeholders are:

- direct line management and team meetings with employees as well as appraisals;
- regular dialogue between the company's land acquisition team, land vendors and their agents;
- pre-application meetings with planning authorities and public exhibitions & consultations on new development proposals;
- regular contact with suppliers and sub-contractors, consultants and warranty providers, both at corporate and site level;
- on-site and head office sales teams communicating closely with purchasers and potential purchasers during the course of marketing and progression of sales reservations through to completion, supported by a dedicated post-completion customer service team;
- monthly reporting and regular dialogue with the Group's bank lenders.

The Company's business model has remained unchanged over the course of the year. Individual developments and the Group's operations have continued to be carried out in line with these principles.

Employee engagement

The principal means of employee engagement is through the Group's clearly-defined line management structure. As is typical for a business of this size, directors and senior management are closely involved in operational matters providing ample opportunity for engagement with employees at all levels. There is an open-door culture affording all employees the opportunity to raise matters with directors and senior management in addition to their direct line manager.

More formally, the Group has a subsidiary board, whose meetings are attended by at least two Group Board directors, and which typically meets three times a year.

Formal policies and procedures applicable to employees are included in a staff handbook and health & safety requirements and responsibilities are advised in a manual that is updated annually.

Decisions to acquire new sites and the optimisation of development proposals are carried out in "round-robin" format with reporting and representation from employees of all departments within the business integral to the development process.

Employees participate in various incentive schemes designed to align their interests with those of the business more widely.

26 May 2020