

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 2020

	2020	2019
Legal completions (including joint ventures)	832	896
	£m	£m
Total sales including share of joint ventures	<u>313.5</u>	<u>413.9</u>
Operating profit including share of joint ventures	<u>65.6</u>	<u>98.3</u>
Land & work in progress	234.4	290.5
Share of joint venture developments	41.3	57.1
Other net liabilities	<u>7.2</u>	<u>(91.4)</u>
Shareholder’s funds	<u>282.9</u>	<u>256.2</u>
Net cash/(borrowings)	62.6	(8.0)

The COVID-19 outbreak had a markedly negative impact on Group’s operations and financial performance mainly during the second quarter of the year. During the first national lockdown Government actions to control the virus required the closure of sales and marketing suites leaving a much reduced level of online sales. Construction activity also significantly reduced to focus on plots for which sales contracts had been exchanged. In mid-May Government guidelines allowed the re-opening of sales & marketing suites and construction activity started to resume in accordance with Covid-secure protocols.

Pent up buyer demand from the lockdown period, the introduction of the Stamp Duty holiday and the impending end of the first Help to Buy scheme all contributed to strong recovery of sales in the second half of the year. Despite the changing backdrop sales prices remained broadly stable in the Group’s market segment throughout the year, although some reductions were required on developments at higher price points. Overall, in the context of the challenges faced, creditable results were achieved.

Turnover for the year was £275.3 million (2019: £382.7 million) including 638 legal completions (2019: 829 completions). With the inclusion of joint ventures, turnover for the year was £313.5 million (2019: £413.9 million) including 832 legal completions (2019: 896 completions).

Shareholder’s funds were £282.9 million at 31 December 2020 (2019: £256.2 million). Net cash at the year end was £62.6 million (2019: net borrowings of £8.0 million).

The Group had committed secured bank loan facilities of £90m at 31 December 2020. These facilities expire in October 2024.

Land and work in progress

There were limited opportunities to acquire land in 2020 due to the market disruption caused by the pandemic. Sites that were offered were keenly contested with deals being agreed with buyers at values incompatible with our target returns. However, land was acquired during the year for the development of 535 new homes (2019: 554 including joint ventures). At 31 December 2020 the land bank for the Group comprised over 3,800 plots (2019: 4,200 plots), of which over 2,300 benefited from resolutions to grant planning consent (2019: 2,600) and a further 137 plots had resolutions to grant planning subject to s106.

At 31 December 2020, land and work in progress of £234.4m comprised 21 development sites. In addition there was investment in two joint ventures totalling £41.3m.

Future prospects

The Help to Buy scheme continues to be an important factor in enabling first-time buyers to access the market. Transition to the new scheme in 2021 has not made a material difference to market conditions in London, although reduced price caps in other regions have the potential to affect demand. New Government support for higher loan-to-value mortgages will help potential purchasers, although it will not assist customers in meeting the affordability requirements to purchase a new home to the same extent as the Help to Buy scheme does.

There remains a concern over the continued supply of construction materials and availability of sufficient skilled sub-contract labour, with over half of those working on our London sites being from EU countries. Site labour returned more slowly than in previous years at the beginning of 2021, affected by a combination of Covid-19 restrictions and the Brexit trade agreement and distortions arising from Government support schemes. Longer lead times are being experienced for

supplies of some materials, but measures implemented in mitigation have so far avoided any significant disruption to build programmes.

Complexity and inconsistency of the planning system remains a major obstacle to increasing housing supply exacerbated by the lack of adequate resource in local planning authorities. Four sites with the potential to deliver in excess of 1,100 homes are currently subject to appeals for non-determination or re-application after rejection by local authority planning committees or the GLA despite planning officer's recommendation. This inconsistency results in delays and additional expense that will reduce the supply of new homes in future years. However, over 90% of sales completions forecast for the next two financial years already benefit from the necessary planning approvals.

COVID-19 presents a continuing threat of disruption to the Group's operations and the wider economy. However, the successful roll-out of the vaccine along with Government support for the housing market to remain open during recent lockdown restrictions means that any direct impact is expected to be limited. The wider macroeconomic effects of the pandemic will become more apparent over time, but there remains good underlying demand for new homes in the Group's area of operation.

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 its 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.

Government requirements to manage the impact of COVID-19 resulted in the Group introducing strict Covid-19 protocols for activities at its sites and offices which are regularly reviewed and updated. As a consequence engagement with the Group's stakeholders has been conducted mainly by telephone and video over the past twelve months.

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. Given the Government's COVID-19 restrictions these principles have continued mainly through telephone and video communication over the past twelve months. During periods of remote working regular business updates have been issued to all staff. More formally, the Group has a subsidiary board, whose meetings are attended by at least two Group Board directors, and which typically meets three or four 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.