

SHANLY GROUP
SUMMARY
2017

SHANLY
GROUP

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2017 IN BRIEF



£206.3

MILLION TURNOVER



199

EMPLOYEES



1,300 +

COMMERCIAL TENANTS
IN THE ESTATES PORTFOLIO



20

AVERAGE NUMBER OF RESIDENTIAL
SELLING SITES PER MONTH



597

APPLICATIONS FOR FUNDING
RECEIVED BY THE
SHANLY FOUNDATION

Published: August 2018

CHAIRMAN'S STATEMENT

CHAIRMAN: MICHAEL SHANLY

Welcome to the Shanly Group 2017 Corporate Report. I am pleased to report that we achieved a total Group turnover of £206.3m which was only slightly behind that of the previous year. In overall terms, the Group performed relatively well, although we did encounter somewhat more challenging conditions in the residential division. This made achieving consistent progress more difficult than we envisaged when we set our budgets at the end of 2016. The commercial property division did, however, make further solid growth in line with our plans, so overall, our performance was creditable. Despite the cyclical nature of property markets - over which we have little control – our long-term strategy remains intact; steady, risk-averse growth allied with strong underlying finances. As the environment we operate in became increasingly testing, we applied ourselves to the demanding residential market conditions diligently. Where appropriate, we also revised some of our operating processes in our residential divisions which should benefit us in future years.

The underlying favourable fundamentals of the housing market of the past several years now appear to be less pronounced. According to outside commentary it would seem interest rates may be set to rise in the foreseeable future, albeit modestly, while consumer confidence appears to have weakened somewhat. The long-term position of 'Help to Buy' also appears to be unclear, given its dependence on central government policy. With these considerations in mind, we envisage a continuation of the recent quieter residential market conditions over the coming year or so.

In commercial property markets, conditions remain challenging as yields are influenced by the weight of investment funds seeking a relatively attractive income. This, as well as tenant demand, may be affected if interest rates rise faster than is envisaged. The retail and leisure sectors remain highly competitive and the ongoing rise in online sales is testing the market somewhat. Nevertheless, reflecting our long-term strategy, we will continue to seek out opportunities to add to our commercial portfolio, both within our existing geographic areas and sectors of operations as well as further afield.

Given the fluctuating socio-economic climate, the Board is aware that an evolving working environment, along with consistent employee engagement, is vital for sound, long term business success. This past year we have introduced revised and more flexible office working conditions, adopted a less formal dress code, reappraised our on-site procedures and worked to improve our systems for internal employee communications. We will continue to review our office and site environments to ensure we offer the most appropriate and productive working space. Our annual staff conference took the form of an 'Employees General Meeting' in early 2018, which allowed us to communicate and interact with all employees in a more informal manner. This proved to be highly popular and we look forward to more 'EGMs' in the future.

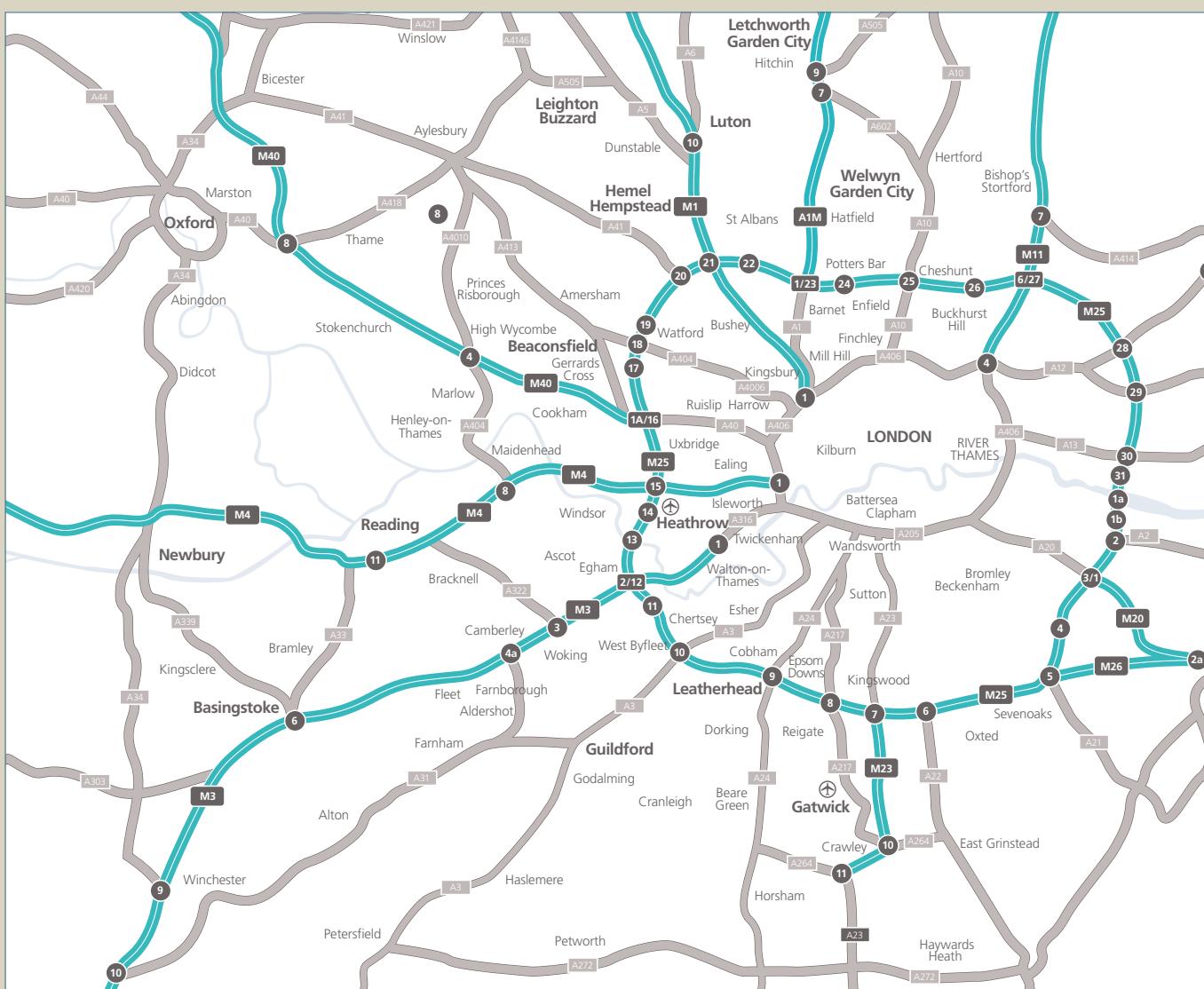
As a Board we continually appraise the Group operating and working procedures, internal investment requirements, HR policies and funding arrangements as well as our operational and management structures. In recognition of its responsibilities the Board has formulated and adopted its own Code of Corporate Governance. This acknowledges the accountability the Board has to its employees, its counter parties, local communities and other relevant stakeholders.

Above all, I very much appreciate the commitment from our nearly 200 employees and thank them for their dedication and hard work. It also gives me particular pleasure to report that the Shanly Foundation continues to offer support to a large number of very good causes. The Foundation, like the Group operating companies, also keeps evolving and during the past 12 months we have overhauled its procedures and administration. Our employees are encouraged to be fully engaged with the workings of the Foundation.

I look forward to the coming year and thank our suppliers, contractors and advisors who have displayed consistent and loyal support to the Group over many years. I wish all a happy and successful 2018.

AREAS OF OPERATION

Shanly Homes, Sorbon Estates and other companies within the Group operate in and around the M25, the Thames Valley and Greater London, extending to Berkshire, Buckinghamshire, Surrey, Sussex, Oxfordshire, Hertfordshire, Hampshire, Essex and Kent.



GROUP PROFILE

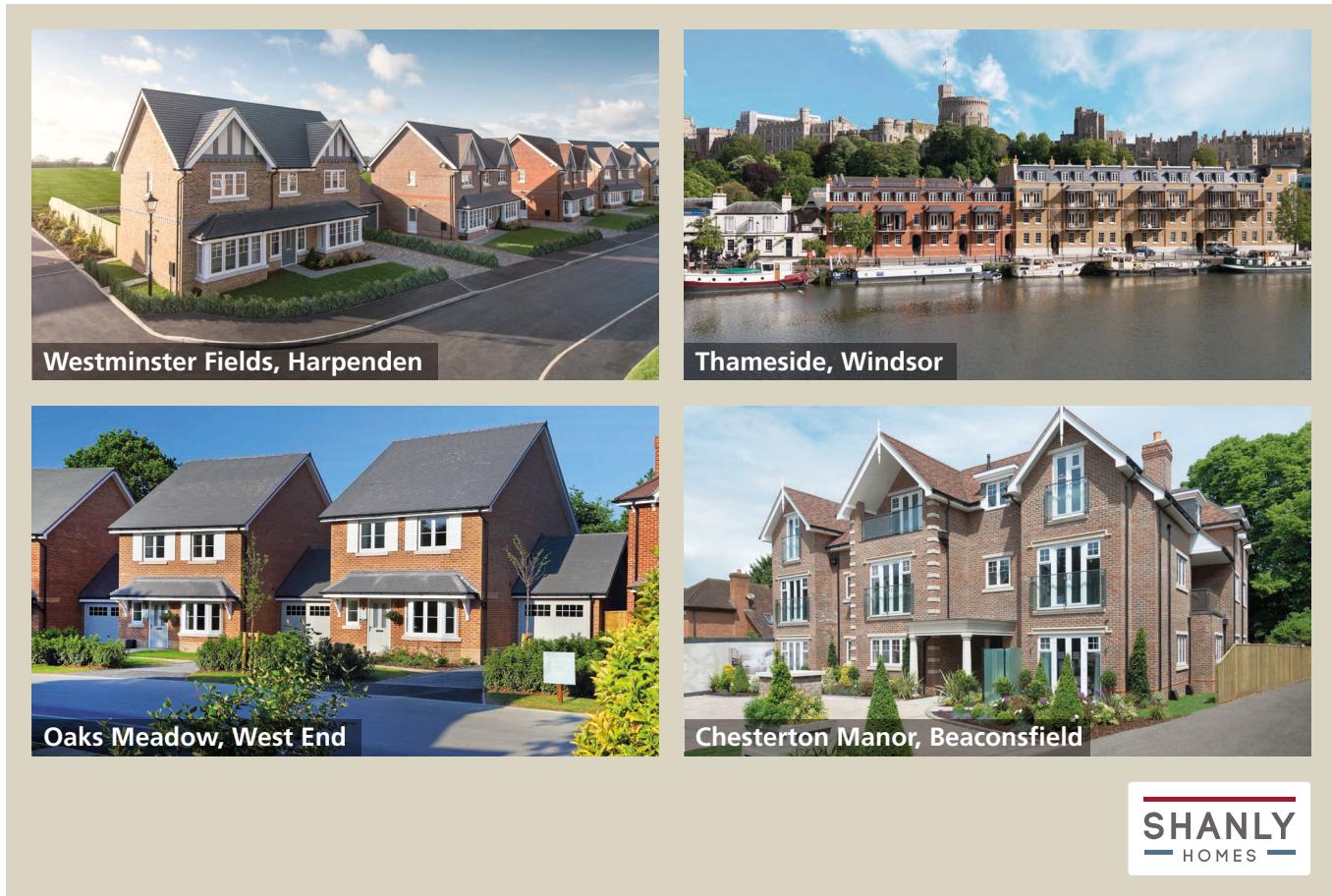
The privately owned Shanly Group of companies was founded by Michael Shanly in 1969. It operates in property markets and consists of 2 main divisions, residential property development and commercial property investment. Based in Beaconsfield, Buckinghamshire the main areas of operations are in the South East of England and the Thames Valley. The Shanly Foundation has its origins in the founder's desire to help those in society who need support. After many years of donating to local charities, a trust was formalised in 1997 and the Shanly Foundation is now an integral part of all Group operations.

Shanly Homes: is an award-winning regional housebuilder bringing well designed homes to desirable locations in the South East of England. Shanly Homes is organised into three regions each with their own management teams. In 2017, the division operated out of 35 sites completing exactly 355 units.

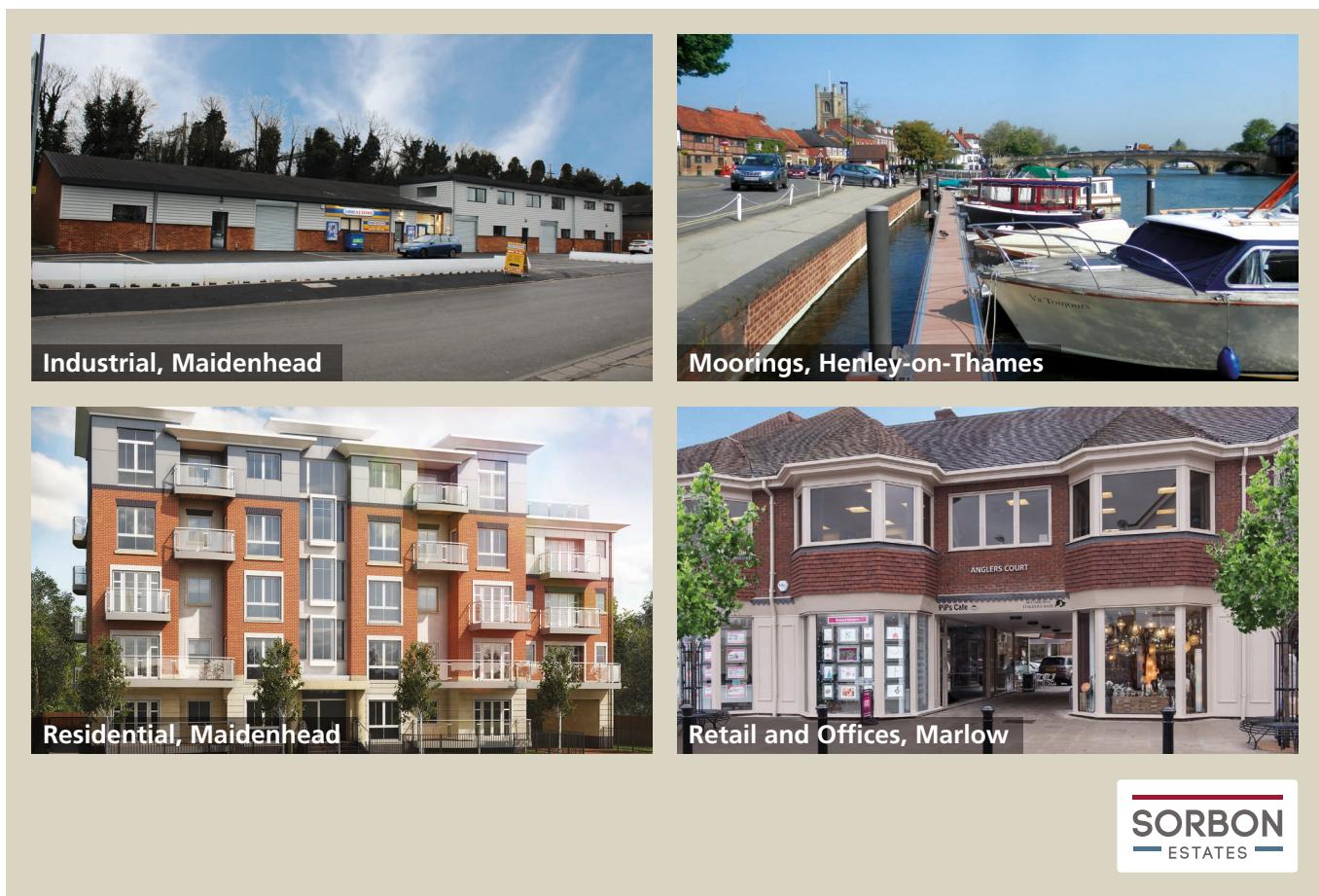
Shanly Partnership Homes: established in 2012 and awarded Registered Provider status to offer Shanly-quality new homes to the shared ownership market.

Sorbon Estates: represents the commercial property interests operating predominately in the south east. The Estate has over 300 properties across retail, office, residential and leisure sectors and has more than 1,300 tenants.

Shanly Foundation: since inception the Group has been a strong supporter of charitable and community causes. In 1997 this was formalised via the Michael Shanly Charitable Trust which in 2012 became the Shanly Foundation.



SHANLY
HOMES



SORBON
ESTATES

STRATEGY & AIMS

The Shanly Group takes a flexible and timely approach to assessing potential new residential development sites and commercial investments. It is aware of the opportunities in improving its commercial properties and is continually looking to build on the long-term potential of the portfolio. The Group understands the need to balance strong financial returns for the long-term prosperity of the Group, with its responsibilities as a regional employer and the need to work together with all relevant parties when embarking on new developments.

The Group adopts a cautious stance when it comes to financing, and endeavours to maintain a sound balance sheet to help secure the future and for a consistent performance through property cycles. It is also conscious of the need to attract and retain a creative body of employees who are committed to maintaining the core values and ethics of the Shanly Group for the long term.

Shanly Homes aim to deliver new homes that are attractive, well designed and complement their surroundings, adopting sustainable features where

possible. Sorbon Estates invests in towns to support and enhance the local community.

Our committed and hard-working staff are encouraged to enjoy themselves in the Group's endeavours to enhance the built environment. They also are proud and supportive of the workings of the Shanly Foundation. We encourage and fund our staff to undertake volunteering trips with some of the charities we work closely with, to provide help and support to people with disabilities and life-limiting illnesses.

The Group has forged relationships with The Woodland Trust, RSPB, Freshwater Habitats Trust and many other charities to actively encourage and sustain the natural environment.

Additionally, since 2011 in partnership with the Woodland Trust, we have funded the planting of 24,902 trees across the UK. We plant 20 native trees for every house we build and 10 trees for every apartment. We are looking to increase these figures in 2018.



RESIDENTIAL DIVISION REPORT

MANAGING DIRECTOR: **MARK EVANS**

2017 turned out to be a more challenging year than was envisaged at the outset leaving our results slightly short of our budget. Sales were at £187m compared with the £190m recorded in 2016 while the number of units completed and sold was just 1% lower. After a promising start to the year, we detected less favourable market conditions emerging during the second half, as a weakening trend in consumer confidence seemed to set in. Additionally, and in line with general industry trends, we continued to encounter skill shortages and certain raw material supply constraints which in turn resulted in some production delays.

Nevertheless, we continued to produce attractive, high quality homes throughout our regions, receiving favourable customer feedback. Reflecting this, I am pleased to report that we welcomed improvements in customer care and plan to continue investing in this important area. In 2017, 89% of our customers would recommend Shanly Homes to a friend.

As part of our regular review processes, we also took the opportunity to overhaul some of our operational, reporting and documentation procedures to improve our productivity.

Although 2017 fell a little below our expectations in some areas, our team continued to work extremely hard, and we were delighted to receive industry recognition, winning three significant housing awards.

The market for land remained extremely competitive. We continued to adopt a broad view of the land market looking at all opportunities large and small, and with teams focused on the identification of directly-sourced sites. Our land purchases balance the short and long-term needs of our business, against our view of housing market fundamentals and importantly keeping a close eye on cash flow and financial commitments.

We expect a continuation of the somewhat softer market conditions and have reflected these trends in our 2018 budgeting process, adopting a more cautious stance in order to help safeguard our strategy of sustainable growth over the long term.

Whilst Shanly Homes is known for small to medium sized sites, we have built up considerable experience over the last few years on larger development sites and we will continue to seek to acquire these. Also, our review of various internal procedures should prove beneficial and we plan to continue improving our customer care processes. In this predicted slower market environment, our marketing programmes will also benefit from our revised and centralised marketing studio. It is also important that we maintain a strong and consistent body of employees and we continued to focus on retaining our stable workforce.



RICS Awards
Winner South East
Regeneration Category
(Chapel Arches, Maidenhead)



SPAE
Good Design Award
(Windsor Grey Place, Ascot)



Surrey Property Awards
Best new apartment development
(Cricketers View, Guildford)

Our regions

Under the guidance of regional managing director, Stewart Kirk, the Thames Valley region operated out of 10 sites through 2017 and returned sales of £75m. Notable ongoing developments include a three-phase site in the centre of Maidenhead as well as a significant development in Slough of 114 apartments over 3 villas. In Windsor, our Thameside development consists of prestigious apartments and townhouses overlooking the River Thames.

The Southern region operated out of 8 sites, under managing director Gary Perry, with a turnover of £67.5m which was ahead of the previous year. Significant ongoing developments include 84 houses in Woking, Surrey and 47 units in Turners Hill, West Sussex.

The North London region, under managing director Chris Warner, operated out of 10 sites with a turnover of £44.4m. Major sites include a development of apartments in Aylesbury as well as 32 houses in Harpenden, Hertfordshire.

Each region registered a solid first half to 2017 but ran into less favourable market conditions during the late summer and autumn. However, as a business we are looking to consolidate and re-evaluate so we can learn, develop and improve in 2018.



Chapel Wharf, Maidenhead



Great Oaks, Bookham



Maple Grove, Enfield

SHARED OWNERSHIP HOMES

Established in 2012 and granted Registered Provider status from the Homes and Communities Agency, Shanly Partnership Homes enables us to build Shanly quality homes to offer to the expanding shared ownership housing sector. We were proud to be one of the first housebuilders to be registered and we remain one of only a small number of

housebuilders able to offer shared ownership homes to our customers. We work in partnership with local authorities and the Government-sponsored Help to Buy agent to assist purchasers in finding their perfect new home.

shanlypartnership.com



Milton Park, Purley on Thames

COMMERCIAL PROPERTY REPORT

MANAGING DIRECTOR: TAMRA BOOTH

The Shanly Group commercial property interests are managed by Sorbon Estates, amongst the largest privately-owned property investors in the South East. In 2017 Sorbon reported a 17% growth in total income to £18.8m which was in the main due to new acquisitions. Encouragingly, the void property rate registered a welcomed reduction to 4% from 7.5% in the previous year.

During 2017 Sorbon also continued to expand its portfolio investing over £32m in several additions ranging from small mixed-use outlets in Henley, retail properties in Maidenhead and Marlow, through to a sizeable edge of town retail park in Reading. In addition, significant refurbishment work began on over a dozen major properties within the portfolio while routine maintenance work continued. Projects undertaken included the complete refurbishment of a warehouse site into 4 trade units in Reform Road, Maidenhead; as well as the completion of a 25,000 sq.ft. school and a significant investment in a new build children's nursery at Cliveden View, Maidenhead.

Reflecting demand in many of our popular locations along with the significant reduction in

voids, our team were busy with notable lettings during 2017 including office, retail and industrial space in Amersham, Maidenhead, Beaconsfield, Barnet and Marlow. In addition, a substantial number of lease renewals were secured across the whole portfolio.

Reflecting growth in the underlying portfolio, we increased investment in internal resources such as additional staff (including trainee positions), IT software and office facilities. Portfolio expansion also encouraged us to reorganise various internal operating procedures and to bring some professional services in-house.

Looking ahead, the division will continue to manage its portfolio carefully and pro-actively, particularly as trading conditions in certain sectors, such as retail and restaurant/leisure, continue to experience growing competition. Re-investment in the portfolio remains a key to our strategy as we seek to upgrade and maintain the estate. We will continue to be on the lookout for acquisition opportunities both within our existing geographies and also in new, attractive regions.



FINANCIAL REPORT

GROUP FINANCE DIRECTOR: NICK TROTT

The Group generated turnover of £206.3m in 2017 compared with £205.9m recorded in the previous year and slightly below our budgeted figure. Put into context, the result was a creditable performance when set against an unexpected slowdown in housing market activity in the second half. Residential turnover was just 2% lower and results in the commercial property division were pleasing, just ahead of expectations, registering an increase of 17%.

Importantly, we retained our traditional balance sheet strength and improved our cash position.

We did, however, experience a higher rate of cost inflation during the year, reflecting some industry constraints and supply issues. We continually review our strategy on land purchases particularly when we detect shifts in the residential housing market. Nevertheless, we aim to maintain as consistent a land pipeline as is financially feasible so we can fulfil our longer term strategy as well as plan for a consistent workload and counterbalance some of the uncertainties of the build and planning processes.

Investment in our commercial portfolio was also carefully monitored. Commercial acquisitions reflected our view that values were increasing beyond our agreed parameters. Nevertheless, we continued to seek worthwhile opportunities and in 2017 we secured one of our larger acquisitions – Link Retail Park near Reading.

Reflecting our strategy of planning for a sustainable business and growth in the long term, we adopt a flexible approach to budgeting on a year to year basis. While our conservative approach may imply a reduction in the overall turnover of the business in the short term, as may be the case in 2018, we are reassured that our strategy remains intact. This method, along with a disciplined attitude to budgets and expenditures, helps sustain our financial strength and protects the long-term prosperity of the Group and importantly, our workforce.

As the Chairman has noted, the Group is fully aware of its responsibilities both as a corporation and in the wider community and in recognition of these the Group has adopted a code of corporate governance.

GROUP DIRECTORS

Chairman: Michael Shanly

Our Chairman began his career in the construction industry in the late-1960s building his first Shanly Homes development in Pinner, Middlesex in 1969. The business steadily grew and was complemented 5 years later with a commercial property operation which is now Sorbon Estates. Michael's keen architectural and design interests are reflected in the Group's distinctive and characterful new homes and refurbished commercial properties.

Operations Director: Tamra Booth

Since 2004 Tamra has been responsible for implementing some key strategies such as marketing, human resources and customer facing policies. Tamra is also Managing Director of Sorbon Estates, the commercial property arm of the Group.

Finance Director: Nick Trott

Nick joined the Group in 2000 as Group Finance Director having previously held director positions at several regional housebuilders. With a long history in the property development sector, Nick is an integral member of the executive team.

Residential Managing Director: Mark Evans

After joining in 2006 as a regional managing director, Mark progressed through the business to become Managing Director of Shanly Homes in 2012. His all-round experience and industry knowledge has contributed to the steady and reliable growth of Shanly Homes.

Non-Executive Director: Don Tucker

Don was appointed a non-executive director in 2013 having previously been the Group's Managing Director for over 20 years. Don's considerable experience offers the Board a deep insight into not only the property industry but also the workings of the Group as a whole.

Non-Executive Director: Tim Potter

Tim joined the Group in 2008 having previously worked in the financial services industry for over 30 years. With considerable experience analysing and advising businesses, Tim brings independent and strategic thought to the Shanly Group.

SHANLY FOUNDATION

The Shanly Foundation endeavours to help those persons that are disadvantaged in society, support good causes and promote healthy, active lifestyles for future generations.

The Foundation may also donate to major international causes that support areas affected by natural disasters. The Foundation receives over 600 applications for funding every year.

Here are some of the charities the Shanly Foundation supported in 2017:

 <p>SportsAble Maidenhead, Berkshire</p> <p>Providing sports, activities and facilities to people with disabilities in the UK.</p>	 <p>Thames Valley Adventure Playground Taplow, Berkshire</p> <p>Open all year round to children and adults with all types of special needs.</p>	 <p>Sayers Croft Cranleigh, Surrey</p> <p>Providing quality outdoor experiences for young people.</p>
 <p>Berkshire Search & Rescue Dogs Bracknell, Berkshire</p> <p>Assisting in locating lost or missing vulnerable people within Berkshire and its surrounding areas.</p>	 <p>Thomley Activity Centre Worminghall, Buckinghamshire</p> <p>Offering fun days out for disabled people of all ages.</p>	 <p>Thames Hospice Windsor, Berkshire</p> <p>Providing vital adult hospice services in East Berkshire and South Buckinghamshire.</p>
 <p>The Traditional Boat Festival Henley-on-Thames, Oxfordshire</p> <p>The largest display of traditional boats in Europe plus the biggest gathering of Dunkirk little ships.</p>	 <p>TAMBA Aldershot, Hampshire</p> <p>Research and support for families with twins or multiple births.</p>	 <p>The Colostomy Association Reading, Berkshire</p> <p>Providing support, reassurance and practical advice to anyone who has, or is about to have stoma surgery.</p>
 <p>Home Start Surrey Heath Camberley, Surrey</p> <p>Providing a support service for families in Surrey Heath.</p>	 <p>SATRO Guildford, Surrey</p> <p>Working closely with schools and young people to provide real-life working world experience.</p>	 <p>Lambeth & Southwark Mencap West Norwood, London</p> <p>Providing services and activities for adults with a learning disability across South London.</p>

A longer list of the charities supported is available on our website: shanlyfoundation.com

Shanly Homes

Southern Region

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southern@shanlyhomes.com

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