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 2023

	2023	2022
Legal completions (including joint ventures)	659	792
	£m	£m
Total sales including share of joint ventures	221.0	317.5
Operating (loss)/profit including share of joint ventures	(3.1)	47.2
Land & work in progress	242.9	208.1
Share of joint venture developments	53.8	53.4
Other net (liabilities)/assets	(54.0)	9.0
Shareholder's funds	242.7	270.5
Net cash	*60.4*	*119.0*

Turnover for the year was £218.5 million (2022: £274.2 million) from 659 legal completions (2022: 522 completions). Including our share of joint ventures, turnover for the year was £221.0 million (2022: £317.5 million) representing 659 legal completions (2022: 792 completions).

The first half of 2023 proved to be one of considerable uncertainty and challenging trading conditions for the housing sector, with a steep rise in mortgage rates and high levels of inflation impacting on build costs and the cost of living more generally. The second six months saw more settled conditions as inflation began to ease. Geo-political uncertainty remained a backdrop throughout the period.

Across the year as a whole, sales prices showed a marginal decrease on the prior period, reflecting the more challenging environment for prospective purchasers.

Availability of sub-contract labour and material supplies progressively eased in the latter part of the year, and now broadly meets our operating requirements. Overall, build cost inflation during the year was around 10%.

On 13 March 2023 the Group entered into the Government's Developer Remediation Contract ('GDRC'). This incorporated into contractual arrangements commitments made by the Group under the Building Safety Pledge, signed in April 2022, to remediate at no cost to leaseholders life-critical fire-safety defects in buildings over 11 metres developed in the last 30 years, and to reimburse Government for monies already spent on similar work.

Included within the results for 2023 is an increase of £26.3 million (2022: £20.4 million) in the provision for costs of fire safety remediation works associated with legacy developments. The increase reflects an additional 6 sites identified during the year as requiring remedial works and an updated assessment of requirements for all other sites. Necessary works have already completed at 16 developments and are in progress at 10 other sites. The Group is in active discussion with management companies and their advisers in all other known cases to determine the scope and a programme of works.

Shareholder's funds were £242.7 million at 31 December 2023 (2022: £270.5 million). Cash at the year-end was £60.4 million (2022: £119.0 million).

The Group extended the term of its £90m revolving credit facility for a further year to 28 December 2027.

Land, planning and work in progress

There have continued to be limited opportunities in the land market. Land values have yet to adjust fully to the increase in build costs and downward pressure on sales values over the past 24 months. This has resulted in many opportunities being unviable and incompatible with our required measures of return. In other instances potential sites have been acquired by others for alternative uses that have generated higher values for the land than residential development. Expenditure on new land was therefore below target for a third successive year, although acquisitions were contracted during 2023 for the development of 458 new homes (2022: 925).

The timing of land purchases and the lengthy and complex planning process meant that no major consents were achieved in the year. However, two applications were submitted in the second half of the year for a total of 480 new homes of which resolution to grant planning permission for 420 units has been obtained in early 2024 with the remaining units in course of negotiation with planning authorities.

At 31 December 2023 the land bank for the Group comprised over 3,100 plots (2022: 3,400 plots), of which over 2,400 benefitted from full planning permission (2022: 3,100) and a further 115 plots (2022: nil) had resolution to grant planning consent subject to a s106 agreement.

Future prospects
Reductions in term interest rates have also led mortgage lenders to improve their terms in recent months and there remains a good supply of competitive mortgages on offer.

Availability of material supplies and subcontract labour has returned to more normal levels and, as a consequence, build costs have broadly levelled and in some areas may ease a little over the next twelve months as the supply chain seeks to manage forward order books.

The planning system continues to be the biggest single obstacle to residential development. Changes to the National Policy Planning Framework announced just before Christmas softened housing targets for local authorities, and independent commentators expect this to be damaging for the delivery of new homes in the medium term.

Overall, it is anticipated that economic conditions for our industry will continue slowly to improve during 2024, although progress will remain hampered by the politicisation of the planning system and uncertainties around the General Election anticipated in the second half of the year. In the near-term our margins will remain below target, as developments adversely affected by significant levels of cost inflation experienced over the past few years are built out.

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 New Homes Quality Board, 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.

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. An employee briefing is planned to be held yearly with the first event having been held in February 2024. More formally, the Group has a subsidiary board, whose meetings are attended by at least two Group Board directors, and which typically meets 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.

27 March 2024