

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 31st December 2018

	2018	2017
Legal completions	512	529
	£m	£m
Total sales including share of joint ventures	<u>237.5</u>	<u>216.4</u>
Operating Profit including share of joint ventures	<u>57.0</u>	<u>60.2</u>
Land & WIP	370.2	284.8
Share of joint venture developments	40.6	35.8
Other net liabilities	<u>(124.8)</u>	<u>(67.7)</u>
Net Assets	<u>286.0</u>	<u>252.9</u>
Shareholder’s funds	281.5	252.9
Non-controlling interests	4.5	-
Total capital employed	<u>286.0</u>	<u>252.9</u>
<i>Net debt</i>	49.9	3.3

Turnover for the year was £237.5 million (2017: £216.4 million) including 512 legal completions (2017: 529 completions). Sales completions were marginally lower than the previous year. Weaker market conditions in the second half of 2017 continued through 2018, subdued by macroeconomic and political uncertainties, particularly during the run up to the festive period. This led to some customers taking longer to commit to purchase and to moderate sales price reductions on certain sites. Given the market conditions, the Group delivered a good performance.

Shareholder’s funds were £281.5 million at 31st December 2018. (2017: £252.9 million). Net borrowings at the year end were £49.9 million (2017: £3.3 million).

The Group had committed secured bank loan facilities of £130m at 31 December 2018. These facilities expire in March 2021.

Land and work in progress

During the year land was acquired for the development of 1,446 new homes including joint ventures (2017: 269) and contracts were exchanged for a further 75 plots (2017: 179 plots). At 31st December 2018 the land bank for the Group comprised over 3,900 plots (2017: 3,100 plots), of which over 3,100 benefited from resolutions to grant planning consent (2017: 2,800).

At 31st December 2018, land and work in progress of £370.2m comprised 20 development sites. In addition there was investment in two joint ventures totalling £40.6m.

Future prospects

There remains good demand for well-located and affordably-priced new homes in London and the South East supported by the Government’s Help to Buy scheme for properties under £600,000, wide availability of mortgages and continuing historically-low interest rates. It was encouraging to note the Government’s announcement that the Help to Buy scheme will continue for a further two years to March 2023, during which time it will be restricted to first time buyers, but the cap on property values inside London will remain unchanged at £600,000.

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. Despite this, all of the Group’s completions forecast for the next two years are on sites where the necessary planning consents have been achieved and works have commenced. A number of changes have been made to national planning policy, which over time may improve the position provided they are not impeded or offset by local measures. Continued availability of sufficient skilled sub-contract labour and the ready supply of construction materials are also significant concerns, with over half of those working on our London sites being from other EU countries.