Fairview® Holdings Ltd

Annual Report and Financial Statements for the year ended 31 December 2017

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Strategic report

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 market in London and the south east of England. No change is anticipated to this business model.

Results for 2017

Turnover for the year was £215.8 million (2016: £298.1 million) including 529 legal completions (2016: 767 completions). The profit before corporate bonuses and tax for the year was £58.4 million (2016: £91.6 million).

The reduction in sales completions was in line with forecasts and mainly reflected planning delays in previous years. An increased proportion of affordable housing completions compared with the prior year also contributed to reduced revenues and profits. Sales prices were broadly unchanged over 2017 with moderate increases in the first six months and weaker market conditions in the second half following the General Election.

After corporate bonuses the profit before tax was £44.5 million (2016: £75.2 million). Detailed results are set out in the consolidated profit and loss account on page 8.

Shareholder's funds were £252.8 million at 31 December 2017 (2016: £230.1 million). The Group had net debt of £3.3 million (2016: net cash of £8.8 million).

During the year land was acquired for the development of 269 new homes including joint ventures (2016: 1,928) and contracts were agreed for a further 179 plots (2016: 125 plots). At 31 December 2017 the land bank for the Group comprised over 3,100 plots (2016: 3,300 plots), of which over 2,800 benefited from resolutions to grant planning consent (2016: 2,600).

There remains good demand for new homes in London and the South East with affordability supported by the government's Help to Buy scheme for properties under £600,000, wide availability of mortgages and continuing historically-low interest rates.

The complexity of the planning system and the numerous conditions to be cleared before a consent can be implemented remain the principal obstacles to increasing housing supply together with the availability of sufficient skilled sub-contract labour. Despite these challenges, 99% of completions forecast for the next two years are on sites that now have the necessary planning consent and works have commenced.

Principal risks and uncertainties

The principal risks and uncertainties affecting the Group are considered to be the impact of changes in the economic environment on the demand for and pricing of new homes, including the levels of employment, buyer confidence, the availability of mortgages and interest rates, the availability of bank finance, the impact of new government policies and regulations, the unpredictable nature and time scales associated with the planning system and competition from other developers for land, personnel, subcontractors and in the sales market. The directors monitor these risks through regular assessment of their potential impact on the Group's performance and adopt policies and procedures considered appropriate to mitigate their effect.

Approved by the Board and signed on its behalf:

G A Malton
Chairman

26 March 2018

Registered office:
50 Lancaster Road
Enfield. EN2 0BY

Directors' report

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2017.

Directors

The directors holding office during the year and, except where noted, to date are set out below.

M Blakey	
D J Cope	
N M Dulcken	
J S Gee	(appointed 15 March 2017)
J T Holliday	(resigned 31 December 2017)
G A Malton	(Chairman)
R J Paterson	
J A Spring	(appointed 18 January 2018)
M R Walker	
R K Williams	

M Blakey, D J Cope, N M Dulcken, J T Holliday, G A Malton, R J Paterson, M R Walker and R K Williams are eligible as beneficiaries of the Fairview Holdings Limited Employee Benefit Trust.

Directors' indemnities

The Group had in place during the year qualifying third party indemnity provisions for the benefit of its directors. These remain in force at the date of this report.

Company's interest in own shares

The Fairview Holdings Limited Employee Benefit Trust owns 100% of the called up share capital. The Trust is an employees' share scheme under section 1166 Companies Act 2006. Further details of the trust are given in note 22.

Dividends

No dividends were paid or proposed during the current or preceding year.

Going concern

The directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts. Further details of the going concern basis are given in note 1c.

Financial risk management objectives and policies

The Group's activities expose it to a number of financial risks including cash flow risk, credit risk and liquidity risk. The use of financial derivatives is governed by the Group's policies approved by the board of directors. The Group does not use derivative financial instruments for speculative purposes.

Cash flow risk

The Group's activities expose it to the financial risks of changes in interest rates. The Group uses interest rate swap contracts to reduce these exposures.

Directors' report

Credit risk
The Group's principal financial assets are bank balances, cash, trade receivables and shared equity debtors. Credit risk is limited due to the existence of second legal charges on shared equity debtors. The credit risk on interest rate swaps is limited because the counterparties are banks with strong investment grade credit ratings.

Liquidity risk
In order to maintain liquidity to ensure that sufficient funds are available for existing and future developments, the company uses a revolving credit facility provided by its primary relationship banks.

Business outlook and events after the balance sheet date
Details of business outlook can be found in the Strategic report on page 1 and forms part of this report by cross-reference.

Auditor
Each of the persons who are directors at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Group's auditor is unaware; and
- he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Deloitte LLP have indicated their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed.

Approved by the Board and signed on its behalf:

R K Williams
Director

26 March 2018

Registered office:
50 Lancaster Road
Enfield. EN2 0BY

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the Group and of their profit or loss for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Fairview Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent company's affairs as at 31 December 2017 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Fairview Holdings Limited (the 'parent company') and its subsidiaries (the 'Group') which comprise:

- the consolidated profit and loss account;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 27.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Independent auditor's report to the members of Fairview Holdings Limited

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Independent auditor’s report to the members of Fairview Holdings Limited

Report on other legal and regulatory matters

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the Strategic report and the Directors’ report have been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic report and the Directors’ report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

- the parent company financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of directors’ remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Paul Schofield, FCA (Senior Statutory Auditor)
for and on behalf of **Deloitte LLP**
Statutory Auditor
Cambridge, United Kingdom

27 March 2018

Consolidated profit and loss account

Year ended 31 December 2017

	Note	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Turnover: group and share of jointly-controlled entities			**216,389**		298,062
Less share of jointly-controlled entities			**(562)**		–
Group turnover	3		**215,827**		298,062
Cost of sales			**(149,614)**		(195,341)
Gross profit			**66,213**		102,721
Administrative expenses - other		**(10,556)**		(11,129)	
Administrative expenses - corporate bonuses	4	**(13,970)**		(16,385)	
Administrative expenses - total			**(24,526)**		(27,514)
Other operating income			**2,913**		1,540
Profit on disposal of subsidiaries	6		**2,789**		1,510
Operating profit			**47,389**		78,257
Share of results of jointly-controlled entities	7		**(1,126)**		(606)
Finance costs (net)	8		**(1,798)**		(2,459)
Profit before corporate bonuses and taxation			**58,435**		91,577
Profit before taxation	9		**44,465**		75,192
Tax on profit	10		**(7,768)**		(15,184)
Profit for the financial year			**36,697**		60,008
Attributable to:					
Purchase of non-controlling interests (note 24)			**13,838**		–
Equity shareholders of the Company			**22,859**		60,008
			36,697		60,008

All amounts relate to continuing operations.

There are no other comprehensive income or expenses in either year other than stated in the profit and loss account above. Accordingly no statement of comprehensive income has been presented.

Consolidated balance sheet
31 December 2017

	Note	**2017** **£'000**	2016 £'000
Fixed assets			
Goodwill	11	**103**	854
Tangible assets	12	**1,222**	1,011
Investments	13	**35,974**	22,796
		37,299	24,661
Current assets			
Stocks	15	**284,779**	285,126
Debtors:			
Due within one year	16	**16,789**	9,355
Due after one year	16	**5,229**	11,582
Cash at bank and in hand		**12,693**	13,805
		319,490	319,868
Creditors: amounts falling due within one year	17	**(64,025)**	(74,672)
Net current assets		**255,465**	245,196
Total assets less current liabilities		**292,764**	269,857
Creditors: amounts falling due after more than one year	18	**(39,901)**	(39,784)
Net assets		**252,863**	230,073
Capital and reserves			
Called up share capital	22	**500**	500
Capital redemption reserve	22	**2,000**	2,000
Investment in own shares	22	**(500)**	(500)
Profit and loss account	22	**250,863**	228,073
Shareholder's funds		**252,863**	230,073

The financial statements of Fairview Holdings Limited were approved by the board of directors and authorised for issue on 26 March 2018. They were signed on its behalf by:

G A Malton
Chairman

Parent company balance sheet
31 December 2017

	Note	2017 £'000	2016 £'000
Fixed assets			
Investments	13	**94,622**	80,715
Current assets			
Debtors:			
Due within one year	16	**2,108**	992
Due after one year	16	**–**	2,000
		2,108	2,992
Creditors: amounts falling due within one year	17	**(72)**	(70)
Net current assets and total assets less current liabilities		**2,036**	2,922
Net assets		**96,658**	83,637
Capital and reserves			
Called up share capital	22	**500**	500
Capital redemption reserve	22	**2,000**	2,000
Investment in own shares	22	**(500)**	(500)
Profit and loss account	22	**94,658**	81,637
Shareholder's funds		**96,658**	83,637

The profit for the financial year dealt with in the financial statements of the parent Company, Fairview Holdings Limited, was £13,021,000 (2016: loss of £5,876,000).

The financial statements of Fairview Holdings Limited (registered number 04081726) were approved by the board of directors and authorised for issue on 26 March 2018. They were signed on its behalf by:

G A Malton
Chairman

Consolidated statement of changes in equity

31 December 2017

	Equity attributable to equity shareholders of the Company						
	Called up share capital £'000	**Capital redemption reserve £'000**	**Investment in own shares £'000**	**Profit and loss account £'000**	**Total £'000**	**Non-controlling interests £'000**	**Total £'000**
At 1 January 2016	500	2,000	(500)	168,054	170,054	–	170,054
Profit for the financial year, being total comprehensive income	–	–	–	60,008	60,008	–	60,008
Credit to equity for equity settled share-based payment (note 24)	–	–	–	11	11	–	11
At 31 December 2016	500	2,000	(500)	228,073	230,073	–	230,073
Profit for the financial year, being total comprehensive income	–	–	–	22,859	22,859	13,838	36,697
Purchase of non-controlling interests (note 24)	–	–	–	(69)	(69)	(13,838)	(13,907)
At 31 December 2017	500	2,000	(500)	250,863	252,863	–	252,863

Parent company statement of changes in equity
31 December 2017

	Called up share capital £'000	Capital redemption reserve £'000	Investment in own shares £'000	Profit and loss account £'000	Total £'000
At 1 January 2016	500	2,000	(500)	87,513	89,513
Loss for the financial year, being total comprehensive income	–	–	-	(5,876)	(5,876)
At 31 December 2016	500	2,000	(500)	81,637	83,637
Profit for the financial year, being total comprehensive income	–	–	-	13,021	15,722
At 31 December 2017	500	2,000	(500)	94,658	96,658

Consolidated cash flow statement

Year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Cash flows from operating activities			
Sales income		**185,038**	290,395
Site purchases		**(22,830)**	(74,394)
Development expenditure		**(112,881)**	(107,136)
Other operating cash flows		**(32,176)**	(30,538)
Income taxes paid		**(12,150)**	(9,037)
Net cash inflow from operating activities before corporate bonuses		**5,001**	69,290
Corporate bonuses		**(7,410)**	(27,885)
Net cash (outflow)/inflow from operating activities		**(2,409)**	41,405
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets		**45**	21
Purchases of tangible fixed assets		**(647)**	(345)
Acquisition of subsidiary	14	**(405)**	(5,220)
Disposal of subsidiaries	6	**750**	5,613
Investment in jointly-controlled entity		**(4,367)**	(23,232)
Interest received		**17**	67
Net cash outflow from investing activities		**(4,607)**	(23,096)
Cash flows from financing activities			
Interest paid		**(1,789)**	(2,586)
Borrowings advanced/(repaid)		**11,000**	(19,000)
Acquisition of non-controlling interests		**(13,907)**	–
Loan from jointly-controlled entity		**10,600**	–
Net cash inflow/(outflow) from financing activities		**5,904**	(21,586)
Net decrease in cash and cash equivalents		**(1,112)**	(3,277)
Cash and cash equivalents at beginning of year		**13,805**	17,082
Cash and cash equivalents at end of year		**12,693**	13,805
Reconciliation to cash at bank and in hand:			
Cash at bank and in hand, being cash and cash equivalents		**12,693**	13,805

Notes to the financial statements

Year ended 31 December 2017

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

a. General information and basis of accounting

Fairview Holdings Limited is a private company, limited by shares, incorporated in the United Kingdom under the Companies Act and is registered in England and Wales. The address of the registered office and the nature of the group's operations and its principal activities are set out in the Strategic report on page 1.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Fairview Holdings Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The consolidated financial statements are also presented in pounds sterling.

Fairview Holdings Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to financial instruments, presentation of a cash flow statement, intra-group transactions and remuneration of key management personnel.

b. Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December each year. The results of subsidiaries acquired, sold or derecognised are consolidated for the periods from or to the date on which control passed.

Business combinations are accounted for under the purchase method. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

c. Going concern basis

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report. In addition, notes 18 and 21 to the financial statements includes details of the Group's bank loan facilities, financial instruments and its liquidity and interest rate risk policies.

The Group has significant financial resources and as a consequence the directors believe that the Group is well placed to manage its business risks successfully. The Group regularly updates its trading and financial projections, which make allowance for anticipated market conditions. These show that the Group will be able to work within the terms and covenants of its committed borrowing facilities that run through to March 2021.

After making enquiries, the directors believe that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual report and financial statements.

Notes to the financial statements
Year ended 31 December 2017

1. Accounting policies (continued)

d. Goodwill
Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off over its useful economic life. At present the range is between 2 and 5 years. Where goodwill relates to a development it is amortised pro rata to turnover from that development and is charged to cost of sales. Provision is made for any impairment.

e. Jointly-controlled entities
In the Group financial statements investments in jointly-controlled entities are accounted for using the equity method. Investments in jointly-controlled entities are initially recognised at the transaction price (including transaction costs) and are subsequently adjusted to reflect the Group's share of the profit or loss and other comprehensive income of the jointly-controlled entity. Goodwill arising on the acquisition of jointly-controlled entities is accounted for in accordance with the policy set out above. Any unamortised balance of goodwill is included in the carrying value of the investment in jointly-controlled entity.

f. Tangible fixed assets
Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Improvements to leasehold property	5 years
Fixtures and fittings, computers and site equipment	3-4 years
Motor vehicles	4 years

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

g. Stocks
Stocks comprise land and buildings in course of development and land upon which development has not yet commenced are valued at the lower of cost and net realisable value. Cost includes the cost of acquiring land, development expenditure to date and an appropriate proportion of overhead expenditure.

In considering the net realisable value of development sites it is assumed that the sites will be fully developed and the completed units sold in the ordinary course of the Group's business, and that the sites would not be placed on the market for immediate sale in their existing state.

h. Financial instruments
Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Notes to the financial statements
Year ended 31 December 2017

1. Accounting policies (continued)

h. Financial instruments (continued)
(i) Financial assets and liabilities
All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost using the effective interest method.

Shared equity debtors
The Group has sold a number of residential units where a proportion of the purchase price remains outstanding secured by a second legal charge over the individual unit. These amounts are repayable prior to maturity on certain events including sale of the unit by the purchaser.

Shared equity debtors are recognised at the fair value of future anticipated cash receipts discounted to present value, taking into account assumptions which include future house price movements, the expected timing of receipts and the likelihood that a purchaser defaults on a repayment. The assumptions are revisited at the end of each reporting period with any decreases/(increases) being credited/(debited) to turnover.

(ii) Investments
In the Company balance sheet, investments (including investments in jointly-controlled entities) are measured at cost less accumulated impairment losses.

(iii) Equity instruments
Equity instruments issued by the Company are recorded at the fair value of cash received.

(iv) Derivative financial instruments
The Group uses derivative financial instruments to reduce exposure to interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately.

(v) Fair value measurement
The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

(vi) Non-controlling interests
Where the Group purchases a non-controlling interest, on consolidation it is treated as an apportionment of profit for the year and a reduction in reserves.

i. Impairment of assets
Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Notes to the financial statements
Year ended 31 December 2017

1. Accounting policies (continued)

i. Impairment of assets (continued)
Non-financial assets
An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

The recoverable amount of goodwill is derived from measurement of the present value of the future cash flows of the cash-generating units ('CGU's) of which the goodwill is a part. Any impairment loss in respect of a CGU is allocated first to the goodwill attached to that CGU, and then to other assets within that CGU on a pro-rata basis.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Where a reversal of impairment occurs in respect of a CGU, the reversal is applied first to the assets (other than goodwill) of the CGU on a pro-rata basis and then to any goodwill allocated to that CGU.

Financial assets
For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

j. Turnover
Turnover is stated net of VAT and discounts and is recognised when the significant risks and rewards are considered to have been transferred to the buyer:

(i) the fair value of the consideration received or receivable for the sale of properties developed by the Group and partially developed and undeveloped sites. Sales of units and undeveloped sites are recognised at the time of legal completion;

(ii) the fair value of work performed under construction contracts. Where the outcome of a construction contract can be reliably estimated, turnover is recognised by reference to the stage of completion of the contract at the balance sheet date.

Where the outcome of a construction contract cannot be reliably estimated, turnover is recognised to the extent of contract costs incurred that it is probable will be recoverable. When it is probable that total development costs will exceed total development revenue, the expected loss is recognised as an expense immediately; and

(iii) the fair value of consideration received or receivable for the sale of the freehold title in respect of units sold under leasehold terms. Turnover is recognised at the time of legal completion of the freehold sale.

Notes to the financial statements
Year ended 31 December 2017

1. Accounting policies (continued)

k. Employee benefits
For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

l. Leases
The Group as lessee
Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

The Group as lessor
Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

m. Taxation
Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amount that can be deducted for tax for an asset (other than goodwill) that is recognised in a business combination is less than the value at which it is recognised, a deferred tax liability is recognised for the additional tax that will be paid in respect of that difference. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Notes to the financial statements
Year ended 31 December 2017

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgement in applying the Group's accounting policies

The following is the critical judgement, apart from that involving estimations (which is dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and that has the most significant effect on the amounts recognised in the financial statements.

Valuation of stocks

Land and buildings in the course of development in respect of current and future development sites are valued at the lower of cost and net realisable value. Net realisable value represents the estimated selling price (in the ordinary course of business) less all estimated costs of completion and overheads. Estimates of the cost to complete a site and estimates of anticipated revenues are required to enable a development profit to be determined. The directors are required to employ judgement in estimating the profitability of a site and in assessing any impairment provisions which may be required (see note 15).

Key source of estimation uncertainty

The key assumption concerning the future that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is discussed below.

Gross profit recognition

Gross profit is recognised for completed private properties based on the latest whole site gross margin which is generated from the site appraisal. These appraisals, which are updated at frequent intervals throughout the life of the site, use actual and forecast selling prices, land costs and construction costs and are sensitive to future movements in both the estimated cost to complete and expected selling prices. Forecast selling prices are inherently uncertain due to changes in market conditions.

3. Turnover

An analysis of the Group's turnover by class of business is set out below.

	2017	*2016*
	£'000	*£'000*
Sale of residential dwellings, commercial properties and land	**160,043**	259,506
Construction of residential dwellings	**50,609**	36,443
Sale of ground rents	**5,175**	2,113
	215,827	298,062

The Group's turnover is wholly realised in the United Kingdom.

Notes to the financial statements
Year ended 31 December 2017

4. Staff costs and numbers

The average monthly number of employees (including directors) was:

	Group	
	2017	2016
	Number	*Number*
Site staff	**65**	72
Administrative and other staff	**161**	146
	226	218

Their aggregate remuneration comprised:

	Group	
	2017	2016
	£'000	*£'000*
Wages and salaries	**17,446**	14,184
Corporate bonuses (excluding social security costs)	**12,229**	14,398
Social security costs	**3,699**	3,838
Other pension costs (note 25)	**740**	614
	34,114	33,034

The directors believe that the separate presentation of corporate bonuses is relevant to the understanding of the Group's financial performance. This is consistent with the way that financial performance is measured by management and is reported to the Board. Corporate bonuses including applicable social security costs were £13.9 million (2016: £16.4 million). The Company does not have any employees.

5. Directors' remuneration and transactions

	2017	2016
	£'000	*£'000*
Directors' remuneration		
Emoluments	**4,356**	3,576
Corporate bonuses	**10,702**	10,105
Company contributions to money purchase pension schemes	**43**	–
	15,101	13,681

	2017	2016
	Number	*Number*
The number of directors who:		
Are members of a money purchase pension scheme	**1**	–

Notes to the financial statements
Year ended 31 December 2017

5. Directors' remuneration and transactions (continued)

	2017 £'000	2016 £'000
Remuneration of the highest paid director:		
Emoluments	**517**	487
Corporate bonuses	**10,702**	4,394
	11,219	4,881

Directors' advances, credits and guarantees

Details of transactions with directors during the year are disclosed in note 27.

6. Disposal of subsidiaries

Fairview New Homes (South East) Limited

On 2 October 2017 M Blakey, N M Dulcken, G A Malton and R J Paterson, directors of the Company, each subscribed £2.650 million for 1,250,000 newly-issued Ordinary Shares in Fairview New Homes (South East) Limited. Fairview Enfield Limited's stake in Fairview New Homes (South East) Limited was therefore reduced from 100% to 50% at which point Fairview New Homes (South East) Limited ceased to be a subsidiary. Fairview New Homes (South East) Limited has subsequently been accounted for as a jointly-controlled entity. The profit on disposal has been calculated as follows.

	£'000
Net assets of Fairview New Homes (South East) Limited before issue of new shares	9,273
Proceeds from issue of new shares	10,600
Net assets of Fairview New Homes (South East) Limited after issue of new shares	19,873
Group share thereof	9,937
Less net assets of Fairview New Homes (South East) Limited before issue of shares	(9,273)
Profit on disposal	664

Fairview (Strategic Land) Limited

On 2 December 2010 the Group disposed of Fairview (Strategic Land) Limited, which held a 50% interest in the Fairfield Partnership, a strategic land joint venture. Due to the subsequent performance of the Fairfield Partnership further consideration of £2.125 million is expected to become receivable of which £0.75 million was received during the year. The remaining £1.375 million is expected to become receivable in 2018 and is shown in debtors.

7. Share of results of jointly-controlled entities

	2017 £'000	2016 £'000
Fairview L&Q P R LLP	**(1,166)**	(605)
Fairview New Homes (South East) Limited	**41**	–
Markhome Limited	**(1)**	(1)
	(1,126)	(606)

Fairview New Homes (South East) Limited was accounted for as a subsidiary until 2 October 2017 (see note 6).

Notes to the financial statements

Year ended 31 December 2017

8. Finance costs (net)

	2017	2016
	£'000	*£'000*
Interest payable and similar expenses		
Interest payable on bank loans	**461**	812
Amortisation of loan arrangement costs	**330**	912
Bank commitment fees	**1,130**	551
Interest payable to jointly-controlled entities	**102**	–
Other interest payable	**3**	2
	2,026	2,277
Investment income		
Bank and other interest receivable	**(30)**	(67)
Net interest payable	**1,996**	2,210
Other finance costs		
Fair value (gains)/losses on interest rate swaps (note 21)	**(198)**	249
Finance costs (net)	**1,798**	2,459

9. Profit before taxation

Profit before taxation is stated after charging/(crediting):

	2017	2016
	£'000	*£'000*
Cost of stock in course of development recognised as an expense	**151,616**	175,866
Depreciation of tangible fixed assets (note 12)	**416**	403
Amortisation of goodwill (note 11)	**635**	3,126
Operating lease rentals	**306**	217
(Profit)/loss on disposal of fixed assets	**(14)**	34
Profit on disposal of subsidiary (note 6)	**664**	–

The analysis of the auditor's remuneration is as follows:

	2017	2016
	£'000	*£'000*
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**73**	68
Fees payable to the Company's auditor for other services to the Group:		
Audit of the Company's subsidiaries	**45**	46
Total audit fees	**118**	114
Taxation compliance services	**60**	48
Other taxation advisory services	**74**	76
Total non-audit fees	**134**	124

No services were provided pursuant to contingent fee arrangements.

Notes to the financial statements
Year ended 31 December 2017

10. Tax expense on profit

The tax expense comprises:

	2017 £'000	2016 £'000
Current tax on profit		
UK corporation tax at 19.25% (2016: 20%)	**(8,208)**	(14,057)
Adjustment in respect of prior years	**677**	(130)
Total current tax	**(7,531)**	(14,187)
Deferred taxation		
Origination and reversal of timing differences	**166**	1,209
Decrease in estimate of recoverable deferred tax asset	**(403)**	(2,163)
Effect of decrease in tax rate on opening asset	**–**	(43)
Total deferred tax	**(237)**	(997)
Total tax on profit	**(7,768)**	(15,184)

The rate of UK corporation tax was reduced from 20% to 19% with effect from 1 April 2017. A further reduction to 17% with effect from 1 April 2020 was substantively enacted in the Finance Act 2016 on 15 September 2016. Existing timing differences may therefore unwind in periods subject to this reduced rate.

There is no expiry date on timing differences, unused tax losses or tax credits.

A deferred tax asset of £5,250,000 (2016: £5,209,000) in respect of unrelieved tax losses of £27,630,000 (2016: £26,048,000) has not been recognised due to uncertainty in the amount and timing of taxable profits.

The differences between the total tax charge and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2017 £'000	2016 £'000
Profit before taxation	**44,465**	75,192
Tax expense on profit at 19.25% (2016: 20%)	**(8,560)**	(15,038)
Effects of:		
Net income not taxable	**477**	110
Depreciation lower/(higher) than capital allowances	**60**	(1)
Movement in short term timing differences	**71**	(50)
Amortisation of goodwill	**(116)**	(1,749)
Allowance in respect of contaminated land	**47**	18
Utilisation of brought forward tax losses	**30**	1,656
Change in recognised deferred tax assets	**(454)**	–
Prior period adjustments	**677**	(130)
Total tax expense for the year	**(7,768)**	(15,184)

Notes to the financial statements
Year ended 31 December 2017

11. Intangible fixed assets

	Goodwill *£'000*
Group	
Cost	
At 1 January 2017	5,117
Adjustment to goodwill arising on acquisition of Montclare Limited (note 14)	(116)
At 31 December 2017	**5,001**
Amortisation	
At 1 January 2017	**4,263**
Charge for the year	635
At 31 December 2017	**4,898**
Net book value	
At 31 December 2017	**103**
At 31 December 2016	854

12. Tangible fixed assets

Group	Freehold land and buildings *£'000*	Improvements to leasehold property *£'000*	Fixtures, fittings, computers and site equipment *£'000*	Motor vehicles *£'000*	Total *£'000*
Cost					
At 1 January 2017	201	49	999	1,193	2,442
Additions	–	–	162	496	658
Reclassifications	(10)	–	10	–	–
Disposals	–	–	(137)	(194)	(331)
At 31 December 2017	**191**	**49**	**1,034**	**1,495**	**2,769**
Depreciation					
At 1 January 2017	–	39	825	567	1,431
Charge for the year	–	5	116	295	416
Disposals	–	–	(137)	(163)	(300)
At 31 December 2017	**–**	**44**	**804**	**699**	**1,547**
Net book value					
At 31 December 2017	**191**	**5**	**230**	**796**	**1,222**
At 31 December 2016	201	10	174	626	1,011

Notes to the financial statements
Year ended 31 December 2017

13. Investments

	Group		Company	
	2017	2016	**2017**	2016
	£'000	*£'000*	***£'000***	*£'000*
Subsidiary undertakings	**–**	–	**94,622**	80,715
Jointly-controlled entities	**35,805**	22,627	**–**	–
Other investments	**169**	169	**–**	–
Total	**35,974**	22,796	**94,622**	80,715

The Company holds 100% of the issued Ordinary share capital and controls 100% of the voting rights of Bencasco Limited, a company that owns 10.075% of the issued Ordinary share capital and controls 10.075% of the voting rights of Fairview New Homes Limited. In addition, the Company owns 100% of the issued Ordinary share capital and controls 100% of the voting rights of Geminiri Limited, a company that owns 14.925% of the issued Ordinary share capital and controls 14.925% of the voting rights of Fairview New Homes Limited. In addition, the Company directly owns 75% of the issued Ordinary share capital and controls 75% of the voting rights of Fairview New Homes Limited. In total the Company owns directly or indirectly 100% of the issued Ordinary share capital and voting rights. The Company also owns 100% of the B share capital of Fairview New Homes Limited. Fairview New Homes Limited holds 100% of the issued share capital and controls 100% of the voting rights of the following active subsidiaries:

Anglia Secure Homes (South East) Limited
Bronte Energy Limited
Brycken Limited
Cricklewood Developments Limited
Fairview Enfield Limited
Fairview Estates (Housing) Limited
Fairview Homes Limited
Fairview Land Limited
Fairview Limited
Fairview New Homes (Charlton) Limited
Fairview New Homes (Chase Road) Limited
Fairview New Homes (Chequers Way) Limited
Fairview New Homes (Colindale) Limited
Fairview New Homes (Developments) Limited
Fairview New Homes (Harrow) Limited
Fairview New Homes (Lawn Road) Limited
Fairview New Homes (Properties) Limited
Fairview New Homes (Puckeridge) Limited
Fairview New Homes (Queensbury) Limited
Fairview New Homes (Willow Way) Limited
Fairview Property Trading Limited
Fairview Ventures Limited
HBF Insurance PCC Limited Cell Fairview/BOS
Westprize Limited

The holdings are of Ordinary shares with the exception of Anglia Secure Homes (South East) Limited (Ordinary shares and Deferred shares), Fairview New Homes (Properties) Limited (A shares and B shares), Fairview Ventures Limited (A shares and B shares) and Westprize Limited (A shares and B shares).

Anglia Secure Homes (South East) Limited holds 100% of the issued share capital and controls 100% of the voting rights of Anglia Secure Homes (Properties) Limited, which holds 100% of the issued share capital and controls 100% of the voting rights of Anglia Secure Homes (Developments) Limited.

Fairview Ventures Limited holds 100% of the issued share capital and controls 100% of the voting rights of the following companies:

Fairview Ventures Crawley No. 1 Limited
Fairview Ventures Crawley No. 2 Limited
Fairview Ventures Crawley No. 3 Limited
Fairview Ventures Crawley No. 4 Limited
Okus Properties Limited
Enfield (JKL) Limited

Okus Properties Limited owns 100% of the issued share capital and controls 100% of the voting rights of Okus Developments Limited.

Fairview New Homes (Puckeridge) Limited holds 100% of the issued share capital and controls 100% of the voting rights of Fairview New Homes (Management Company) Limited.

Notes to the financial statements
Year ended 31 December 2017

13. Investments (continued)

Fairview New Homes Limited holds 100% of the issued share capital and controls 100% of the voting rights of the following dormant subsidiaries:

Cabot Housing Limited
Crossways Property Limited
Dialect Properties Limited
Enfield (MNO) Limited
Fairview New Homes (Beeston) Limited
Fairview New Homes (Egham) Limited
Fairview New Homes (Englefield Green) Limited
Fairview New Homes (Epsom) Limited
Fairview New Homes (Hindhead) Limited
Fairview New Homes (Hoddesdon) Limited
Fairview New Homes (Kingsley) Limited
Fairview New Homes (Northgate) Limited
Fairview New Homes (Westminster Drive) Limited
Fairview Realty Limited
Marchfield (St Albans) Limited

Where an application has been made to Companies House to strike off a dormant company it has not been included above.

Jointly-controlled entities

Fairview New Homes Limited holds 50% of the partner capital and controls 50% of the voting rights of Fairview L&Q P R LLP. Fairview New Homes Limited also holds 50% of the issued share capital and controls 50% of the voting rights of Markhome Limited. Fairview Enfield Limited holds 50% of the issued share capital and controls 50% of the voting rights of Fairview New Homes (South East) Limited.

Other investments

Other investments include a £169,000 (2016: £169,000) investment in HBF Insurance PCC Limited related to the Government's NewBuy mortgage guarantee initiative.

Principal activity and jurisdiction

The principal activity of all group companies and joint ventures is residential development and related activities and they operate in Great Britain. Apart from HBF Insurance PCC Limited, which is registered in Guernsey at PO Box 155, Mill Court, La Charroterie, St Peter Port, Guernsey, GY1 4ET, all group companies and joint ventures are registered in England and Wales at 50 Lancaster Road, Enfield, EN2 0BY.

Subsidiary undertakings - Company

	£'000
Cost and carrying value	
At 1 January 2017	80,715
Additions	13,907
At 31 December 2017	94,622

Notes to the financial statements
Year ended 31 December 2017

13. Investments (continued)

Jointly-controlled entities - Group

	2017 £'000	2016 £'000
Carrying value		
Fairview L&Q P R LLP	**25,828**	22,627
Fairview New Homes (South East) Limited	**9,977**	–
Markhome Limited	**–**	–
At 31 December	**35,805**	22,627
Movement in carrying value		
At 1 January	**22,627**	–
Additions	**14,303**	23,232
Share of retained loss for the year (note 7)	**(1,126)**	(606)
Increase of provision against carrying value	**1**	1
At 31 December	**35,805**	22,627

14. Acquisition of subsidiary undertakings

On 17 February 2015 a subsidiary undertaking, Fairview New Homes (Properties) Limited, acquired 100% of the issued share capital of Montclare Limited, a company whose primary activity is residential property development, for consideration comprising initial consideration paid, including costs, of £1,794,000 (of which £100,000 paid in the year ended 31 December 2014) and deferred contingent consideration estimated at 31 December 2015 to be £5,062,000. The estimate of total deferred contingent consideration payable was increased by £679,000 to £5,741,000 during the year ended 31 December 2016 and subsequently reduced by £116,000 to £5,625,000 during the year ended 31 December 2017. The fair value of the total consideration was therefore increased from £6,856,000 to £7,535,000 during the year ended 31 December 2016 and reduced from £7,535,000 to £7,419,000 during the year ended 31 December 2017.

During the year ended 31 December 2017 deferred consideration of £405,000 was paid (2016: £5,220,000). Deferred consideration payable at 31 December 2017 was £nil (2016: £521,000) (see note 18).

15. Stocks

At 31 December 2017 the Group held £38.4 million (2016: £63.6 million) of land which had not received appropriate residential planning consent. Of this amount £nil (2016: £20.9 million) of land had, by the date of approval of these accounts, been the subject of resolutions to grant consent and a further £27.9 million (2016: £nil) of land had been the subject of resolutions to grant consent subject to the signing of a section 106 agreement.

It is in the nature of the Group's business activities that negotiations with local authorities to obtain planning consent often continue for a number of months and delays in the resolution of these negotiations can occur. The directors have assessed the status of negotiations with local authorities on sites currently without planning permission and are of the opinion that the value of the sites is at least equal to the value shown in the financial statements.

Notes to the financial statements
Year ended 31 December 2017

16. Debtors

	Group		Company	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Amounts falling due within one year:				
Trade debtors	**9,518**	3,749	**–**	–
Shared equity debtors	**2,157**	–	**–**	–
Amounts owed by subsidiaries	**–**	–	**2,108**	992
Amounts owed by jointly-controlled entities	**28**	6	**–**	–
VAT	**490**	190	**–**	–
Other debtors	**77**	1,259	**–**	–
Prepayments	**841**	770	**–**	–
Accrued income	**2,693**	2,019	**–**	–
Deferred tax asset (note 19)	**985**	1,362	**–**	–
	16,789	9,355	**2,108**	992
Amounts falling due after more than one year:				
Shared equity debtors	**5,229**	9,582	**–**	–
Other amounts owed by related parties (note 27)	**–**	2,000	**–**	2,000
	5,229	11,582	**–**	2,000
	22,018	20,937	**2,108**	2,992

In the Group accounts amounts owed by jointly-controlled entities are interest free and repayable on demand.

In the Company accounts amounts owed by subsidiaries are interest free and repayable on demand.

17. Creditors: amounts falling due within one year

	Group		Company	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Trade creditors	**4,352**	9,186	**–**	–
Corporation tax	**3,196**	7,805	**–**	–
Other taxation and social security	**7,891**	1,052	**–**	–
Other creditors	**8,588**	50	**–**	–
Accruals	**22,313**	24,147	**72**	70
Deferred income	**3,245**	31,367	**–**	–
Amounts owed to jointly-controlled entities	**14,254**	720	**–**	–
Defined contribution pension scheme accrual	**125**	86	**–**	–
Derivative financial liabilities (note 20)	**61**	259	**–**	–
	64,025	74,672	**72**	70

In the Group accounts amounts owed to jointly-controlled entities are interest free and repayable on demand except for a balance of £10,654,334 (2016: £nil) which is subject to a variable rate of interest and is repayable on demand.

Notes to the financial statements
Year ended 31 December 2017

18. Creditors: amounts falling due after more than one year

	Group		Company	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Bank loans and overdrafts	**15,198**	4,133	**–**	–
Deferred consideration (note 14)	**–**	521	**–**	–
Other creditors	**24,703**	34,990	**–**	–
Deferred tax (note 19)	**–**	140	**–**	–
	39,901	39,784	**–**	–

Borrowings are repayable as follows:

	Group		Company	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Bank loans				
Between two and five years	**16,000**	5,000	**–**	–
Total repayable	**16,000**	5,000	**–**	–
Capitalised facility fees	**(802)**	(867)	**–**	–
	15,198	4,133	**–**	–

The Group had secured bank loan facilities of £130 million at 31 December 2017 (2016: £90 million) of which £16 million (2016: £5 million) were drawn. Loans under the facility are subject to interest at floating rates linked to LIBOR. The facility expires in March 2021.

The Company has granted a fixed and floating charge on its assets to secure bank borrowings of £16 million (2016: £5 million).

Notes to the financial statements
Year ended 31 December 2017

19. Deferred tax assets/(liabilities)

	Group		Company	
	2017	2016	**2017**	2016
	£'000	*£'000*	***£'000***	*£'000*
Decelerated capital allowances	**291**	219	**–**	–
Tax losses available	**205**	659	**–**	–
Other timing differences	**489**	484	**–**	–
	985	1,362	**–**	–
Other timing differences	**–**	(140)	**–**	–
	985	1,222	**–**	–

Deferred tax assets and liabilities are offset only where the Group has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or another entity within the group.

	2017	2016
	£'000	*£'000*
Deferred tax assets		
At 1 January	**1,362**	3,484
Charged to profit and loss account	**(377)**	(2,122)
At 31 December	**985**	1,362
Deferred tax liabilities		
At 1 January	**140**	1,264
Credited to profit and loss account	**(140)**	(1,124)
At 31 December	**–**	140

Notes to the financial statements
Year ended 31 December 2017

20. Financial instruments

The carrying values of the Group's financial assets and liabilities are summarised by category below:

	2017 £'000	2016 £'000
Financial assets		
Measured at fair value through profit or loss		
Shared equity debtors (note 16)	**7,386**	9,582
Measured at undiscounted amount receivable		
Trade debtors, other debtors and accrued income (note 16)	**12,288**	7,027
Amounts due from jointly-controlled entities (note 16)	**28**	6
Other amounts owed by related parties (note 23)	**–**	2,000
	12,316	9,033
	19,702	18,615
Financial liabilities		
Measured at fair value through profit or loss		
Derivative financial liabilities (notes 17,21)	**61**	259
Measured at amortised cost		
Loans payable (note 18)	**16,000**	5,000
Measured at undiscounted amount payable		
Trade creditors, other creditors and accruals (notes 17,18)	**60,081**	68,980
Amounts owed to jointly-controlled entities (note 17)	**14,254**	720
	74,335	69,700
	90,396	74,959

Notes to the financial statements
Year ended 31 December 2017

21. Derivative financial instruments

Interest rate swap contracts

Interest rate swaps are valued at the present value of estimated future cash flows and discounted based on the applicable yield curves derived from quoted interest rates.

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at the reporting date:

	Average contract fixed interest rate		Notional principal value		Fair value	
Outstanding receive floating pay fixed contracts	**2017 %**	2016 %	**2017 £'000**	2016 £'000	**2017 £'000**	2016 £'000
Less than 1 year	1.02	n/a	25,000	–	(61)	–
1 to 2 years	n/a	1.02	–	25,000	–	(259)
			25,000	25,000	(61)	(259)

The interest rate swaps settle on a monthly basis. The floating rate on the interest rate swaps is one month's LIBOR. The Group will settle the difference between the fixed and floating interest rate on a net basis. The fair value gains and losses on the interest rate swaps are shown in note 8.

22. Called-up share capital and reserves

	2017 £'000	2016 £'000
Allotted, called-up and fully paid:		
500,000 Ordinary Shares of £1 each	500	500

The Company has one class of ordinary shares which carry no right to fixed income.

The Group and Company's other reserves are as follows:

The profit and loss reserve represents cumulative profits or losses, including unrealised profit on the re-measurement of derivative financial instruments, net of dividends paid and other adjustments.

The investment in own shares represents the cost of 500,000 ordinary shares in the Company purchased by Fairview Holdings Limited Employee Benefit Trust ("the Trust") financed by a loan of £500,000 from the Company to the Trust.

The Trust is an employees' share scheme under section 1166 of the Companies Act 2006 and was established with the intention that eligible employees of the Company from time to time should benefit from the holding of shares in the Company by the trustees.

The trustees are Zedra Trust Company (Guernsey) Limited and were appointed by the Company. Under the trust deed no transfer or sale of the shares is permitted except under limited exceptional circumstances. At 31 December 2017 none of the assets of the Trust had been applied to any beneficiary.

The market value of the shares at 31 December 2017 is considered to be no less than the cost price. No dividend entitlement arose during the year.

The directors consider the Trust to be the controlling party of the Group.

The capital redemption reserve arose on the purchase and subsequent cancellation of 2,000,000 Ordinary A Shares on 10 July 2002, it is not distributable.

Notes to the financial statements
Year ended 31 December 2017

23. Related party transactions

On 2 October 2017 M Blakey, N M Dulcken, G A Malton and R J Paterson each subscribed £2.650 million for 1,250,000 newly-issued Ordinary Shares in Fairview New Homes (South East) Limited (see note 6).

On 29 September 2017 J T Holliday, a director, repaid to the Company a non-interest bearing loan of £2,000,000.

During the year directors, or their family members, purchased 3 (2016: 5) completed apartments at open market value for £2,601,445 (2016: £1,860,000).

During 2015 the Group received, from four entities (in which M Blakey, N M Dulcken, G A Malton and R J Paterson have beneficial interests) and from J T Holliday, payments for the future purchase of 107 apartments, at open market value, totalling £31,194,000. During the current year 101 (2016: 6) apartment sales completed for an aggregate value of £29,463,000 (2016: £1,731,000). The prior payments were shown in creditors (deferred income) in the balance sheet at 31 December 2016.

Other related party transactions

The total remuneration for key management personnel for the year totalled £15,101,000 (2016: £13,681,000), being remuneration disclosed in note 5.

Amounts charged to Fairview L&Q P R LLP

During the year Fairview Estates (Housing) Limited, a subsidiary, charged £4,621,792 (2016: £1,806,360) to Fairview L&Q P R LLP, a jointly-controlled entity, for development costs and management services.

Amounts charged to Fairview New Homes (South East) Limited

During the period 2 October 2017 to 31 December 2017 Fairview Estates (Housing) Limited, a subsidiary, charged £294,123 to Fairview New Homes (South East) Limited for development costs and management services.

Amounts owed by/to jointly-controlled entities at the reporting date

Amounts owed by jointly-controlled entities at the reporting date were £28,000 (2016: £6,000).

Amounts owed to jointly-controlled entities at the reporting date were £14,254,000 (2016: £720,000).

24. Share based payments and non-controlling interests

On 25 January 2016, M Blakey, N M Dulcken, J T Holliday, G A Malton and R J Paterson, were each issued 200 B shares in Fairview New Homes Limited, a subsidiary company. PAYE and National Insurance contributions were accounted for on the value of these shares at acquisition.

The total share-based payment expense recognised during the year in respect of the B shares was £nil (2016: £11,250).

The B shareholders were only entitled to realise any value from their B shares if pre-determined value hurdles were exceeded and after the expiry of the qualifying period on 1 September 2017. The value hurdles were linked to the consolidated net asset value and profitability of Fairview New Homes Limited and its subsidiaries.

On 29 September 2017 Fairview Holdings Limited purchased 200 Fairview New Homes Limited B shares from each of M Blakey, N M Dulcken, J T Holliday, G A Malton and R J Paterson for £13,838 per share. The total amount paid of £13,838,000 has been attributed to purchase of non-controlling interests in the profit for the year.

The B shares have no dividend rights and no voting rights.

Notes to the financial statements
Year ended 31 December 2017

25. Financial commitments
Total future minimum lease payments under non-cancellable operating leases are as follows:

	2017	2016
	£'000	*£'000*
Group:		
Within one year	**310**	125
Between one and five years	**987**	133
After more than five years	**1,111**	–
	2,408	258

26. Employee benefits
Defined contribution schemes

The Group operates defined contribution retirement benefit schemes for all qualifying employees. The total expense charged to profit or loss in the year ended 31 December 2017 was £740,000 (2016: £614,000).

27. Contingent liabilities
The Company has granted a fixed and floating charge on its assets to secure borrowings available under the facility of £130 million (2016: £90 million). At 31 December 2017 £16 million of the facility was drawn (2016: £5 million).

The Company and certain subsidiary undertakings have given cross guarantees in respect of bank loan facilities available to two subsidiary companies. At 31 December 2017, guarantees outstanding amounted to £130 million (2016: £90 million).

Group companies have entered into various counter indemnities for performance bonds arising in the normal course of business.

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