Fairview Holdings Ltd

Annual Report and Financial Statements for the year ended 31 December 2016

Contents

Strategic report	1
Directors' report	2
Statement of directors' responsibilities	4
Independent auditor's report	5
Consolidated profit and loss account	7
Consolidated balance sheet	8
Parent company balance sheet	9
Consolidated statement of changes in equity	10
Parent company statement of changes in equity	11
Consolidated cash flow statement	12
Notes to the financial statements	13

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 luxury family homes 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 2016

Turnover for the year was £298.1 million (2015: £178.2 million) including 767 legal completions (2015: 435 completions). During the year the Group sold two development sites (2015: two sites). The profit on ordinary activities before corporate bonuses and tax for the year was £91.6 million (2015: £62.4 million).

The increased number of completions in 2016 reflects production delayed from the prior year as a result of previous planning delays. Moderate sales price inflation was also a factor in the overall increase in revenues and profits together with a higher proportion of houses in the sales mix.

After corporate bonuses the profit on ordinary activities before tax was £75.2 million (2015: £45.6 million). Detailed results are set out in the consolidated profit and loss account on page 7.

Shareholder's funds were £230.1 million at 31 December 2016 (2015: £170.1 million). The Group had net cash of £8.8 million (2015: net debt of £6.9 million).

In June 2016 the Group invested an initial £24.6 million into a joint venture with London & Quadrant to acquire a site in Park Royal for development of over 800 homes.

During the year land was acquired for the development of a total 1,928 new homes including joint ventures (2015: 387) and contracts were agreed for a further 125 plots. At 31 December 2016 the land bank for the Group comprised over 3,300 plots (2015: 2,100 plots), of which over 2,600 benefited from resolutions to grant planning consent (2015: 1,400).

Demand for new homes in London and the South East remained firm throughout 2016, although a little less strong in the second half-year particularly for higher-value homes. Help to Buy continues to be an important government initiative and the increase in the maximum equity loan percentage in London to 40% on 1 February 2016 has widened access to the market for potential purchasers.

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, all developments forecast to deliver completions over the next two years now have the necessary planning consent and works have commenced on site.

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.

G A Malton
Chairman

27 March 2017

Registered office:
50 Lancaster Road
Enfield
Middlesex
EN2 0BY

Directors' report

The directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2016.

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	
G A Malton	(Chairman)
R J Paterson	
M R Walker	(appointed 15 March 2016)
R K Williams	

M Blakey, D J Cope, N M Dulcken, J T Holliday, G A Malton and R J Paterson 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 and events that have occurred after the balance sheet date can be found in the Strategic report on page 1 and form part of this report by cross-reference.

Auditor

In the case of each of the persons who are directors at the time when the directors' report is approved, the following apply:

- 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.

By order of the board

R K Williams
Director

27 March 2017

Registered office:
50 Lancaster Road
Enfield
Middlesex
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.

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

We have audited the financial statements of Fairview Holdings Limited for the year ended 31 December 2016 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'.

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.

Respective responsibilities of directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (United Kingdom and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

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 2016 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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.

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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.

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

30 March 2017

Consolidated profit and loss account

Year ended 31 December 2016

	Note	**2016** *£'000*	**2016** *£'000*	2015 *£'000*	2015 *£'000*
Turnover	3		**298,062**		178,193
Cost of sales			**(195,341)**		(100,373)
Gross profit			**102,721**		77,820
Administrative expenses – other		**(11,129)**		(13,644)	
Administrative expenses – corporate bonuses	4	**(16,385)**		(16,731)	
Administrative expenses – total			**(27,514)**		(30,375)
Other operating income			**1,540**		579
Profit on disposal of subsidiary	6		**1,510**		–
Operating profit			**78,257**		48,024
Share of results of jointly controlled entities	7		**(606)**		2
Finance costs (net)	8		**(2,459)**		(2,397)
Profit on ordinary activities before corporate bonuses and taxation			**91,577**		62,360
Profit on ordinary activities before taxation	9		**75,192**		45,629
Tax on profit on ordinary activities	10		**(15,184)**		(6,092)
Profit for the financial year			**60,008**		39,537
Attributable to:					
Non-controlling interest			**–**		1,495
Equity shareholders of the Company			**60,008**		38,042
			60,008		39,537

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 2016

	Note	**2016** **£'000**	2015 £'000
Fixed assets			
Goodwill	11	**854**	3,301
Tangible assets	12	**1,011**	1,123
Investments	13	**22,796**	169
		24,661	4,593
Current assets			
Land and buildings in course of development	15	**285,126**	237,751
Debtors:			
Due within one year	16	**9,355**	10,816
Due after one year	16	**11,582**	15,545
Cash at bank and in hand		**13,805**	17,082
		319,868	281,194
Creditors: amounts falling due within one year	17	**(74,672)**	(86,149)
Net current assets		**245,196**	195,045
Total assets less current liabilities		**269,857**	199,638
Creditors: amounts falling due after more than one year	18	**(39,784)**	(29,584)
Net assets		**230,073**	170,054
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	**228,073**	168,054
Shareholder's funds		**230,073**	170,054

The financial statements of Fairview Holdings Limited were approved by the board of directors and authorised for issue on 27 March 2017.

G A Malton
Chairman

Parent company balance sheet
31 December 2016

	Note	**2016** **£'000**	2015 £'000
Fixed assets			
Investments	13	**80,715**	80,715
Current assets			
Debtors:			
Due within one year	16	**992**	18,455
Due after one year	16	**2,000**	2,000
		2,992	20,455
Creditors: amounts falling due within one year	17	**(70)**	(11,657)
Net current assets		**2,922**	8,798
Net assets		**83,637**	89,513
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	**81,637**	87,513
Shareholder's funds		**83,637**	89,513

The loss for the financial year dealt with in the financial statements of the parent Company, Fairview Holdings Limited, was £5,876,000 (2015: £16,229,000).

The financial statements of Fairview Holdings Limited (registered number 04081726) were approved by the board of directors and authorised for issue on 27 March 2017.

G A Malton
Chairman

Consolidated statement of changes in equity

31 December 2016

	Equity attributable to equity shareholders of the Company						
	Called up share capital	**Capital redemption reserve**	**Investment in own shares**	**Profit and loss account**	**Total**	**Non-controlling interests**	**Total**
	£'000	***£'000***	***£'000***	***£'000***	***£'000***	***£'000***	***£'000***
At 1 January 2015	500	2,000	(500)	149,881	151,881	15,539	167,420
Profit for the financial year	–	–	–	38,042	38,042	1,495	39,537
Acquisition of non-controlling interests	–	–	–	(19,869)	(19,869)	(17,034)	(36,903)
At 31 December 2015	500	2,000	(500)	168,054	170,054	–	170,054
Profit for the financial year	–	–	–	60,008	60,008	–	60,008
Credit to equity for equity settled share-based payment (note 23)	–	–	–	11	11	–	11
At 31 December 2016	500	2,000	(500)	228,073	230,073	–	230,073

Parent company statement of changes in equity

31 December 2016

	Called up share capital *£'000*	Capital redemption reserve *£'000*	Investment in own shares *£'000*	Profit and loss account *£'000*	Total *£'000*
At 1 January 2015	500	2,000	(500)	103,742	105,742
Loss for the financial year	–	–	–	(16,229)	(16,229)
At 31 December 2015	500	2,000	(500)	87,513	89,513
Loss for the financial year	–	–	–	(5,876)	(5,876)
At 31 December 2016	500	2,000	(500)	81,637	83,637

Consolidated cash flow statement

Year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Cash flows from operating activities			
Sales income		**290,395**	218,995
Site purchases		**(74,394)**	(43,827)
Development expenditure		**(107,136)**	(121,563)
Other operating cash flows		**(30,538)**	(9,279)
Income taxes paid		**(9,037)**	(6,852)
Net cash inflow from operating activities before corporate bonuses		**69,290**	37,474
Corporate bonuses		**(27,885)**	(5,231)
Net cash inflow from operating activities		**41,405**	32,243
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets		**21**	106
Purchases of tangible fixed assets		**(345)**	(528)
Acquisition of subsidiaries	14	**(5,220)**	(38,609)
Disposal of subsidiary	6	**5,613**	–
Investment in jointly controlled entity		**(23,232)**	–
Interest received		**67**	37
Net cash outflow from investing activities		**(23,096)**	(38,994)
Cash flows from financing activities			
Interest paid		**(2,586)**	(2,282)
Borrowings (repaid)/advanced		**(19,000)**	4,000
Net cash (outflow)/inflow from financing activities		**(21,586)**	1,718
Net decrease in cash and cash equivalents		**(3,277)**	(5,033)
Cash and cash equivalents at beginning of year		**17,082**	22,115
Cash and cash equivalents at end of year		**13,805**	17,082
Reconciliation to cash at bank and in hand:			
Cash at bank and in hand		**13,805**	17,082
Cash equivalents		**–**	–
Cash and cash equivalents		**13,805**	17,082

Notes to the financial statements

Year ended 31 December 2016

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 is given on page 1. 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 or sold 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. In accordance with Section 35 of FRS 102, Section 19 of FRS 102 has not been applied in these financial statements in respect of business combinations effected prior to the date of transition.

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 2016

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. Land and buildings in course of development (inventories)
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 2016

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.

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.

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.

Notes to the financial statements
Year ended 31 December 2016

1. Accounting policies (continued)

i. Impairment of assets (continued)
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.

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.

Notes to the financial statements
Year ended 31 December 2016

1. Accounting policies (continued)

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 2016

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 judgements and key sources of estimation uncertainty in applying the Group's accounting policies
The following are the critical judgements that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Valuation of land and buildings in the course of development
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.

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.

	2016	2015
	£'000	*£'000*
Sale of residential dwellings, commercial properties and land	**259,506**	154,815
Construction of residential dwellings	**36,443**	20,568
Sale of ground rents	**2,113**	2,810
	298,062	178,193

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

Notes to the financial statements
Year ended 31 December 2016

4. Staff costs and numbers

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

	2016	2015
	Number	*Number*
Site staff	**72**	66
Administrative and other staff	**146**	144
	218	210

Their aggregate remuneration comprised:

	2016	2015
	£'000	*£'000*
Wages and salaries	**14,184**	13,826
Corporate bonuses (excluding social security costs)	**14,398**	14,638
Social security costs	**3,838**	3,533
Other pension costs (note 25)	**614**	762
	33,034	32,759

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 £16.4 million (2015: £16.7 million).

5. Directors' remuneration and transactions

	2016	2015
	£'000	*£'000*
Directors' remuneration		
Emoluments	**3,576**	4,286
Corporate bonuses	**10,105**	10,105
Company contributions to money purchase pension schemes	**–**	41
	13,681	14,432

	2016	2015
	Number	*Number*
The number of directors who:		
Are members of a money purchase pension scheme	**–**	3

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 (see note 23).

Notes to the financial statements
Year ended 31 December 2016

5. Directors' remuneration and transactions (continued)

	2016	2015
	£'000	*£'000*
Remuneration of the highest paid director:		
Emoluments	**487**	1,027
Corporate bonuses	**4,394**	2,500
Company contributions to money purchase pension schemes	**–**	9
	4,881	3,536

Directors' advances, credits and guarantees
Details of transactions with directors during the year are disclosed in note 27.

6. Disposal of subsidiary undertaking

On 30 September 2016 a subsidiary undertaking, Fairview New Homes Limited, disposed of its 100% interest in the share capital of Fairview New Homes (North London) Limited. The profit of Fairview New Homes (North London) Limited from 1 January 2016 to the date of disposal was £85,000 and for the year ended 31 December 2015 was £25,000.

Net assets disposed of and the related sales proceeds were as follows:

	£'000
Book value of assets and liabilities	
Land and buildings in the course of development	3,984
Other debtors	15
Deferred income	104
Net assets	4,103
Profit on sale	1,510
Sale proceeds	5,613

7. Share of results of jointly controlled entities

	2016	2015
	£'000	*£'000*
Fairview L&Q P R LLP	**(605)**	–
Markhome Limited	**(1)**	2
	(606)	2

Notes to the financial statements
Year ended 31 December 2016

8. Finance costs (net)

	2016 £'000	2015 £'000
Interest payable and similar charges		
Interest payable on bank loans	**812**	1,259
Amortisation of loan arrangement costs	**912**	312
Bank commitment fees	**551**	858
Other interest payable	**2**	18
	2,277	2,447
Investment income		
Bank and other interest receivable	**(67)**	(95)
Net interest payable	**2,210**	2,352
Other finance costs		
Fair value losses on interest rate swaps (note 21)	**249**	45
Finance costs (net)	**2,459**	2,397

9. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2016 £'000	2015 £'000
Cost of land and buildings in course of development recognised as an expense	**175,866**	102,612
Depreciation of tangible fixed assets (note 12)	**403**	394
Amortisation of goodwill (note 11)	**3,126**	413
Operating lease rentals	**217**	217
Loss on disposal of fixed assets	**34**	12

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

	2016 £'000	2015 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**68**	65
Fees payable to the Company's auditor for other services to the Group:		
Audit of the Company's subsidiaries	**46**	43
Total audit fees	**114**	108
Taxation compliance services	**48**	58
Other taxation advisory services	**76**	111
Total non-audit fees	**124**	169

No services were provided pursuant to contingent fee arrangements.

Notes to the financial statements
Year ended 31 December 2016

10. Tax charge on profit on ordinary activities

The tax charge comprises:

	2016	2015
	£'000	*£'000*
Current tax on profit on ordinary activities		
UK corporation tax at 20% (2015: 20.25%)	**(14,057)**	(7,324)
Adjustment in respect of prior years	**(130)**	113
Total current tax	**(14,187)**	(7,211)
Deferred taxation		
Origination and reversal of timing differences	**1,209**	149
(Decrease)/increase in estimate of recoverable deferred tax asset	**(2,163)**	1,108
Effect of decrease in tax rate on opening asset	**(43)**	(138)
Total deferred tax	**(997)**	1,119
Total tax on profit on ordinary activities	**(15,184)**	(6,092)

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest rate substantively enacted in July 2013 now standing at 20% with effect from 1 April 2015. The closing deferred tax assets and liabilities have been calculated in accordance with the rates enacted at the balance sheet date. In the Budget on 8 July 2015, the UK Government proposed to further reduce the main rate of UK corporation tax to 19% with effect from 1 April 2017 and 18% with effect from 1 April 2020. These rate changes were substantively enacted in the Finance (No. 2) Act 2015 on 26 October 2015. Subsequently in the Budget on 16 March 2016, the UK Government proposed to further reduce the main rate of UK corporation tax to 17% with effect from 1 April 2020 (superseding the 18% rate effective from that date introduced in Finance (No.2) Act 2015). This rate change was substantively enacted in the Finance Act 2016 on 15 September 2016. Existing timing differences may therefore unwind in periods subject to these reduced rates.

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

A deferred tax asset of £5,209,000 (2015: £5,890,000) in respect of unrelieved tax losses of £26,048,000 (2015: £29,450,000) has not been recognised due to uncertainty in the amount and timing of taxable profits.

Notes to the financial statements
Year ended 31 December 2016

10. Tax charge on profit on ordinary activities (continued)

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:

	2016 **£'000**	2015 £'000
Profit on ordinary activities before taxation	**75,192**	45,629
Tax charge on profit on ordinary activities at 20% (2015: 20.25%)	**(15,038)**	(9,240)
Effects of:		
Net income not taxable	**110**	24
Depreciation lower than capital allowances	**(1)**	11
Movement in short term timing differences	**(50)**	37
Amortisation of goodwill	**(1,749)**	(84)
Allowance in respect of contaminated land	**18**	27
Tax losses carried forward	**–**	(161)
Utilisation of brought forward tax losses	**1,656**	3,181
Prior period adjustments	**(130)**	113
Total tax charge for the year	**(15,184)**	(6,092)

11. Intangible fixed assets

	Goodwill **£'000**
Group	
Cost	
At 1 January 2016	4,438
Additions (note 14a)	679
At 31 December 2016	**5,117**
Amortisation	
At 1 January 2016	1,137
Charge for the year	3,126
At 31 December 2016	**4,263**
Net book value	
At 31 December 2016	**854**
At 31 December 2015	3,301

Notes to the financial statements
Year ended 31 December 2016

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 2016	201	49	1,115	1,161	2,526
Additions	–	–	31	315	346
Disposals	–	–	(147)	(283)	(430)
At 31 December 2016	**201**	**49**	**999**	**1,193**	**2,442**
Depreciation					
At 1 January 2016	–	34	852	517	1,403
Charge for the year	–	5	120	278	403
Disposals	–	–	(147)	(228)	(375)
At 31 December 2016	**–**	**39**	**825**	**567**	**1,431**
Net book value					
At 31 December 2016	**201**	**10**	**174**	**626**	**1,011**
At 31 December 2015	201	15	263	644	1,123

13. Investments

	Group		Company	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Subsidiary undertakings	**–**	–	**80,715**	80,715
Jointly controlled entities	**22,627**	–	**–**	–
Other investments	**169**	169	**–**	–
Total	**22,796**	169	**80,715**	80,715

The Company holds 100% of the issued share capital and controls 100% of the voting rights of Bencasco Limited, a company that owns 10.075% of the issued share capital and controls 10.075% of the voting rights of Fairview New Homes Limited. In addition , the Company owns 100% of the issued share capital and controls 100% of the voting rights of Geminiri Limited, a company that owns 14.925% of the issue 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 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 share capital and voting rights. Fairview New Homes Limited holds 100% of the issued share capital and controls 100% of the voting rights of the following active subsidiaries:

Notes to the financial statements
Year ended 31 December 2016

13. Investments (continued)

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 (Willow Way) Limited
Fairview Property Trading Limited
Fairview Ventures Limited
HBF Insurance PCC Limited Cell Fairview / BOS
Westprize Limited

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 Enfield Limited holds 100% of the issued share capital and controls 100% of the voting rights of Fairview New Homes (South East) 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.

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.

Joint ventures
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.

Notes to the financial statements
Year ended 31 December 2016

13. Investments (continued)

Other investments

Other investments include a £169,000 (2015: £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 net book value	
At 1 January 2016 and 31 December 2016	80,715

Jointly controlled entities – Group

	2016 **£'000**	2015 £'000
Carrying value		
Fairview L&Q P R LLP	**22,627**	–
Markhome Limited	**–**	–
At 31 December	**22,627**	–
Movement in carrying value		
At 1 January	**–**	–
Additions	**23,232**	–
Share of retained (loss)/profit for the year (note 7)	**(606)**	2
Increase/(reversal) of provision against carrying value	**1**	(2)
At 31 December	**22,627**	–

Notes to the financial statements

Year ended 31 December 2016

14. Acquisition of subsidiary undertakings

a. Montclare Limited

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. During the year ended 31 December 2016 the estimate of total deferred contingent consideration payable was increased by £679,000 to £5,741,000. The fair value of the total consideration was therefore increased from £6,856,000 to £7,535,000.

The acquisition has been accounted for under the acquisition method. The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the Group:

	Book value	Fair value adjustments	Fair value to the Group
	£'000	*£'000*	*£'000*
Current assets			
Land and buildings in course of development	2,913	6,322	9,235
Debtors	16	–	16
Total assets	**2,929**	**6,322**	**9,251**
Creditors			
Loans	3,500	–	3,500
Accruals	2	–	2
Deferred tax	–	1,264	1,264
Total liabilities	**3,502**	**1,264**	**4,766**
Net (liabilities)/assets	**(573)**	**5,058**	**4,485**
Goodwill			
Recognised on acquisition		2,371	
Recognised during the year		679	
			3,050
			7,535
Satisfied by			
Cash paid on acquisition			1,794
Deferred and contingent consideration			
recognised on acquisition		5,062	
recognised during the year		679	
			5,741
			7,535

During the year ended 31 December 2016 deferred consideration of £5,220,000 was paid (2015: £nil). Deferred consideration payable at 31 December 2016 was £521,000 (2015: £5,062,000) (see note 18).

Notes to the financial statements
Year ended 31 December 2016

14. Acquisition of subsidiary undertakings (continued)

b. Geminiri Limited
On 22 April 2015 the Company acquired 100 per cent of the issued share capital of Geminiri Limited for consideration of £36,915,000 inclusive of directly attributable acquisition costs.

15. Land and buildings in course of development
At 31 December 2016 the Group held £63.6 million (2015: £96.7 million) of land included within land and buildings in course of development which had not received appropriate residential planning consent. Of this amount £20.9 million (2015: £15.9 million) of land had, by the date of approval of these accounts, been the subject of resolutions to grant consent and a further £nil (2015: £6.9 million) 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.

16. Debtors

	Group		Company	
	2016	2015	**2016**	2015
	£'000	*£'000*	***£'000***	*£'000*
Amounts falling due within one year:				
Trade debtors	**3,749**	1,191	**–**	–
Amounts owed by subsidiaries	**–**	–	**992**	18,373
Amounts owed by jointly controlled entities	**6**	11	**–**	–
VAT	**190**	390	**–**	–
Other debtors	**1,259**	89	**–**	–
Prepayments	**770**	725	**–**	82
Accrued income	**2,019**	4,926	**–**	–
Deferred tax asset (note 19)	**1,362**	3,484	**–**	–
	9,355	10,816	**992**	18,455
Amounts falling due after more than one year:				
Shared equity debtors	**9,582**	13,545	**–**	–
Other amounts owed by related parties (note 27)	**2,000**	2,000	**2,000**	2,000
	11,582	15,545	**2,000**	2,000
	20,937	26,361	**2,992**	20,455

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.

Notes to the financial statements

Year ended 31 December 2016

17. Creditors: amounts falling due within one year

	Group		Company	
	2016	2015	**2016**	2015
	£'000	*£'000*	***£'000***	*£'000*
Trade creditors	**9,186**	5,910	**–**	–
Corporation tax	**7,805**	2,655	**–**	–
Other taxation and social security	**1,052**	1,014	**–**	–
Other creditors	**50**	96	**–**	–
Accruals	**24,147**	33,723	**70**	11,657
Deferred income	**31,367**	42,693	**–**	–
Amounts owed to jointly controlled entities	**720**	–	**–**	–
Defined contribution pension scheme accrual	**86**	48	**–**	**–**
Derivative financial liabilities (note 20)	**259**	10	**–**	–
	74,672	86,149	**70**	11,657

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

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

	Group		Company	
	2016	2015	**2016**	2015
	£'000	*£'000*	***£'000***	*£'000*
Bank loans and overdrafts	4,133	23,258	–	–
Deferred consideration (note 14a)	521	5,062	–	–
Other creditors	34,990	–	–	–
Deferred tax (note 19)	140	1,264	–	–
	39,784	29,584	–	–

Borrowings are repayable as follows:

	Group		Company	
	2016	2015	**2016**	2015
	£'000	*£'000*	***£'000***	*£'000*
Bank loans				
Between one and two years	**–**	20,000	**–**	–
Between two and five years	**5,000**	4,000	**–**	–
Total repayable	**5,000**	24,000	**–**	–
Capitalised facility fees	**(867)**	(742)	**–**	–
	4,133	23,258	**–**	–

The Group had secured bank loan facilities of £90 million at 31 December 2016 (2015: £90 million) of which £5 million (2015: £24 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 £5 million (2015: £24 million).

Notes to the financial statements
Year ended 31 December 2016

19. Deferred tax assets/(liabilities)

	Group		Company	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Decelerated capital allowances	**219**	287	**–**	–
Tax losses available	**659**	2,725	**–**	–
Other timing differences	**484**	472	**–**	–
	1,362	3,484	**–**	–
Other timing differences	**(140)**	(1,264)	**–**	–
	1,222	2,220	**–**	–

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.

	2016	2015
	£'000	£'000
Deferred tax assets		
At 1 January	**3,484**	2,365
(Charged)/credited to profit and loss account	**(2,122)**	1,119
At 31 December	**1,362**	3,484
Deferred tax liabilities		
At 1 January	**1,264**	–
Acquisition of Montclare Limited (note 14a)	**–**	1,264
Credited to profit and loss account	**(1,124)**	–
At 31 December	**140**	1,264

Notes to the financial statements
Year ended 31 December 2016

20. Financial instruments

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

	2016 £'000	2015 £'000
Financial assets		
Measured at fair value through profit or loss		
Shared equity debtors (note 16)	**9,582**	13,545
Measured at undiscounted amount receivable		
Trade debtors, other debtors and accrued income (note 16)	**7,027**	6,206
Amounts due from jointly controlled entities (note 16)	**6**	11
Other amounts owed by related parties (note 27)	**2,000**	2,000
	9,033	8,217
	18,615	21,762
Financial liabilities		
Measured at fair value through profit or loss		
Derivative financial liabilities (notes 17,21)	**259**	10
Measured at amortised cost		
Loans payable (note 18)	**5,000**	24,000
Measured at undiscounted amount payable		
Trade creditors, other creditors and accruals (notes 17,18)	**68,980**	44,839
Amounts owed to jointly controlled entities (note 17)	**720**	–
	74,959	68,849

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	**2016 %**	2015 %	**2016 £'000**	2015 £'000	**2016 £'000**	2015 £'000
1 to 2 years	**1.02**	n/a	**25,000**	–	**(259)**	–
2 to 5 years	**n/a**	1.02	**–**	25,000	**–**	(10)
			25,000	25,000	**(259)**	(10)

The interest rate swaps settle on a monthly basis. The floating rate on the interest rate swaps is one months' LIBOR. The Group will settle the difference between the fixed and floating interest rate on a net basis.

Notes to the financial statements

Year ended 31 December 2016

22. Called-up share capital and reserves

	2016	2015
	£'000	*£'000*
Allotted, called-up and fully paid:		
500,000 Ordinary Shares of £1 each	**500**	500

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 2016 none of the assets of the Trust had been applied to any beneficiary.

The market value of the shares at 31 December 2016 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.

23. Share based payments

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 have been accounted for on the value of these shares at acquisition.

The B shareholders are only entitled to realise any value from their B shares if pre-determined value hurdles are exceeded and after the expiry of the qualifying period on 1 September 2017. The value hurdles are linked to the consolidated net asset value and profitability of Fairview New Homes Limited and its subsidiaries. The B shareholders will, to the extent that the hurdle value has been exceeded, be able to realise value by disposing of their B shares at the end of the qualifying period.

Retaining ownership of the B shares is conditional on continuing employment. Specific rules apply if the director ceases employment during the qualifying period.

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

The total expense recognised during the year in respect of the B shares was £11,250 (2015: £nil).

Notes to the financial statements
Year ended 31 December 2016

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

	2016	2015
	£'000	*£'000*
Group:		
Within one year	**125**	197
Between one and five years	**133**	134
	258	331

25. 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 period ended 31 December 2016 was £614,000 (2015: £762,000).

26. Contingent liabilities
The Company has granted a fixed and floating charge on its assets to secure borrowings available under the facility of £90 million (2015: £90 million). At 31 December 2016 £5 million of the facility was drawn down (2015: £24 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 2016, guarantees outstanding amounted to £90 million (2015: £90 million).

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

27. Related party transactions
Until its acquisition by Fairview Holdings Limited on 22 April 2015 (see note 14b), Geminiri Limited, a collective investment company, was owned and controlled by M Blakey, N M Dulcken, G A Malton and R J Paterson, and was a related party as a consequence of holding 1,791,000 £1 ordinary shares, representing 14.925% of the issued share capital, in Fairview New Homes Limited, an intermediate holding company. During the prior year the Group made charges to Geminiri Limited for accounting and company secretarial services of £307. At 31 December 2015 £nil was outstanding in respect of these services.

The directors' investments in Geminiri Limited were financed by loans from the Company that were secured on the shares of the collective investment company. The loans, which were non-interest bearing and due for repayment on 6 October 2016, were repaid on 22 April 2015.

On 23 April 2015 the Company made a loan of £2,000,000 to J T Holliday, a director. The loan is non-interest bearing, is due for repayment on 23 April 2020 and is shown in debtors in the Group and Company balance sheets.

During the year a director purchased 5 completed apartments at open market value for £1,860,000.

During the prior year 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, deposits for the future purchase of apartments, at open market value, totalling £31,194,000. During the current year 6 apartment sales completed for an aggregate value of £1,731,000. The deposits are shown in creditors (deferred income) in the balance sheet.

In addition, during the prior year two directors, or members of their close families, purchased eight completed apartments at open market value for £2,909,000.

Notes to the financial statements
Year ended 31 December 2016

27. Related party transactions (continued)

Other related party transactions

The total remuneration for key management personnel for the year totalled £13,681,000 (2015: £14,432,000), being remuneration disclosed in note 5.

Amounts owed by jointly controlled entities at the reporting date were £6,000 (2015: £11,000).

Amounts owed to jointly controlled entities at the reporting date were £720,000 (2015: £nil).

Perivan Financial Print 244633