Fairview® Holdings Ltd

Annual Report & Accounts 2013

Contents

Strategic report

The Fairview Holdings Limited group ("Fairview") is a residential property developer and house builder.

Fairview specialises in the unconditional purchase of brownfield sites and develops 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.

Results for 2013

Turnover for the year was £141.5 million (2012: £205.1 million) including the completion of 651 units (2012: 1,052 units). The profit on ordinary activities before Corporate/Employee Benefit Trust bonuses and tax for the year was £31.6 million (2012: £29.1 million).

The increase in profit reflects higher margins on 2013 completions. Detailed results are set out in the consolidated profit and loss account on page 6.

Corporate/Employee Benefit Trust bonuses paid to directors and staff were £55.0 million (2012: £15.1 million).

After Corporate/Employee Benefit Trust employee bonuses the loss on ordinary activities before tax was £23.5 million (2012: £13.9 million profit).

Shareholder's funds were £121.3 million at 31 December 2013 (2012: £141.7 million). The Group had net cash of £7.3 million (2012: £60.4 million).

During the year land was acquired for the development of 1,187 new homes (2012: 158). At 31 December 2013 the land bank for the Group and joint ventures comprised over 2,500 plots (2012: 1,900 plots), of which over 1,100 benefited from resolutions to grant planning consent (2012: 1,100).

On 10 April 2013 Fairview Holdings Limited acquired Bencasco Limited, which holds 10.075% of the shares in Fairview New Homes Limited, from a director and former directors of the Company, increasing the Company's shareholding in Fairview New Homes Limited to 85.075%.

On 9 December 2013 Fairview acquired the remaining 50% interest that it did not own in Westprize Limited, which is developing 212 units in London.

There were significant improvements in the residential market in which Fairview operates during 2013 as purchasers benefited from increased availability of mortgages and introduction of the Government's Help to Buy scheme.

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 impact of unemployment, buyer confidence, the availability of mortgages and interest rates, the availability of bank finance, the impact of new 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.

Details of interest rate and liquidity risk are given in note 17.

M J Sidders
Secretary

21 March 2014

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 2013.

Directors

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

M Blakey	
C P Cobb	(resigned 15 May 2013)
D J Cope	
N M Dulcken	
S J Gough	(appointed 19 June 2013)
J T Holliday	
G A Malton	(Managing Director)
R J Paterson	
M J Sidders	(appointed 19 June 2013)

The directors 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 employee share scheme under section 1166 Companies Act 2006. Further details of the Trust are given in note 21.

Dividends

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

Going concern

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 in preparing the annual report and accounts. Further details of the going concern basis are given in note 1.

Employment policy

Communication with employees about the broad objectives of the business is effected through briefing meetings held by directors with management, who cascade the information to their staff.

Applications for employment by disabled persons are considered on their merits with due regard to individual skills and abilities. Where disability occurs during an individual's employment the Group will seek to enable the employee to continue working.

The Group encourages the training and development of all employees and in particular this includes health and safety matters.

Directors' report

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.

Pursuant to section 485 of the Companies Act 2006 an elective resolution has been passed to dispense with the requirement to reappoint an auditor annually and therefore Deloitte LLP remain as auditor.

By order of the board

M J Sidders
Secretary

21 March 2014

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). 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 2013 which comprise the consolidated profit and loss account, the consolidated and parent company balance sheets, the consolidated cash flow statement and the related notes 1 to 33. 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).

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 Directors' Responsibilities Statement, 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 2013 and of the Group's loss 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 matter prescribed by the Companies Act 2006

In our opinion 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.

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
St Albans, United Kingdom

21 March 2014

Consolidated profit and loss account
Year ended 31 December 2013

	Note	**2013** £'000	**2013** £'000	2012 £'000	2012 £'000
Turnover	2		**141,500**		205,128
Cost of sales			**(98,325)**		(166,860)
Gross profit			**43,175**		38,268
Administrative expenses – other		**(12,008)**		(9,922)	
Administrative expenses – Corporate/Employee Benefit Trust employee bonuses	3	**(55,045)**		(15,110)	
Administrative expenses – total			**(67,053)**		(25,032)
Other operating income	5		**812**		1,340
Operating (loss)/profit	6		**(23,066)**		14,576
Share of operating profits and losses of joint ventures			**7**		166
(Loss)/profit before interest and finance charges			**(23,059)**		14,742
Net interest and finance charges payable					
Group	7		**(103)**		(657)
Share of joint ventures	7		**(293)**		(140)
Profit on ordinary activities before Corporate/Employee Benefit Trust employee bonuses and taxation			**31,590**		29,055
(Loss)/profit on ordinary activities before taxation			**(23,455)**		13,945
Tax credit/(charge) on (loss)/profit on ordinary activities	8		**3,049**		(128)
(Loss)/profit on ordinary activities after taxation			**(20,406)**		13,817
Equity minority interests	23		**29**		(6,403)
(Loss)/profit for the financial year	20, 22		**(20,377)**		7,414

All amounts relate to continuing activities.

There are no recognised gains or losses in either the current or preceding financial year other than those stated in the profit and loss account and accordingly no statement of total recognised gains and losses is present.

Consolidated balance sheet

31 December 2013

	Note	2013 £'000	2012 £'000
Fixed assets			
Positive goodwill	10	**1,757**	10
Tangible assets	12	**996**	1,009
Investment in joint ventures:			
Share of gross assets		**2**	3,673
Share of gross liabilities		**(2)**	(3,668)
	13	**–**	5
Other investments	13	**255**	49
		3,008	1,073
Current assets			
Land and buildings in course of development	14	**131,560**	99,301
Debtors:			
Due within one year	15	**6,344**	5,794
Due after one year	15	**24,138**	26,065
Cash at bank and in hand		**12,293**	60,383
		174,335	191,543
Creditors: amounts falling due within one year	16	**(41,433)**	(35,862)
Net current assets		**132,902**	155,681
Total assets less current liabilities		**135,910**	156,754
Creditors: amounts falling due after more than one year	17	**(6,325)**	–
Net assets		**129,585**	156,754
Capital and reserves			
Called up share capital	19	**500**	500
Capital redemption reserve	20	**2,000**	2,000
Investment in own shares	21	**(500)**	(500)
Profit and loss account	20	**119,288**	139,665
Shareholder's funds	22	**121,288**	141,665
Minority interests	23	**8,297**	15,089
Total capital employed		**129,585**	156,754

The financial statements of Fairview Holdings Limited (registered number 04081726) were approved by the board of directors on 21 March 2014

G A Malton
Managing Director

Parent company balance sheet
31 December 2013

	Note	**2013** **£'000**	2012 £'000
Fixed assets			
Investments	13	**43,800**	35,000
Current assets			
Debtors:			
Due within one year	15	**70,039**	100,642
Due after one year	15	**2,256**	3,779
Creditors: amounts falling due within one year	16	**(78)**	(8,023)
Net current assets		**72,217**	96,398
Net assets		**116,017**	131,398
Capital and reserves			
Called up share capital	19	**500**	500
Capital redemption reserve	20	**2,000**	2,000
Investment in own shares	21	**(500)**	(500)
Profit and loss account	20	**114,017**	129,398
Shareholder's funds	22	**116,017**	131,398

The financial statements of Fairview Holdings Limited (registered number 04081726) were approved by the board of directors on 21 March 2014

G A Malton
Managing Director

Consolidated cash flow statement
Year ended 31 December 2013

	Note	2013 £'000	2012 £'000
Sales income		**144,334**	188,642
Site purchases		**(39,834)**	(14,272)
Development expenditure		**(52,953)**	(73,312)
Other operating cash flows		**(13,908)**	(12,283)
Net cash inflow from operating activities before Corporate/Employee Benefit Trust employee bonuses		**37,639**	88,775
Corporate/Employee Benefit Trust employee bonuses		**(62,902)**	(7,253)
Net cash (outflow)/inflow from operating activities	28	**(25,263)**	81,522
Dividends received from joint ventures		**5**	100
Returns on investments and servicing of finance			
Interest received		**264**	50
Interest and finance charges paid		**(2,502)**	(1,543)
Net cash outflow from returns on investments and servicing of finance		**(2,238)**	(1,493)
Taxation		**–**	(27)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		**(450)**	(497)
Receipts from sale of tangible fixed assets		**92**	127
Increase in loans to joint ventures		**(8,723)**	(3,429)
Net cash outflow from capital expenditure and financial investment		**(9,081)**	(3,799)
Acquisitions and disposals			
Consideration paid on acquisition of subsidiaries	11	**(13,452)**	–
Cash acquired with subsidiaries	11	**1,038**	–
Loan repaid on acquisition of subsidiary	11	**(3,758)**	–
Deferred consideration on acquisition of subsidiary	29	**(105)**	(23)
Consideration paid on acquisition of investment	29	**(206)**	(49)
Net cash outflow from acquisitions and disposals		**(16,483)**	(72)
Equity dividend paid by group company		**(30)**	–
Net cash (outflow)/inflow before financing		**(53,090)**	76,231
Financing			
Net increase/(decrease) in bank loans	30	**5,000**	(23,100)
Net cash inflow/(outflow) from financing		**5,000**	(23,100)
(Decrease)/increase in cash net of overdrafts	31	**(48,090)**	53,131

Notes to the accounts
Year ended 31 December 2013

1. Accounting policies
The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards. The particular accounting policies adopted are described below and have been applied consistently throughout the current and preceding year.

Accounting convention
These financial statements are prepared under the historical cost convention.

Basis of consolidation
The Group accounts consolidate the accounts of the Company and its subsidiaries. All trading profits between group companies have been excluded. All subsidiaries make up their accounts to the same date and follow common accounting policies in all material respects. The consolidated profit and loss account includes the results of subsidiary undertakings acquired or sold from or to the date on which control passes. Acquisitions are accounted for under the acquisition method.

Goodwill
On the acquisition of a business, fair values are attributed to the Group's share of separable assets and liabilities. Where the cost of acquisition exceeds the total fair value, the difference is treated as purchased goodwill and is capitalised in the year of acquisition in the consolidated balance sheet and included within intangible fixed assets. Where the purchased goodwill relates to a development it is amortised pro rata to turnover from that development and is reflected in the profit and loss account as an adjustment to cost of sales. Where the total fair value of the Group's share of separable assets and liabilities exceeds the cost of acquisition, the difference is treated as negative goodwill and is amortised pro rata to turnover from the developments. The board of directors considers this method of amortisation fairly reflects the depletion of the negative goodwill and is reflected in the profit and loss account as an adjustment to cost of sales.

Joint ventures
The Group profit and loss account includes the Group's share of operating profit, interest and attributable taxation of joint ventures. The investment in joint ventures disclosed in the Group's balance sheet reflects the Group's share of net assets or liabilities, including goodwill, of those companies or ventures.

Turnover
Turnover comprises:

(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 accounts
Year ended 31 December 2013

1. Accounting policies (continued)

Land and buildings in course of development
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.

Borrowings and loan arrangement costs
Debt is stated at the fair value of consideration received after deduction of loan arrangement costs. The loan arrangement costs are charged to the profit and loss account over the period of time that the facilities are expected to remain in existence.

Interest
All interest is charged directly to the profit and loss account and included within net interest and finance charges payable.

Tangible fixed assets and depreciation
Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. No depreciation is charged on freehold land and buildings as it is considered that the amount involved would be immaterial. Other fixed assets are depreciated on a straight line basis over their estimated useful lives as follows:

Improvements to leasehold property	20%
Fixtures and fittings, computers and site equipment	25% – 33%
Motor vehicles	25%

Investments
Investments held as fixed assets are stated at cost less provision for any impairment in value.

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 cost less any provision for impairment and are discounted to reflect the time value of money. The discount to nominal value is amortised over the period of the credit term and credited to net interest.

Pensions
The Group's pension commitments are fulfilled by defined contributions paid into the personal pension arrangements of eligible employees. Costs are charged to the profit and loss account as they are incurred.

Leases
Costs in respect of operating leases are charged on a straight line basis over the lease term.

Notes to the accounts
Year ended 31 December 2013

1. Accounting policies (continued)

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 taxation is provided in full on all timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets and liabilities are not discounted.

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 on page 1. In addition, note 17 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 June 2016.

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 in preparing the annual report and accounts.

Derivative financial instruments
The Company uses derivative financial instruments to reduce exposure to interest rate movements. The Company does not hold or issue derivative financial instruments for speculative purposes. Interest is charged to the profit and loss account as it is incurred.

2. Group turnover

	2013	2012
	£'000	*£'000*
Group turnover comprises:		
Sale of residential dwellings, commercial properties and land	**128,088**	184,345
Construction of residential dwellings	**10,370**	19,077
Sale of ground rents	**3,042**	1,706
	141,500	205,128

The Group operates as a single business segment, which is residential development in the United Kingdom, and therefore no segmental analysis is required.

Notes to the accounts
Year ended 31 December 2013

3. Employees

	2013	2012
	Number	Number
Average number of persons employed (including directors)		
Site staff	**73**	105
Administrative and other staff	**148**	169
	221	274

	£'000	*£'000*
Staff costs during the year (including directors)		
Wages and salaries	**12,696**	13,998
Corporate/Employee Benefit Trust employee bonuses (excluding social security costs)	**48,370**	12,137
Social security costs	**8,156**	3,276
Pension costs (note 26)	**706**	1,882
	69,928	31,293

The directors believe that the presentation of profit on ordinary activities before Corporate/Employee Benefit Trust employee bonuses and taxation 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.

Prior year administrative expenses have been disclosed on the same basis as the current year presentation to provide comparability.

4. Directors' emoluments

	2013	2012
	£'000	*£'000*
Directors' emoluments		
Aggregate emoluments excluding pension contributions	**3,509**	2,946
Corporate/Employee Benefit Trust employee bonuses	**19,930**	3,219
Pension contributions	**200**	153
Total emoluments	**23,639**	6,318
Highest paid director's remuneration		
Aggregate emoluments excluding pension contributions	**164**	585
Corporate/Employee Benefit Trust employee bonuses	**13,358**	2,075
Pension contributions	**–**	–
Total emoluments	**13,522**	2,660

The number of directors to whom retirement benefits accrued during the year under money purchase schemes is 4 (2012: 3).

Notes to the accounts
Year ended 31 December 2013

5. Other operating income

	2013 £'000	2012 £'000
Project management fees	**324**	525
Rental income	**288**	701
Other	**200**	114
	812	1,340

6. Group operating (loss)/profit

	Note	2013 £'000	2012 £'000
Group operating profit is after charging/(crediting):			
Amortisation of positive goodwill	10	**320**	307
Negative goodwill written back		**–**	(746)
Depreciation	12	**332**	349
Loss/(profit) on sale of fixed assets		**39**	(5)
Rentals under operating leases:			
Plant and machinery		**52**	58
Other		**217**	159
Fees payable to the Company's auditor for the audit of the Company's annual accounts		**65**	57
Fees payable to the Company's auditor for other services:			
Audit of the Company's subsidiaries pursuant to legislation		**40**	39
Tax compliance services		**54**	43
Tax advisory services		**35**	32
Other		**27**	3

7. Net interest and finance charges payable

	Group		Share of joint ventures	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Interest payable				
Bank loans and overdrafts	**519**	900	**–**	–
Other loans	**–**	49	**293**	140
	519	949	**293**	140
Interest receivable				
Bank and other interest	**(215)**	(134)	**–**	–
Interest from joint ventures	**(418)**	(140)	**–**	–
Imputed interest on shared equity debtors	**(1,034)**	(1,237)	**–**	–
Net interest (receivable)/payable	**(1,148)**	(562)	**293**	140
Finance charges				
Amortisation of loan arrangement costs	**258**	571	**–**	–
Bank commitment fees	**993**	648	**–**	–
Net interest and finance charges payable	**103**	657	**293**	140

Notes to the accounts
Year ended 31 December 2013

8. Tax credit/(charge) on profit on ordinary activities

	2013	2012
	£'000	*£'000*
United Kingdom corporation tax on (loss)/profit for the year at 23.25% (2012: 24.5%)		
– group	**–**	–
– share of joint ventures	**–**	(30)
Adjustment in respect of prior years		
– group	**–**	(8)
	–	(38)
Deferred taxation		
– group	**3,049**	(90)
	3,049	(128)

A deferred tax asset of £14,746,000 (2012: £14,346,000) in respect of unrelieved losses of £73,735,000 (2012: £62,376,000) has not been recognised due to uncertainty in the amount and timing of taxable profits.

Reconciliation of current tax credit/(charge)
The standard rate of current tax for the year is the UK standard rate of corporation tax of 23.25% (2012: 24.5%). The tax credit/(charge) for both the current and preceding year differs from the standard rate for the reasons set out in the following reconciliation:

	2013	2012
	£'000	*£'000*
(Loss)/profit on ordinary activities before taxation	**(23,455)**	13,945
Tax credit/(charge) on (loss)/profit on ordinary activities at 23.25% (2012: 24.5%)	**5,453**	(3,416)
Factors affecting charge:		
Restatement	**–**	(785)
Net (expenses)/income not deductible for tax purposes	**(375)**	133
Depreciation (higher)/lower than capital allowances	**(86)**	49
Movement in short term timing differences	**(30)**	152
Amortisation of goodwill	**(74)**	(49)
Allowance in respect of contaminated land	**48**	49
Tax losses carried forward	**(5,221)**	(35)
Utilisation of brought forward tax losses	**285**	3,872
Prior period adjustments	**–**	(8)
Current tax charge	**–**	(38)

Following the enactment of the Finance Act 2013 in July 2013, the UK corporation tax rate was reduced from 23% to 21% with effect from 1 April 2014 and from 21% to 20% with effect from 1 April 2015. The deferred tax position as at 31 December 2013 has been calculated at the rate at which deferred tax is expected to unwind in the future.

Notes to the accounts
Year ended 31 December 2013

9. Loss for the year attributable to the members of Fairview Holdings Limited

	2013	2012
	£'000	*£'000*
Loss of the parent company for the year	**15,381**	2,853

The Company has taken advantage of section 408 of the Companies Act 2006 and consequently a profit and loss account for the company alone is not presented.

10. Intangible fixed assets – goodwill

Group

	Positive goodwill
	£'000
Cost	
At 31 December 2012	172
Additions	2,067
Disposals	(172)
At 31 December 2013	**2,067**
Amortisation	
At 31 December 2012	162
Charge for the year	320
Disposals	(172)
At 31 December 2013	**310**
Net book value	
At 31 December 2013	**1,757**
At 31 December 2012	10

11. Acquisitions

Purchase of subsidiary undertaking – Bencasco Limited

On 10 April 2013 the Company purchased 1,522,800 ordinary shares of £1 each in the share capital of Bencasco Limited for a consideration of £8,799,885 inclusive of the costs of acquisition. Bencasco Limited owns 1,209,000 ordinary shares in the issued share capital of Fairview New Homes Limited, an intermediate holding company. The acquisition increases the Group's shareholding in Fairview New Homes Limited to 85.075%.

This acquisition has been accounted for using the acquisition method of accounting. Goodwill arising on the purchase is being amortised over a period of 5 years, reflecting the life of the developments held by that group.

Bencasco Limited was established to hold shares in Fairview New Homes Limited and has no material results up to the date of acquisition by the Company.

Notes to the accounts
Year ended 31 December 2013

11. Acquisitions (continued)

Assets and liabilities acquired:	**Book Value** **£'000**	**Revaluation** **£'000**	**Fair Value** **£'000**
Ordinary shares in Fairview New Homes Limited	1,511	5,221	6,732
Cash at bank	5	–	5
Other current liabilities	(4)	–	(4)
	1,512	5,221	6,733
Goodwill			2,067
			8,800
Satisfied by:			
Cash			8,756
Associated costs of acquisition			44
			8,800

Purchase of subsidiary undertaking – Westprize Limited
On 9 December 2013 a group company purchased 2 A ordinary shares of £1 each in the share capital of Westprize Limited, increasing its shareholding from 50% to 100%, for a consideration of £4,652,000 inclusive of the costs of acquisition. Westprize Limited is a company specialising in residential development in London and the south east of England. This acquisition has been accounted for using the acquisition method of accounting.

Results of Westprize Limited prior to acquisition were as follows:

	£'000
1 January 2013 to 9 December 2013	
Loss after taxation	(143)
Preceding financial year ended 31 December 2012	
Loss after taxation	(285)

Notes to the accounts
Year ended 31 December 2013

11. Acquisitions (continued)

Purchase of subsidiary undertaking – Westprize Limited (continued)

The following table sets out the book values and fair values of the major categories of assets and liabilities acquired to arrive at the values included in the consolidated financial statements at the date of acquisition. The cash flow effects of the acquisition are shown in notes 29 and 31.

Assets and liabilities acquired:

	Book value	Fair value adjustment	Fair value
	£'000	***£'000***	***£'000***
Land and buildings in course of development	14,800	5,090	19,890
Cash at bank and in hand	1,033	–	1,033
Other current assets	45	–	45
Loan – Fairview New Homes Limited	(9,879)	–	(9,879)
Loan	(3,758)	–	(3,758)
Other current liabilities	(3,117)	–	(3,117)
At 9 December 2013	(876)	5,090	4,214
Satisfied by:			
Cash			4,630
Associated costs of acquisition			22
Book value of investment in joint venture			(438)
			4,214

Notes to the accounts

Year ended 31 December 2013

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 31 December 2012	191	24	1,827	1,014	3,056
Additions	–	–	169	281	450
Disposals	–	–	(343)	(329)	(672)
At 31 December 2013	**191**	**24**	**1,653**	**966**	**2,834**
Depreciation					
At 31 December 2012	–	12	1,601	434	2,047
Charge for the year	–	4	128	200	332
Disposals	–	–	(339)	(202)	(541)
At 31 December 2013	**–**	**16**	**1,390**	**432**	**1,838**
Net book value					
At 31 December 2013	**191**	**8**	**263**	**534**	**996**
At 31 December 2012	191	12	226	580	1,009

13. Investments

Group

Joint ventures

The Group's share of net assets of joint ventures comprises:

	2013 £'000	2012 £'000
Current assets	**2**	3,673
Liabilities due within one year	**(2)**	(220)
Liabilities due after more than one year	**–**	(3,448)
	–	5

On 9 December 2013 a group company purchased 2 A ordinary shares of £1 each in the share capital of Westprize Limited, increasing its shareholding from 50% to 100%. As a consequence, Westprize Limited became a subsidiary and ceased to be a joint venture of the Group.

Further details of the Group's investment in subsidiary undertakings and joint ventures is given in note 33.

Notes to the accounts
Year ended 31 December 2013

13. Investments (continued)

Other investments

	£'000
Cost and net book value	
At 31 December 2012	49
Additions	206
At 31 December 2013	**255**

Other investments include a £155,000 investment related to the Government's NewBuy mortgage guarantee initiative and a £100,000 investment in respect of an option to buy a company holding a prospective development site.

Company

	Investment in subsidiaries ***£'000***
Cost and net book value	
At 31 December 2012	35,000
Additions	8,800
At 31 December 2013	**43,800**

14. Land and buildings in course of development

At 31 December 2013 the Group held approximately £66.8 million (2012: £32.0 million) of land included within land and buildings in course of development which had not received appropriate residential planning consent. Of this amount £nil million (2012: £1.7 million) of land had, by the date of approval of these accounts, been the subject of resolutions to grant consent and a further £12.5 million (2012: £5.9 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.

Notes to the accounts

Year ended 31 December 2013

15. Debtors

	Group		Company	
	2013	2012	**2013**	2012
	£'000	*£'000*	***£'000***	*£'000*
Amounts falling due within one year:				
Trade debtors	**545**	1,188	**–**	–
Amounts owed by group companies	**–**	–	**68,721**	97,605
Amounts owed by joint ventures (note 27)	**1**	194	**–**	–
Group relief receivable	**–**	–	**1,290**	2,999
Prepayments and accrued income	**1,805**	2,956	**–**	–
Deferred tax asset (note 18)	**3,649**	600	**28**	38
Other debtors	**344**	856	**–**	–
	6,344	5,794	**70,039**	100,642
Amounts falling due after more than one year:				
Shared equity debtors	**18,826**	18,838	**–**	–
Amounts owed by joint ventures (note 27)	**–**	3,448	**–**	–
Other amounts owed by related parties (note 27)	**2,256**	3,779	**2,256**	3,779
Other debtors	**3,056**	–	**–**	–
	24,138	26,065	**2,256**	3,779
	30,482	31,859	**72,295**	104,421

Following a re-assessment of the estimated value of shared equity debtors at 31 December 2013 by the directors, the provision for impairment was reduced by £2.2 million which principally reflected increased apartment and house prices.

16. Creditors: amounts falling due within one year

	Group		Company	
	2013	2012	**2013**	2012
	£'000	*£'000*	***£'000***	*£'000*
Trade creditors	**3,883**	2,600	**–**	–
Other taxes and social security	**1,381**	1,654	**–**	–
Other creditors	**2,592**	2,257	**–**	–
Accruals and deferred income	**33,577**	29,351	**78**	8,023
	41,433	35,862	**78**	8,023

Notes to the accounts
Year ended 31 December 2013

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

	Group	
	2013	2012
	£'000	*£'000*
Due in more than one but not more than two years:		
Other creditors	**2,184**	–
Due in more than two years but not more than five years:		
Secured term bank loans	**5,000**	–
Prepaid loan arrangement costs	**(859)**	–
	6,325	–

The Group had secured bank loan facilities of £60 million at 31 December 2013 (2012: £50 million) of which £5 million were drawn. No loans were drawn at 31 December 2012. Loans under the facility are subject to interest at floating rates linked to LIBOR. The facility runs through to 30 June 2016.

At 31 December 2013 the Group had entered into £25 million (2012: £25 million) of interest rate swaps to hedge the interest rate risk on variable rate borrowings. £12.5 million of the swaps commenced in June 2013 and £12.5 million have a deferred start date in June 2014. The interest rate swaps fix borrowings at a rate of 1.02% (2012: 2.605%) for the period to 30 June 2018 (2012: 30 June 2013). The fair value of those swaps at 31 December 2013, which is not included in the accounts, was an asset of £873,000 (2012: £259,000 liability).

Liquidity risk
The Group's treasury policy is to maintain sufficient flexible bank and other loan facilities to cover anticipated borrowing requirements. A comprehensive cash flow forecast enables the Group to anticipate its future treasury needs. Short term cash surpluses are placed on deposit with leading banks thereby limiting credit risk.

Interest rate risk
The Group's banking facilities enable the Group to borrow for a variety of fixed length terms at interest rates linked to LIBOR. The Group has the opportunity to manage interest rate risk through a range of financial instruments. Apart from the interest rate swaps detailed above, there are no such instruments currently in place. The Group does not trade in financial instruments.

18. Deferred tax asset

	Group		Company	
	2013	2012	**2013**	2012
	£'000	*£'000*	***£'000***	*£'000*
Opening deferred tax asset	**600**	690	**38**	6
Credit/(charge) to profit and loss account	**3,049**	(90)	**(10)**	32
At 31 December	**3,649**	600	**28**	38
Analysed as:				
Depreciation in excess of capital allowances	**368**	356	**–**	–
Short term timing differences	**148**	244	**28**	38
Losses carried forward	**3,133**	–	**–**	–
	3,649	600	**28**	38

Notes to the accounts

Year ended 31 December 2013

19. Called up share capital

	Number	£'000
Called up, allotted and fully paid:		
At 31 December 2012 and 31 December 2013	**500,000**	**500**

20. Statement of reserves

	Capital redemption reserve *£'000*	Profit and loss account *£'000*
Group		
At 31 December 2012	2,000	139,665
Loss for the financial year	–	(20,377)
At 31 December 2013	**2,000**	**119,288**
Company		
At 31 December 2012	2,000	129,398
Loss for the financial year	–	(15,381)
At 31 December 2013	**2,000**	**114,017**

21. Investment in own shares

	Group and Company own shares *£'000*
At 31 December 2012 and 31 December 2013	**500**

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

The trustees are Barclays Wealth Trustees (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 2013 none of the assets of the Trust had been applied to any beneficiary.

The market value of the shares at 31 December 2013 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.

Notes to the accounts
Year ended 31 December 2013

22. Reconciliation of movements in shareholder's funds

	Group		Company	
	2013	2012	**2013**	2012
	£'000	*£'000*	***£'000***	*£'000*
Opening shareholder's funds	**141,665**	134,251	**131,398**	134,251
(Loss)/profit for the financial year	**(20,377)**	7,414	**(15,381)**	(2,853)
Closing shareholder's funds	**121,288**	141,665	**116,017**	131,398

23. Minority interests

	£'000
At 31 December 2012	15,089
Acquisition of minority shareholding (note 11)	(6,733)
Loss on ordinary activities after taxation	(29)
Dividend paid	(30)
At 31 December 2013	**8,297**

24. Operating lease commitments
At the year end the Group was committed to make annual payments in respect of operating leases:

	Other		Land and buildings	
	2013	2012	**2013**	2012
	£'000	*£'000*	***£'000***	*£'000*
Leases which expire:				
Less than one year	**–**	33	**–**	11
Between one and two years	**–**	–	**–**	–
Between two and five years	**–**	–	**197**	172
	–	33	**197**	183

25. Guarantees and contingent commitments
Group companies have entered into various counter indemnities for performance bonds arising in the normal course of business.

At 31 December 2013 certain group companies have given cross guarantees in respect of bank loan facilities totalling £60 million (2012: £50 million) available to two subsidiary companies. There was £5 million drawn under bank facilities at 31 December 2013. No amounts were drawn at 31 December 2012.

26. Pensions
The pension cost for the year was £706,000 (2012: £1,882,000) including administration expenses and death-in-service premiums totalling £177,000 (2012: £259,000).

At 31 December 2013 contributions of £30,000 (2012: £191,000) were unpaid and death-in service premiums of £37,000 (2012: £70,000) were prepaid.

Notes to the accounts
Year ended 31 December 2013

27. Related party transactions

The amounts outstanding from and the amounts recharged during the year to each joint venture were as follows:

	2013	2012
	£'000	*£'000*
Amounts outstanding from:		
Westprize Limited (note 11)	**–**	3,623
Markhome Limited	**1**	19
	1	3,642
Amounts recharged during the year:		
Westprize Limited	**5,928**	1,422
	5,928	1,422
Interest charged during the year:		
Westprize Limited	**418**	140
	418	140

On 9 December 2013 the Group increased its shareholding in Westprize Limited to 100% and the company ceased to be a joint venture. Further details are given in note 11.

Markhome Limited is a 50% joint venture company.

Fairview New Homes (South East) Limited is a related party as a consequence of a group company owning 100% of the issued share capital of Fairview Enfield Limited, which owns 99.99% of the issued share capital of Fairview New Homes (South East) Limited. During the year Fairview New Homes (South East) Limited purchased a development site from a group company for £2,299,000 and the Group made charges to it for planning and construction services totalling £11,201,000 (2012: £6,117,000) and Corporate/Employee Benefit Trust employee bonuses of £1,300,000 (2012: £nil). There were no balances outstanding in respect of these charges at 31 December in either year.

Fairview New Homes (Developments) Limited is a related party as a consequence of a group Company owning 100% of the issued share capital of Fairview Enfield Limited, which owns 99.99% of the issued share capital of Fairview New Homes (South East) Limited, which owns 99.99% of the issued shared capital of Fairview New Homes (Developments) Limited. During the year a group company sold a development site to Fairview New Homes (Developments) Limited for £3,250,000. During the year the Group made charges to Fairview New Homes (Developments) Limited for planning and construction services totalling £12,986,000 (2012: £4,648,000). There were no balances outstanding in respect of these charges at 31 December in either year.

Geminiri Limited, a collective investment company owned and controlled by directors of the Company, is 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 year the Group made charges to Geminiri Limited for accounting and company secretarial services of £1,000 (2012: £1,000). At 31 December 2013 £1,000 was outstanding in this respect (2012: £1,000).

Notes to the accounts

Year ended 31 December 2013

27. Related party transactions (continued)

The directors' investments in Geminiri Limited were financed by loans from the Company that are secured on the shares of the collective investment company. The loans are non-interest bearing and due for repayment on 6 October 2016. Amounts outstanding at 31 December were as follows:

	2013	2012
Group and Company	**£'000**	£'000
Secured loans:		
A R Benton	–	564
M Blakey	**564**	564
S C Casey	–	395
C P Cobb	–	564
N M Dulcken	**564**	564
G A Malton	**564**	564
R J Paterson	**564**	564
	2,256	3,779

A member of D J Cope's household received rental income of £8,000 (2012: £42,000) during the year from premises let to a group company. There were no amounts outstanding in either year.

During the year two directors of the company purchased three flats at open market value for £776,000.

28. Cash flow statement – reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	2013	2012
	£'000	£'000
Group operating (loss)/profit	**(23,066)**	14,576
Depreciation charges	**332**	349
Net amortisation of goodwill	**320**	(439)
Loss/(profit) on sales of fixed assets	**39**	(5)
(Increase)/decrease in land and buildings in course of development	**(12,614)**	64,924
Decrease in debtors	**4,869**	2,386
Increase/(decrease) in creditors	**4,857**	(269)
Net cash (outflow)/inflow from operating activities	**(25,263)**	81,522

Notes to the accounts
Year ended 31 December 2013

29. Cash flow statement – acquisitions

Consideration paid on purchase of Bencasco Limited

	2013 £'000	2012 £'000
Consideration paid in the year	8,756	–
Associated costs of acquisition	44	–
	8,800	–

Consideration paid on purchase of Westprize Limited

	2013 £'000	2012 £'000
Consideration paid in the year	4,652	–

Deferred consideration paid on acquisition of subsidiary – Bayfordbury Holdings Limited

	2013 £'000	2012 £'000
Consideration paid in earlier years	55,711	55,688
Deferred consideration paid in the year	105	23
	55,816	55,711

Consideration paid on acquisition of investment – HBF Insurance PCC Limited Cell Nationwide MUC1

	2013 £'000	2012 £'000
Consideration paid in earlier years	49	–
Consideration paid in the year	106	49
	155	49

During the year a group company paid £100,000 for an option to purchase the entire issued share capital of a land holding company.

30. Cash flow statement – net increase/(decrease) in loans

	2013 £'000	2012 £'000
Net bank loans drawn down/(repaid)	5,000	(23,100)
Other net loans repaid	(3,758)	–
	1,242	(23,100)
Loan acquired on purchase of subsidiary	3,758	–
	5,000	(23,100)

Notes to the accounts
Year ended 31 December 2013

31. Reconciliation of net cash flow to movements in net cash/(debt)

	2013 £'000	2012 £'000
(Decrease)/increase in cash net of overdrafts	**(48,090)**	53,131
Net (increase)/decrease in loans	**(1,242)**	23,100
Movement in net cash/(debt) in the financial year	**(49,332)**	76,231
Loans acquired with subsidiary	**(3,758)**	–
Net cash/(debt) at the start of the financial year	**60,383**	(15,848)
Net cash/(debt) at the end of the financial year (note 32)	**7,293**	60,383

32. Analysis of movement in net cash/(debt)

	31 December 2012 £'000	Arising on acquisition of subsidiaries: Cash £'000	Arising on acquisition of subsidiaries: Non cash £'000	Other cash flow £'000	Total cash flow £'000	**31 December 2013 £'000**
Net cash						
Cash at bank and in hand	60,383	1,038	–	(49,128)	(48,090)	**12,293**
Debt						
Bank loans	–	–	–	(5,000)	(5,000)	**(5,000)**
Other loans	–	–	(3,758)	3,758	–	**–**
Net cash/(debt)	60,383	1,038	(3,758)	(50,370)	(53,090)	**7,293**

33. Subsidiary undertakings and joint ventures

Subsidiaries

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 directly owns 75% of the issued share capital and controls 75% of the voting rights of Fairview New Homes Limited, a total of 85.075% 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:

Anglia Secure Homes (South East) Limited
Bronte Energy Limited – solar energy
Brycken Limited
Crossways Property Limited
Fairview Enfield Limited
Fairview Estates (Housing) Limited – builder
Fairview Homes Limited
Fairview Land Limited
Fairview Limited
Fairview New Homes (Chase Road) Limited
Fairview New Homes (Chequers Way) Limited
Fairview New Homes (Colindale) Limited
Fairview New Homes (Properties) Limited
Fairview New Homes (Puckeridge) Limited – builder
Fairview New Homes (Willow Way) Limited
Fairview Property Trading Limited
Fairview Ventures Limited
HBF Insurance PCC Limited Cell Fairview/BOS
– mortgage guarantee
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.

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33. Subsidiary undertakings and joint ventures (continued)

Fairview Enfield Limited holds 99.99% of the issued share capital and controls 99.99% of the voting rights of Fairview New Homes (South East) Limited. Fairview New Homes (South East) Limited holds 99.99% of the issued share capital and controls 99.99% of the voting rights of Fairview New 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.

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
Dialect Properties Limited
Enfield (GHI) 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 (Lawn Road) Limited
Fairview New Homes (Northgate) Limited
Fairview New Homes (North London) 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 issued share capital and controls 50% of the voting rights of Markhome Limited, a dormant company.

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, all group companies and joint ventures are registered in England and Wales.