Fairview® Holdings Ltd

Report and Financial Statements
31 December 2014

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 2014

Turnover for the year was £157.0 million (2013: £141.5 million) including the completion of 525 units (2013: 651 units). The profit on ordinary activities before corporate bonuses and tax for the year was £52.8 million (2013: £31.6 million).

The increase in profit reflects higher margins on 2014 completions, partly due to a change in the mix of sales and also reflecting house price increases in the Group's area of operation. Detailed results are set out in the consolidated profit and loss account on page 6.

Corporate bonuses paid to directors and staff were £10.0 million (2013: £55.0 million).

After corporate bonuses the profit on ordinary activities before tax was £42.8 million (2013: loss of £23.5 million).

Shareholder's funds were £151.9 million at 31 December 2014 (2013: £121.3 million). The Group had net cash of £2.1 million (2013: £7.3 million).

During the year land was acquired for the development of 441 new homes (2013: 1,187). At 31 December 2014 the land bank for the Group and joint ventures comprised over 2,300 plots (2013: 2,500 plots), of which over 1,900 benefited from resolutions to grant planning consent (2013: 1,100).

In September 2014 bank borrowing facilities available to the Group were extended and increased to £90 million.

The residential markets in London and the South East remained positive throughout 2014 as purchasers continued to benefit from the Government's Help to Buy scheme and more favourable mortgage terms. Market sentiment was stronger in the first six months of the year, but has remained supportive into the beginning of 2015. The planning process continues to be the biggest constraint on the industry with politically-inspired volatility more noticeable as the general election approaches.

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 16.

J P H Vickers
Secretary

18 March 2015

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 2014.

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	
S J Gough	
J T Holliday	
G A Malton	(Managing Director)
R J Paterson	
M J Sidders	(resigned 19 June 2014)
J P H Vickers	(appointed 21 May 2014)

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 20.

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

J P H Vickers
Secretary

18 March 2015

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 2014 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 32. 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 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 2014 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 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

20 March 2015

Consolidated profit and loss account

Year ended 31 December 2014

	Note	2014		2013	
		£'000	***£'000***	*£'000*	*£'000*
Turnover	2		**157,040**		141,500
Cost of sales			**(90,939)**		(98,325)
Gross profit			**66,101**		43,175
Administrative expenses – other		**(12,668)**		(12,008)	
Administrative expenses – corporate bonuses	3	**(9,990)**		(55,045)	
Administrative expenses – total			**(22,658)**		(67,053)
Other operating income	5		**494**		812
Operating profit/(loss)			**43,937**		(23,066)
Share of operating profits and losses of joint ventures			**5**		7
Profit/(loss) before interest and finance charges			**43,942**		(23,059)
Net interest and finance charges payable					
Group	6		**(1,175)**		(103)
Share of joint ventures	6		**–**		(293)
Profit on ordinary activities before corporate bonuses and taxation			**52,757**		31,590
Profit/(loss) on ordinary activities before taxation	7		**42,767**		(23,455)
Tax (charge)/credit on profit/(loss) on ordinary activities	8		**(4,959)**		3,049
Profit/(loss) on ordinary activities after taxation			**37,808**		(20,406)
Equity minority interests	22		**(7,238)**		29
Profit/(loss) for the financial year	19, 21		**30,570**		(20,377)

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 presented.

Consolidated balance sheet
31 December 2014

	Note	**2014**	2013
		£'000	*£'000*
Fixed assets			
Goodwill	10	**1,343**	1,757
Tangible assets	11	**1,105**	996
Investment in joint ventures:			
Share of gross assets		**7**	2
Share of gross liabilities		**(7)**	(2)
	12	**–**	–
Other investments	12	**269**	255
		2,717	3,008
Current assets			
Land and buildings in course of development	13	**164,736**	131,560
Debtors:			
Due within one year	14	**5,731**	6,344
Due after one year	14	**23,109**	24,138
Cash at bank and in hand		**22,115**	12,293
		215,691	174,335
Creditors: amounts falling due within one year	15	**(32,049)**	(41,433)
Net current assets		**183,642**	132,902
Total assets less current liabilities		**186,359**	135,910
Creditors: amounts falling due after more than one year	16	**(18,966)**	(6,325)
Net assets		**167,393**	129,585
Capital and reserves			
Called up share capital	18	**500**	500
Capital redemption reserve	19	**2,000**	2,000
Investment in own shares	20	**(500)**	(500)
Profit and loss account	19	**149,858**	119,288
Shareholder's funds	21	**151,858**	121,288
Minority interests	22	**15,535**	8,297
Total capital employed		**167,393**	129,585

The financial statements of Fairview Holdings Limited (registered number 04081726) were approved by the board of directors on 18 March 2015

G A Malton
Managing Director

Parent company balance sheet
31 December 2014

	Note	**2014** **£'000**	2013 *£'000*
Fixed assets			
Investments	12	**43,800**	43,800
Current assets			
Debtors:			
Due within one year	14	**59,800**	70,039
Due after one year	14	**2,256**	2,256
Creditors: amounts falling due within one year	15	**(114)**	(78)
Net current assets		**61,942**	72,217
Net assets		**105,742**	116,017
Capital and reserves			
Called up share capital	18	**500**	500
Capital redemption reserve	19	**2,000**	2,000
Investment in own shares	20	**(500)**	(500)
Profit and loss account	19	**103,742**	114,017
Shareholder's funds	21	**105,742**	116,017

The financial statements of Fairview Holdings Limited (registered number 04081726) were approved by the board of directors on 18 March 2015

G A Malton
Managing Director

Consolidated cash flow statement
Year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Sales income		**156,553**	144,334
Site purchases		**(47,894)**	(39,834)
Development expenditure		**(60,736)**	(52,953)
Other operating cash flows		**(38,462)**	(13,908)
Net cash inflow from operating activities before corporate bonuses		**9,461**	37,639
Corporate bonuses		**(9,990)**	(62,902)
Net cash outflow from operating activities	27	**(529)**	(25,263)
Dividends received from joint ventures		**–**	5
Returns on investments and servicing of finance			
Interest received		**29**	264
Interest and finance charges paid		**(2,605)**	(2,502)
Net cash outflow from returns on investments and servicing of finance		**(2,576)**	(2,238)
Taxation		**(1,387)**	–
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		**(635)**	(450)
Receipts from sale of tangible fixed assets		**111**	92
Increase in loans to joint ventures		**(147)**	(8,723)
Net cash outflow from capital expenditure and financial investment		**(671)**	(9,081)
Acquisitions and disposals			
Consideration paid on acquisition of subsidiaries		**–**	(13,452)
Cash acquired with subsidiaries		**–**	1,038
Loan repaid on acquisition of subsidiary		**–**	(3,758)
Deferred consideration on acquisition of subsidiary	28	**–**	(105)
Consideration paid on acquisition of investment	28	**(14)**	(206)
Net cash outflow from acquisitions and disposals		**(14)**	(16,483)
Equity dividend paid by group company		**–**	(30)
Net cash outflow before financing		**(5,177)**	(53,090)
Financing			
Net increase in bank loans	29	**15,000**	5,000
Net cash inflow from financing		**15,000**	5,000
Increase/(decrease) in cash net of overdrafts	30	**9,823**	(48,090)

Notes to the accounts
Year ended 31 December 2014

1. Accounting policies
The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards. The particular accounting policies adopted are described below 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 2014

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 16 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 September 2018.

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

	2014	2013
	£'000	*£'000*
Group turnover comprises:		
Sale of residential dwellings, commercial properties and land	**140,966**	128,088
Construction of residential dwellings	**12,046**	10,370
Sale of ground rents	**4,028**	3,042
	157,040	141,500

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 2014

3. Employees

	2014 Number	2013 Number
Average number of persons employed (including directors)		
Site staff	**61**	73
Administrative and other staff	**143**	148
	204	221

	£'000	*£'000*
Staff costs during the year (including directors)		
Wages and salaries	**12,949**	12,696
Corporate bonuses (excluding social security costs)	**8,625**	48,370
Social security costs	**2,744**	8,156
Pension costs (note 25)	**1,223**	706
	25,541	69,928

The directors believe that the presentation of profit on ordinary activities before corporate 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.

4. Directors' emoluments

	2014 £'000	2013 £'000
Directors' emoluments		
Aggregate emoluments	**3,170**	3,509
Corporate bonuses	**4,064**	19,930
Pension contributions	**381**	200
Aggregate emoluments	**7,615**	23,639
Highest paid director's remuneration		
Aggregate emoluments	**448**	164
Corporate bonuses	**1,889**	13,358
Pension contributions	**–**	–
Aggregate emoluments	**2,337**	13,522

The number of directors to whom retirement benefits accrued during the year under money purchase schemes is 4 (2013: 4).

Notes to the accounts

Year ended 31 December 2014

5. Other operating income

	2014	2013
	£'000	*£'000*
Project management fees	–	324
Rental income	**355**	288
Other	**139**	200
	494	812

6. Net interest and finance charges payable

	Group		**Share of joint ventures**	
	2014	2013	**2014**	2013
	£'000	*£'000*	***£'000***	*£'000*
Interest payable				
Bank loans and overdrafts	**546**	519	**–**	–
Other loans	**–**	–	**–**	293
	546	519	**–**	293
Interest receivable				
Bank and other interest	**(235)**	(215)	**–**	–
Interest from joint ventures	**–**	(418)	**–**	–
Imputed interest on shared equity debtors	**(1,149)**	(1,034)	**–**	–
Net interest (receivable)/payable	**(838)**	(1,448)	**–**	293
Finance charges				
Amortisation of loan arrangement costs	**951**	258	**–**	–
Bank commitment fees	**1,062**	993	**–**	–
Net interest and finance charges payable	**1,175**	103	**–**	293

7. Profit/(loss) on ordinary activities before taxation

		2014	2013
	Note	**£'000**	*£'000*
Profit/(loss) on ordinary activities before taxation is after charging:			
Amortisation of goodwill	10	414	320
Depreciation	11	387	332
Loss on sale of fixed assets		28	39
Rentals under operating leases:			
Plant and machinery		–	52
Other		213	217
Fees payable to the Company's auditor for the audit of the Company's annual accounts		67	65
Fees payable to the Company's auditor for other services:			
Audit of the Company's subsidiaries pursuant to legislation		41	40
Tax compliance services		58	54
Tax advisory services		107	35
Other		20	27

Notes to the accounts
Year ended 31 December 2014

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

	2014	2013
	£'000	*£'000*
United Kingdom corporation tax on profit/(loss) for the year at 21.5% (2013: 23.25%)		
– group	**(3,683)**	–
Deferred taxation – group	**(1,276)**	3,049
	(4,959)	3,049

A deferred tax asset of £9,149,000 (2013: £14,746,000) in respect of unrelieved losses of £45,740,000 (2013: £73,735,000) has not been recognised due to uncertainty in the amount and timing of taxable profits.

Reconciliation of current tax charge

The standard rate of current tax for the year is the UK standard rate of corporation tax of 21.5% (2013: 23.25%). The tax charge for both the current and preceding year differs from the standard rate for the reasons set out in the following reconciliation:

	2014	2013
	£'000	*£'000*
Profit/(loss) on ordinary activities before taxation	**42,767**	(23,455)
Tax (charge)/credit on profit/(loss) on ordinary activities at 21.5% (2013: 23.25%)	**(9,195)**	5,453
Factors affecting charge:		
Net expenses not deductible for tax purposes	**(77)**	(375)
Depreciation lower/(higher) than capital allowances	**53**	(86)
Movement in short term timing differences	**(196)**	(30)
Amortisation of goodwill	**(89)**	(74)
Allowance in respect of contaminated land	**37**	48
Tax losses carried forward	**(913)**	(5,221)
Utilisation of brought forward tax losses	**6,697**	285
Current tax charge	**(3,683)**	–

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 2014 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 2014

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

	2014	2013
	£'000	*£'000*
Loss of the parent company for the year	**10,275**	15,381

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

	£'000
Cost	
At 31 December 2013 and 31 December 2014	**2,067**
Amortisation	
At 31 December 2013	310
Charge for the year	414
At 31 December 2014	**724**
Net book value	
At 31 December 2014	**1,343**
At 31 December 2013	1,757

Notes to the accounts
Year ended 31 December 2014

11. 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 2013	191	24	1,653	966	2,834
Additions	–	25	152	458	635
Disposals	–	–	(181)	(375)	(556)
At 31 December 2014	**191**	**49**	**1,624**	**1,049**	**2,913**
Depreciation					
At 31 December 2013	–	16	1,390	432	1,838
Charge for the year	–	9	134	244	387
Disposals	–	–	(181)	(236)	(417)
At 31 December 2014	**–**	**25**	**1,343**	**440**	**1,808**
Net book value					
At 31 December 2014	**191**	**24**	**281**	**609**	**1,105**
At 31 December 2013	191	8	263	534	996

12. Investments

Group

Joint ventures

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

	2014 £'000	2013 £'000
Current assets	**7**	2
Liabilities due after more than one year	**(7)**	(2)
	–	–

Further details of the Group's investment in subsidiary undertakings and joint ventures is given in note 32.

Notes to the accounts
Year ended 31 December 2013

12. Investments (continued)

Other investments

	£'000
Cost and net book value	
At 31 December 2013	255
Additions	14
At 31 December 2014	**269**

Other investments include a £169,000 (2013: £155,000) investment related to the Government's NewBuy mortgage guarantee initiative and a £100,000 (2013: £100,000) investment in respect of an option to buy a company holding a prospective development site, this option was exercised after the year end.

Company

	Investment in subsidiaries £'000
Cost and net book value	
At 31 December 2013 and 31 December 2014	**43,800**

13. Land and buildings in course of development

At 31 December 2014 the Group held approximately £70.6 million (2013: £66.8 million) of land included within land and buildings in course of development which had not received appropriate residential planning consent. Of this amount £nil (2013: £nil) of land had, by the date of approval of these accounts, been the subject of resolutions to grant consent and a further £19.1 million (2013: £12.5 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 2014

14. Debtors

	Group		Company	
	2014	2013	**2014**	2013
	£'000	*£'000*	**£'000**	*£'000*
Amounts falling due within one year:				
Trade debtors	**1,062**	545	**–**	–
Amounts owed by group companies	**–**	–	**59,763**	68,721
Amounts owed by joint ventures (note 26)	**5**	1	**–**	–
Group relief receivable	**–**	–	**–**	1,290
Prepayments and accrued income	**1,711**	1,805	**37**	–
Deferred tax asset (note 17)	**2,373**	3,649	**–**	28
Other debtors	**580**	344	**–**	–
	5,731	6,344	**59,800**	70,039
Amounts falling due after more than one year:				
Shared equity debtors	**17,649**	18,826	**–**	–
Other amounts owed by related parties (note 26)	**2,256**	2,256	**2,256**	2,256
Other debtors	**3,204**	3,056	**–**	–
	23,109	24,138	**2,256**	2,256
	28,840	30,482	**62,056**	72,295

Following a re-assessment of the estimated value of shared equity debtors at 31 December 2014 by the directors, the provision for impairment was reduced by £2.6 million (2013: £2.2 million) which principally reflected increased apartment and house prices.

15. Creditors: amounts falling due within one year

	Group		Company	
	2014	2013	**2014**	2013
	£'000	*£'000*	**£'000**	*£'000*
Trade creditors	**4,856**	3,883	**–**	–
Other taxes and social security	**651**	1,381	**–**	–
Corporation tax	**2,296**	–	**–**	–
Other creditors	**4,274**	2,592	**–**	–
Accruals and deferred income	**19,972**	33,577	**114**	78
	32,049	41,433	**114**	78

Notes to the accounts
Year ended 31 December 2014

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

	Group	
	2014	2013
	£'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	**20,000**	5,000
Prepaid loan arrangement costs	**(1,034)**	(859)
	18,966	6,325

The Group had secured bank loan facilities of £90 million at 31 December 2014 (2013: £60 million) of which £20 million were drawn (2013: £5 million). Loans under the facility are subject to interest at floating rates linked to LIBOR. £20 million of the facility expires in March 2017 and the remaining £70 million expires in September 2018.

During the prior year the Group entered into £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 had a deferred start date in June 2014. The interest rate swaps fix borrowings at a rate of 1.02% until 30 June 2018. The fair value of those swaps at 31 December 2014, which is not included in the accounts, was an asset of £35,000 (2013: £873,000).

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.

17. Deferred tax asset

	Group		Company	
	2014	2013	**2014**	2013
	£'000	*£'000*	***£'000***	*£'000*
Opening deferred tax asset	**3,649**	600	**28**	38
(Charge)/credit to profit and loss account	**(1,276)**	3,049	**(28)**	(10)
At 31 December 2014	**2,373**	3,649	**–**	28
Analysed as:				
Depreciation in excess of capital allowances	**371**	368	**–**	–
Short term timing differences	**321**	148	**–**	28
Losses carried forward	**1,681**	3,133	**–**	–
	2,373	3,649	**–**	28

Notes to the accounts
Year ended 31 December 2014

18. Called up share capital

	Number	£'000
Called up, allotted and fully paid:		
At 31 December 2013 and 31 December 2014	**500,000**	**500**

19. Statement of reserves

	Capital redemption reserve *£'000*	Profit and loss account *£'000*
Group		
At 31 December 2013	2,000	119,288
Profit for the financial year	–	30,570
At 31 December 2014	**2,000**	**149,858**
Company		
At 31 December 2013	2,000	114,017
Loss for the financial year	–	(10,275)
At 31 December 2014	**2,000**	**103,742**

20. Investment in own shares

	Group and Company own shares *£'000*
At 31 December 2013 and 31 December 2014	**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 2014 none of the assets of the Trust had been applied to any beneficiary.

The market value of the shares at 31 December 2014 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 2014

21. Reconciliation of movements in shareholder's funds

	Group		Company	
	2014	2013	**2014**	2013
	£'000	*£'000*	***£'000***	*£'000*
Opening shareholder's funds	**121,288**	141,665	**116,017**	131,398
Profit/(loss) for the financial year	**30,570**	(20,377)	**(10,275)**	(15,381)
Closing shareholder's funds	**151,858**	121,288	**105,742**	116,017

22. Minority interests

	£'000
At 31 December 2013	8,297
Profit on ordinary activities after taxation	7,238
At 31 December 2014	**15,535**

23. Operating lease commitments
At the year end the Group was committed to make annual payments in respect of operating leases for land and buildings:

	2014	2013
	£'000	*£'000*
Leases which expire:		
Between two and five years	**197**	197
	197	197

24. 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 2014 certain group companies have given cross guarantees in respect of bank loan facilities totalling £90 million (2013: £60 million) available to two subsidiary companies. There was £20 million drawn under bank facilities at 31 December 2014 (2013: £5 million).

25. Pensions
The pension cost for the year was £1,227,000 (2013: £706,000) including administration expenses and death-in-service premiums totalling £171,000 (2013: £177,000).

At 31 December 2014 contributions of £48,000 (2013: £30,000) were unpaid and death-in service premiums of £45,000 (2013: £37,000) were prepaid.

Notes to the accounts
Year ended 31 December 2014

26. Related party transactions

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

	2014	2013
	£'000	*£'000*
Amounts outstanding from:		
Markhome Limited	**5**	1
	5	1
Amounts recharged during the year:		
Westprize Limited	**–**	5,928
	–	5,928
Interest charged during the year:		
Westprize Limited	**–**	418
	–	418

On 9 December 2013 the Group increased its shareholding in Westprize Limited to 100% and the company ceased to be a joint venture.

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 prior year Fairview New Homes (South East) Limited purchased a development site from a group company for £2,299,000. During the year the Group made charges to it for planning and construction services totalling £16,881,000 (2013: £11,201,000) and corporate bonuses of £nil (2013: £1,300,000). 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 prior 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 £7,150,000 (2013: £12,986,000). 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 (2013: £1,000). At 31 December 2014 £1,000 was outstanding in this respect (2013: £1,000).

Notes to the accounts
Year ended 31 December 2014

26. 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:

	2014	2013
Group and Company	**£'000**	*£'000*
Secured loans:		
M Blakey	**564**	564
N M Dulcken	**564**	564
G A Malton	**564**	564
R J Paterson	**564**	564
	2,256	2,256

A member of D J Cope's household received rental income of £8,000 during the prior year from premises let to a group company. There were no amounts outstanding at either year end date.

During the prior year two directors of the company purchased three flats at open market value for £776,000. There were no such purchases during 2014.

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

	2014	2013
	£'000	*£'000*
Group operating profit/(loss)	**43,937**	(23,066)
Depreciation charges	**387**	332
Net amortisation of goodwill	**414**	320
Loss on sale of fixed assets	**28**	39
Increase in land and buildings in course of development	**(33,177)**	(12,614)
Decrease in debtors	**1,872**	4,869
(Decrease)/increase in creditors	**(13,990)**	4,857
Net cash outflow from operating activities	**(529)**	(25,263)

Notes to the accounts
Year ended 31 December 2014

28. Cash flow statement – acquisitions

Consideration paid on purchase of Bencasco Limited

	2014 **£'000**	2013 *£'000*
Consideration paid in the year	**–**	8,756
Associated costs of acquisition	**–**	44
	–	8,800

Consideration paid on purchase of Westprize Limited

	2014 **£'000**	2013 *£'000*
Consideration paid in the year	**–**	4,652

Deferred consideration paid on acquisition of subsidiary – Bayfordbury Holdings Limited

	2014 **£'000**	2013 *£'000*
Consideration paid in earlier years	**55,816**	55,711
Deferred consideration paid in the year	**–**	105
	55,816	55,816

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

	2014 **£'000**	2013 *£'000*
Consideration paid in earlier years	**155**	49
Consideration paid in the year	**14**	106
	169	155

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

29. Cash flow statement – net increase in loans

	2014 **£'000**	2013 *£'000*
Net bank loans drawn down	**15,000**	5,000
Other net loans repaid	**–**	(3,758)
	15,000	1,242
Loan acquired on purchase of subsidiary	**–**	3,758
	15,000	5,000

Notes to the accounts
Year ended 31 December 2014

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

	2014 **£'000**	2013 £'000
Increase/(decrease) in cash net of overdrafts	**9,822**	(48,090)
Net increase in loans	**(15,000)**	(1,242)
Movement in net cash/(debt) in the financial year	**(5,178)**	(49,332)
Loans acquired with subsidiary	**–**	(3,758)
Net cash at the start of the financial year	**7,293**	60,383
Net cash at the end of the financial year (note 31)	**2,115**	7,293

31. Analysis of movement in net cash

	31 December 2013 £'000	Total cash flow £'000	**31 December 2014** **£'000**
Cash at bank and in hand	12,293	9,822	**22,115**
Bank loans	(5,000)	(15,000)	**(20,000)**
Net cash	7,293	(5,178)	**2,115**

32. 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 (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 – 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.

Notes to the accounts
Year ended 31 December 2014

32. 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 (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 (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.

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.

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