

Fairholme Estates (Holdings) Limited

Report and Financial Statements

31 August 2015

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COMPANIES HOUSE

Directors

S S Potel
O H Hermes
J R Garnett
G Potel
D Potel
M D Paisner

Secretary

O H Hermes

Auditors

Ernst & Young LLP
1 More London Place
London SE1 2AF

Bankers

HSBC Bank plc
95 Gracechurch Street
London EC3V 0DQ

Solicitors

Berwin Leighton Paisner
Adelaide House
London Bridge
London EC4R 9HA

Registered Office

47 St John's Wood High Street
St John's Wood
London NW8 7NJ

Registered No. 830036

Directors' report

The directors present their report and financial statements for the year ended 31 August 2015.

Results and dividends

The profit for the year after taxation amounted to £3,025,841 (2014 – profit of £2,859,478). Interim dividends of £nil (2014 – £1,017,600) were paid during the year. The directors do not recommend a final dividend (2014 – £nil).

Principal activities and review of the business

The company's principal activity continued to be that of property investment.

The company's key performance indicators during the year were as follows:

	2015	2014
	£	£
Turnover	5,072,397	5,174,558
Operating profit	4,362,165	4,213,245
Profit on ordinary activities before tax	3,849,554	5,557,128
Shareholders' funds	<u>88,099,949</u>	<u>87,888,301</u>

Turnover has reduced as a result of the changes in the portfolio during the year. Profit on ordinary activities before tax includes the net surplus on disposal of two investment properties which also affects the Shareholders' funds.

Future developments

The directors aim to continue to deliver stable returns.

Principal risks and uncertainties

As a property investment company, the balance sheet value is susceptible to volatility in property market values. The company manages this risk by maintaining a low gearing ratio.

The company has entered into interest rate swaps to protect against the risk of adverse changes in interest rates.

The directors have an expectation that contractual rental cash inflows will be more than sufficient to cover liabilities as they fall due for the foreseeable future. The company also maintains a low gearing ratio and has significant headroom in its loan covenants. As a result the directors have prepared the financial statements on a going concern basis.

Fixed assets

The Company's freehold and heritable properties were valued as at 31st August 2015 by external valuers, Paul Hale BSc MRICS and Lucinda Lee-Bapty BSc MRICS, of Colliers International. The valuations were prepared in accordance with the requirements of the RICS Valuation Standards, sixth edition, and the International Valuation Standards. The valuation of each property was on the basis of Market Value and the valuer's opinion of Market Value was primarily derived using comparable recent market transactions on arm's length terms.

During the year the company acquired a major retail investment property located in Princes Street, Edinburgh.

Directors' report (continued)

Directors

The directors who served the company during the year were as follows:

S S Potel
O H Hermes
G Potel
D Potel
M D Paisner
J R Garnett

Political and charitable contributions

During the year, the company made charitable donations totalling £50,000 (2014 – £100,000)

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

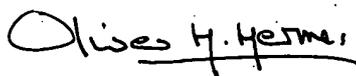
Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

Small company exemptions

The company has taken advantage of the small companies exemption from the requirement to prepare a strategic report.

By order of the Board



Name OLIVER H. HERMES
Secretary

2 DECEMBER 2015

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law 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 profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company 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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of Fairholme Estates (Holdings) Limited

We have audited the financial statements of Fairholme Estates (Holdings) Limited for the year ended 31 August 2015 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Statement of Cash Flows and the related notes 1 to 19. 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 set out on page 4, 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 (UK 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 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 directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2015 and of its 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report

to the members of Fairholme Estates (Holdings) Limited (continued)

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.
- the directors were not entitled to take advantage of small companies exemption in not preparing the strategic report.

Ernst & Young LLP

Matthew Williams (Senior statutory auditor)
for and on behalf of Ernst & Young LLP,
London

Date 3 / 12 / 15

Profit and loss account

for the year ended 31 August 2015

	2015	2014
Notes	£	£
Turnover	2 5,072,397	5,174,558
Administrative expenses	(710,232)	(961,313)
Operating profit	3 4,362,165	4,213,245
Gain on property disposals	111,057	2,007,585
Bank interest receivable	36,178	41,122
Interest payable and similar charges	6 (659,846)	(704,824)
Profit on ordinary activities before taxation	3,849,554	5,557,128
Tax	7 (823,711)	(2,697,650)
Profit for the financial year	16 <u>3,025,843</u>	<u>2,859,478</u>

All amounts relate to continuing activities.

Statement of total recognised gains and losses

for the year ended 31 August 2015

	2015	2014
	£	£
Profit for the year	3,025,843	2,859,478
Unrealised (loss)/gain on revaluation of investment properties	(2,814,195)	1,264,608
Total recognised gains and losses for the year	<u>211,648</u>	<u>4,124,086</u>

Note of historical cost profits and losses

for the year ended 31 August 2015

	2015	2014
	£	£
Reported profit on ordinary activities before taxation	3,849,554	5,557,128
Realisation of property revaluation gain of previous years	2,510,973	8,473,177
Historical cost profit on ordinary activities before taxation	<u>6,360,527</u>	<u>14,030,305</u>
Historical cost profit for the year after taxation	<u>5,536,816</u>	<u>11,332,655</u>

Balance sheet

at 31 August 2015

	Notes	2015 £	2014 £
Fixed assets			
Tangible assets	9	104,415,620	87,741,618
Investments	10	<u>1,651</u>	<u>1,651</u>
		<u>104,417,271</u>	<u>87,743,269</u>
Current assets			
Debtors	11	451,080	337,325
Amounts owed by subsidiary		5,002,000	5,000,000
Cash at bank and in hand		<u>2,008,666</u>	<u>9,997,483</u>
		<u>7,461,746</u>	<u>15,334,808</u>
Creditors: amounts falling due within one year			
Loans	13	(550,000)	(550,000)
Bank overdraft		-	-
Trade and other creditors	12	(1,015,542)	(871,894)
Corporation tax		<u>(275,074)</u>	<u>(1,260,000)</u>
		<u>(1,840,616)</u>	<u>(2,681,894)</u>
Net current assets		<u>5,621,130</u>	<u>12,652,914</u>
Total assets less current liabilities		<u>110,038,401</u>	<u>100,396,183</u>
Creditors: amounts falling due after more than one year			
Amounts owed to subsidiary undertakings	18	(649)	(649)
Loans	13	(20,725,000)	(11,495,000)
		<u>(20,725,649)</u>	<u>(11,495,649)</u>
Provisions for liabilities			
Deferred tax	14	(1,212,803)	(1,012,233)
Total assets less liabilities		<u>88,099,949</u>	<u>87,888,301</u>
Capital and reserves			
Called up share capital	15	409,000	409,000
Share premium account	16	6,148	6,148
Revaluation reserve	16	26,090,331	31,415,499
Profit and loss account	16	61,594,470	56,057,654
Shareholders' funds	16	<u>88,099,949</u>	<u>87,888,301</u>

The financial statements have been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006.

Approved by the board

Name S S POTEL
Director



2 December 2015

Statement of cash flows

for the year ended 31 August 2015

	2015	2014
Notes	£	£
Net cash inflow from operating activities	17(a) 4,393,920	3,887,330
Returns on investments and servicing of finance		
Interest received	36,178	41,122
Interest paid	(659,846)	(704,824)
	<u>(623,668)</u>	<u>(663,702)</u>
Taxation		
Corporation tax paid	<u>(1,608,069)</u>	<u>(1,801,625)</u>
Capital expenditure and financial investment		
Payments to acquire investment properties	(26,965,939)	-
Receipts from sale of investment properties	7,588,000	14,700,000
Loans to subsidiaries	(2,000)	(5,000,000)
Payments to acquire other tangible fixed assets	(1,061)	(202,965)
	<u>(19,381,000)</u>	<u>9,497,035</u>
Equity dividends paid	-	(1,017,600)
Net cash (outflow)/inflow before financing	<u>(17,218,817)</u>	<u>9,901,438</u>
Financing		
New long term loans	11,000,000	850,000
Repayment of long term loans	<u>(1,770,000)</u>	<u>(3,976,872)</u>
	<u>9,230,000</u>	<u>(3,126,872)</u>
(Decrease)/Increase in cash	17(b) <u>(7,988,817)</u>	<u>6,774,566</u>

Reconciliation of net cash flow to movement in net debt

	2015	2014
Notes	£	£
(Decrease)/Increase in cash	(7,988,817)	6,774,566
Cash (outflow)/inflow from financing	<u>(9,230,000)</u>	<u>3,126,871</u>
Movement in net debt	<u>(17,218,817)</u>	<u>9,901,437</u>
Net debt at 1 September	17(b) <u>(2,047,517)</u>	<u>(11,948,954)</u>
Net debt at 31 August	17(b) <u>(19,266,332)</u>	<u>(2,047,517)</u>

Notes to the financial statements

at 31 August 2015

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

Group financial statements

The company has taken advantage of the exemption under section 399 of the Companies Act 2006 not to prepare group financial statements as it is defined as a small group. As a result these financial statements present information about the company as an individual undertaking and exclude its subsidiaries.

Tangible fixed assets

The cost of tangible fixed assets, other than investment properties, is depreciated by equal annual instalments over the estimated useful lives of the assets as follows:

Plant	–	10 years
Office equipment	–	5 to 20 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Investments

Investment properties are accounted for in accordance with SSAP 19, as follows:

- Investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve. Where the revaluation reserve is insufficient to cover a permanent diminution in value on a property-by-property basis, the amount by which the deficit exceeds the amount in the investment revaluation reserve is charged to the profit and loss account; and
- No depreciation is provided in respect of freehold investment properties.

Although the Companies Act would normally require the systematic annual depreciation of fixed assets, the directors believe that this policy of not providing depreciation is necessary in order for the financial statements to give a true and fair view, since the current value of investment properties, and changes in that current value, are of prime importance rather than a calculation of systematic annual depreciation. Depreciation is only one of the many factors reflected in the annual valuation, and the amount which might otherwise have been shown cannot be separately identified or quantified.

Investment in subsidiaries

The carrying values of investments are initially recorded at cost and are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Notes to the financial statements

at 31 August 2015

1. Accounting policies (continued)

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Pensions

Contributions to defined contribution schemes are recognised in the profit and loss account in the period in which they become payable.

2. Turnover

Turnover, which all arises in the United Kingdom, represents rental income. Rental income is recognised on a straight line basis over the period of the rental agreement.

3. Operating profit

This is stated after charging/(crediting):

	2015	2014
	£	£
Auditors' remuneration – audit	30,000	24,500
– taxation	7,238	8,500
Depreciation of tangible fixed assets	<u>1,862</u>	<u>1,800</u>

4. Directors' remuneration

	2015	2014
	£	£
Remuneration	<u>143,669</u>	<u>109,290</u>
Company contributions paid to defined contribution pension schemes	<u>39,016</u>	<u>73,900</u>

The company makes contributions to a personal money purchase pension scheme for the benefit of one of the directors.

Notes to the financial statements

at 31 August 2015

5. Staff costs

	2015	2014
	£	£
Wages and salaries	183,952	155,073
Social security costs	17,837	13,990
Contributions paid to pension schemes	39,016	97,900
	<u>240,805</u>	<u>266,963</u>

The average monthly number of employees during the year was made up as follows:

	No.	No.
Management	6	6
General	1	1
	<u>7</u>	<u>7</u>

6. Interest payable and similar charges

	2015	2014
	£	£
On loans repayable within 5 years and bank advances	493,211	327,980
Other loans	166,635	376,844
	<u>659,846</u>	<u>704,824</u>

7. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2015	2014
	£	£
Current tax:		
UK corporation tax on the profits for the year	650,519	2,656,275
Adjustments in respect of previous years	(27,379)	20,350
Total current tax (note 7(b))	<u>623,140</u>	<u>2,676,625</u>
Deferred tax:		
Origination and reversal of timing differences (note 14)	206,372	23,299
Adjustment in respect of previous periods	23	-
Effect of tax rate changes (note 14)	(5,824)	(2,274)
Total deferred tax	<u>200,571</u>	<u>21,025</u>
Tax on profit on ordinary activities	<u>823,711</u>	<u>2,697,650</u>

Notes to the financial statements

at 31 August 2015

7. Tax (continued)

(b) Factors affecting the current tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 20.58% (2014 – 22.16%). The differences are explained below:

	2015	2014
	£	£
Profit on ordinary activities before tax	<u>3,849,554</u>	<u>5,557,128</u>
Tax on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.58% (2014 – 22.16%)	792,270	1,231,460
<i>Effects of:</i>		
Expenses not deductible for tax purposes	(19,391)	7,502
Capital allowances in excess of depreciation	(206,372)	(23,322)
Adjustments in respect of previous years	(27,379)	20,350
Effect of gains (incl. Rollover relief)	96,070	1,885,640
Accounting profit on disposal of non qualifying assets		(445,005)
Group relief not paid for	(12,058)	-
Current tax for the year (note 7(a))	<u>623,140</u>	<u>2,676,625</u>

(c) Factors that may affect future tax charges

The Finance Act 2015 included legislation to reduce the main rate of corporation tax from 20% to 19% from 1 April 2017 and to 18% from 1 April 2020. These changes were substantively enacted in October 2015. The announced reductions will not give rise to a significant impact on these financial statements.

In accordance with the company's accounting policy, no deferred tax liability has been recognised in respect of revaluing investment property to its market value where, at the balance sheet date, the company has not entered into a binding sale agreement to dispose of the properties concerned. The total amount of unrecognised deferred tax at the year end in respect of revaluation gain is approximately £2.610 million (2014 – £3.135 million).

8. Dividends

	2015	2014
	£	£
Declared and paid during the year:		
Dividend of nil pence (2014 – 480 pence) per share	<u>-</u>	<u>1,017,600</u>
Dividends waived on nil shares (2014 – £197,000)		

Notes to the financial statements

at 31 August 2015

9. Tangible fixed assets

	<i>Freehold investment properties</i>	<i>Office equipment</i>	<i>Total</i>
	£	£	£
Cost or valuation:			
At 1 September 2014	87,735,018	40,631	87,775,649
Additions	26,965,939	1,061	26,967,000
Disposals	(7,476,942)	–	(7,476,942)
Revaluation during the year	(2,814,195)	–	(2,814,195)
At 31 August 2015	<u>104,409,820</u>	<u>41,692</u>	<u>104,451,512</u>
Depreciation:			
At 1 September 2014	–	34,030	34,030
Charge for the year	–	1,862	1,862
At 31 August 2015	<u>–</u>	<u>35,892</u>	<u>35,892</u>
Net book value:			
At 31 August 2015	<u>104,409,820</u>	<u>5,800</u>	<u>104,415,620</u>
At 1 September 2014	<u>87,735,018</u>	<u>6,600</u>	<u>87,741,618</u>

During the year the company acquired a major retail investment property located in Princes Street, Edinburgh.

The Company's freehold and heritable properties were valued as at 31 August 2015 by external valuers, Paul Hale BSc MRICS and Lucinda Lee-Bapty BSc MRICS, of Colliers International. The valuations were prepared in accordance with the requirements of the RICS Valuation Standards, sixth edition, and the International Valuation Standards. The valuation of each property was on the basis of Market Value and the valuer's opinion of Market Value was primarily derived using comparable recent market transactions on arm's length terms.

No provision has been made for taxation on capital gains which would arise if the company were to dispose of investment properties at their book values (note 7(c)).

In respect of investment properties, which are stated at market value, the historical cost to the company of the properties is as follows:

	2015	2014
	£	£
Properties held by the company	<u>78,319,489</u>	<u>56,319,519</u>

Notes to the financial statements

at 31 August 2015

10. Investments

	<i>Subsidiary undertakings</i> £
Cost:	
At 1 September 2014 and 31 August 2015	19,649
Provision:	
At 1 September 2014 and 31 August 2015	(17,998)
Net book value:	
At 1 September 2014 and 31 August 2015	1,651

The company owns 100% of the issued Ordinary and Preference share capital of:

<i>Subsidiary undertakings</i>	<i>Incorporated</i>	<i>Nature of business</i>	<i>Retained capital and reserves</i>	<i>Result for the year</i>
Fairholme Estates Limited	England and Wales	Property development	1	-
Fairholme Management Limited	England and Wales	Investment	1,650	-

11. Debtors

	<i>2015</i> £	<i>2014</i> £
Trade debtors	-	1,583
Other debtors	28,323	14,578
Prepayments and accrued income	422,757	321,164
	<u>451,080</u>	<u>337,325</u>

Included within prepayments and accrued income are amounts receivable after one year totalling £410,980 (2014 – £306,118).

12. Trade and other creditors

<i>Due within one year</i>	<i>2015</i> £	<i>2014</i> £
Other creditors	49,728	79,525
Other taxation and social security costs	289,921	156,128
Accruals and deferred income	675,893	636,241
	<u>1,015,542</u>	<u>871,894</u>

Notes to the financial statements

at 31 August 2015

13. Loans

	2015	2014
	£	£
Loans not wholly repayable within 5 years:		
5.29% mortgage to 12 April 2016 then variable rate plus 0.75% to January 2031*	4,650,000	4,950,000
	<u>4,650,000</u>	<u>4,950,000</u>
Loans wholly repayable within 5 years:		
3.5% loans from shareholders, directors and their families	2,875,000	3,095,000
Variable rate plus 1.8% to March 2020	10,000,000	-
5.29% mortgage to June 2020*	3,750,000	4,000,000
	<u>21,275,000</u>	<u>12,045,000</u>
Less: included in creditors: amounts falling due within one year	(550,000)	(550,000)
	<u>20,725,000</u>	<u>11,495,000</u>
Amounts repayable:		
Within one year	550,000	550,000
In one to two years	550,000	550,000
In two to five years	<u>17,025,000</u>	<u>4,745,000</u>
	18,125,000	5,845,000
Over five years	3,150,000	6,200,000
	<u>21,275,000</u>	<u>12,045,000</u>

* after taking into account the effect of in place interest rate swaps (see below).

All loans, except those from shareholders, directors and their families, are secured against specific investment properties.

	<i>Book value</i>		<i>Fair value</i>	
	2015	2014	2015	2014
	£	£	£	£
Long-term borrowings	<u>20,725,000</u>	<u>11,495,000</u>	<u>20,975,403</u>	<u>11,602,348</u>

The fair value of long-term loans (including the effect of interest rate swaps) has been calculated by discounting the expected future cash flows arising under the company's loan arrangements at market rates at each year end.

The company has two interest rate swaps in place which swap variable rate interest on the loans with outstanding principal of £4.65m (2014 – £4.95m) and £3.75m (2014 – £4.0m) to fixed rate interest at a rate of 5.29% for a period to 2016 and 2020 respectively. The fair value of these derivatives at the year end is a liability of £250,403 (2014 – £107,348).

Notes to the financial statements

at 31 August 2015

14. Provisions for liabilities

Deferred tax included in the balance sheet is as follows:

	2015	2014
	£	£
Accelerated capital allowances	<u>1,212,803</u>	<u>1,012,233</u>
		£
At 1 September 2014		1,012,233
Deferred tax charge in profit and loss account for the year (note 7(a))		200,570
At 31 August 2015		<u>1,212,803</u>

Deferred tax amounts unrecognised are discussed in (note 7(c)). The closing provision is at 20% (2014 – 20%) being the rate at which timing differences are expected to reverse.

15. Issued share capital

	2015		2014	
<i>Allotted, called up and fully paid</i>	No.	£	No.	£
Ordinary shares of £1 each	409,000	<u>409,000</u>	409,000	<u>409,000</u>

16. Reconciliation of shareholders' funds and movements on reserves

	<i>Share capital</i>	<i>Share premium account</i>	<i>Revaluation reserve</i>	<i>Profit and loss account</i>	<i>Total shareholders' funds</i>
	£	£	£	£	£
At 1 September 2013	409,000	6,148	38,624,069	45,742,599	84,781,816
Property revaluation	–	–	1,264,608	–	1,264,608
Property disposal	–	–	(8,473,177)	8,473,177	–
Profit for the year	–	–	–	2,859,478	2,859,478
Dividend	–	–	–	(1,017,600)	(1,017,600)
At 1 September 2014	<u>409,000</u>	<u>6,148</u>	<u>31,415,499</u>	<u>56,057,654</u>	<u>87,888,301</u>
Property revaluation	–	–	(2,814,195)	–	(2,814,195)
Property disposal	–	–	(2,510,973)	2,510,973	–
Profit for the year	–	–	–	3,025,843	3,025,843
Dividend	–	–	–	–	–
At 31 August 2015	<u>409,000</u>	<u>6,148</u>	<u>26,090,331</u>	<u>61,594,470</u>	<u>88,099,949</u>

The company's profit and loss account balance of £61,594,470 as at 31 August 2015 (2014 – £56,057,654) includes non-distributable reserves of £nil (2014 – £558,164).

Notes to the financial statements

at 31 August 2015

17. Notes to the statement of cash flows

(a) Reconciliation of operating profit to net cash flow from operating activities

	2015	2014
	£	£
Operating profit	4,362,165	4,213,245
Depreciation	1,862	1,800
(Increase) in debtors	(113,755)	(203,183)
Increase/ (Decrease) in creditors	143,648	(124,532)
Net cash inflow from operating activities	<u>4,393,920</u>	<u>3,887,330</u>

(b) Analysis of net debt

	At 1 September 2014	Cash flow	At 31 August 2015
	£	£	£
Cash at bank and in hand	9,997,483	(7,988,817)	2,008,666
Loans	(12,045,000)	(9,230,000)	(21,275,000)
	<u>(2,047,517)</u>	<u>(17,218,817)</u>	<u>(19,266,334)</u>

18. Related party transactions

At the balance sheet date amounts due to directors and close family members were as follows;

Included within creditors: amounts falling due within one year:

	<i>Loan repayments</i>		<i>Loan contributions</i>		<i>Yearend balance</i>	
	2015	2014	2015	2014	2015	2014
	£	£	£	£	£	£
S S Potel	783,636	(185,253)	1,022,440	54,200	4,624	10,820
Transfer from/(to) long term	245,000			140,000		
D Potel	278,962	(95,570)	275,000	483,960	4,300	8,262
Transfer from/(to) long term		(385,000)				
B Potel	190,854	(57,905)	190,000	338,000	4,312	5,166
Transfer from/(to) long term		(280,000)				
					<u>13,236</u>	<u>24,248</u>

Notes to the financial statements

at 31 August 2015

18. Related party transactions (continued)

Included within Creditors: amounts falling due after one year:

	<i>Loan repayments</i>		<i>Loan contributions</i>		<i>Year end balance</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	£	£	£	£	£	£
S S Potel	755,000	–	1,000,000	–	1,285,000	1,040,000
Transfer from/(to) current		(140,000)		–		
D Potel	275,000				1,040,000	1,315,000
Transfer from/(to) current		–		385,000		
B Potel	190,000				550,000	740,000
Transfer from/(to) current		–		280,000		
					<u>2,875,000</u>	<u>3,095,000</u>

Interest payable on related party loans:

	<i>At 1 September 2014</i>	<i>Earned during the year</i>	<i>Paid during the year</i>	<i>At 31 August 2015</i>
	£	£	£	£
S S Potel	6,881	29,041	27,420	8,502
D Potel	8,701	32,081	33,901	6,881
B Potel	4,896	17,446	18,703	3,639
	<u>20,478</u>	<u>78,568</u>	<u>80,024</u>	<u>19,022</u>

At the balance sheet date Fairholme Management Limited owed £5,002,000 (2014 – £5,000,000) to the company. The company owed Fairholme Management Limited £649 (2014 – £649). Fairholme Management Limited is 100% subsidiary of Fairholme Estates (Holdings) Limited.

Fairholme Management Limited has stock market investment and cash with a market value at 31st August of £5,104,467 (2014 - £5,020,608).

During the year the company made charitable donations of £50,000 (2014 – £40,000) to The Potel Charitable Trust, a registered charity. The Potel Charitable Trust is related by virtue of common control. In addition, the company made charitable donations of £nil (2014 – £60,000) to the Morning Star Trust, a registered charity, of which a director is a trustee.

19. Ultimate parent undertaking and controlling party

There is no overall controlling party.