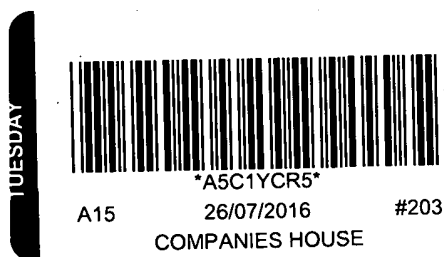


AFFINITY SUTTON INVESTMENTS LIMITED

**Annual Report
and
Financial Statements
for the year ended 31 March 2016**



COMPANIES HOUSE NO. 07466271

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BOARD AND ADVISERS

Board

Neil McCall (Chair)
David Fordham
Mark Washer

Company Secretary

Clare Miller

Registered Office

Level 6
6 More London Place
Tooley Street
London
SE1 2DA

Principal Solicitors

Trowers & Hamblins LLP
3 Bunhill Row
London
EC1Y 8YZ

Auditors

KPMG LLP
15 Canada Square
London
E14 5GL

Bankers

NatWest Bank PLC
143 High Street
Bromley
Kent
BR1 1JH

REPORT OF THE BOARD

Affinity Sutton Investments Limited ("ASIL"), registered company no. 07466271, presents its annual report and audited financial statements for the year ended 31 March 2016.

Principal Activities

Affinity Sutton Investments Limited undertakes property development and other investment activity on behalf of Affinity Sutton Community Foundation ("the Foundation"), its immediate parent.

Review of the Year

Development of properties for outright sale on the open market solely related to the scheme at the site of the former St. Margaret's Convent School, Midhurst, with the final 10 homes finishing construction over the course of the year.

Turnover for the year was £5.4 million with 14 homes sold (2015: £1.8 million, 5 homes and 4 parking spaces sold), and at year-end only 3 homes, costing £1.1 million, remain to be sold (2015: 7 completed homes costing £2.4 million, plus 10 homes with a cost-to-date of £2.6 million were nearing completion).

Operating profit amounted to £448,000 (2015 restated: £101,000) with a profit after tax of £276,000 (2015 restated: £232,000). The company has recognised a donation of £330,000 (2015: £59,000) to the Foundation under the Gift Aid arrangements of HMRC.

The Foundation provides a loan facility of £20 million of which £1.1 million is drawn as at the year-end (2015: £6.1 million drawn).

The Company's System of Internal Control

Responsibility

The Board is responsible for ensuring that sound systems of internal control exist in the company which focus on the significant risks that threaten the company's ability to meet its objectives, and provide reasonable - but not absolute - assurance against material misstatement or loss.

The key means of identifying, evaluating and managing the systems of internal control are:

- the existence of suitable governance arrangements;
- adherence to Group-wide financial regulations and delegated authorities;
- key accounting policies and other procedures;
- management structures that ensure adequate separation of key duties and responsibilities;
- formal risk management arrangements which involve the assessment of all major business risk and action plans to mitigate the worst effects of those risks;
- a Group-wide internal audit function structured to deliver the Group Audit Committee's three-year, risk-based audit plan, quality assurance and risk assessment. As well as having its own internal audit team, the Group uses the services of external firms of professional auditors and other specialists as appropriate. All audit reports are reviewed by the Group Audit Committee, which also receives updates on the implementation of agreed external and internal audit recommendations;

REPORT OF THE BOARD (CONTINUED)

- a Group-level Health and Safety function;
- a Group-level treasury management function;
- business planning, budgeting and budgetary control arrangements; and
- a Group-wide policy and procedure for dealing with suspected fraud, bribery and whistleblowing.

The Group Chief Executive and other senior managers have reviewed the internal controls and assurance arrangements by reference to checks and reports on the above and have reported to the Board that they are satisfied with the effectiveness of the control systems. The Group Audit Committee and the Board have also expressed their satisfaction with these arrangements.

Status

No weaknesses were found in internal controls which would result in material losses, contingencies or uncertainties, or which require disclosure in the financial statements, for the year ended 31 March 2016 and up to the date of approval of the financial statements.

Going Concern

After reviewing the company's strategic business planning and control procedures, the Board has a reasonable expectation that it has adequate resources to continue operating for at least twelve months from the date of approval of the financial statements.

Directors

The Directors holding office during the period and at the date of this report are listed on page 3.

Directors' and officers' liability

Directors' and officers' liability insurance has been purchased by the Group during the year.

Charitable and Political Contributions

Apart from the Gift Aid payments to its charitable parent - which are treated as dividends under company law - the company made no charitable contributions during the year (2015: £nil) and no political contributions (2015: £nil).

Disclosure of Information to Auditor

The Board members who held office at the date of approval of this Report of the Board confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each Board member has taken all the steps that they ought to have taken as a Board member to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

REPORT OF THE BOARD (CONTINUED)

Auditor

KPMG LLP have expressed their willingness to continue in office as the Group's auditor. The Board has resolved to reappoint them as auditor.

A handwritten signature in black ink, appearing to read 'Neil McCall', written in a cursive style.

Neil McCall
Chair
6 July 2016

STATEMENT OF BOARD'S RESPONSIBILITIES IN RESPECT OF THE REPORT OF THE BOARD AND THE FINANCIAL STATEMENTS

The Board is responsible for preparing the Report of the Board and the financial statements in accordance with applicable law and regulations.

Company law requires the Board to prepare financial statements for each financial year. Under that law the Board has elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the Board must not approve the financial statements unless it is 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 Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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 Board is 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 the Board to ensure that the financial statements comply with the Companies Act 2006. It has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AFFINITY SUTTON INVESTMENTS LIMITED

We have audited the financial statements of Affinity Sutton Investments Limited for the year ended 31 March 2016 set out on pages 10 to 20. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

Respective responsibilities of the Board and auditor

As explained more fully in the Board's Responsibilities Statement set out on page 7, the Board is 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on 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 March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Board for the financial year for which the financial statements are prepared is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Report of the Board:

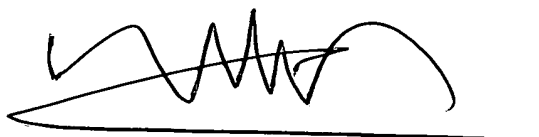
- we have not identified material misstatements in that report; and
- in our opinion, that report has been prepared in accordance with the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AFFINITY SUTTON INVESTMENTS 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; or
- the Board was not entitled to take advantage of the small companies exemption in not preparing a strategic report.



Harry Mears (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, London, E14 5GL

13 July 2016

Statement of Comprehensive Income for the year ended 31 March 2016

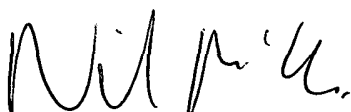
	Notes	2016 £'000	Restated 2015 £'000
Turnover	1	5,415	1,814
Cost of sales	1	(4,967)	(1,703)
Operating costs		-	(10)
Operating profit		448	101
Interest receivable		2	2
Interest payable and similar charges	5	(119)	-
Profit on ordinary activities before taxation	6	331	103
Tax (charge)/credit on profit on ordinary activities	7	(55)	129
Profit for the year		276	232

All operations are continuing.

Statement of Financial Position as at 31 March 2016

	Notes	2016 £'000	2015 £'000
Current assets			
Stock	8	1,090	5,020
Debtors	9	39	95
Cash at bank and in hand		484	1,239
		<u>1,613</u>	<u>6,354</u>
Current liabilities			
Creditors: amounts falling due within one year	10	(513)	(304)
		<u>1,100</u>	<u>6,050</u>
Net current assets			
		1,100	6,050
Creditors: amounts falling due after more than one year	11	(1,100)	(6,050)
		<u>-</u>	<u>-</u>
Net assets			
		<u>-</u>	<u>-</u>
Capital and reserves			
Share capital	12	-	-
Profit and loss account		-	-
		<u>-</u>	<u>-</u>
Equity shareholder's funds		<u>-</u>	<u>-</u>

The financial statements were approved by the Board and were signed on their behalf by:


Neil McCall
Chair

6 July 2016

Statement of Changes in Equity for the year ended 31 March 2016

	Share capital £'000	Profit and loss account £'000	Total equity £'000
At 1 April 2014	-	-	-
Change in accounting policy (see note 16)	-	(36)	(36)
At 1 April 2014 (restated)	-	(36)	(36)
Profit for the year	-	232	232
<u>Contributions by and distributions to owners</u>			
Gift Aid payment to parent charity	-	(59)	(59)
Current tax credit on Gift Aid	-	12	12
Adjustment in respect of prior year Gift Aid	-	(149)	(149)
At 31 March 2015 and 1 April 2015	-	-	-
Profit for the year	-	276	276
<u>Contributions by and distributions to owners</u>			
Gift Aid payment to parent charity	-	(330)	(330)
Current tax credit on Gift Aid	-	66	66
Adjustment in respect of prior year Gift Aid	-	(12)	(12)
At 31 March 2016	-	-	-

£330,000 of Gift Aid relates to the current year, approved by written resolution and recognised as a liability (2015: £59,000).

Notes to the Financial Statements for the year ended 31 March 2016

1. Accounting policies

The financial statements have been prepared in accordance with *FRS 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (September 2015)* ("FRS 102") and the Companies Act 2006.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to Affinity Sutton Investments Limited's ("the company") financial statements.

Basis of preparation

The financial statements are prepared on the historical cost basis of accounting.

Going concern

On the basis of their assessment of the company's financial position and resources, the Board believe that the company is well placed to manage its business risks. Therefore the company's Board have a reasonable expectation that the company has adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Statement of cash flows

The company has taken advantage of the exemption in FRS 102 not to prepare a statement of cash flows and related notes.

Adoption of FRS102

This is the first year in which the company has prepared its financial statements in accordance with FRS 102; it previously reported in accordance with UK GAAP ("Generally Accepted Accounting Practice").

An explanation of how the transition to FRS 102 has affected the financial position and financial performance of the company is provided in note 16.

Comparatives have been restated where necessary for the resulting changes in accounting policy.

Turnover

Turnover represents sales of properties on the open market, and is recognised on legal completion.

Stock and cost of sales

Stock is stated at cost which includes the cost of land, construction works and professional fees, as well as directly attributable development staff costs and interest capitalised during the construction period (calculated by reference to the company's average cost of borrowing).

Cost of sales comprises the cost of stock sold as well as marketing costs incurred in the year.

Impairment

Properties held in stock are assessed for impairment at each reporting date by comparing their carrying amount to their estimated market value less costs to complete and sell.

Trade and other debtors are assessed for recoverability at each reporting date, with any impairment loss recognised in income or expenditure.

Notes to the Financial Statements for the year ended 31 March 2016 (continued)

1. Accounting policies (continued)

Taxation and Gift Aid

The company is liable to corporation tax, and the charge is based on the profit for the year taking into account differences between certain items for taxation and accounting purposes.

A Gift Aid donation, in relation to this year's profits, to the company's charitable parent is recognised as a liability at year-end as a result of a shareholder-approved Companies Act s288 written resolution. Payment will be made within nine months of the year end and the amount may differ as the corporation tax computation for the year is finalised. A current tax charge is recognised for Gift Aid accrued but not paid at the reporting date, with an opposing credit in the Statement of Changes in Equity. This is reversed in the following year when the Gift Aid is paid.

Deferred tax

Full provision is made for timing differences which have arisen at the reporting date where material. Amounts recognised in respect of deferred tax are not discounted, in accordance with FRS 102.

Value Added Tax

The company is registered for VAT, under its own registration, and recovers most of the VAT it incurs. Therefore all expenditure is shown exclusive of recoverable VAT.

Basic financial instruments

Loans and other borrowings are stated at the amount of net proceeds.

Trade and other debtors and creditors are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, in which case the present value of the future receipts discounted at a market rate of interest is used.

Cash at bank and in hand includes cash balances and call deposits. Overdrafts are repayable on demand and so are included in creditors due within one year.

Notes to the Financial Statements for the year ended 31 March 2016 (continued)

2. Significant judgements and accounting estimates

Significant judgements

In applying the company's accounting policies, no significant judgements have been made.

Accounting estimates

The following accounting estimates have been made, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

- 1 The recoverable amount of stock.

Costs (including costs to complete for properties in the course of construction) have been compared to valuations.

- 2 The recoverable amount of debtors.

Debtors are reviewed on a case-by-case basis.

3. Directors' remuneration

The amounts shown below reflect the total remuneration receivable from the Affinity Sutton Group, and also include any amounts receivable in respect of other directorships held within the Group as well as any amounts received in respect of membership of Group committees.

	2016	2015
	£	£
Remuneration by director was as follows:		
Neil McCall	-	-
David Fordham	-	-
Mark Washer	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

Neil McCall and Mark Washer are employees of Affinity Sutton Group Limited and are representatives of that entity. Their remuneration is disclosed there as appropriate.

David Fordham did not receive any remuneration.

The directors are considered the key management personnel for the purposes of FRS 102.

4. Employee information

The company does not directly employ any staff but instead makes use of the employees of Affinity Sutton Group Limited, which then includes a proportion of the cost of these employees in the management recharge to the company. The management recharge this year included staff costs of £38,000 (2015: £14,000).

Notes to the Financial Statements for the year ended 31 March 2016 (continued)

5. Interest payable and similar charges

	2016	2015
	£'000	£'000
Interest on intercompany loan	145	238
Other charges	1	-
	146	238
Less: interest capitalised	(27)	(238)
	119	-

Interest is capitalised on properties under construction using the weighted average interest rate for borrowing of 4.66% (2015: 4.65%).

6. Profit on ordinary activities before taxation

Auditors' remuneration has been expensed in the accounts of Affinity Sutton Group Limited and no audit or non-audit fees are charged to Affinity Sutton Investments Limited.

Notes to the Financial Statements for the year ended 31 March 2016 (continued)

7. Taxation

	2016 £'000	Restated 2015 £'000
Analysis of charge in period		
Current tax:		
Current tax on income for the period	-	-
Adjustment in respect of prior periods	1	8
Tax charge	<u>1</u>	<u>8</u>
Recognised in profit or loss	55	(129)
Recognised directly in equity	(54)	137
	<u>1</u>	<u>8</u>

The company's tax charge for the period is less than 20% (2015: less than 20%), the rate (2015: the small profits rate) of corporation tax in the UK. The differences are explained below:

	2016 £'000	Restated 2015 £'000
Tax reconciliation		
Profit on ordinary activities before taxation	<u>331</u>	<u>103</u>
Tax at 20% (2015: 20%)	66	21
Effects of:		
Adjustment in respect of prior period's Gift Aid	(12)	(149)
Other adjustments in respect of prior periods	1	8
Utilisation of tax losses	-	(9)
Total tax charge/(credit) recognised in profit and loss	<u>55</u>	<u>(129)</u>

Factors affecting the tax charge for the period:

The company pays over the majority of its taxable profit to its immediate parent undertaking, Affinity Sutton Community Foundation, under the Gift Aid scheme. This arrangement is likely to remain in place for the foreseeable future.

Factors that may affect future tax charges:

The rate of UK corporation tax that was substantively enacted at the balance sheet date was 20%. The UK government's latest plans, as announced in the 2016 Budget, are that from 1 April 2017 the rate will fall to 19%, and from 1 April 2020 it will reduce further to 17%.

Notes to the Financial Statements for the year ended 31 March 2016 (continued)

8. Stock

	2016	2015
	£'000	£'000
Properties in the course of construction	-	2,618
Completed properties	<u>1,090</u>	<u>2,402</u>
	<u>1,090</u>	<u>5,020</u>

9. Debtors

	2016	2015
	£'000	£'000
Amounts falling due within one year		
Amounts due from Group undertakings	30	10
Other debtors and prepayments	<u>9</u>	<u>85</u>
	<u>39</u>	<u>95</u>

10. Creditors: amounts falling due within one year

	2016	2015
	£'000	£'000
Amounts due to Group undertakings	436	220
Accruals and deferred income	<u>77</u>	<u>84</u>
	<u>513</u>	<u>304</u>

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

	2016	2015
	£'000	£'000
Amounts due to Group undertakings	<u>1,100</u>	<u>6,050</u>
Loans are repayable, otherwise than by instalments as follows:	£'000	£'000
Between one and two years	<u>1,100</u>	<u>6,050</u>

The company has a £20 million facility with Affinity Sutton Community Foundation, its immediate parent. Loans are repayable on demand - however, at the balance sheet date the company received an undertaking from its parent that the loan would not be recalled for at least one year after the balance sheet date. Interest is charged at LIBOR plus 4%.

Loans are secured by a floating charge over all of the company's assets.

Notes to the Financial Statements for the year ended 31 March 2016 (continued)

12. Share capital

	2016 £	2015 £
Allotted, called up and fully paid:		
Ordinary shares of £1 each	<u>1</u>	<u>1</u>

13. Capital commitments

	2016 £'000	2015 £'000
Capital expenditure contracted for but not provided for in the financial statements	<u>-</u>	<u>1,353</u>
Capital expenditure authorised by the Board not contracted for	<u>-</u>	<u>-</u>

14. Related Party Disclosures

The company has taken advantage of the exemption in FRS 102 to not disclose transactions with other wholly owned members of the Affinity Sutton group.

Debtor and creditor balances with other members of the Affinity Sutton group are either trading balances which are non-interest bearing and are due to be settled within one year of their recognition, or are loans subject to a market rate of interest.

No other related party transactions require disclosure.

15. Immediate and ultimate parent undertaking

The company is a subsidiary undertaking of Affinity Sutton Community Foundation which is registered in England and Wales under the Companies Act 2006.

The company's ultimate parent undertaking is Affinity Sutton Group Limited, a registered society under the Co-operative and Community Benefit Societies Act 2014 and which is regulated by the Homes and Communities Agency. Group accounts have been prepared by Affinity Sutton Group Limited and are available from the registered address as detailed on page 3.

Notes to the Financial Statements for the year ended 31 March 2016 (continued)

16. Adoption of FRS 102

As stated in note 1, these are the company's first financial statements prepared in accordance with FRS 102. The company previously applied UK GAAP and amounts reported in previous financial statements have been adjusted as follows:

	Equity as at 31 March 2014 £'000	Profit for the year ended 31 March 2015 £'000	Equity as at 31 March 2015 £'000
As previously reported under UK GAAP	-	59	-
1 Marketing costs no longer capitalised	(36)	36	-
2 Current tax on Gift Aid accrual	-	137	-
Restated for FRS 102	(36)	232	-

1 Costs incurred in marketing properties for sale, for example brochures, are no longer included in the cost of properties under construction but are expensed as incurred.

2 Under FRS 102, a current tax charge is recognised for Gift Aid accrued but not paid at the reporting date, with an opposing credit in the Statement of Changes in Equity.