WILLIAM SUTTON DEVELOPMENTS LIMITED

Annual Report
and
Financial Statements
for the year ended 31 March 2014

COMPANIES HOUSE NO. 05452017

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BOARD AND ADVISERS

Board

Mark Washer (Chair)
Kerry Kyriacou
Neil McCall

Company Secretary

Clare Miller

Registered Office

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

Principal Solicitors

Allen & Overy LLP
40 Bank Street
London
E14 4BB

Auditors

KPMG LLP
1 Forest Gate
Brighton Road
Crawley
West Sussex
RH11 9PT

Bankers

NatWest Bank PLC
143 High Street
Bromley
Kent
BR1 1JH

REPORT OF THE BOARD

William Sutton Developments Limited ("WSD"), registered company no. 05452017, presents its annual report and audited financial statements for the year ended 31 March 2014.

Overview

WSD undertakes property development activity on behalf of Affinity Sutton Homes Limited ("Affinity Sutton Homes"), its immediate parent.

In October 2011, the company entered into a joint venture with developer Mount Anvil for a 307-unit scheme in Islington, London: 261 City Road Developments LLP ("City Road").

In November 2012, the company entered into another joint venture with Mount Anvil for a 107-unit scheme in Fulham, London: 72 Farm Lane Developments LLP ("Farm Lane")

Additionally, the company directly develops units for outright sale on the open market.

Review of the Year

The company did not hold any completed properties during the year and so did not make any sales (2013: no completed properties; no sales). As a result, the company made a loss of £78,000 in the year (2013: loss of £50,000).

As at the year-end, £49.6 million is held as stock in relation to properties in construction, primarily relating to an 80-unit development at Finchley Road, Hampstead Reach (2013: £23.7 million). By the year-end, reservation deposits had been taken for 49 of the 60 units to be sold on the open market, and which are expected to complete from September 2014.

Affinity Sutton Homes provides a loan facility of £60 million of which £48.0 million is drawn at the year-end (2013: £50 million facility; £23.0 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 assurance for the safeguarding of assets.

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-level Health and Safety function;
- 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 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 2014 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 year 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.

Dividends

No dividend was paid during the year and none is proposed (2013: £nil).

Political and Charitable Contributions

Apart from any Gift Aid payments to its charitable parent, the company made no charitable contributions during the year (2013: £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 he or she ought to have taken as a Board member to make himself or herself 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.



Mark Washer
Chair
8 July 2014

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

The Board is responsible for preparing the Board's Report 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the Board 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 Board is 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 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 them 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 WILLIAM SUTTON DEVELOPMENTS LIMITED

We have audited the financial statements of William Sutton Developments Limited for the year ended 31 March 2014 set out on pages 9 to 16. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 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 2014 and of its loss 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.

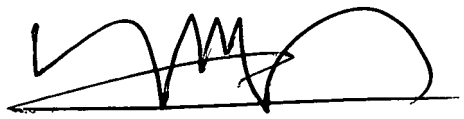
Opinion on other matter prescribed by the Companies Act 2006

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.

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
1 Forest Gate, Brighton Road, Crawley, West Sussex, RH11 9PT

15 July 2014

Profit and Loss Account for the year ended 31 March 2014

	Notes	2014 £'000	2013 £'000
Turnover	2	-	-
Cost of sales		-	(7)
Gross loss		-	(7)
Administration expenses		**(78)**	(49)
Operating loss		**(78)**	(56)
Interest receivable and similar income		**1**	6
Interest payable and similar charges	5	**(1)**	-
Loss on ordinary activities before taxation	6	**(78)**	(50)
Tax charge on loss on ordinary activities	7	-	-
Loss for the year	14	**(78)**	(50)

All operations are continuing.

There were no other recognised gains and losses, other than those in the Profit and Loss Account, in either the current or preceding year.

Balance Sheet as at 31 March 2014

	Notes	2014 £'000	2013 £'000
Tangible fixed assets			
Investments in joint ventures	8	**25,979**	14,460
Current assets			
Stock	9	**49,626**	23,747
Debtors	10	**92**	11,550
Cash at bank and in hand		**111**	29
		49,829	35,326
Current liabilities			
Creditors: amounts falling due within one year	11	**(2,022)**	(872)
Net current assets		**47,807**	34,454
Creditors: amounts falling due after more than one year	12	**(47,964)**	(23,014)
Net assets		**25,822**	25,900
Capital and reserves			
Share capital	13	**25,950**	25,950
Profit and loss account	14	**(128)**	(50)
Equity shareholder's funds		**25,822**	25,900

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



Mark Washer
Chair

8 July 2014

Reconciliation of Movements on Shareholder's Funds for the year ended 31 March 2014

	2014 £'000	2013 £'000
At the beginning of the year	**25,900**	12,450
Shares issued	**-**	13,500
Loss for the year	**(78)**	(50)
At the end of the year	**25,822**	25,900

Notes to the Financial Statements for the year ended 31 March 2014

1. Accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Under FRS1 'Cash Flow Statements' the company is exempt from the requirement to prepare a cash flow statement on the grounds that its ultimate parent undertaking, Affinity Sutton Group Limited, includes the company in its own published consolidated 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 directors believe that the company is well placed to manage its business risks. Therefore the company's directors 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.

Turnover

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

Stock

The cost of stock includes acquisition and development costs together with directly attributable capitalised interest and administration cost. Stock is stated at the lower of cost and net realisable value.

Loans and other financial instruments

Loans and other financial instruments are stated in the balance sheet at the amount of net proceeds.

Taxation

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. However the majority of taxable profits are paid over to its immediate parent, Affinity Sutton Homes Limited, under the Gift Aid scheme.

Deferred tax

Full provision is made for timing differences which have arisen at the balance sheet date where material. Amounts recognised in respect of deferred tax are discounted.

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 VAT.

Notes to the Financial Statements for the year ended 31 March 2014 (continued)

2. Turnover

All of the company's turnover is derived from the UK.

3. Directors' emoluments

The company's directors are employed by Affinity Sutton Group Limited, the ultimate parent company. Any employment costs are retained by that company and disclosed as appropriate.

The directors of WSD do not receive remuneration for their duties as directors of the company. However, all of the directors of WSD also serve as directors of other parts of the Affinity Sutton Group or sit on Affinity Sutton Group Board committees, where they do receive remuneration to reflect the overall oversight role that they play for the Affinity Sutton Group.

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 £162,000 (2013: £233,000).

5. Interest payable and similar charges

	2014	2013
	£'000	£'000
Interest on intercompany loan	**2,984**	1,409
Less: interest capitalised	**(2,983)**	(1,409)
	1	-

Interest is capitalised on properties under construction using the weighted average interest rate for borrowing of 8.42% (2013: 8.69%).

6. Loss on ordinary activities before taxation

Auditor remuneration has been expensed in the accounts of Affinity Sutton Group Limited and no audit or non-audit fees are charged to William Sutton Developments Limited.

Notes to the Financial Statements for the year ended 31 March 2014 (continued)

7. Taxation

	2014	2013
Analysis of charge in period	**£'000**	£'000
Tax charge on loss on ordinary activities	**-**	-

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 Homes Limited, under the Gift Aid scheme. This arrangement is likely to remain in place for the foreseeable future.

The company's current tax charge for the period is greater than 20% (2013: greater than 20%), the small profits rate of corporation tax in the UK. The differences are explained below:

	2014	2013
Current tax reconciliation	**£'000**	£'000
Loss on ordinary activities before taxation	**(78)**	(50)
Current tax at 20% (2013: 20%)	**(16)**	(10)
Effects of:		
Unrealised tax losses arising in period	**-**	10
Group relief	**16**	-
Total current tax charge (see above)	**-**	-

A deferred tax asset of £nil (2013: £10,000), relating to tax losses carried forward, has not been recognised because of the uncertainty over its recoverability.

Factors that may affect future tax charges:

The main rate of UK corporation tax (effective from 1 April 2014) that was substantively enacted at the balance sheet date was 21%. In the March 2014 Budget, the UK government maintained that the main rate will reduce to 20% from 1 April 2015, and this will reduce the company's future current tax charge accordingly. There are no other factors that may significantly affect future tax charges.

Notes to the Financial Statements for the year ended 31 March 2014 (continued)

8. Investment in joint ventures

	2014 £'000	2013 £'000
72 Farm Lane Developments LLP ("Farm Lane")	**13,508**	1,989
261 City Road Developments LLP ("City Road")	**12,471**	12,471
	25,979	14,460

Joint venture	Country of incorporation	Principal Activity	Class and % of shares held
72 Farm Lane Developments LLP	United Kingdom	Development	Ordinary, 50%
261 City Road Developments LLP	United Kingdom	Development	Ordinary, 50%

Joint venture	Net assets at 31 March 2014 £'000	Profit for the year ended 31 March 2014 £'000
72 Farm Lane Developments LLP	**26,920**	**-**
261 City Road Developments LLP	**24,900**	**-**

The company made further capital contributions of £11,510,000 to Farm Lane during the year, and capitalised £9,000 of investment costs.

No interest is payable on either balance.

9. Stock

	2014 £'000	2013 £'000
Properties in the course of construction	**49,626**	23,747

10. Debtors

Amounts falling due within one year	2014 £'000	2013 £'000
Called up share capital not paid	**-**	11,550
Other debtors and prepayments	**92**	-
	92	11,550

Notes to the Financial Statements for the year ended 31 March 2014 (continued)

11. Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Trade creditors	5	-
Amounts due to Group undertakings	1,786	872
Accruals and deferred income	231	-
	2,022	872

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

	2014 £'000	2013 £'000
Amounts payable to Group undertakings	47,964	23,014

Loans are repayable, otherwise than by instalments as follows:	2014 £'000	2013 £'000
Between one and two years	47,964	23,014

The company has a £60 million facility with Affinity Sutton Homes Limited, 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 8%.

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

13. Called up share capital

	2014 £'000	2013 £'000
Allotted, called up and fully paid:		
Ordinary shares of £1 each	25,950	25,950

14. Reserves

	Profit and loss account £'000
At 1 April 2013	(50)
Loss for the year	(78)
At 31 March 2014	**(128)**

Notes to the Financial Statements for the year ended 31 March 2014 (continued)

15. Capital commitments

	2014 £'000	2013 £'000
Capital expenditure contracted for but not provided for in the financial statements	**9,626**	-
Capital expenditure authorised by the Board not contracted for	**14,327**	24,061

16. Related Party Disclosures

The company has taken advantage of the exemption in FRS8 'Related Party Disclosures' not to disclose transactions with other wholly owned members of the Affinity Sutton Group.

17. Immediate and ultimate parent undertaking

The company is a subsidiary undertaking of Affinity Sutton Homes Limited which is incorporated in England and Wales as an Industrial and Provident Society.

The company's ultimate parent undertaking is Affinity Sutton Group Limited, an Association incorporated in Great Britain and regulated in England and Wales. Group accounts have been prepared by the ultimate parent undertaking and are available from the registered address as detailed on page 3.