

AFFINITY SUTTON LABOUR AGENCY LIMITED

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

COMPANIES HOUSE NO. 07885319

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BOARD AND ADVISERS

Board

Jonathan Cawthra (Chair)
Janice Murray
Neil McCall

Company Secretary

Clare Miller

Registered Office

Level 6
6 More London Place
London
SE1 2DA

Principal Solicitors

Trowers & Hamlins LLP
3 Bunhill Row
London
EC1Y 8YZ

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

Affinity Sutton Labour Agency Limited ("ASLA"), registered company no. 07885319, presents its annual report and audited financial statements for the year ended 31 March 2014. The comparative period is for the 16 month period ended 31 March 2013.

Principal Activities

ASLA provides maintenance and repairs services to its parent company, Affinity Sutton Homes Limited ("Affinity Sutton Homes"), with whom it has a 20-year partnering agreement for its portfolio of stock in the London and South East.

The day-to-day operational management in the year had been outsourced to Willmott Dixon from April to June, and then to Osborne from July. Osborne are expected to continue to deliver the operational management in the coming year. The chosen operational model ensures that ASLA combines commercial competitiveness with the security of having its workforce on its own books, thus assuring a stable service delivery to Affinity Sutton Homes in an otherwise volatile marketplace.

Review of the Year

The company made a profit before taxation and Gift Aid of £127,000 in the year (2013: £70,000) and made a donation of £126,000 to Affinity Sutton Homes under the Gift Aid arrangements of HMRC (2013: £70,000). This was based on a turnover of £5.2 million (£3.6 million).

Affinity Sutton Homes provides a loan facility of £3,000,000 of which £500,000 is drawn as at 31 March 2014 (2013: £700,000 drawn).

The Company's System of Internal Control

Responsibility

The Board is responsible for ensuring that there are sound systems of internal control across ASLA 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 risks 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)

- 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 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 ASLA's strategic business planning and control procedures, the Board has a reasonable expectation that ASLA 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 company 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.

A handwritten signature in black ink, appearing to be 'JC' followed by a stylized surname.

Jonathan Cawthra
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 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 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 AFFINITY SUTTON LABOUR AGENCY LIMITED

We have audited the financial statements of Affinity Sutton Labour Agency 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 result 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

		year ended 31 March 2014 £'000	16 months ended 31 March 2013 £'000
	Notes		
Turnover	2	5,169	3,561
Cost of sales		(4,583)	(3,144)
Gross profit		586	417
Administration expenses		(441)	(338)
Operating profit		145	79
Interest payable and similar charges	5	(18)	(9)
Profit on ordinary activities before Gift Aid and taxation		127	70
Payment under Gift Aid to parent Association		(126)	(70)
Profit on ordinary activities before taxation	6	1	-
Tax charge on profit on ordinary activities	7	(1)	-
Profit for the period	12	-	-

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 period.

Balance Sheet as at 31 March 2014

	Notes	2014 £'000	2013 £'000
Current assets			
Debtors	8	315	472
Cash at bank and in hand		227	420
		<u>542</u>	<u>892</u>
Current liabilities			
Creditors: amounts falling due within one year	9	(42)	(192)
		<u>500</u>	<u>700</u>
Net current assets			
Creditors: amounts falling due after more than one year	10	(500)	(700)
		<u>-</u>	<u>-</u>
Net assets			
Capital and reserves			
Share capital	11	-	-
Profit and loss account	12	-	-
		<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:



Jonathan Cawthra
Chair

8 July 2014

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

	year ended 31 March 2014 £'000	16 months ended 31 March 2013 £'000
At the beginning of the period	-	-
Profit for the period	-	-
At the end of the period	<u>-</u>	<u>-</u>

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 income from maintenance of properties for other Group entities, and is recognised on a cost-plus basis as per the contract.

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's VAT affairs are dealt with under a Group registration in the name of Affinity Sutton Group Limited.

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

1. Accounting policies (continued)

Pension costs

The company participates in a defined contribution pension scheme.

The assets of the scheme are held separately from those of the company. Contributions to the pension scheme are calculated as a percentage of pensionable salaries of the employees. The cost of providing pensions is charged to the Profit and Loss Account over the periods during which the company benefits from the employees' services.

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 ASLA do not receive remuneration for their duties as directors of the company. However, all of the directors of ASLA 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 average monthly number of FTEs, including executive directors, employed from 1 July 2012 when the company began to trade, was:

	year ended 31 March 2014 Number	16 months ended 31 March 2013 Number
Trade operatives	122	109
Supervisory	10	13
Administration	15	15
Call centre	14	10
Customer Services	3	3
	<u>164</u>	<u>150</u>

	year ended 31 March 2014 £'000	16 months ended 31 March 2013 £'000
Staff Costs:		
Wages and salaries	4,401	3,045
Social security costs	438	295
Pension costs	24	11
	<u>4,863</u>	<u>3,351</u>

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

5. Interest payable and similar charges

	year ended 31 March 2014 £'000	16 months ended 31 March 2013 £'000
Interest on intercompany loan	18	9

6. Profit on ordinary activities before taxation

	year ended 31 March 2014 £'000	16 months ended 31 March 2013 £'000
Profit on ordinary activities before taxation is stated after charging:		
Auditor remuneration (excluding VAT)		
in capacity as auditor	3	3
other services	-	-
	3	3

Amounts receivable by the company's auditor and its associates in respect of non-audit services, where procured on a Group-wide basis, are not included above. Instead the information is disclosed on a consolidated basis in the Group financial statements.

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

7. Taxation

	year ended 31 March 2014 £'000	16 months ended 31 March 2013 £'000
Analysis of charge in period		
Adjustment in respect of prior periods	<u>1</u>	<u>-</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 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: equal to 20%), the small profits rate of corporation tax in the UK. The differences are explained below:

	2014 £'000	2013 £'000
Current tax reconciliation		
Profit on ordinary activities before taxation	<u>1</u>	<u>-</u>
Current tax at 20% (2013: 20%)	-	-
Effects of:		
Adjustment in respect of prior period	1	-
Total current tax charge (see above)	<u>1</u>	<u>-</u>

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.

8. Debtors

	2014 £'000	2013 £'000
Amounts falling due within one year		
Amounts due from Group undertakings	296	455
Other debtors and prepayments	<u>19</u>	<u>17</u>
	<u>315</u>	<u>472</u>

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

9. Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Amounts due to Group undertakings	9	100
Accruals and deferred income	32	91
Other creditors	1	1
	<u>42</u>	<u>192</u>

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

	2014 £'000	2013 £'000
Amounts due to Group undertakings	<u>500</u>	<u>700</u>

	2014 £'000	2013 £'000
Loans are repayable, otherwise than by instalments as follows:		
Between one and two years	<u>500</u>	<u>700</u>

The company has a £3 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 2%.

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

11. Called up share capital

	2014 £	2013 £
Allotted, called up and fully paid:		
Ordinary shares of £1 each	<u>1</u>	<u>1</u>

12. Reserves

	Profit and loss account £'000
At 1 April 2013	-
Profit for the year	-
At 31 March 2014	<u>-</u>

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

13. Pensions

The company participates in a defined contribution scheme with Friends Provident.

Friends Provident

This scheme is administered by Friends Provident and is a defined contribution scheme. The employer contribution rate payable by the company per annum is dependent on the contribution by the employee as follows:

Employee Contributes	Employer Contributes
Up to 5%	Up to 5%
More than 5%	5%

14. 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.

All directors are required to declare their interests at Board meetings and are not able to vote on matters in which they have a direct interest.

15. 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.