Secure Homes Services Limited
Annual report and financial statements for the year ended 31 December 2016

Registered Number 01404439

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Contents

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2016. The directors have taken advantage of the small companies' exemption with regards to the preparation of a strategic report. As such, no report has been prepared for the year ended 31 December 2016.

Principal activity and business review
The principal activity of Secure Homes Services Limited ("the Company") during the year was the subletting of freehold premises, through an open market rental, to its immediate parent company Secure Trust Bank PLC.

Results for the year
The directors are satisfied with the performance of the Company during the year and do not envisage any significant change in the principal activity in the ensuing year. The Statement of Comprehensive Income is set out on page 5.

The profit for the year of £804,000 (2015: £225,000) has been transferred to reserves. The Directors do not recommend the payment of a dividend for the year (2015: £2,000,000).

Directors
N Kapur P A Lynam

Directors' interests
Of the directors holding office at 31 December 2016 Mr Lynam is a director of Arbuthnot Banking Group PLC, which was the ultimate parent company up to 15th June 2016, and his interest in the share capital of that company is shown in that company's Directors' Report.

Mr Lynam and Mr Kapur are both directors of Secure Trust Bank PLC, from 15 June 2016 the ultimate and immediate parent company. Their interests in the share capital of that company are shown in that company's Directors' Report. No director had a beneficial interest in shares of the Company during the year.

Risk management
The Company regards the monitoring and controlling of risks as a fundamental part of the management process. Consequently, senior management are involved in the development of risk management policies and in monitoring their application. The principal risks and uncertainties of this business relate to the commercial freehold property environment and the impact of property valuation fluctuations. The Company's overall approach to managing internal control and financial reporting is described in Note 3.

Going concern
After making appropriate enquiries which assessed strategy, profitability, funding and capital resources, the directors are satisfied that the Company has adequate resources to continue in operation for the foreseeable future. The financial statements are therefore prepared on the going concern basis.

Auditor
Each director in office at the date of this Directors' Report confirms that so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

KPMG LLP was reappointed as auditor at the Annual General Meeting held in 2016. A resolution for its reappointment as auditor will be proposed at the 2017 Annual General Meeting. KPMG LLP has indicated its willingness to continue in office.

By order of the Board
A J Karter
A J Karter
Secretary
22 March 2017

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' 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 they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU 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 they have been prepared in accordance with IFRSs as adopted by the EU; 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

N Kapur
Director

22 March 2017

Independent auditor's report

to the members of Secure Homes Services Limited

We have audited the financial statements of Secure Homes Services Limited for the year ended 31 December 2016 set out on pages 5 to 15. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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

Respective responsibilities of directors and auditor
As explained more fully in the Statement of Directors' Responsibilities set out on page 2, 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
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 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; 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 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 Directors' report:

- 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.

Matters on which we are required to report by exception

Independent auditor's report

to the members of Secure Homes Services Limited

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 directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

Andrew Walker (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

22 March 2017

Statement of comprehensive income

	Note	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Revenue		358	360
Revaluation of investment property	8	600	(78)
Profit before income tax		**958**	**282**
Income tax expense	7	(154)	(57)
Profit for the year		**804**	**225**
Profit attributable to:			
Equity holders of the Company		**804**	**225**
Total comprehensive income attributable to:			
Equity holders of the Company		**804**	**225**

The Company has no recognised gains and losses other than those included in the results above hence a Statement of Other Comprehensive Income has not been prepared.

The Company's freehold property is occupied by another group company, and has therefore been reclassified from Property, plant and equipment to Investment properties. The impact of this reclassification on the financial statements is shown in Note 2.

The Company's results above are from continuing operations.

The notes on pages 9 to 15 are an integral part of these financial statements

Statement of financial position

	Note	At 31 December 2016 £000	2015 £000
ASSETS			
Investment Property	8	4,454	3,854
Deferred tax assets	10	73	196
Total assets		**4,527**	**4,050**
EQUITY AND LIABILITIES			
Liabilities			
Current tax liabilities		14	150
Other liabilities	9	3,035	3,226
Total liabilities		**3,049**	**3,376**
Equity attributable to owners of the parent			
Share capital	11	-	-
Retained earnings		1,478	674
Total equity		**1,478**	**674**
Total liabilities and equity		**4,527**	**4,050**

The financial statements on pages 5 to 15 were approved by the Board of Directors on 22 March 2017 and were signed on its behalf by:

N Kapur
Director

Company number: 01404439

The notes on pages 9 to 15 are an integral part of these financial statements

Statement of changes in equity

	Share capital £000	Retained earnings £000	Total £000
Balance at 1 January 2015	-	**2,449**	**2,449**
Total comprehensive income for the period			
Profit for the year ended 31 December 2015	-	225	225
Total comprehensive income for the period	-	**225**	**225**
Transactions with owners, recorded directly in equity			
Contributions by and distributions to owners			
Dividends paid	-	(2,000)	(2,000)
Total contributions by and distributions to owners	-	**(2,000)**	**(2,000)**
Balance at 31 December 2015	-	**674**	**674**
Total comprehensive income for the period			
Profit for the year ended 31 December 2016	-	804	804
Total comprehensive income for the period	-	**804**	**804**
Transactions with owners, recorded directly in equity			
Contributions by and distributions to owners			
Dividends paid	-	-	-
Total contributions by and distributions to owners	-	-	-
Balance at 31 December 2016	-	**1,478**	**1,478**

The notes on pages 9 to 15 are an integral part of these financial statements

Statement of cash flows

	Note	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Cash flows from operating activities			
Profit for the year		804	225
Adjustments for:			
Income tax expense		154	57
Revaluation of Investment Property	8	(600)	78
Cash flows from operating profits before changes in operating assets and liabilities		358	360
Changes in operating assets and liabilities:			
- net decrease in other liabilities		(358)	(360)
Net cash flow from operating activities		-	-
Net increase in cash and cash equivalents		-	-
Cash and cash equivalents at 1 January		-	-
Cash and cash equivalents at 31 December		-	-

The notes on pages 9 to 15 are an integral part of these financial statements

Notes to the financial statements

1. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Reporting entity
Secure Homes Services Limited is a company domiciled in the United Kingdom. The registered address of Secure Homes Services Limited is One Arleston Way, Solihull, West Midlands, B90 4LH.

1.2 Basis of presentation
The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) (as adopted and endorsed by the EU), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. They have been prepared under the historical cost convention, as modified by the revaluation of land and buildings. The financial statements are presented in pounds sterling, which is the Company's functional and presentational currency.

The directors have assessed, in the light of current and anticipated economic conditions, the Company's ability to continue as a going concern. The directors confirm they are satisfied that the Company has adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the 'going concern' basis for preparing accounts.

The following International Financial Reporting Standards have been issued which are not yet effective and which have not been adopted early:

- IFRS 9 'Financial instruments' (effective for annual periods beginning after 1 January 2018). This is the IASB's replacement of IAS 39 'Financial Instruments: Recognition and Measurement'. Phase one of this standard deals with the classification and measurement of financial assets and represents a significant change from the existing requirements in IAS 39. The standard contains three primary measurement categories for financial assets: 'amortised cost', 'fair value through other comprehensive income' and 'fair value through profit or loss' and eliminates the existing categories of 'held to maturity', 'available for sale' and 'loans and receivables'. Phase two of the standard covers impairment, with a new expected loss impairment model that will require expected credit losses to be accounted for from when financial instruments are first recognised and lowers the threshold for the recognition of full lifetime expected losses. Phase three covers general hedge accounting and introduces a substantially reformed model for hedge accounting with enhanced disclosure about risk management activity. The new model aligns the accounting treatment with risk management activities.

- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning after 1 January 2018). This standard replaces a number of existing standards and interpretations and applies to contracts with customers, but does not apply to insurance contracts, financial instruments or lease contracts, which are in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. The standard specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative relevant disclosures. It introduces a new revenue recognition model that recognises revenue either at a point in time or over time. The model features a principles-based five-step model to be applied to all contracts with customers.

- IFRS 16, 'Leases' (effective from 1 January 2019). The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leasing Standard, IAS 17 Leases, and related Interpretations. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead all leases are treated in a similar way to finance leases applying IAS 17. Leases are 'capitalised' by recognising the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognises a financial liability representing its obligation to make future lease payments. The most significant effect of the new requirements in IFRS 16 will be an increase in lease assets and financial liabilities. Accordingly, for companies with material off balance sheet leases, there will be a change to key financial metrics derived from the company's assets and liabilities (for example, leverage ratios).

Notes to the financial statements

The above standards are unlikely to have a material impact on the Company. IFRS 9 and IFRS 15 have been endorsed by the EU in November 2016 and September 2016 respectively, however IFRS 16 has not yet been endorsed by the EU.

1.3 Revenue
Revenue relates to the Company's income from the subletting of its freehold premises and is recognised net of VAT on an accruals basis. It is included in the Statement of Comprehensive Income when the service has been provided.

1.4 Investment Property
Investment property is initially measured at cost and subsequently at fair value. Valuation gains and losses in the period are recognised in the income statement. The Company uses the fair value model, so no depreciation is provided.

1.5 Cash and cash equivalents
For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash, loans and advances to banks and building societies and short-term highly liquid debt securities.

1.6 Income taxation
Current income tax which is payable on taxable profits is recognised as an expense in the period in which the profits arise. Income tax recoverable on tax allowable losses is recognised as an asset only to the extent that it is regarded as recoverable by offset against current or future taxable profits.

Deferred tax is provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax Is determined using tax rates (and laws) that have been enacted or substantially enacted by the Statement of Financial Position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised where it is probable that future taxable profits will be available against which the temporary differences can be utilised.

1.7 Critical judgements and estimates
The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The valuation of the Company's freehold property is the only area where assumptions and estimates are significant to the financial statements. The methods adopted by the Company in respect of the valuation of the freehold property are described in Note 7.

Critical judgements and the assumptions used in calculating estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances

Notes to the financial statements

2. Prior Year Adjustment

The Company's freehold property is occupied by another group company, and has therefore been reclassified from Property, plant and equipment to Investment properties. The impact of this reclassification on the financial statements is as follows:

Statement of comprehensive income
Depreciation of investment property is not permitted, and therefore has been reversed, and replaced by the annual revaluation, net of depreciation, as follows:

	2015 as originally stated	2015 as restated
	£000	£000
Depreciation	(78)	-
Revaluation of investment property	-	(78)
Total assets	**(78)**	**(78)**

Statement of financial position
As an investment property, the property is required to be revalued at each year end. The freehold property has always been carried at an annual valuation, so there is no impact of the prior year adjustment on the Statement of financial position, other than the re-classification between categories, as follows:

	2015 as originally stated	2015 as restated
	£000	£000
Property, plant and equipment	3,854	-
Investment property	-	3,854
Total assets	**3,854**	**3,854**

Statement of changes in equity
As an investment property, the annual valuation movement is recognised in Retained earnings, and therefore the Revaluation reserve has been reclassified to Retained earnings, as follows:

	2015 as originally stated	2015 as restated	2014 as originally stated	2014 as restated
	£000	£000	£000	£000
Revaluation reserve	183	-	189	-
Retained earnings	491	674	2,260	2,449
Total assets	**674**	**674**	**2,449**	**2,449**

Notes to the financial statements

3. Maturity analysis of assets and liabilities

The table below shows the maturity analysis of the Company's assets and liabilities as at 31 December 2016:

At 31 December 2016	Due within one year £000	Due after more than one year £000	Total £000
ASSETS			
Investment property	-	4,454	4,454
Deferred tax assets	-	73	73
Total assets	**-**	**4,527**	**4,527**
LIABILITIES			
Current tax liabilities	14	-	14
Other liabilities	3,035	-	3,035
Total liabilities	**3,049**	**-**	**3,049**

The table below shows the maturity analysis of the Company's assets and liabilities as at 31 December 2015:

At 31 December 2015	Due within one year £000	Due after more than one year £000	Total £000
ASSETS			
Investment property	-	3,854	3,854
Deferred tax assets	-	196	196
Total assets	**-**	**4,050**	**4,050**
LIABILITIES			
Current tax liabilities	150	-	150
Other liabilities	3,226	-	3,226
Total liabilities	**3,376**	**-**	**3,376**

4. Financial risk management

Strategy

The directors and senior management of the Company have formally adopted a Risk and Controls Policy which sets out the Board's attitude to risk and internal controls. Key risks identified by the directors are formally reviewed and assessed at least once a year by the Board, in addition to which key business risks are identified, evaluated and managed by operating management on an ongoing basis by means of procedures such as physical controls, credit and other authorisation limits and segregation of duties. The Board also receives regular reports on any risk matters that need to be brought to its attention. Significant risks identified in connection with the development of new activities are subject to consideration by the Board.

The directors assess the value of the Company's freehold property through comparison to current rental yields on similar properties and consider that a fall in the valuation of the freehold property is a key risk to the Company. The Company is not exposed to Credit, Market or Liquidity risks.

Notes to the financial statements

5. Operating expenses

The audit fees for the current and prior year were borne by the Company's immediate parent company Secure Trust Bank PLC, which made no recharge to the Company. The audit fees attributable to the Company were £5,100 (2015: £5,000).

6. Employee information

The Company had no employees during 2016 (2015: none).

Directors' emoluments were paid by the Company's immediate parent company Secure Trust Bank PLC, which makes no recharges to the Company for their services.

7. Income tax expense

	2016 £000	2015 £000
Current taxation		
Corporation tax charge - current year	50	73
Corporation tax charge - adjustments in respect of prior years	(19)	-
	31	**73**
Deferred taxation		
Deferred tax charge - current year	123	(16)
	123	**(16)**
Income tax expense	**154**	**57**

Tax reconciliation		
Profit before tax	958	282
Tax at 20% (2015: 20.25%)	192	57
Effect of tax rate change	3	-
Permanent adjustments	(22)	
Prior period adjustments	(19)	-
Income tax expense for the year	154	**57**

On 2 July 2013 the Government substantively enacted a reduction in the main rate of UK corporation tax from 23% to 21% with effect from 1 April 2014 and then from 21% to 20% with effect from 1 April 2015. Further reductions to 19% (effective from 1 April 2017) and to 17% (effective 1 April 2020) have been enacted. This will reduce the Company's future current tax charge accordingly.

Notes to the financial statements

8. Investment Property

	Freehold property £000
At valuation	
At 1 January 2015	3,932
Revaluation of Property	(78)
At 31 December 2015	**3,854**
Revaluation of Property	600
At 31 December 2016	**4,454**

The Company's freehold property is the Registered Office of the Company.

The directors have assessed the value of the Company's freehold property at the year-end through comparison to current rental yields on similar properties in the same area and an increase in the fair value of freehold property has been recognised. The carrying value has been adjusted accordingly. The carrying value of freehold land which is included in the carrying value and which is not depreciated is £0.5 million (2015: £0.5 million).

The historical cost of freehold property included at valuation is as follows:

	2016 £000	2015 £000
Cost	4,832	4,832
Accumulated depreciation	(1,285)	(1,207)
Net book amount	**3,547**	**3,625**

9. Other liabilities

	2016 £000	2015 £000
Amounts due to the immediate parent company	3,035	3,226
	3,035	**3,226**

Amounts due to the immediate parent company

Amounts due to the immediate parent company have no fixed date for repayment and are therefore technically repayable on demand. They are accounted for as financial liabilities, measured at amortised cost and the fair value is not considered to be significantly different from the carrying value.

Notes to the financial statements

10. Deferred tax assets

The deferred tax assets comprise:

	2016 £000	2015 £000
Unrealised deficit on revaluation of freehold property	73	196
Deferred tax assets	**73**	**196**
At 1 January	196	180
Income statement credit	15	16
Tax rate change	(8)	-
Property revaluation	(130)	-
Deferred tax assets at 31 December	**73**	**196**

Deferred tax has been calculated based on the enacted rates to the extent that the related temporary or timing differences are expected to reverse in the future periods.

11. Share capital

	Number of ordinary shares	Ordinary shares £000
At 31 December 2015 and at 31 December 2016	2	-

There was no movement in the issued share capital in the current or prior year. The total number of ordinary shares in issue at 31 December 2016 and 31 December 2015 was 2 with a par value of £1 per share (2015: £1 per share). Both issued shares are fully paid

12. Related party transactions

During the year the Company undertook the following transactions with other companies in the group headed by the ultimate parent company, Secure Trust Bank PLC:

	2016 £000	2015 £000
Secure Trust Bank PLC - building rental received/receivable	358	360
	358	**360**

Amounts due to related companies are included in Note 9.

13. Immediate and ultimate parent company

Prior to the sale of its controlling interest on 15 June 2016, the Company regarded Arbuthnot Banking Group, a company registered in England and Wales, as the ultimate parent company. Sir Henry Angest, the Group Chairman and Chief Executive of Arbuthnot Banking Group PLC has a beneficial interest in 53.7% of the issued share capital of Arbuthnot Banking Group and was regarded by the Company as the ultimate controlling party. A copy of the consolidated financial statements of Arbuthnot Banking Group may be obtained from the Company Secretary, Arbuthnot Banking Group, Arbuthnot House, 7 Wilson Street, London, EC2M 2SN.

Since 15 June 2016, the ultimate and immediate parent company is Secure Trust Bank PLC. A copy of the financial statements of Secure Trust Bank PLC may be obtained from Secure Trust Bank PLC, One Arleston Way, Solihull, West Midlands, B90 4LH.

Corporate contacts & advisers

Secretary & Registered Office

A J Karter
One Arleston Way
Solihull
West Midlands
B90 4LH
T 0121 693 9100
F 0121 693 9124

Independent Auditor

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Principal Banker

Barclays Bank PLC
38 Hagley Road
Edgbaston
Birmingham
B16 8NY