

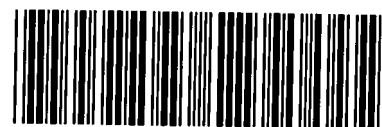
Registration number: 05422373

Priority Properties North West Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2017

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Priority Properties North West Limited

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Priority Properties North West Limited

Company Information

Directors	J Rogers G R Conneely
Registered office	Serco House 16 Bartley Wood Business Park Bartley Way Hook Hampshire RG27 9UY
Auditor	KPMG LLP 15 Canada Square London E14 5GL

Priority Properties North West Limited

Strategic Report for the Year Ended 31 December 2017

The directors present their strategic report for the year ended 31 December 2017.

Principal activity

The principal activity of the company is to manage the provision of short and long-term rental accommodation, for Home Office immigration detainees, throughout the North West of England. In 2013, Serco Limited, another Group company, became the sole customer of the company.

Business review

The results of the company are set out on page 7. The financial performance is driven by demand for accommodation. The number of properties managed by the company increased to approximately 2,900 by 31 December 2017 from c. 2,800 units in 2016. As a result, turnover has increased from £37.0m in 2016 to £37.9m in 2017. The company has not paid a dividend during the year ended 31 December 2017 (2016: £nil).

The directors consider the performance of the company to be satisfactory and expect this to continue in 2018. Future outlook for the company remains stable with the number of units under management by the end of 2018 forecasted to be consistent with 2017.

Principal risks and uncertainties

The company's principal financial instruments are amounts payable to other group companies. The directors do not consider that the company is exposed to significant interest rate or liquidity risk because the interest payments on its intercompany payables are expected to be funded by returns from investments. Further discussion of the financial risk management is included in the consolidated Annual Report and Accounts of Serco Group plc.

Financial risk management for all Serco Group entities is undertaken by Serco Group plc. The Group risk register is updated at least quarterly, reviewed six-monthly by the Risk Oversight Group and discussed at quarterly board meetings. Risk management is fundamental to how the business is managed. Risk management policies, systems and processes form part of the Serco Management System (SMS). Certain risks identified at Group level also apply to the company and procedures are put in place within the company to manage these risks with guidance from the Risk Oversight Group.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, thus the going concern basis of accounting continues to be adopted in preparing the financial statements.

Approved by the Board on 26 September 2018 and signed on its behalf by:



J Rogers
Director

Priority Properties North West Limited

Directors' Report for the Year Ended 31 December 2017

The directors present their report and the financial statements for the year ended 31 December 2017.

Directors of the company

The directors who held office during the year were as follows:

J Rogers

G Smith (resigned 3 July 2018)

The following director was appointed after the year end:

G R Conneely (appointed 4 July 2018)

The directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Employment of disabled persons

Full and fair consideration is given to applications for employment made by the disabled, having regard to their aptitude and ability. Appropriate training is arranged, including retraining of employees who have become disabled.

Employee involvement

Managers are tasked with developing employees' awareness of factors affecting business and matters concerning them as employees and noting employees' views so that they can be taken in to account when making decisions that may affect them or the business. Regular meetings are held with employee representatives where trade union or staff associations are recognised or where works councils are constituted.

Going concern

The company is dependent for its working capital on funds provided to it by Serco Group plc, the company's ultimate parent. Serco Group plc has indicated that it will provide sufficient financial support so as to enable the company to meet its financial obligations as and when they fall due for at least the ensuing twelve month period from the date of approval of these financial statements. The director considers that this should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the director acknowledges that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Appointment of auditors

KPMG LLP, having indicated its willingness to continue in office and will be deemed to be reappointed as auditor under section 487(2) of the Companies Act 2006.

Approved by the Board on 26 September 2018 and signed on its behalf by:


J Rogers
Director

Priority Properties North West Limited

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, 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 the directors have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

Priority Properties North West Limited

Independent Auditor's Report to the Members of Priority Properties North West Limited

Opinion

We have audited the financial statements of Priority Properties North West Limited ("the company") for the year ended 31 December 2017 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Priority Properties North West Limited

Independent Auditor's Report to the Members of Priority Properties North West Limited

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

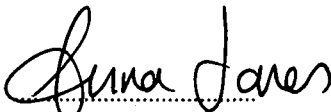
Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Anna Jones (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

26 September 2018

Priority Properties North West Limited

Profit and Loss Account for the Year Ended 31 December 2017

	Note	2017 £ 000	2016 £ 000
Turnover	4	37,851	37,046
Cost of sales		<u>(35,023)</u>	<u>(34,290)</u>
Gross profit		2,828	2,756
Other operating income	5	<u>11</u>	<u>22</u>
Profit before tax		2,839	2,778
Tax on profit	8	<u>-</u>	<u>-</u>
Profit for the year		<u><u>2,839</u></u>	<u><u>2,778</u></u>

The above results were derived from continuing operations.

There were no items of other comprehensive income, and accordingly no statement of comprehensive income is shown.

Priority Properties North West Limited

(Registration number: 05422373)

Balance Sheet as at 31 December 2017

	Note	2017 £ 000	2016 £ 000
Current assets			
Debtors	9	17,696	15,559
Creditors: Amounts falling due within one year			
Trade and other payables	10	<u>(3,316)</u>	<u>(4,018)</u>
Net assets		<u>14,380</u>	<u>11,541</u>
Capital and reserves			
Called up share capital	12	-	-
Profit and loss account		<u>14,380</u>	<u>11,541</u>
Shareholders' funds		<u>14,380</u>	<u>11,541</u>

Approved by the Board on 26 September 2018 and signed on its behalf by:


.....
J Rogers
Director

The notes on pages 10 to 15 form an integral part of these financial statements.

Priority Properties North West Limited

Statement of Changes in Equity for the Year Ended 31 December 2017

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2016	-	8,763	8,763
Profit for the year	-	2,778	2,778
At 31 December 2016	-	11,541	11,541

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2017	-	11,541	11,541
Profit for the year	-	2,839	2,839
At 31 December 2017	-	14,380	14,380

The notes on pages 10 to 15 form an integral part of these financial statements.

Priority Properties North West Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

1 General information

The company is a private company limited by share capital incorporated and domiciled in United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the Strategic Report on page 2.

These financial statements are presented in pounds Sterling because that is the currency of the primary economic environment in which the company operates.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions. This is because the company is included within the consolidated financial statements of Serco Group plc which are available from the address provided in note 13.

The financial statements have been prepared on the historical cost basis and on the going concern basis, except for the revaluation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

Going concern

The company is dependent for its working capital on funds provided to it by Serco Group plc, the company's ultimate parent. Serco Group plc has indicated that it will provide sufficient financial support so as to enable the company to meet its financial obligations as and when they fall due for at least the ensuing twelve month period from the date of approval of these financial statements. The director considers that this should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the director acknowledges that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the company's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts and after eliminating sales within the company.

The company's one customer Serco Limited, a group company, is charged a fixed margin on rental and other operating costs.

Priority Properties North West Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

Tax

The tax expense for the period comprises current tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Debtors

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Creditors

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Priority Properties North West Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

3 Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the company's accounting policies, which are described above, management has made the following judgments that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations which are dealt with below).

Impairment of assets

Identifying whether there are indicators of impairment for company assets, involves a high level of judgement and a good understanding of the drivers of value behind the asset. At each reporting period an assessment is performed in order to determine whether there are any such indicators. The largest asset in the company's balance sheet is a receivable from a group company of £17.0m. This balance is supported by a letter of support from the company's ultimate holding company, Serco Group plc.

4 Turnover

The analysis of the company's turnover for the year from continuing operations is as follows:

	2017 £ 000	2016 £ 000
Turnover arises all in the UK, from rental of property to Group companies	<u>37,851</u>	<u>37,046</u>

5 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2017 £ 000	2016 £ 000
Interest receivable on amounts owed by associate companies	<u>11</u>	<u>22</u>

6 Director's remuneration

The Company considers that there is no practicable method to accurately allocate a portion of the emoluments the Directors receive from their respective Group company employer to the qualifying services they provide to the Company. The Company is also of the opinion any allocation would be immaterial.

7 Auditor's remuneration

Auditor's remuneration of £15,000 (2016: £15,000) for the audit of the Company's annual accounts was borne by another group company in both the current and preceding financial years. There have been no non-audit fees incurred by the Company and payable to KPMG LLP during the year (2016: £nil).

Priority Properties North West Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

8 Tax

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2016: lower than the standard rate of corporation tax in the UK) of 19.25% (2016: 20%).

The differences are reconciled below:

	2017 £ 000	2016 £ 000
Profit before tax	2,839	2,778
Corporation tax at standard rate	546	556
Decrease arising from group relief tax reconciliation	(546)	(556)
Total tax	-	-

Factors affecting future tax rate

In Summer 2015, UK Government announced a reduction in the UK corporation tax rate from 20% to 19% effective from April 2017. Further measures enacted during 2016 cut the rate further from April 2020 to 17%. These measures will reduce the future current tax charge accordingly.

Deferred tax

Due to capital allowances in excess of depreciation there are £28,023 of deductible temporary differences (2016: £28,023) for which no deferred tax asset is recognised in the statement of financial position.

Deferred tax assets have not been recognised in respect of these items because it is not considered probable that future taxable profit will be available against which they can be realised

Priority Properties North West Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

9 Debtors

	2017 £ 000	2016 £ 000
Trade receivables	37	1
Receivables from related parties	17,027	15,072
Prepayments	459	339
Other receivables	173	147
	<u>17,696</u>	<u>15,559</u>
Less non-current portion	<u>(10,807)</u>	<u>(11,407)</u>
	<u>6,889</u>	<u>4,152</u>

Details of receivables from related parties

Amounts owed by group companies have no fixed repayment date and are repayable on demand. Interest is charged on the balance at LIBOR minus 0.2%.

10 Creditors

	2017 £ 000	2016 £ 000
Trade payables	499	629
Accrued expenses	2,817	3,389
	<u>3,316</u>	<u>4,018</u>

11 Obligations under leases and hire purchase contracts

Operating leases

The total future value of minimum lease payments is as follows:

	2017 £ 000	2016 £ 000
Within one year	5,096	5,740
In two to five years	9,461	16,451
	<u>14,557</u>	<u>22,191</u>

The amount of operating lease payments recognised as an expense during the year was £19,760,496 (2016: £17,964,569). These exclusively relate to land and buildings.

Priority Properties North West Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

12 Share capital

Allotted, called up and fully paid shares

	2017		2016	
	No.	£	No.	£
Ordinary of £1 each	<u>200</u>	<u>200</u>	<u>200</u>	<u>200</u>

13 Parent and ultimate parent undertaking

These financial statements are available upon request from the company's immediate parent, Serco Holdings Limited registered at 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire RG27 9UY. The ultimate parent and controlling party is Serco Group plc, a company incorporated in the United Kingdom and registered in England and Wales. Serco Group plc is the parent undertaking of the smallest and largest group to consolidate these financial statements. These financial statements are available upon request from the Company Secretary, Serco Group plc, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire RG27 9UY.