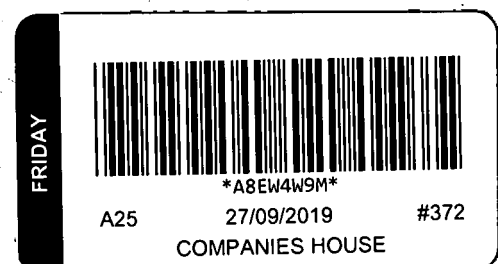


Company Registration No. 02658304 (England and Wales)

HCP SOCIAL INFRASTRUCTURE (UK) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018



HCP SOCIAL INFRASTRUCTURE (UK) LIMITED

COMPANY INFORMATION

Directors

Mr D Bourgeois
Ms D McCormack
Mr M Webber
Mr S Yeatman

(Appointed 28 February 2019)

Mr M Webber is a non-executive director

Secretary

Ms D McCormack

Company number

02658304

Registered office

8 White Oak Square
London Road
Swanley
Kent
BR8 7AG

Auditor

KPMG LLP
15 Canada Square
London
United Kingdom
E14 5GL

HCP SOCIAL INFRASTRUCTURE (UK) LIMITED

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HCP SOCIAL INFRASTRUCTURE (UK) LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present the strategic report and financial statements of HCP Social Infrastructure (UK) Limited (the "company") for the year ended 31 December 2018:

Fair review of the business

The principal activity of the company is to provide comprehensive and innovative asset management solutions to companies with concessions under the UK Government's Private Finance Initiative ("PFI") and direct to public and private sector clients

Working closely with stakeholders including, public and private sector clients, construction contractors, facility service providers, senior debt and equity funding partners the company creates opportunity for growth through innovation, improving efficiency and minimising risk.

The core asset management services provided are documented in the Management Service Agreements ("MSA's"). The terms of the MSA's are typically for the full concession period of the projects and provide obligations on the company to provide specific services that are aligned with the client's contractual obligations and the strategic objectives of the company.

The company has set specific business objectives, which are monitored using a number of key performance indications ("KPI's"). The relevant KPI's for this company are:

Key performance indicators

	2018 £'000	2017 £'000
Turnover	14,099	14,377
Profit after taxation	1,132	1,209
Cash at bank and in hand	2,427	1,284
	Number	Number
Number of Management Services Agreements	20	20

At the end of the year the company had twenty MSA's and no change on these contracts occurred during the year. The portfolio provides services to infrastructure projects in the health, education, and defence sectors. During the coming year the company anticipates acquiring further management contracts and securing technical and asset management support services.

HCP SOCIAL INFRASTRUCTURE (UK) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

Principal risks and uncertainties

The company has sufficient available cash resources to meet its operational commitments and has no external debt obligations. Any risks and uncertainties arise from the commercial contracts, market environment, loss of key staff and the economic and financial environment.

Typically the MSA's are long term agreements effective to the end of the project concession term. Risks associated with the MSA's include:

Renewal

There are a small number of MSA's that are for a period of less than the full concession period. These may be market tested on renewal. The company bids in a competitive environment for new MSA's.

Scope of services

The MSA's include obligations to provide a wide scope of services, failure to deliver these obligations may result in financial loss for the client and contractual termination of the agreement.

The company manages these risks by investing in the development of its employees and services through the recruitment of professionally trained resource, the continued professional and commercial training of its employees, the development of new and innovative services, investment in IT, regular monitoring of its performance and by maintaining strong working relationships with all stakeholders.

Market environment

New opportunities to the market are competitively tendered. The company continues to develop its processes, its employees and its service offering to meet the changing needs of its customers and the market in general to ensure that it is best placed to benefit from the opportunities presented.

Loss of key staff

A key contributor to the company's success reflects its strategy in recruiting experienced and professionally trained staff. The company seeks to ensure the retention of its key staff by offering a competitive remuneration package, career development opportunities, continuous professional development and the award of performance incentive payments.

Economic and financial environment

Inflation is important to the company in so far that the fee income derived from the majority of its agreements is periodically adjusted against the index of inflation and can therefore impact on the profit margin obtained on each contract. The future uncertainties facing the company in relation to this measure and the wider economic environment are continually reviewed. Through effective management and efficient deployment of resource the company strives to minimise the impact of this risk and continue to provide a secure future for its employees whilst offering a value for money service to all its customers.

On 23 June 2016, the UK electorate voted to discontinue its membership of the EU. Until further clarity is known regarding terms on which the UK will exit, the directors are not able to fully assess the impact on the company. However, as the company is not exposed to international trade or exchange rate fluctuations the financial risks are unlikely to be significant. Any impacts should be limited to inflation risk and to the cost of implementing any wider regulatory and legal consequences of exiting the EU.

Employees

The company's strengths relate to its experience and capability in delivering a professional and comprehensive service to its clients. It is important that the company maintains a highly qualified and well-motivated work force and every effort is made to achieve a common awareness of the financial and economic factors affecting the performance of the company and the wider business environment. Regular communication and consultation with employees is essential and achieved through formal and informal meetings, shared communication platforms, annual conferences and regional and functional development days.

The company seconds employees to its fellow subsidiary undertakings to facilitate the delivery of their service obligations.

HCP SOCIAL INFRASTRUCTURE (UK) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

Technology

The effective use of, and investment in information technology is critical to the success of the company. The company has as its strategic objective a commitment to invest in the development of new IT to facilitate the innovation of new service offerings and to add value to the provision of its existing services.

Other information and explanation

The company is not materially exposed to interest rate risk.

In the opinion of the directors there are no other key performance indicators whose disclosure is necessary for an understanding of the development, performance or position of the business.

By order of the board on 24 September 2019 and signed on its behalf by



Ms D McCormack
Secretary

HCP SOCIAL INFRASTRUCTURE (UK) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr D Bourgeois

Mr N Crowther

(Resigned 31 May 2019)

Ms D McCormack

Mr M Webber

Mr M Woodhead

(Resigned 28 February 2019)

Mr S Yeatman

(Appointed 28 February 2019)

The above directors are also directors of the immediate parent company, HCP Holdings Limited.

Results and dividends

The results for the year are set out on page 9.

Interim ordinary dividends were paid amounting to £750,000 during the year (2017: £950,000).

Auditor

The auditor, KPMG LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. During the financial year the company made a profit after tax of £1,132,000 (2017: £1,209,000). Net current assets at the balance sheet date were £1,268,000 (2017 £1,540,000) and net assets were £2,172,000 (2017 £1,790,000). Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Registered office

The company's registered office is 8 White Oak Square, London Road, Swanley, Kent BR8 7AG.

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

On behalf of the board



Ms D McCormack

Director

24 September 2019

HCP SOCIAL INFRASTRUCTURE (UK) LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT IN RESPECT OF THE STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors are responsible for preparing the strategic report, 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 UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HCP SOCIAL INFRASTRUCTURE (UK) LIMITED

Opinion

We have audited the financial statements of HCP Social Infrastructure (UK) Limited (the 'company') for the year ended 31 December 2018 which comprise the profit and loss and other comprehensive income, balance sheet, statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of assets and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going Concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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 a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF HCP SOCIAL INFRASTRUCTURE (UK) LIMITED

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, 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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF HCP SOCIAL INFRASTRUCTURE (UK) LIMITED

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.



Paul Barron (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London
E14 5GL

24 September 2019

HCP SOCIAL INFRASTRUCTURE (UK) LIMITED

PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £'000	2017 £'000
Turnover	3	14,099	14,377
Administrative expenses		(12,668)	(12,891)
Operating profit	4	1,431	1,486
Interest receivable and similar income	5	6	2
Profit before taxation		1,437	1,488
Tax on profit	8	(305)	(279)
Profit for the financial year		1,132	1,209
Other comprehensive income for the year		-	-
Total comprehensive profit for the year		1,132	1,209

The Profit And Loss Account has been prepared on the basis that all operations are continuing operations.

The accompanying notes on pages 12 to 23 form an integral part of these financial statements.

HCP SOCIAL INFRASTRUCTURE (UK) LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2018

		2018		2017	
	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	10		911		257
Current assets					
Debtors	11	2,903		3,999	
Cash at bank and in hand		2,427		1,284	
		5,330		5,283	
Creditors: amounts falling due within one year	12	(4,062)		(3,743)	
Net current assets			1,268		1,540
Total assets less current liabilities			2,179		1,797
Provisions for liabilities	13		(7)		(7)
Net assets			2,172		1,790
Capital and reserves					
Called up share capital	15		100		100
Profit and loss			2,072		1,690
Shareholders' funds			2,172		1,790

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on 24 September 2019 and are signed on its behalf by:



Mr S Yeatman
Director

Company Registration No. 02658304

The accompanying notes on pages 12 to 23 form an integral part of these financial statements.

HCP SOCIAL INFRASTRUCTURE (UK) LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Share capital £'000	Profit and loss £'000	Total £'000
Balance at 1 January 2017		100	1,431	1,531
Period ended 31 December 2017:				
Profit and other comprehensive income for the year		-	1,209	1,209
Dividends	9	-	(950)	(950)
Balance at 31 December 2017		100	1,690	1,790
Period ended 31 December 2018:				
Profit and other comprehensive income for the year		-	1,132	1,132
Dividends	9	-	(750)	(750)
Balance at 31 December 2018		100	2,072	2,172

The accompanying notes on pages 12 to 23 form an integral part of these financial statements.

HCP SOCIAL INFRASTRUCTURE (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

Company information

HCP Social Infrastructure (UK) Limited is a private company limited by shares incorporated in England in the United Kingdom. The registered office is 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position': Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of HCP Holdings Limited. These consolidated financial statements are available from its registered office, 8 White Oak Square, London Road, Swanley, Kent BR8 7AG.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and for a least twelve months of the date of signing the accounts. During the financial year the company made a profit after tax of £1,132,000 (2017: £1,209,000). Net current assets at the balance sheet date were £1,268,000 (2017 £1,540,000) and net assets were £2,172,000 (2017 £1,790,000). Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

HCP SOCIAL INFRASTRUCTURE (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold land and buildings	10% Straight line
Fixtures and fittings	20% Straight line
Computers	33% Straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.5 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

1.6 Cash and cash equivalents

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

HCP SOCIAL INFRASTRUCTURE (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.7 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow group companies are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

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. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.8 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

HCP SOCIAL INFRASTRUCTURE (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.9 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.10 Retirement benefits

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension costs charged to the profit and loss account represent the contribution payable by the company during the year.

1.11 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

HCP SOCIAL INFRASTRUCTURE (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Recoverability of trade debtors

When assessing the carrying value of trade debtors, the directors make judgements regarding the likelihood of recovery of those debts. In performing this assessment the directors will use publically available financial information to determine, if in their opinion, the outstanding amounts are likely to be recovered. Any amounts determined to be not recoverable are provided for in the financial statements.

Recognition of revenue

Revenue from consultancy services is recognised as work is performed. In determining the stage of completion of a consultancy project and therefore the revenue to be recognised the directors will use key information such as milestones reached and the level of consultant time incurred.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2018 £'000	2017 £'000
Turnover analysed by class of business		
Services income	11,722	11,353
Other income	2,377	3,024
	<u>14,099</u>	<u>14,377</u>
	2018 £'000	2017 £'000
Turnover analysed by geographical market		
UK	<u>14,099</u>	<u>14,377</u>

HCP SOCIAL INFRASTRUCTURE (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

4 Expenses and auditors remuneration

	2018 £'000	2017 £'000
Included in profit and loss are the following:		
Fees payable to the company's auditors for the audit of the company's financial statements	27	40
Depreciation of owned tangible fixed assets	180	67
Operating lease charges	289	258
	<u>27</u>	<u>40</u>

5 Interest receivable and similar income

	2018 £'000	2017 £'000
Interest income		
Interest on bank deposits	6	2
	<u>6</u>	<u>2</u>
Investment income includes the following:		
Interest on financial assets not measured at fair value through profit or loss	6	2
	<u>6</u>	<u>2</u>

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was 326:

	2018 Number	2017 Number
Directors	2	2
Project and Administration	324	293
	<u>326</u>	<u>295</u>

HCP SOCIAL INFRASTRUCTURE (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

6 Employees

(Continued)

Their aggregate remuneration comprised:

	2018 £'000	2017 £'000
Wages and salaries	17,544	15,810
Social security costs	1,995	1,753
Pension costs	1,785	1,520
	<u>21,324</u>	<u>19,083</u>

Directors' emoluments

	2018 £'000	2017 £'000
Remuneration and other emoluments	678	667
Group contributions to defined contribution pensions schemes	-	-
	<u>678</u>	<u>667</u>

Highest paid director

Amounts included in above:

	2018 £'000	2017 £'000
Emoluments and other benefits	323	315
Pension contributions	-	-
	<u>323</u>	<u>315</u>

7 Retirement benefit schemes

	2018 £'000	2017 £'000
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>1,785</u>	<u>1,520</u>

The company operates a defined contribution pension scheme in respect of certain employees. The scheme and its assets are held by independent managers. The company also contributes to a number of privately administered defined contribution pension schemes. The pension charge for the year represents contributions payable by the company and amounted to £1,785,000 (2017: £1,520,000).

At the balance sheet date £166,000 (2017: £61,000) remained unpaid.

HCP SOCIAL INFRASTRUCTURE (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

8 Taxation

	2018 £'000	2017 £'000
Current tax		
UK corporation tax on profits for the current period	305	268
Deferred tax		
Origination and reversal of timing differences	-	11
Total tax charge	<u>305</u>	<u>279</u>

A reduction in UK Corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce company's future tax charge accordingly. The deferred tax charge. The deferred tax liability at 31 December 2019 has been calculated based on these rates.

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2018 £'000	2017 £'000
Profit before taxation	<u>1,437</u>	<u>1,488</u>
Expected tax charge based on a corporation tax rate of 19% (2017: 19.25%)	273	286
Tax effect of expenses that are not deductible in determining taxable profit	22	-
Adjustments in respect of prior years	2	(6)
Effect of change in corporation tax rate	(1)	(1)
Depreciation on assets not qualifying for tax allowances	3	-
Deferred tax adjustments in respect of prior years	6	-
Tax expense for the year	<u>305</u>	<u>279</u>

The total tax charge as stated above has been recorded in the profit and loss account.

9 Dividends

	2018 £'000	2017 £'000
Interim paid	<u>750</u>	<u>950</u>

HCP SOCIAL INFRASTRUCTURE (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

10 Tangible fixed assets

	Leasehold land and buildings	Fixtures and fittings	Computers	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2018	47	17	672	736
Additions	465	115	268	848
Disposals	-	(3)	(258)	(261)
At 31 December 2018	512	129	682	1,323
Accumulated depreciation and impairment				
At 1 January 2018	43	10	425	478
Depreciation charged in the year	16	7	157	180
Eliminated in respect of disposals	-	(3)	(243)	(246)
At 31 December 2018	59	14	339	412
Carrying amount				
At 31 December 2018	453	115	343	911
At 31 December 2017	4	7	246	257

11 Debtors

	2018 £'000	2017 £'000
Amounts falling due within one year:		
Trade debtors	17	78
Amounts due from group undertakings	1,310	2,525
Amounts due from related parties (note 17)	829	936
Other debtors	329	64
Prepayments and accrued income	418	396
	2,903	3,999

Amounts due from group undertakings and related parties is repayable on demand, unsecured and interest free.

HCP SOCIAL INFRASTRUCTURE (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

12 Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	150	196
Corporation tax payable	173	155
Other taxation and social security	1,570	1,249
Pension contributions	-	61
Other creditors	26	14
Accruals and deferred income	2,143	2,068
	<u>4,062</u>	<u>3,743</u>

13 Provisions for liabilities

	Notes	2018 £'000	2017 £'000
Deferred tax liabilities	14	<u>7</u>	<u>7</u>

14 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2018 £'000	Liabilities 2017 £'000
Balances:		
Accelerated capital allowances	10	10
Short term timing differences	(3)	(3)
	<u>7</u>	<u>7</u>

15 Share capital

	2018 £'000	2017 £'000
Ordinary share capital		
Issued and fully paid		
100,000 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

HCP SOCIAL INFRASTRUCTURE (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

16 Operating lease commitments

Lessee

Operating lease payments represent rentals payable by the company for certain of its properties. Leases are negotiated for an average term of 5 years and rentals are fixed for an average of 5 years with an option to extend for a further 5 years at the prevailing market rate.

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018 £'000	2017 £'000
Within one year	509	223
Between two and five years	1,778	371
	<u>2,287</u>	<u>594</u>

During the year £289,000 (2017: £258,000) was recognised as an expense in the profit and loss account in respect of operating leases.

17 Related party transactions

The immediate parent company, HCP Holdings Limited, is owned by Innisfree M&G PPP LP through its nominee Innisfree Nominees Limited, jointly managed by Innisfree Limited and M&G Investment Management Limited.

The Innisfree group of entities have interests in all of the projects to which the company provide management services.

In aggregate the company made sales totalling £13,519,000 (2017: £13,218,000) to these projects and at the balance sheet date the amount owing from these undertakings was £829,000 (2017: £936,000).

As the company is a wholly owned subsidiary of HCP Holdings Limited, the company has taken advantage of the exemption contained in FRS 102 Section 33.1.A, and has therefore not disclosed transactions or balances with entities which form part of the group.

During the year N Crowther and M Webber were directors of HCP Social Infrastructure (UK) Limited and are also directors of Innisfree Limited. The company was charged £15,000 (2017: £15,000) for the year by Innisfree Limited for providing directorial services. At the balance sheet date the amount owing to Innisfree Limited was £nil (2016: £nil).

HCP SOCIAL INFRASTRUCTURE (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

18 Ultimate parent undertaking and controlling interest

The immediate parent company is HCP Holdings Limited, a company incorporated in England & Wales.

The largest group in which the results of the company are consolidated is that headed by the immediate parent company. The consolidated accounts of this group are available to the public and may be obtained from HCP Holdings Limited, 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG.

In the directors' opinion the company's ultimate parent undertaking and controlling party is Innisfree M & G PPP LP, a limited partnership registered in England & Wales, with a registered office address of First floor, Boundary House, 91/93 Charterhouse Street, London, EC1M 6HR.