Company Registration No. 03209169 (England and Wales)

VERCITY HOLDINGS LIMITED
(FORMERLY HCP HOLDINGS LIMITED)

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

VERCITY HOLDINGS LIMITED

COMPANY INFORMATION

Directors	Mr D Bourgeois Mr D Burton Mr C James Mr M Lennon Ms D McCormack Mr T Pearson Mr M Webber Mr S Yeatman
	Mr D Burton, Mr C James, Mr M Lennon, Mr T Pearson and Mr M Webber are non-executive directors.
Secretary	Ms D McCormack
Company number	03209169
Registered office	8 White Oak Square London Road Swanley Kent BR8 7AG
Auditor	KPMG LLP 1 Forest Gate Brighton Road Crawley West Sussex United Kingdom RH11 9PT

VERCITY HOLDINGS LIMITED

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VERCITY HOLDINGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present the strategic report and financial statements of Vercity Holdings Limited (the "company") and its subsidiaries (the "group") for the year ended 31 December 2021.

The company formerly known as HCP Holdings Limited changed its name to Vercity Holdings Limited with effect from 26 April 2021. The name change was in conjunction with a re-branding of the group to better reflect what the business is and support the objectives for sustainable growth.

Review of the Business

The principal activity of the group 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 and senior debt and equity funding partners, the group creates opportunity for growth through innovation, improving efficiency and minimising risk.

The core business of providing contracted management services is documented in the Management Service Agreements ("MSAs"). The terms of the MSAs are typically between three years and the full concession period of the projects and provide obligations on the group to provide specific services that are aligned with the client's contractual obligations and the strategic objectives of the group.

The group has set specific business objectives, which are monitored using a number of key performance indications ("KPIs"). The relevant KPIs for the group are:

Key Performance Indicators

	2021	2020
	£'000	£'000
Turnover	36,631	34,595
Profit after taxation	3,207	2,452
Cash at bank and in hand	7,519	7,156
	Number	Number
Number of Management Service Agreements	113	106

Development and performance

At the end of the year the group had a 113 (2020: 106) MSAs. Unfortunately the group lost a number of smaller MSAs following the acquisition in the prior year of an investment fund manager by an unrelated investment fund. The group continued to be active in bidding for new work and successfully secured a number of new large contracts in the UK and Canada that were mobilised during 2021. The combined portfolio provides services to companies within the infrastructure sector for health, education, renewable energy, housing, defence, emergency services, transport, roads, street lighting and waste.

The profit after tax for the year of £3,207,000 (2020: £2,452,000) is stated after amortisation and impairment of £286,000 (2020: £797,000) in respect of the intangible fixed assets arising from the acquisition of the John Laing Investments Management Services Limited contracts on the 30 November 2016. The increase in profitability on the prior year was as a result of business growth, savings from the introduction of hybrid working practices, offset by investment in the re-branding of the group, IT software and the learning and development of the group's employees.

During the coming year, the group anticipates acquiring further management contracts and securing technical and asset management support services.

Other key performance indicators
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.

Principal risks and uncertainities
The group 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 MSAs are long term agreements for terms of between five years to full concession period. Risks associated with the MSAs include:

Renewal
MSAs with a term of less than the full concession length may be market tested on renewal. The group bids in a competitive environment for renewed and new agreements.

Scope of services
The MSAs 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 group 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 group continues to develop its employees, its processes and 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 group's success reflects its strategy in recruiting experienced and professionally trained staff. The group 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 group 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 group in relation to this measure and the wider economic environment are continually reviewed. Through effective management and efficient deployment of resource the group 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.

Technology
The effective use of, and investment in information technology is critical to the success of the group. The group 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.

By order of the board and signed on its behalf by

Ms D McCormack
Secretary
27 September 2022

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their annual report and audited financial statements for the year ended 31 December 2021.

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 D Burton
Mr C James
Mr M Lennon
Ms D McCormack
Mr T Pearson
Mr M Webber
Mr S Yeatman

Results and dividends

The results for the year are set out on page 11.

Interim ordinary dividends were paid amounting to £3,227,000 during the year (2020: £2,870,000). This was equivalent to 95.4p per ordinary 'A' share and £354,000 per ordinary 'B' share (2020: 88.0p per ordinary 'A' share and £220,000 per ordinary 'B' share). No other dividends were declared or paid during the period or at the time of signing of these financial statements.

Qualifying third party indemnity provisions

The company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions, in the form of a Director' and Officers' insurance policy, remain in force at the reporting date.

Disabled persons

Applications for employment by disabled persons are always fully considered. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the group continues and that the appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement

The group's strengths relate to its experience and capability in delivering a professional and comprehensive service to its clients. It is important that the group 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 group 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.

Future developments

An indication of the likely future developments of the company and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on pages 1 to 2.

Stakeholder engagement

The group engages and works in partnership with a wide range of stakeholders, including investors, customers, suppliers, industry bodies and regulators through regular meetings and forums. Stakeholder assessments are performed to understand which issues are important to the group and its stakeholders and therefore where the group's engagement will be focussed. By understanding the needs of the stakeholders, the group can evolve its strategy to better meet their expectations and focus its reporting.

The group pays particular attention to doing business with integrity and respect. The group has set five values that underpin the way in which it works with stakeholders. The company values are promoted in all stakeholder relationships and employee behaviour is monitored and measured against these.

The group invests in long-term mutually beneficial relationships with key suppliers, so that it can combine capabilities and jointly innovate the services it provides to its customers.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

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 group and parent company auditor are 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 group and parent company auditor are aware of that information.

Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

During the year, the group made a profit after tax of £3,207,000 (2020: £2,452,000). Net current assets at the balance sheet date were £6,071,000 (2020: £5,767,000), net assets were £4,907,000 (2020: £4,976,000) and cash at bank was £7,519,000 (2020: £7,156,000). Interim dividends of £3,227,000 (2020: £2,870,000) were paid in the year.

The directors have prepared a strategic plan until 2027 and have made an assessment of going concern covering a period of at least 12 months from the date of approval of these financial statements. In doing so, they have considered the cashflow forecasts for the period to 31 December 2023, which indicate that, taking account of a severe but plausible downside the group and company will have sufficient funds to meet their liabilities as they fall due for a period of at least 12 months from the approval of these financial statements. Specifically the directors have considered a severe but plausible downside scenario in which uncertain contract renewals in the forecast period are assumed not to be renewed and inflation on staff costs, other direct costs and overheads exceeds the level of inflation expected on revenues by 2.8%. The forecasts are dependent on the group's underlying customer base continuing to meet its payment obligations under the management and financial management services agreements ("MSAs") with the group. As the substantial majority (over 85%) of these customers receive their income through contracts which are underwritten by the UK Government and these customers have continued to pay the group in line with their MSAs throughout the lockdown periods and to date, the directors consider that the risk of the group not receiving the payments due under the MSAs to be very low.

The directors have reviewed their contingency plans and are satisfied the group's resource base has the ability to provide the services in line with the contracts without significant additional costs to the group, even in the downside scenario.

Consequently the directors are confident that the group and company will have sufficient funds to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and have therefore prepared the financial statements on a going concern basis.

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

By order of the board and signed on its behalf

....
Ms D McCormack
Secretary
Date: 27 September 2022

VERCITY HOLDINGS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors are responsible for preparing the Annual report, the Strategic report, the Directors' report and the group and parent company 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 group and parent company 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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company 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 group and parent 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 group or the parent 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 parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its 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 group and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF VERCITY HOLDINGS LIMITED

Opinion
We have audited the financial statements of Vercity Holdings Limited ("the Company") for the year ended 31 December 2021 which comprise the Group statement of comprehensive income, Group balance sheet, Company balance sheet, Group statement of changes in equity, Company statement of changes in equity, Group statement of cash flow 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 Group's and of the parent Company's affairs as at 31 December 2021 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 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 Group 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
The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and 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 their 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").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the Group or the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect
Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and other management as to the Group's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets or management.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular

- the risk that Group management may be in a position to make inappropriate accounting entries;
- the risk of bias in accounting estimates such as impairment; and
- the risk that consulting revenue in Vercity SI (UK) Limited and Vercity MS Limited is overstated through recording revenues in the wrong period.

We did not identify any additional fraud risks.

We performed procedures including:

- Assessing whether consulting revenue transactions in Vercity SI (UK) Limited and Vercity MS Limited either side of the balance sheet date, are recorded in the correct period by vouching a sample of transactions to the supporting documentation to ensure the revenue recognition criteria was met for revenue recognised in each period.
- Assessing whether post year end credit notes have been accounted for in the correct period.
- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted with unusual accounts pairings and material post close journals.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations
We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery and employment law. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation
Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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.

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 Group and parent 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 Group or the parent 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 repsonsibilities
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.

NehaShah

Neha Shah (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Forest Gate
Crawley
RH11 9PT

30 September 2022

VERCITY HOLDINGS LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £'000	2020 £'000
Turnover	3	36,631	34,595
Cost of sales		(24,587)	(19,825)
Gross profit		12,044	14,770
Administrative expenses		(7,937)	(11,424)
Operating profit	4	4,107	3,346
Interest receivable and similar income	9	4	8
Interest payable and similar expenses	10	(205)	(206)
Profit before taxation		3,906	3,148
Tax on profit	11	(699)	(696)
Profit for the financial year		3,207	2,452
Other comprehensive income			
Currency translation differences		(49)	4
Total comprehensive income for the year		3,158	2,456

Profit for the financial year is all attributable to the owners of the parent company.

Total comprehensive income for the year is all attributable to the owners of the parent company.

The group profit and loss account has been prepared on the basis that all operations are continuing operations.

The accompanying notes on pages 17 to 38 form an integral part of these financial statements.

VERCITY HOLDINGS LIMITED

GROUP BALANCE SHEET

AS AT 31 DECEMBER 2021

	Notes	2021 £'000	2021 £'000	2020 £'000	2020 £'000
Fixed assets					
Goodwill	14		502		631
Other intangible assets	14		655		812
Tangible assets	17		302		431
			1,459		1,874
Current assets					
Debtors	19	4,228		3,566	
Cash at bank and in hand		7,519		7,156	
		11,747		10,722	
Creditors: amounts falling due within one year	20	(5,675)		(4,955)	
Net current assets			6,072		5,767
Total assets less current liabilities			7,531		7,641
Creditors: amounts falling due after more than one year	21		(2,413)		(2,413)
Provisions for liabilities	22		(210)		(252)
Net assets			4,908		4,976
Capital and reserves					
Called up share capital	23		603		602
Share premium account			4,506		4,506
Profit and loss reserves			(201)		(132)
Total equity			4,908		4,976

The financial statements were approved by the board of directors and authorised for issue on 27 September 2022 and are signed on its behalf by:

Stuart Yeatman

Mr S Yeatman
Director

Company Registration No. 03209169

The accompanying notes on pages 17 to 38 form an integral part of these financial statements.

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2021

		2021		2020	
	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Investments	15		5,040		5,040
Current assets					
Debtors falling due after more than one year	19	2,536		2,536	
Debtors falling due within one year	19	54		54	
Cash at bank and in hand		36		381	
		2,626		2,971	
Creditors: amounts falling due within one year	20	(51)		(54)	
Net current assets			2,575		2,917
Total assets less current liabilities			7,615		7,957
Creditors: amounts falling due after more than one year	21		(2,413)		(2,413)
Net assets			5,202		5,544
Capital and reserves					
Called up share capital	23		602		602
Share premium account			4,506		4,506
Profit and loss reserves			94		436
Total equity			5,202		5,544

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £2,885,000 (2020: £2,936,000).

The financial statements were approved by the board of directors and authorised for issue on 27 September 2022 and are signed on its behalf by:

Stuart Yeatman

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Mr S Yeatman

Director

Company Registration No. 03209169

The accompanying notes on pages 17 to 38 form an integral part of these financial statements.

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Share capital £'000	Share premium account £'000	Profit and loss reserves £'000	Total £'000
Balance at 1 January 2020		602	4,506	282	5,390
Year ended 31 December 2020:					
Profit for the year		-	-	2,452	2,452
Other comprehensive income:					
Currency translation differences		-	-	4	4
Total comprehensive income for the year		-	-	2,456	2,456
Dividends	12	-	-	(2,870)	(2,870)
Balance at 31 December 2020		602	4,506	(132)	4,976
Year ended 31 December 2021:					
Profit for the year		-	-	3,207	3,207
Other comprehensive income:					
Currency translation differences		-	-	(49)	(49)
Total comprehensive income for the year		-	-	3,158	3,158
Dividends	12	-	-	(3,227)	(3,227)
Balance at 31 December 2021		602	4,506	(201)	4,907

The accompanying notes on pages 17 to 38 form an integral part of these financial statements.

VERCITY HOLDINGS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Share capital £'000	Share premium account £'000	Profit and loss reserves £'000	Total £'000
Balance at 1 January 2020		602	4,506	370	5,478
Year ended 31 December 2020:					
Profit and total comprehensive income for the year		-	-	2,936	2,936
Dividends	12	-	-	(2,870)	(2,870)
Balance at 31 December 2020		602	4,506	436	5,544
Year ended 31 December 2021:					
Profit and total comprehensive income for the year		-	-	2,885	2,885
Dividends	12	-	-	(3,227)	(3,227)
Balance at 31 December 2021		602	4,506	94	5,202

The accompanying notes on pages 17 to 38 form an integral part of these financial statements.

VERCITY HOLDINGS LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £'000	2021 £'000	2020 £'000	2020 £'000
Cash flows from operating activities					
Cash generated from operations	27		4,600		4,876
Income taxes paid			(691)		(700)
Net cash inflow from operating activities			3,909		4,176
Investing activities					
Purchase of tangible fixed assets		(90)		(75)	
Interest received		4		8	
Net cash used in investing activities			(86)		(67)
Financing activities					
Dividends paid to equity shareholders		(3,227)		(2,870)	
Interest paid		(203)		(206)	
Net cash used in financing activities			(3,430)		(3,076)
Net increase in cash and cash equivalents			393		1,033
Cash and cash equivalents at beginning of year			7,156		6,090
Effect of foreign exchange rates			(30)		33
Cash and cash equivalents at end of year			7,519		7,156

The accompanying notes on pages 17 to 38 form an integral part of these financial statements.

1 Accounting policies

Company information

Vercity Holdings Limited ("the company") is a private limited company domiciled and incorporated in England in the United Kingdom. The registered office is 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG. The registered number is 03209169.

The group consists of Vercity Holdings Limited and all of its subsidiaries.

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.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements include the disclosures equivalent to those required by FRS 102, the company has also taken the exemptions available in respect of the following disclosures:

- Certain disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

1.2 Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings are made up to 31 December 2021. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the group takes into consideration potential voting rights that are currently exercisable.

Under Section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account.

In the parent financial statements, investments in subsidiaries are carried at cost less impairment.

1 Accounting policies **(Continued)**

1.3 Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

During the year, the group made a profit after tax of £3,207,000 (2020: £2,452,000). Net current assets at the balance sheet date were £6,071,000 (2020: £5,767,000), net assets were £4,907,000 (2020: £4,976,000) and cash at bank was £7,519,000 (2020: £7,156,000). Interim dividends of £3,227,000 (2020: £2,870,000) were paid in the year.

The directors have prepared a strategic plan until 2027 and have made an assessment of going concern covering a period of at least 12 months from the date of approval of these financial statements. In doing so, they have considered the cashflow forecasts for the period to 31 December 2023, which indicate that, taking account of a severe but plausible downside the group and company will have sufficient funds to meet their liabilities as they fall due for a period of at least 12 months from the approval of these financial statements. Specifically the directors have considered a severe but plausible downside scenario in which uncertain contract renewals in the forecast period are assumed not to be renewed and inflation on staff costs, other direct costs and overheads exceeds the level of inflation expected on revenues by 2.8%. The forecasts are dependent on the group's underlying customer base continuing to meet its payment obligations under the management and financial management services agreements ("MSAs") with the group. As the substantial majority (over 85%) of these customers receive their income through contracts which are underwritten by the UK Government and these customers have continued to pay the group in line with their MSAs throughout the lockdown periods and to date, the directors consider that the risk of the group not receiving the payments due under the MSAs to be very low.

The directors have reviewed their contingency plans and are satisfied the group's resource base has the ability to provide the services in line with the contracts without significant additional costs to the group, even in the downside scenario.

Consequently the directors are confident that the group and company will have sufficient funds to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and have therefore prepared the financial statements on a going concern basis.

1.4 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.

Turnover related to the provision of management services is recognised over the period to which the services relate. Management services performed, but not invoiced by the balance sheet date are recognised as turnover and and are included in current assets as accrued income.

Turnover from consultancy services is recognised by reference to the stage of completion of the contract determined by the value of the services provided at the balance sheet date as a proportion of the total value of the engagement. Where the amount of turnover is contingent on future events, this is only recognised where the amount of turnover can be measured reliably and it is probable that the economic benefits will be received. When this cannot be estimated reliably, turnover is only recognised to the value of the expenses that it is considered probable will be recovered, with a "catch-up" element of turnover recognised based on stage of completion once a reliable estimate can be made. Consultancy services provided to the client which at the balance sheet date have not been invoiced have been recognised as turnover and are included in current assets as accrued income.

1 Accounting policies **(Continued)**

1.5 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated and incorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is either the MSA contract term or ten years if the contract term is longer than ten years.

1.6 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation 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:

Customer relationships	Over 10 years
Customer contracts	Over the MSA contract term (ranging from 2 to 26 years)

1.7 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	Over the term of the lease
Fixtures and fittings	20% to 25% straight line 33%
Computers	straight line
Motor vehicles	20% 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 recognised in the profit and loss account.

1 Accounting policies **(Continued)**

1.8 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.9 Impairment of fixed assets

At each reporting period end date, the group 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.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired

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. Losses arising on revaluation are recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity, in respect of that asset. Any excess is recognised in profit or loss.

1.10 Cash and cash equivalents

Cash and cash equivalents 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.

1.11 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and 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.

1 Accounting policies **(Continued)**

Financial instruments (continued)

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.

Other financial assets
Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets
Financial assets, other than those held at fair value through profit or loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

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 group 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.

1 Accounting policies **(Continued)**

Financial instruments (continued)

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 group after deducting all of its liabilities.

Basic financial liabilities
Basic financial liabilities, including creditors, 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 payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts 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 creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities
Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities
Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.12 Equity instruments
Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.13 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 statement of comprehensive income 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 group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

1 Accounting policies **(Continued)**

Taxation (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 statement of comprehensive income, 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 if, and only if, there is 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.

1.14 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.

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

1.16 Leases
Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss 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 leased asset are consumed.

1.17 Foreign exchange
Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

1 Accounting policies **(Continued)**

1.18 Interest receivable and interest payable

Interest payable and similar expenses includes interest payable and net foreign exchange losses that are recognised in the profit and loss account.

Interest receivable and similar income include interest receivable on funds invested, net foreign exchange gains and dividend income.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

2 Judgements and key sources of estimation uncertainty

In the application of the group'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 estimates and judgements

The following estimates have had the most significant effect on amounts recognised in the financial statements:

Impairment of intangible fixed assets

As described in the accounting policy regarding the impairment of fixed assets, the company is required to estimate the recoverable amount of each class of intangible fixed asset that is subject to impairment review. In making these estimates, the company must estimate the likely future cash flows generated by each. In estimating future cash flows, the contractual arrangements and expected renewal assumptions in place are considered, alongside economic factors that may have an impact on them.

Impairment of fixed asset investments

The parent company conducts impairment reviews of investments in subsidiaries as set out in its accounting policy in note 1.9. In performing this review the company considers whether there are any indicators of impairment.

Where an indicator of impairment exists, the company estimates the value on use of the investment by calculating the present value of future cash flows. In determining the future cash flows, the company estimates the likely impact from changes to future economic conditions, changes to contractual arrangements, including the provision of other management and consultancy services and the likelihood of contract renewals. The company also determines a suitable pre-tax discount rate.

There are no critical judgements made in determining amounts included in the financial statements.

3 Turnover

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

	2021 £'000	2020 £'000
Turnover analysed by class of business		
Management services	30,136	29,331
Consultancy	6,495	5,264
	36,631	34,595

	2021 £'000	2020 £'000
Turnover analysed by geographical market		
UK	32,498	31,195
Rest of world	4,133	3,400
	36,631	34,595

4 Operating profit

	Notes	2021 £'000	2020 £'000
Operating profit for the year is stated after charging:			
Exchange losses		3	2
Depreciation of owned tangible fixed assets	17	219	354
Amortisation of intangible assets	14	258	448
Impairment of intangible assets	13	28	349
Operating lease charges	24	557	466

5 Auditor's remuneration

	2021 £'000	2020 £'000
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	15	2
Audit of the financial statements of the company's subsidiaries	103	106
	118	108

6 Employees

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

	Group 2021 Number	2020 Number	Company 2021 Number	2020 Number
Directors	3	5	-	-
Project and administration	352	334	-	-
	355	339	-	-

Their aggregate remuneration comprised:

	Group 2021 £'000	2020 £'000	Company 2021 £'000	2020 £'000
Wages and salaries	22,736	21,276	-	-
Social security costs	2,153	1,988	-	-
Pension costs	2,196	1,937	-	-
	27,085	25,201	-	-

7 Directors' remuneration

	2021 £'000	2020 £'000
Remuneration for qualifying services	966	923
Company pension contributions to defined contribution schemes	19	17
Sums paid to third parties for directors' services	17	16
	1,002	956

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2021 £'000	2020 £'000
Remuneration for qualifying services	372	355

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2020 - 1).

8 Retirement benefit schemes

Defined contribution schemes	2021 £'000	2020 £'000
Charge to profit or loss in respect of defined contribution schemes	2,196	1,937

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.

At the balance sheet date £181,000 (2020: £169,000) remained unpaid.

9 Interest receivable and similar income

	2021 £'000	2020 £'000
Interest on bank deposits	4	8

10 Interest payable and similar expenses

	2021 £'000	2020 £'000
Interest payable to group undertakings	205	206

11 Taxation

	2021 £'000	2020 £'000
Current tax		
UK corporation tax on profits for the current period	709	739
Adjustments in respect of prior periods	-	(2)
Total current tax	709	737
Deferred tax		
Origination and reversal of timing differences	(10)	(64)
Changes in tax rates	-	31
Write down or reversal of write down of deferred tax liability	-	(8)
Total deferred tax	(10)	(41)
Total tax charge	699	696

11 Taxation (Continued)

The tax assessed for the year is lower than the standard rate of corporation tax in the UK at 18% (2020: 22%). 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:

	2021 £'000	2020 £'000
Profit before taxation	3,906	3,148
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	742	598
Tax effect of expenses that are not deductible in determining taxable profit	3	8
Unutilised tax losses carried forward	(90)	(55)
Adjustments in respect of prior years	-	(2)
Depreciation on assets not qualifying for tax allowances	38	36
Amortisation on assets not qualifying for tax allowances	54	155
Amortisation of deferred tax arising on business combinations	(45)	(75)
Revaluation of deferred tax balance for change in tax rate	-	31
Deferred tax adjustment arising on retirement benefit provision	(3)	-
Taxation charge	699	696

For the year ended 31 December 2021, the UK rate of 19% (2020: 19%) is applied.

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021.

12 Dividends

	2021 £'000	2020 £'000
Recognised as distributions to equity holders:		
Interim paid	3,227	2,870

13 Impairments

Impairment tests have been carried out where appropriate and the following impairment losses have been recognised in profit or loss:

	Notes	2021 £'000	2020 £'000
In respect of:			
Goodwill	14	28	-
Intangible assets	14	-	349
Recognised in:			
Administrative expenses		28	349

The impairment losses in respect of financial assets are recognised in operating profit in the profit and loss account.

The impairment losses reflect management's best estimate of the future cashflows expected to be earned on the underlying MSA contracts that gave rise to the recognition of intangible fixed asset on acquisition. In preparing these assumptions, management make regard to their best estimate of future rates of inflation, the likelihood of contract renewal on termination of the initial contract term and the expected contribution levels that will be earned on these contracts (using past performance as guide). Using these assumptions, management prepare a discounted cash flow to calculate the net present value of these future cashflows. As the company has no third party debt, the discount factor used in discounting the cash flows is management best estimate of the ultimate controlling party's rate of return on an investment, which management believe best represents the discount rate that a market participant would apply.

Along with amortisation, the impairment is recognised in administrative expenses in the Statement of comprehensive income.

14 Intangible fixed assets

Group	Goodwill	Customer relationships	Customer contracts	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2021 and 31 December 2021	2,926	1,281	2,726	6,933
Amortisation and impairment				
At 1 January 2021	2,295	770	2,425	5,490
Amortisation charged for the year	101	82	75	258
Impairment losses	28	-	-	28
At 31 December 2021	2,424	852	2,500	5,776
Carrying amount				
At 31 December 2021	502	429	226	1,157
At 31 December 2020	631	511	301	1,443

The company had no intangible fixed assets at 31 December 2021 or 31 December 2020.

The impairment arising in the year is the result of changes to the forecast cash flow assumptions to those set at acquisition.

The directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises. The following intangible assets have been material to the group's financial statements in the year:

- Goodwill arising on the acquisition of the John Laing Investment Management Services MSA's and the acquisition of the equity of UK Highways Limited of £1,066,000 (2020: £1,066,000) is amortised over 10 years, the estimate average period over which the cash flows in respect of which these items relate are expected to arise. The carrying value at 31 December 2021 is £502,000 (2020: £631,000).
- Customer relationships of £1,281,000 (2020: £1,281,000) are amortised over a period of ten years, the estimated average renewal term expected following expiry of the acquired contracts. The carrying value at 31 December 2021 is £429,000 (2020: £511,000).
- Customer contracts acquired in 2016 through the acquisition of the John Laing Investment Management Services Limited MSA's and the acquisition of UK Highways Limited of £2,726,000 (2020: £2,726,000) are amortised over the remaining period to expiry of these contracts. The carrying value at 31 December 2021 is £226,000 (2020: £301,000).

15 Fixed asset investments

		Group		Company	
		2021	2020	2021	2020
		£'000	£'000	£'000	£'000
Investments in subsidiaries	16	-	-	5,040	5,040

15 Fixed asset investments **(Continued)**

Movements in fixed asset investments

Company	**Shares in group undertakings**
	£'000
Cost	
At 1 January 2021 and 31 December 2021	5,040
Carrying amount	
At 31 December 2021	5,040
At 31 December 2020	5,040

16 Subsidiaries

Details of the company's subsidiaries at 31 December 2021 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct	% Held Indirect
Vercity Management Services Limited (formerly HCP Management Services Limited)	8 White Oak Square, Swanley, Kent BR8 7AG	Trading	Ordinary	100	0
Vercity Social Infrastructure (Canada) Limited (formerly HCP Social Infrastructure (Canada) Limited)	1321 Blanshard Street, Suite 301, Victoria, British Columbia V8W 0B6	Trading	Ordinary	100	0
Vercity Social Infrastructure (UK) Limited (formerly HCP Social Infrastructure UK) Limited)	8 White Oak Square, Swanley, Kent BR8 7AG	Trading	Ordinary	100	0
UK Highways Limited	8 White Oak Square, Swanley, Kent BR8 7AG	Trading	Ordinary	0	100
UK Highways Management Services Limited	8 White Oak Square, Swanley, Kent BR8 7AG	Trading	Ordinary	0	100

The aggregate capital and reserves and the result for the year of the subsidiaries noted above was as follows:

Name of undertaking	Capital and Reserves £'000	Profit £'000
Vercity Management Services Limited (formerly HCP Management Services Limited)	1,339	1,081
Vercity Social Infrastructure (Canada) Limited (formerly HCP Social Infrastructure (Canada) Limited)	939	472
Vercity Social Infrastructure (UK) Limited (formerly HCP Social Infrastructure UK) Limited)	2,356	1,494
UK Highways Limited	50	150
UK Highways Management Services Limited	90	96

17 Tangible fixed assets

Group	Leasehold land and buildings	Fixtures and fittings	Computers	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2021	505	145	594	11	1,255
Additions	-	-	90	-	90
Disposals	(1)	(1)	(30)	(11)	(43)
At 31 December 2021	504	144	654	-	1,302
Depreciation and impairment					
At 1 January 2021	228	95	490	11	824
Depreciation charged in the year	91	28	100	-	219
Eliminated in respect of disposals	(1)	(1)	(30)	(11)	(43)
At 31 December 2021	318	122	560	-	1,000
Carrying amount					
At 31 December 2021	186	22	94	-	302
At 31 December 2020	277	50	104	-	431

The company had no tangible fixed assets at 31 December 2021 or 31 December 2020.

18 Financial instruments

	Group 2021	2020	Company 2021	2020
	£'000	£'000	£'000	£'000
Carrying amount of financial assets				
Debt instruments measured at amortised cost	2,773	2,501	2,590	2,590
Carrying amount of financial liabilities				
Measured at amortised cost	7,703	7,000	2,467	2,467

19 Debtors

	Group 2021 £'000	2020 £'000	Company 2021 £'000	2020 £'000
Amounts falling due within one year:				
Trade debtors	1,453	1,052	-	-
Amounts owed by group undertakings	-	-	54	54
Amounts due from related parties	1,260	1,014	-	-
Other debtors	61	435	-	-
Prepayments and accrued income	1,454	1,033	-	-
	4,228	3,534	54	54
Deferred tax asset (note 22)	-	32	-	-
	4,228	3,566	54	54
Amounts falling due after more than one year:				
Amounts owed by group undertakings	-	-	2,536	2,536
Total debtors	4,228	3,566	2,590	2,590

Amounts due from group undertakings are interest free, unsecured and the the amounts due within one year are repayable on demand.

20 Creditors: amounts falling due within one year

	Group 2021 £'000	2020 £'000	Company 2021 £'000	2020 £'000
Trade creditors	422	308	-	-
Corporation tax payable	385	368	-	3
Other taxation and social security	1,378	1,190	-	-
Other creditors	61	70	51	51
Accruals and deferred income	3,429	3,019	-	-
	5,675	4,955	51	54

21 Creditors: amounts falling due after more than one year

	Group 2021 £'000	2020 £'000	Company 2021 £'000	2020 £'000
Amounts owed to related parties	2,413	2,413	2,413	2,413

Loan note and term loan

On 26 March 2014 the company entered into an unsecured loan note facility of £2,004,000. On 30 November 2016 the company issued a further £237,000 and on 21 January 2017 a further £172,000 of unsecured loan notes within this facility. The loan notes were subscribed by Innisfree M&G PPP LP, the ultimate controlling party of the company. The loan is repayable by 31 March 2024. Interest is charged at 8.5% per annum.

22 Deferred taxation

Deferred tax assets and liabilities are offset where the group or 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:

Group	Liabilities 2021 £'000	Liabilities 2020 £'000	Assets 2021 £'000	Assets 2020 £'000
Accelerated capital allowances	7	-	-	-
Depreciation in excess of capital allowances	-	-	-	32
Goodwill	205	250	-	-
Retirement benefit obligations	(2)	2	-	-
	210	252	-	32

The company has no deferred tax assets or liabilities.

Movements in the year:	Group 2021 £'000	Company 2021 £'000
Liability at 1 January 2021	220	-
Credit to profit or loss	(10)	-
Liability at 31 December 2021	210	-

Deferred tax is provided at 25% (2020 - 25%).

23 Share capital

	Group and company	
	2021	2020
Ordinary share capital	**£'000**	**£'000**
Issued and fully paid		
3,010,419 Ordinary A shares of 20p each	602	602
1 Ordinary B shares of £1 each	-	-
	602	602

Ordinary A shareholders are entitled to receive notice of, and attend, speak and vote at all general meetings of the company. Each share ranks pari passu to dividend payments, distributions and on returns of capital.

Ordinary B shares confer the following rights:

- The holder is entitled to a cash dividend equal to the sum of any distribution made to the company by HCP Social Infrastructure (Canada) Limited. Should the company have insufficient reserves to permit the full amount to be distributed, no profits shall be distributed to any other holders of shares until the full amount of the ordinary B dividend has been declared.
- On return of assets on liquidation, reduction of capital or otherwise, the holder is entitled to an amount equal to the subscription price paid for the ordinary B share and any accrued dividends from any remaining surplus assets.
- The holder is entitled to receive notice of, and attend, speak and vote at all general meetings of the company.

24 Operating lease commitments

Lessee

The operating lease payments represent rentals payable by the group for certain 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.

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Within one year	637	661	-	-
Between two and five years	533	1,148	-	-
In over five years	-	15	-	-
	1,170	1,824	-	-

During the year £557,000 (2020: £466,000) was recognised as an expense in the profit and loss account in respect of operating leases.

25 Related party transactions

Transactions with related parties
T Pearson, M Webber, D Burton and C James, directors of Vercity Holdings Limited, are also directors of Innisfree Limited. Innisfree Limited is a subsidiary of Innisfree Group Limited. Innisfree Limited is a fund manager managing a number of private equity infrastructure funds (collectively "Innisfree Funds").

Innisfree Funds have equity stakes in a significant number of the PFI projects to which the group provides management services. In aggregate the group made sales totalling £17,613,000 (2020: £19,260,000) to these companies and at the balance sheet date the amount owing from these companies was £1,260,000 (2020: £1,014,000). At the balance sheet date £2,465,000 (2020: £2,465,000) was owing to Innisfree M&G PPP LP, the group's parent undertaking, by the group.

The only individuals deemed to be key management personnel of the group are the directors of the company.

26 Controlling party

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 and Wales. Registered office address First floor, Boundary House, 91/93 Charterhouse Street, London EC1M 6HR.

27 Cash generated from group operations

	2021 £'000	2020 £'000
Profit for the year after tax	3,207	2,452
Adjustments for:		
Taxation charged	699	696
Finance costs	205	206
Investment income	(4)	(8)
Loss on disposal of tangible assets	-	10
Amortisation and impairment of intangible assets	286	797
Depreciation and impairment of tangible fixed assets	219	354
Foreign exchange gains on cash equivalents	(16)	(17)
Movements in working capital:		
(Increase)/decrease in debtors	(659)	165
Increase in creditors	663	221
Cash generated from operations	4,600	4,876

28 Analysis of changes in net funds - group

	1 January 2021	Cash flows	Exchange rate movements	31 December 2021
	£'000	£'000	£'000	£'000
Cash at bank and in hand	7,156	393	(30)	7,519
Borrowings excluding overdrafts	(2,413)	-	-	(2,413)
	4,743	393	(30)	5,106