

Company Registration No. 3310620 (England and Wales)

UK HIGHWAYS MANAGEMENT SERVICES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019



UK HIGHWAYS MANAGEMENT SERVICES LIMITED

COMPANY INFORMATION

Directors	Mr D Bourgeois Ms D McCormack Mr S Yeatman
Secretary	HCP Management Services Limited
Company number	3310620
Registered office	8 White Oak Square London Road Swanley Kent BR8 7AG
Auditor	KPMG LLP 15 Canada Square London United Kingdom E14 5GL

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

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UK HIGHWAYS MANAGEMENT SERVICES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their annual report and financial statements for the year ended 31 December 2019.

Principal activities

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").

During the year the company provided management services under long term management service agreements ("MSA's") to two UK highways companies. The remaining term of these contracts is nine years.

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	(Appointed 28 February 2019)
Ms D McCormack	
Mr M Woodhead	(Resigned 28 February 2019)
Mr S Yeatman	

Results and dividends

The results for the year are set out on page 7. No dividends were paid during the year (2018:£310,000).

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 Directors' and Officers' insurance policy, remain in force at the reporting date.

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.

Risks associated with the agreements include:

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 seconded employees and services through professional and commercial training of its seconded 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.

Loss of key staff

The company has no direct employees. Employees are seconded from the company's fellow subsidiary, HCP Social Infrastructure (UK) Limited to provide the services. 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.

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Brexit

On 31 January 2020, the UK revoked its membership with the EU. Until further clarity is known regarding the full details of the 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 implementing any wider regulatory and legal consequences of exiting the EU.

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 and the COVID-19 pandemic

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 at least 12 months from the date of signing of these accounts. During the year, the company made a profit after tax of £117,000 (2018: £109,000). Net current assets at the balance sheet date were £147,000 (2018: £21,000), net assets were £159,000 (2018: £42,000) and cash at bank was £220,000 (2018: £182,000). No dividends were paid in the year (2018: £310,000).

The company is exposed to the COVID-19 risk as a result of the inherent uncertainty around the impact of the pandemic on UK society and economy. Whilst the company itself is not considered to be significantly exposed, clients which it engages with are considered to have exposure through their sub-contractors in relation to labour and the ability to continue to perform required services. The company is aware of the Government guidance for public bodies on payment to suppliers to ensure service continuity during and after the coronavirus outbreak, which provides additional assurance that clients will continue to honour their contracts with the company. Due to the evolving nature of the risk, the Board continue to actively monitor developments.

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

23 September 2020

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with 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 UK HIGHWAYS MANAGEMENT SERVICES LIMITED

Opinion

We have audited the financial statements of UK Highways Management Services Limited ("the company") for the year ended 31 December 2019, which comprise the statement of 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 2019 and of its 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 company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going Concern

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 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.

Directors' report

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

Our responsibility is to read 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 directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF UK HIGHWAYS MANAGEMENT SERVICES LIMITED

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Responsibilities of directors

As explained more fully in their statement set out on page 3, 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 for the audit of the financial statements

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

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

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

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



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

Chartered Accountants
Statutory Auditor
15 Canada Square
London
United Kingdom
E14 5GL

25 September 2020

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

		2019 £'000	2018 £'000
Turnover	2	761	739
Administrative expenses		(603)	(601)
Operating profit	3	158	138
Interest receivable and similar income		-	1
Profit before taxation		158	139
Tax on profit	6	(41)	(30)
Profit for the financial year		117	109
Other comprehensive income		-	-
Total comprehensive income for the year		117	109

The accompanying notes on pages 9 to 17 form an integral part of these financial statements.

The Statement of Comprehensive Income has been prepared on the basis that all operations are continuing operations.

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

BALANCE SHEET

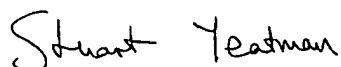
AS AT 31 DECEMBER 2019

	Notes	2019 £'000	£'000	2018 £'000	£'000
Fixed assets					
Tangible assets	7		12		21
Current assets					
Debtors	8	14		20	
Cash at bank and in hand		220		182	
		<u>234</u>		<u>202</u>	
Creditors: amounts falling due within one year	9	<u>(87)</u>		<u>(181)</u>	
Net current assets			147		21
Total assets less current liabilities			<u>159</u>		<u>42</u>
Capital and reserves					
Profit and loss reserves			<u>159</u>		<u>42</u>

The accompanying notes on pages 9 to 17 form an integral part of these financial statements.

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 23 September 2020 and are signed on its behalf by:



Mr S Yeatman
Director

Company Registration No. 3310620

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Profit and loss reserves £'000
Balance at 1 January 2018		243
Year ended 31 December 2018:		
Profit and total comprehensive income for the year		109
Dividends		(310)
Balance at 31 December 2018		<u>42</u>
Year ended 31 December 2019:		
Profit and total comprehensive income for the year		117
Balance at 31 December 2019		<u><u>159</u></u>

The accompanying notes on pages 9 to 17 form an integral part of these financial statements.

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Company information

UK Highways Management Services Limited is a private company limited by shares incorporated in England and Wales. The registered office is 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG. The registered number is 3310620

1.1 Accounting convention

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ("FRS 102"), and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

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.

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': 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.

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.2 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 company made a profit after tax of £117,000 (2018: £109,000). Net current assets at the balance sheet date were £147,000 (2018: £21,000), net assets were £159,000 (2018: £42,000) and cash at bank was £220,000 (2018: £182,000). No dividends were paid in the year (2018: £310,000).

The directors have prepared a strategic plan until 2024 and a detailed forecast up to 31 December 2021, which indicate that, taking account of severe but plausible downsides the company will have sufficient funds to meet its liabilities as they fall due for that period. The forecasts are dependent on the company's underlying client base continuing to meet its payment obligations under the Management Services Agreements ("MSAs"). As these clients receive their income through contracts which are underwritten by the UK Government and these customers have continued to pay the company in line with their MSAs throughout the lockdown period and to date, the directors consider that the risks of the company not receiving the payments due under the MSAs to be low.

In making this assessment the directors have considered the potential impact of the emergence and spread of COVID-19.

The directors have reviewed their contingency plans of and are satisfied the company's resource base has the ability to provide the services in line with the contracts without significant additional costs to the company, even in downside scenarios. To date, there has been no adverse impact on the services provided by the company arising from COVID-19.

The company has sufficient funding in place and expect the company to meet its liabilities at the balance sheet date as they fall due, even in severe but plausible downside scenario. Consequently the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

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.

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 are included in debtors 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 debtors as accrued income.

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

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:

Office Equipment	20% Straight Line
Computer equipment	20% Straight Line
Motor Vehicles	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 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.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.6 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.

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.7 Financial instruments

The company 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 company's balance sheet 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

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, 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.

Derecognition of financial liabilities

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

1.8 Equity instruments

Equity instruments issued by the company 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 company.

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.9 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.

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.

2 Turnover and other revenue

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

	2019 £'000	2018 £'000
Turnover analysed by class of business		
Management charges	761	739

3 Operating profit

	2019 £'000	2018 £'000
Operating profit for the year is stated after charging:		
Fees payable to the company's auditor for the audit of the company's financial statements	13	10
Depreciation of owned tangible fixed assets	11	9

The company's audit fees are borne by a fellow subsidiary undertaking. The amount disclosed above is the amount attributed to the audit of company's accounts.

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

4 Employees

The average monthly number of persons (including directors) employed by the company during the year was 0 (2018 - 2).

	2019 Number	2018 Number
General Manager	-	-
Administration	-	2
	<u>-</u>	<u>2</u>
	<u>-</u>	<u>2</u>

Their aggregate remuneration comprised:

	2019 £'000	2018 £'000
Wages and salaries	-	76
Social security costs	-	10
Pension costs	-	4
	<u>-</u>	<u>90</u>
	<u>-</u>	<u>90</u>

5 Directors' remuneration

During the year all directors were seconded from other group undertakings and do not allocate specific time to the company. As such an accurate apportionment of their remuneration to the company can not be made.

In the prior year, the employee contract of the director employed directly by the company, was transferred to a fellow subsidiary undertaking. Prior to the transfer, the remuneration for his services to the company as General Manager during the period was £29,000.

6 Taxation

	2019 £'000	2018 £'000
Current tax		
UK corporation tax on profits for the current period	31	26
Adjustments in respect of prior periods	10	-
	<u>41</u>	<u>26</u>
Deferred tax		
Write down or reversal of write down of deferred tax asset	-	4
	<u>-</u>	<u>4</u>
Total tax charge	<u>41</u>	<u>30</u>

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

6 Taxation

(Continued)

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:

	2019 £'000	2018 £'000
Profit before taxation	158	139
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19%)	30	30
Tax effect of expenses that are not deductible in determining taxable profit	1	-
Adjustments in respect of prior years	10	-
Taxation charge for the year	41	30

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016.

The March 2020 Budget announced that rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020.

7 Tangible fixed assets

	Office Equipment £'000	Computer equipment £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 January 2019	6	74	9	89
Additions	-	-	2	2
At 31 December 2019	6	74	11	91
Depreciation and impairment				
At 1 January 2019	6	60	2	68
Depreciation charged in the year	-	6	5	11
At 31 December 2019	6	66	7	79
Carrying amount				
At 31 December 2019	-	8	4	12
At 31 December 2018	-	14	7	21

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

8 Debtors

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Trade debtors	5	3
Amounts owed by group undertakings	3	-
Other debtors	6	17
	<u>14</u>	<u>20</u>

Amounts owed by group undertakings are unsecured, repayable on demand and interest free.

9 Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Trade creditors	1	-
Amounts owed to group undertakings	52	166
Corporation tax	17	15
Other creditors	17	-
	<u>87</u>	<u>181</u>

Amounts owed to group undertakings are unsecured, payable on demand and interest free.

10 Called up share capital

	2019 £	2018 £
Issued and fully paid		
1 ordinary share of £1 each of £1 each	<u>1</u>	<u>1</u>

11 Operating lease commitments

Operating lease payments represent rentals payable by the company for vehicle rental. The leases is for a term of 3 years.

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

	2019 £'000	2018 £'000
Within one year	8	8
Between two and five years	9	17
In over five years	-	-
	<u>17</u>	<u>25</u>

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

11 Operating lease commitments

(Continued)

During the year £8,000 (2018: £7,000) was recognised as an expense in the profit and loss account in respect of operating leases

12 Events after the reporting date

The COVID-19 pandemic continues to cause significant impact to the UK's economy; however, the company has continued to be paid in full since the year end in accordance with the contracts with its customers and the company does not expect this position to change. The company remains fully operational.

13 Parent company

The company is a wholly owned subsidiary undertaking of UK Highways Limited, a company incorporated in England. The financial statements of that company are available to the public and may be obtained from 8 White Oak Square, London Road, Swanley, Kent BR8 7AG.

The ultimate controlling party is HCP Holdings Limited, a company incorporated in England. The largest group in which the results of the company are consolidated is HCP Holdings Limited. The consolidated financial statements of this group are available to the public and may be obtained from 8 White Oak Square, London Road, Swanley, Kent BR8 7AG.