Company Registration No. 3310620 (England and Wales)

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

COMPANY INFORMATION

Directors	Mr D Bourgeois Ms D McCormack Mr S Yeatman
Secretary	Vercity 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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DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their annual report and financial statements for the year ended 31 December 2020.

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 seven years.

Results and dividends
The results for the year are set out on page 8.

Interim ordinary dividends were paid amounting to £100,000 during the year (2019: £nil).

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
Ms D McCormack
Mr S Yeatman

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.

Brexit
On 31 January 2020, the UK revoked its membership with the European Union. The company is exposed to Brexit risk as a result of the inherent uncertainty around the ongoing impact of this exit. 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. Due to the evolving nature of the risk, the board continue to actively monitor developments.

Going concern and the COVID-19 pandemic
The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposures to price, credit, liquidity and cash flow risk are described in the strategic report, as is the expected exposure to and implications of Brexit and the COVID-19 pandemic . After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Further details are available in the notes to the financial statement see Note 1.2.

Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Principal risks and uncertainities
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.

Commercial contracts
The company's MSA's are long term agreements for the term of the full concession period. Risks associated with the MSA's 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 employees and services through the professional and commercial training of its employees, the development of new and innovative services, investment in IT, regular monitoring of its performance and by maintaining strong working relationships with all stakeholders.

Market environment
New opportunities to the market are competitively tendered. The company continues to develop its 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
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.

COVID-19 risks
The World Health Organisation declared a global pandemic on 11 March 2020. 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 group. Due to the evolving nature of the risk, the Board continue to actively monitor developments.

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.

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

On behalf of the board

Ms D McCormack
Director
27 September 2021

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

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

Company law requires the directors to prepare financial statements for each financial year. Under that law 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;
- 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.

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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 2020, 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 2020 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").

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.

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 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 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 inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets for management.
- Using analytical procedures to identify any unusual or unexpected relationships.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UK HIGHWAYS MANAGEMENT SERVICES LIMITED (CONTINUED)

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, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that other revenue is recorded in the wrong period and the risk that Group management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of the Company-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual or unrelated accounts.

Identifying and responding to risks of material misstatement due to non-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 (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 Company 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 Company 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, anti-bribery, employment law, data protection and privacy laws. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UK HIGHWAYS MANAGEMENT SERVICES LIMITED (CONTINUED)

Other information
The directors are responsible for the other information, which comprises the strategic report and the directors' report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

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

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

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

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

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

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UK HIGHWAYS MANAGEMENT SERVICES LIMITED (CONTINUED)

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.

P Barron

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

15 Canada Square
London
United Kingdom
E14 5GL
28th September 2021

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £'000	2019 £'000
Turnover	3	778	761
Cost of sales		(469)	(401)
Gross profit		309	360
Administrative expenses		(203)	(202)
Profit before taxation		106	158
Tax on profit	6	(21)	(41)
Profit for the financial year		85	117

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

The accompanying notes on pages 12 to 19 form an integral part of these financial statements.

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2020

	Notes	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Fixed assets					
Tangible assets	7		2		12
Current assets					
Debtors	8	6		14	
Cash at bank and in hand		192		220	
		198		234	
Creditors: amounts falling due within one year	9	(56)		(87)	
Net current assets			142		147
Total assets less current liabilities			144		159
Capital and reserves					
Called up share capital	10		-		-
Profit and loss account	10		144		159
Total shareholders' funds			144		159

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

The accompanying notes on pages 12 to 19 form an integral part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 27 September 2021 and are signed on its behalf by:

Stuart Yeatman

Mr S Yeatman
Director

Company Registration No. 3310620

UK HIGHWAYS MANAGEMENT SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Share capital £'000	Profit and loss account £'000	Total £'000
Balance at 1 January 2019		-	42	42
Year ended 31 December 2019:				
Profit and total comprehensive income for the year		-	117	117
Balance at 31 December 2019		-	159	159
Year ended 31 December 2020:				
Profit and total comprehensive income for the year		-	85	85
Dividends		-	(100)	(100)
Balance at 31 December 2020		-	144	144

The accompanying notes on pages 12 to 19 form an integral part of these financial statements.

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 33 'Related Party Disclosures': Compensation for key management personnel.

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

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 £85,000 (2019: £117,000). Net current assets at the balance sheet date were £142,000 (2019: £147,000), net assets were £144,000 (2019: £159,000) and cash at bank was £192,000 (2019: £220,000). Interim dividends of £100,000 (2019: nil) were paid in the year.

The directors have prepared a strategic plan until 2026 and a detailed forecast up to 31 December 2022, 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 a period of at least 12 months from the approval of these financial statements ("the going concern period"). Specifically the directors have considered a severe but plausible downside scenario in which all contract renewals in the forecast period are assumed not to be renewed. The forecasts are dependent on the company's underlying customer base continuing to meet its payment obligations under the management services agreements ("MSA's") with the company. As the all of these customers 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 MSA's throughout the lockdown periods and to date, the directors consider that the risk of the company not receiving the payments due under the MSA's to be very low.

In making this assessment the directors have considered the potential impact of the continuing COVID-19 pandemic.

The directors have reviewed their contingency plans 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.

Consequently the directors are confident that there is sufficient liquidity in place and that for the company will have sufficient funds to meet its liabilities as they fall due during the going concern period, even under the severe but plausible downside scenario. The directors have therefore 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.

Revenue is entirely derived in the United Kingdom.

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:

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.

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.

1 Accounting policies **(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.

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.

1.9 Taxation
The tax expense represents the sum of the tax currently payable.

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 company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

2 Judgements and key sources of estimation uncertainty

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

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

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

3 Turnover

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

	2020	2019
	£'000	£'000
Turnover analysed by class of business		
Services income	778	761

4 Operating profit

	2020	2019
Operating profit for the year is stated after charging:	£'000	£'000
Fees payable to the company's auditor for the audit of the company's financial statements	3	13
Depreciation of owned tangible fixed assets	10	11

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.

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was 0 (2019 - 0).

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.

6 Taxation

	2020 £'000	2019 £'000
Current tax		
UK corporation tax on profits for the current period	21	31
Adjustments in respect of prior periods	-	10
Total current tax	21	41

The tax assessed for the year is higher than the standard rate of corporation tax in the UK at 20% (2019: 26%). 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:

	2020 £'000	2019 £'000
Profit before taxation	106	158
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	20	30
Tax effect of expenses that are not deductible in determining taxable profit	1	1
Adjustments in respect of prior years	-	10
Taxation charge for the year	21	41

For the year ended 31 December 2020, the UK rate of 19% (2019: 19%) is applied.

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020.

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly. There is no deferred tax impact to consider as a result of these changes

7 Tangible fixed assets

	Plant and machinery £'000
Cost	
At 1 January 2020	91
Disposals	(17)
At 31 December 2020	74
Depreciation and impairment	
At 1 January 2020	79
Depreciation charged in the year	10
Eliminated in respect of disposals	(17)
At 31 December 2020	72
Carrying amount	
At 31 December 2020	2
At 31 December 2019	12

8 Debtors

Amounts falling due within one year:	2020 £'000	2019 £'000
Trade debtors	1	5
Amounts owed by group undertakings	3	3
Other debtors	2	6
	6	14

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

9 Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Trade creditors	-	1
Amounts owed to group undertakings	52	52
Corporation tax	-	17
Other creditors	4	17
	56	87

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

10 Called up share capital

	2020	2019	2020	2019
Ordinary share capital	**Number**	**Number**	**£'000**	**£'000**
Ordinary share of £1 each of £1 each	1	1	-	-

11 Operating lease commitments

Operating lease payments represent rentals payable by the company for vehicle rental. The leases was for a term of 3 years and expired in January 2021.

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

	2020	2019
	£'000	**£'000**
Within one year	1	8
Between two and five years	-	1
	1	9

During the year £1,000 (2019: £8,000) was recognised as an expense in the profit and loss account in respect of operating leases

12 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 Vercity Holdings Limited (formerly HCP Holdings Limited), a company incorporated in England. The largest group in which the results of the company are consolidated is Vercity 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.