Company Registration No. 03819468 (England and Wales)

VERCITY MANAGEMENT SERVICES LIMITED
(FORMERLY HCP MANAGEMENT SERVICES LIMITED)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

VERCITY MANAGEMENT SERVICES LIMITED

COMPANY INFORMATION

Directors	Mr D Bourgeois Ms D McCormack Mr S Yeatman
Secretary	Ms D McCormack
Company number	03819468
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 MANAGEMENT SERVICES LIMITED

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VERCITY MANAGEMENT SERVICES LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present the strategic report and financial statements of Vercity Management Services Limited (the "Company") for the year ended 31 December 2021.

The company formally known as HCP Management Services Limited changed its name to Vercity Management Services Limited with effect from 26th 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.

Fair review of the business

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

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

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

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

Key performance indicators

	2021	2020
	£'000	£'000
Turnover	17,660	16,716
Profit after taxation	1,081	784
Cash at bank and in hand	2,941	1,481
	Number	**Number**
Number of Management Services Agreements	71	79

At the end of the year the company had 71 (2020: 79) MSAs. The company has successfully secured a large MSA during the course of the year. Unfortunately, it lost a number of smaller MSAs following the acquisition of an investment fund manager by an unrelated investment fund, who continues to consolidate their MSA provider portfolio. The company continues to be active in bidding for new work. The combined portfolio provide services to companies within the infrastructure sector for health, education, renewable energy, housing, defence, emergency services, transport, roads, street lighting and waste sectors.

The profit after tax for the year of £1,081,000 (2020: £784,000) is stated after amortisation and impairment of £202,000 (2020: £713,000) 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 and after impairment of £283,000 (2020: £19,000) in respect of the investment in UK Highways Limited acquired from John Laing Infrastructure Limited on the 30 November 2016. See Notes 12 and 13 for further information. The increase 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 company's seconded employees.

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

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.

Commercial contracts
Typically the MSAs are long term agreements for terms of between five years and the full concession period. Risks associated with the MSAs include:

Renewal
MSAs with terms of less than the full concession period may be market tested on renewal. The company bids in a competitive environment for renewed and new MSAs.

Loss of key staff
The company has no direct employees. Employees are seconded from Vercity Social Infrastructure (UK) Limited (formerly HCP Social Infrastructure (UK) Limited) to provide the services. Vercity Social Infrastructure (UK) Limited is a wholly owned subsidiary of Vercity Holdings Limited, which heads the smallest and largest group in which the results of the company are consolidated (the "group"). A key contributor to the company's subsidiary's success is supporting Vercity Social Infrastructure (UK) Limited's strategy in recruiting experienced and professionally trained staff and ensuring the retention of these key staff through competitive remuneration package, career development opportunities, continuous professional development and the award of performance incentive payments.

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 the employees and services through the professional and commercial training of the 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.

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 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 company. The company has as its strategic objective a commitment to invest in the development of new IT to facilitate the innovation of new service offerings and to add value to the provision of its existing services.

Other information and explanations

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

By order of the board and signed on its behalf by

Ms D McCormack
Secretary
27 September 2022

The directors present their report and 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
Ms D McCormack
Mr S Yeatman

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

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

Interim ordinary dividends were paid amounting to £923,000 (83.8p per share) during the year (2020: £1,403,000 (127.4p per share)).

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.

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 3.

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

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 £1,081,000 (2020: £784,000). Net current assets at the balance sheet date were £2,913,000 (2020: £2,307,000), net assets were £1,339,000 (2020: £1,181,000) and cash at bank was £2,941,000 (2020: £1,481,000). Interim dividends of £923,000 (2020: £1,403,000) were paid in the year.

The directors have prepared a strategic plan until 2026 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 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. 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 company's underlying customer base continuing to meet its payment obligations under the management services agreements ("MSAs") with the company. 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 company in line with their MSAs throughout the lockdown periods and to date, the directors consider that the risk of the company not receiving the payments due under the MSAs to be very low.

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 the downside scenario.

Consequently the directors are confident that the 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 MANAGEMENT SERVICES 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 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 VERCITY MANAGEMENT SERVICES LIMITED

Opinion

We have audited the financial statements of Vercity Management Services Limited ("the company") for the year ended 31 December 2021 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 2021 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 other management as to the Company'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 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 is overstated through recording revenues in the wrong period.

We did not identify any additional fraud risks.

We performed procedures including:

- Assessing whether consultancy revenue transactions in 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 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, 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, 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.

Director's responsibilities

As explained more fully in their statement set out on page 6, 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 for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities.

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

Neha Shah

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

30 September 2022

VERCITY MANAGEMENT SERVICES LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £'000	2020 £'000
Turnover	**3**	17,660	16,716
Cost of sales		(12,193)	(10,998)
Gross profit		5,467	5,718
Administrative expenses		(3,752)	(4,505)
Operating profit	**4**	1,715	1,213
Interest receivable and similar income	**6**	150	103
Interest payable and similar expenses	**7**	(216)	(220)
Impairment of investments	**10**	(283)	(19)
Profit before taxation		1,366	1,077
Tax on profit	**8**	(285)	(293)
Profit for the financial year		1,081	784
Other comprehensive income		-	-
Total comprehensive income for the year		1,081	784

The accompanying notes on pages 14 to 28 form an integral part of these financial statements.

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

There were no recognised gains or losses during the year other than those reflected in the above profit and loss account.

VERCITY MANAGEMENT SERVICES LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2021

	Notes	2021 £'000	2021 £'000	2020 £'000	2020 £'000
Fixed assets					
Intangible assets	11		631		833
Investments	12		481		764
			1,112		1,597
Current assets					
Debtors	14	1,999		1,480	
Cash at bank and in hand		2,941		1,481	
		4,940		2,961	
Creditors: amounts falling due within one year	15	(2,027)		(654)	
Net current assets			2,913		2,307
Total assets less current liabilities			4,025		3,904
Creditors: amounts falling due after more than one year	16		(2,536)		(2,536)
Provisions for liabilities	18		(150)		(187)
Net assets			1,339		1,181
Capital and reserves					
Called up share capital	19		1,101		1,101
Profit and loss reserves			238		80
Total equity			1,339		1,181

The accompanying notes on pages 14 to 28 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 2022 and are signed on its behalf by:

Stuart Yeatman

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Mr S Yeatman
Director

Company Registration No. 03819468

VERCITY MANAGEMENT SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Share capital £'000	Profit and loss reserves £'000	Total £'000
Balance at 1 January 2020		1,101	699	1,800
Year ended 31 December 2020:				
Profit and total comprehensive income for the year		-	784	784
Dividends	9	-	(1,403)	(1,403)
Balance at 31 December 2020		1,101	80	1,181
Year ended 31 December 2021:				
Profit and total comprehensive income for the year		-	1,081	1,081
Dividends	9	-	(923)	(923)
Balance at 31 December 2021		1,101	238	1,339

The accompanying notes on pages 14 to 28 form an integral part of these financial statements.

1 Accounting policies

Company information

Vercity Management Services Limited is a private company limited by shares incorporated, domiciled and registered in England in the United Kingdom. The registered office is 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG. The registered number is 03819468.

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.

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 £1,081,000 (2020: £784,000). Net current assets at the balance sheet date were £2,913,000 (2020: £2,307,000), net assets were £1,339,000 (2020: £1,181,000) and cash at bank was £2,941,000 (2020: £1,481,000). Interim dividends of £923,000 (2020: £1,403,000) were paid in the year.

The directors have prepared a strategic plan until 2026 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 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. 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 company's underlying customer base continuing to meet its payment obligations under the management services agreements ("MSAs") with the company. 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 company in line with their MSAs throughout the lockdown periods and to date, the directors consider that the risk of the company not receiving the payments due under the MSAs to be very low.

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 the downside scenario.

Consequently the directors are confident that the 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.

1.3 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 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)**

1.4 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated 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 over the MSA contract term or 10 years if the contract term is longer than 10 years.

1.5 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 (between 1 to 20 years)

1.6 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.

1.7 Impairment of fixed assets

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

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 Accounting policies **(Continued)**

1.8 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.

1.9 Financial instruments

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

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

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

Basic financial assets

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

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 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.

1 Accounting policies **(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 company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other payables, 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 receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

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 company's contractual obligations expire or are discharged or cancelled.

1.10 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.

1.11 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.

1 Accounting policies **(Continued)**

Deferred tax

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

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

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

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

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

Impairment of intangible fixed assets
The company is required to assess the recoverable amount of each class of intangible fixed asset that is subject to impairment review. In making these assessments, the company must estimate the likely future cash flows generated by each and make a judgement regarding an appropriate pre-tax discount rate. In estimating future cash flows, judgements are made regarding the contractual arrangements in place and expected renewal assumptions, alongside economic factors that may have an impact on them.

Impairment of investments
The company conducts impairment reviews of investments in subsidiaries as set out in its accounting policy in note 1.7. 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 and other revenue

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

	2021	2020
	£'000	£'000
Turnover analysed by class of business		
Management services	12,595	12,990
Consultancy	5,065	3,726
	17,660	16,716

3 Turnover and other revenue (Continued)

	2021 £'000	2020 £'000
Turnover analysed by geographical market		
UK	17,481	16,691
Rest of world	179	25
	17,660	16,716

4 Operating profit

Operating profit for the year is stated after charging:	2021 £'000	2020 £'000
Exchange losses	7	5
Fees payable to the company's auditor for the audit of the company's financial statements	31	43
Amortisation of intangible assets	174	364
Impairment of intangible assets	28	349

5 Directors' remuneration

It is estimated that the part of the directors' emoluments borne by the company's fellow subsidiary, allocable to the provision of directors' services to the company, amounted to:

	2021 £'000	2020 £'000
Remuneration for qualifying services	275	275
Company pension contributions to defined contribution schemes	9	8
	284	283

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

6 Interest receivable and similar income

	2021 £'000	2020 £'000
Interest income		
Interest on bank deposits	-	3
Income from fixed asset investments		
Income from shares in group undertakings	150	100
Total income	150	103

7 Interest payable and similar expenses

	2021 £'000	2020 £'000
Interest on financial liabilities measured at amortised cost:		
Interest payable to group undertakings	216	220

8 Taxation

	2021 £'000	2020 £'000
Current tax		
UK corporation tax on profits for the current period	322	326

8 Taxation (Continued)

	2021 £'000	2020 £'000
Deferred tax		
Origination and reversal of timing differences	(37)	(64)
Changes in tax rates	-	31
Total deferred tax	(37)	(33)
Total tax charge	285	293

The tax assessed for the year is higher than the standard rate of corporation tax in the UK at 21% (2020: 27%). 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	1,366	1,077
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	260	205
Tax effect of expenses that are not deductible in determining taxable profit	-	1
Effect of change in corporation tax rate	-	31
Amortisation on assets not qualifying for tax allowances	91	139
Dividend income	(29)	(19)
Amortisation of deferred tax liability arising on business combinations	(37)	(64)
Taxation charge for the year	285	293

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. This will increase the company's future current tax charge accordingly.

9 Dividends

	2021 £'000	2020 £'000
Interim paid	923	1,403

10 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:			
Intangible assets	11	28	349
Fixed asset investments	12	283	19
Recognised in the following lines in the Statement of comprehensive income :			
Administrative expenses		28	349
Amounts written off investments		283	19

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.

Part of the impairment reflects the reducing length of the remaining contract term, the remainder represents changes in management's estimate of the future profitability of these contracts.

11 Intangible fixed assets

	Customer relationships £'000	Customer contracts £'000	Goodwill £'000	Total £'000
Cost				
At 1 January 2021 and 31 December 2021	763	2,726	629	4,118
Amortisation and impairment				
At 1 January 2021	601	2,426	258	3,285
Amortisation charged for the year	36	75	63	174
Impairment losses	-	-	28	28
At 31 December 2021	637	2,501	349	3,487
Carrying amount				
At 31 December 2021	126	225	280	631
At 31 December 2020	162	300	371	833

11 Intangible fixed assets **(Continued)**

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

The following intangible assets have been material to the company's financial statements in the year:

- Goodwill arising on the acquisition of the John Laing Investment Management Services MSAs of £308,000 (2020: £371,000) 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.
- Customer relationships of £23,000 (2020: £162,000) are amortised over a period of ten years, the estimated average renewal term expected following expiry of the acquired contracts.
- Customer contracts acquired in 2016 through the acquisition of the John Laing Investment Management Services Limited MSAs and the acquisition of UK Highways Limited of £300,000 (2020: £300,000) are amortised over the remaining period to expiry of these contracts.

12 Fixed asset investments

	Notes	2021 £'000	2020 £'000
Investments in subsidiaries	13	481	764

The impairment related to the company's wholly owned subsidiary, UK Highways Management Services Limited. In the opinion of the directors, the value of the investment in subsidiary undertakings is not less than stated in the balance sheet.

Movements in fixed asset investments

	Shares in subsidiaries £'000
Cost or valuation	
At 1 January 2021 & 31 December 2021	1,031
Impairment	
At 1 January 2021	267
Impairment losses	283
At 31 December 2021	550
Carrying amount	
At 31 December 2021	481
At 31 December 2020	764

13 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	Indirect
UK Highways Limited	8 White Oak Square, London Road, Swanley, Kent, BR8 7AG	Holding company	Ordinary shares	100	0
UK Highways Management Services Limited	8 White Oak Square, London Road, Swanley, Kent, BR8 7AG	Trading company	Ordinary shares	0	100

14 Debtors

	2021	2020
Amounts falling due within one year:	**£'000**	**£'000**
Trade debtors	1,127	916
Amounts owed by related parties	138	138
Other debtors	85	6
Prepayments and accrued income	649	420
	1,999	1,480

Amounts due from related parties are repayable on demand, unsecured and interest free.

15 Creditors: amounts falling due within one year

	2021	2020
	£'000	**£'000**
Trade creditors	42	54
Corporation tax	161	159
Other taxation	-	37
Amounts due to group undertakings	1,602	257
Accruals and deferred income	222	147
	2,027	654

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

16 Creditors: amounts falling due after more than one year

	Notes	2021 £'000	2020 £'000
Loan from parent undertaking	17	2,536	2,536

17 Loans and overdrafts

	2021 £'000	2020 £'000
Loans from group undertakings	2,536	2,536
Payable after one year	2,536	2,536

The loan notes were subscribed by the company's immediate parent undertaking, Vercity Holdings Limited. The loan notes are repayable by 31 March 2024. Interest is charged at 8.5% per annum.

18 Deferred taxation

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

Balances:	Liabilities 2021 £'000	Liabilities 2020 £'000
Permanent differences on intangible fixed assets	150	187

Movements in the year:	2021 £'000
Liability at 1 January 2021	187
Credit to profit or loss	(37)
Liability at 31 December 2021	150

19 Share capital

	2021	2020
	£'000	£'000
Ordinary share capital		
Issued and fully paid		
1,100,750 Ordinary A Shares of £1 each	1,101	1,101
200 Ordinary B Shares of £1 each	-	-
	1,101	1,101

Ordinary A and ordinary B shares rank equally for voting, dividend and capital repayment.

20 Related party transactions

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

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

In aggregate the company made sales totalling £3,500,000 (2020: £3,691,000) to these projects and at the balance sheet date the amount owing from these undertakings was £138,000 (2020: £138,000).

As the company is a wholly owned subsidiary of Vercity Holdings Limited, the company has taken advantage of the exemption contained in FRS 102 Section 33 1.A, and has therefore not disclosed transactions or balances with entities which form part of the group.

21 Ultimate controlling party

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

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

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