

COMPANY REGISTRATION NUMBER: 03912906

**Alert Communications Limited**  
**Annual Report and Financial Statements**  
**31 March 2019**

**COMPANIES HOUSE**  
**EDINBURGH**

**30 SEP 2019**

**FRONT DESK**



**Alert Communications Limited**  
**Annual Report and Financial Statements**  
**Year Ended 31 March 2019**

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# **Alert Communications Limited**

## **Officers and Professional Advisers**

### **The Board of Directors**

James Edenborough (Appointed 23 September 2019)  
John Cavill  
Matthew Jones (Served from 1 April 2018 to 6 September 2019)  
Jeffrey Lewis (Resigned 28 September 2018)  
Peter Sheldrake (Appointed 2 July 2018)  
Philip Ashbrook (Resigned 29 June 2018)  
Karen Stewart (Resigned 1 April 2018)  
Richard Drake (Appointed 28 September 2018)

### **Company Secretary**

Nicholas Borrett

### **Registered Office**

33 Wigmore Street  
London  
England  
W1U 1QX

### **Independent Auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants & Statutory Auditors  
Level 4  
Atria One  
144 Morrison Street  
Edinburgh  
EH3 8EX

### **Bankers**

Barclays  
71 Lombard Street  
London  
EC3P 3BS

# **Alert Communications Limited**

## **Strategic Report**

### **Year Ended 31 March 2019**

The Directors present their Strategic Report for the Year Ended 31 March 2019.

#### **Principal Objectives and Strategies**

The principal activities of the company are to finance, design, build, operate and maintain a Received Signal Service Communications Link as a Private Finance Initiative (PFI) project with the Ministry of Defence.

The contract is in year 15 of its term expiring in 2033.

#### **Review of Business**

As the Company is in the full operational phase it faces operational risks and actively monitors financial performance against loan covenants. During the year the company was fully compliant with the contractual terms and incurred no penalty points. From a financial perspective the company has been performing well and has been compliant with the covenants laid out in the loan agreement. The Company is also forecasting compliance with the covenants laid out in the loan agreement.

The directors expect the performance of the Company to be in line with the forecasting model and become profitable in future years.

The financial statements have been prepared on a going concern basis as the Company's financial projections indicate that future obligations will be met.

#### **Future Developments**

The directors intend for the business to continue to operate in line with the contractual terms and do not expect any strategic changes.

#### **Key Performance Indicators**

The performance of the Company from a cash perspective is assessed on a six monthly basis by the testing of the covenants of the senior debt provider, the key indicator being the debt service cover ratio. The Company has been performing well and has been compliant with the covenants laid out in the loan agreement.

#### **Going Concern**

The directors acknowledge that the Company is in net liabilities. In part, this is a result of the Interest rate swap, which is significantly out of the money, being brought onto the balance sheet. It is not the intention to close out this instrument before its maturity date, therefore it is the directors' view that the interest rate swap will have no impact on the company's ability to meet its liabilities as they fall due.

The Company has received a letter of support from BIFF Bidco Limited stating their intention not to call in the loan within a period of one year and one day of the accounts being signed. Having reviewed the forecasts and projections in combination with the letter of support received, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

## **Alert Communications Limited**

### **Strategic Report** *(continued)*

**Year Ended 31 March 2019**

#### **Principal Risks and Uncertainties**

Due to the nature of the Company's business, the financial risks the directors consider relevant to this Company are credit, interest rate, cash flow and liquidity risk. The credit and cash flow risks are not considered significant as the client is a quasi governmental organisation. The significant risks are considered to be:

##### ***Interest Rate Risk***

The financial risk management objectives of the Company are to ensure that financial risks are mitigated by the use of financial instruments where they cannot be addressed by contractual provisions. The Company uses interest rate swaps to reduce its exposure to interest rate movements. Financial instruments are not used for speculative purposes.

##### ***Liquidity Risk***

The Company's liquidity risk is principally managed through financing the Company by means of long-term borrowings.

This report was approved by the board of directors on 27/9/19 and signed on behalf of the board by:



.....  
**Peter Sheldrake**  
Director

## **Alert Communications Limited**

### **Directors' Report**

#### **Year Ended 31 March 2019**

The directors present their report and the audited Annual Report and Financial Statements of the Company for the year ended 31 March 2019.

#### **Directors**

The directors who served the Company during the year and up to the date of this report were as follows:

James Edenborough  
John Cavill  
Matthew Jones  
Jeffrey Lewis  
Peter Sheldrake  
Philip Ashbrook  
Karen Stewart  
Richard Drake

#### **Dividends**

The directors do not recommend the payment of a dividend.

#### **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 remain in force at the reporting date.

#### **Performance Review**

The profit for the financial year, after taxation, amounted to £(156,954) (2018: £607,230).

The profit for the financial year will be transferred to reserves.

#### **Disclosure of Information to Auditors**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The auditors are deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

This report was approved by the board of directors on 27/9/19 and signed by order of the board by:



Peter Sheldrake  
Director

## **Alert Communications Limited**

### **Directors' Responsibilities Statement**

#### **Year Ended 31 March 2019**

The directors are responsible for preparing the Strategic Report, Directors' Report and the Annual Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare the Annual Report and Financial Statements for each financial year. Under that law the directors have prepared the Annual Report and Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), and applicable law).

Under company law the directors must not approve the Annual Report and Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period.

In preparing the Annual Report and Financial Statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the Annual Report and Financial Statements; and
- prepare the Annual Report and Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 Annual Report and Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **Alert Communications Limited**

## **Independent Auditors' Report to the Members of Alert Communications Limited**

### **Year Ended 31 March 2019**

#### **Report on the Audit of the Financial Statements**

##### **Opinion**

In our opinion, Alert Communications Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 March 2019; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

##### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### **Independence**

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

##### **Conclusions Relating to Going Concern**

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Company's trade, suppliers and the wider economy.



## **Alert Communications Limited**

### **Independent Auditors' Report to the Members of Alert Communications Limited** (continued)

#### **Year Ended 31 March 2019**

##### **Reporting on Other Information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

##### **Strategic Report and Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

##### **Responsibilities for the Financial Statements and the Audit**

###### **Responsibilities of the Directors for the Financial Statements**

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

###### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

## **Alert Communications Limited**

### **Independent Auditors' Report to the Members of Alert Communications Limited** (continued)

#### **Year Ended 31 March 2019**

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### **Use of This Report**

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### **Other Required Reporting**

##### **Companies Act 2006 Exception Reporting**

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

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

We have no exceptions to report arising from this responsibility.



Paul Cheshire (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants & Statutory Auditors  
Edinburgh

27 September 2019

**Alert Communications Limited**  
**Statement of Comprehensive Income**  
**Year Ended 31 March 2019**

	Note	2019 £	2018 £
Turnover	4	9,028,560	11,653,020
Cost of sales		(3,263,984)	(6,089,851)
Gross profit		5,764,576	5,563,169
Administrative expenses		(2,498,456)	(2,106,083)
Operating profit	5	3,266,120	3,457,086
Other interest receivable and similar income	7	230,629	225,633
Interest payable and similar expenses	8	(2,821,131)	(2,934,792)
Profit before taxation		675,618	747,927
Tax on profit	9	(832,572)	(140,697)
(Loss)/profit for the financial year		<u>(156,954)</u>	<u>607,230</u>
Fair value movements on cash flow hedging instruments, net of tax		657,335	2,240,632
Total comprehensive income for the year		<u>500,381</u>	<u>2,847,862</u>

All the activities of the Company are from continuing operations.

The notes on pages 12 to 23 form part of the Annual Report and Financial Statements.

# Alert Communications Limited

## Statement of Financial Position

As at 31 March 2019

	Note	2019 £	2018 £
<b>Fixed assets</b>			
Tangible assets	10	23,023,151	24,986,234
Investments	11	4,693,137	4,693,137
		<u>27,716,288</u>	<u>29,679,371</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	12	2,697,802	2,522,199
Debtors: amounts falling due after more than one year	12	4,638,996	5,557,032
Cash at bank and in hand		986,481	1,502,365
		<u>8,323,279</u>	<u>9,581,596</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(3,630,074)</u>	<u>(4,247,938)</u>
<b>Net current assets</b>		<u>4,693,205</u>	<u>5,333,658</u>
<b>Total assets less current liabilities</b>		<u>32,409,493</u>	<u>35,013,029</u>
<b>Creditors: amounts falling due after more than one year</b>	14	<u>(44,074,747)</u>	<u>(46,996,805)</u>
<b>Provisions for liabilities</b>			
Taxation including deferred taxation	15	<u>(2,262,942)</u>	<u>(2,444,801)</u>
<b>Net liabilities</b>		<u>(13,928,196)</u>	<u>(14,428,577)</u>
<b>Capital and reserves</b>			
Called up share capital	17	476,000	476,000
Hedging reserve	18	(7,950,995)	(8,608,330)
Retained earnings	18	(6,453,201)	(6,296,247)
<b>Total shareholders' deficit</b>		<u>(13,928,196)</u>	<u>(14,428,577)</u>

The Annual Report and Financial Statements were approved by the board of directors and authorised for issue on 27/4/19, and are signed on behalf of the board by:



Peter Sheldrake  
Director

Company registration number: 03912906

The notes on pages 12 to 23 form part of the Annual Report and Financial Statements.

# Alert Communications Limited

## Statement of Changes in Equity

Year Ended 31 March 2019

	Called up share capital £	Hedging reserve £	Retained earnings £	Total £
<b>At 1 April 2017</b>	476,000	(10,848,962)	(6,903,477)	(17,276,439)
Profit for the financial year			607,230	607,230
Other comprehensive income for the year:				
Fair value movements on cash flow hedging instruments, net of tax	–	2,240,632	–	2,240,632
<b>Total comprehensive income for the year</b>	–	2,240,632	607,230	2,847,862
<b>At 31 March 2018</b>	476,000	(8,608,330)	(6,296,247)	(14,428,577)
Loss for the financial year			(156,954)	(156,954)
Other comprehensive income for the year:				
Fair value movements on cash flow hedging instruments, net of tax	–	657,335	–	657,335
<b>Total comprehensive income for the year</b>	–	657,335	(156,954)	500,381
<b>At 31 March 2019</b>	<u>476,000</u>	<u>(7,950,995)</u>	<u>(6,453,201)</u>	<u>(13,928,196)</u>

The notes on pages 12 to 23 form part of the Annual Report and Financial Statements.

# **Alert Communications Limited**

## **Notes to the Annual Report and Financial Statements**

**Year Ended 31 March 2019**

### **1. General Information**

Alert Communications Limited ("the Company") is a private company limited by shares and is incorporated and domiciled in the UK. The address of its registered office is 33 Wigmore Street, London, England, W1U 1QX.

The principal activities of the company are to finance, design, build, operate and maintain a Received Signal Service Communications Link as a Private Finance Initiative (PFI) project with the Ministry of Defence.

The Company's functional and presentation currency is the pound sterling.

### **2. Statement of Compliance**

The individual financial statements of Alert Communications Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

### **3. Accounting Policies**

#### **(a) Basis of preparation**

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed further in the accounting policies.

The accounting policies stated below have been consistently applied to the years presented, unless otherwise stated.

#### **(b) Going concern**

The directors acknowledge that the Company is in net liabilities. In part, this is a result of the Interest rate swap, which is significantly out of the money, being brought back onto the balance sheet. It is not the intention to close out this instrument before its maturity date, therefore it is the directors' view that the interest rate swap will have no impact on the company's ability to meet its liabilities as they fall due.

The Company has received a letter of support from BIIF Bidco Limited stating their intention not to call in the loan within a period of one year and one day of the accounts being signed. Having reviewed the forecasts and projections in combination with the letter of support received, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

# **Alert Communications Limited**

## **Notes to the Annual Report and Financial Statements *(continued)***

### **Year Ended 31 March 2019**

#### **3. Accounting Policies *(continued)***

##### **(c) Disclosure exemptions**

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of BIIF Holdco Limited which can be obtained from the Company Secretary at Cannon Place, 78 Cannon Street, London, EC4N 6AF. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- (a) No cash flow statement has been presented for the Company.
- (b) Disclosures in respect of financial instruments have not been presented.

##### **(d) Consolidation**

The Company is a wholly-owned subsidiary of BIIF Holdco Limited, a company incorporated in the EEA. In accordance with Section 400 of the Companies Act 2006, the Company is not required to produce, and has not published, consolidated accounts.

##### **(e) Judgments and key sources of estimation uncertainty**

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported. These estimates and judgments are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

##### **Key sources of estimation uncertainty**

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty are as follows:

##### **i) Impairment of assets**

The carrying value of those assets recorded in the Company's Statement of Financial Position, at amortised cost, could be materially reduced where circumstances exist which might indicate that an asset has been impaired and an impairment review is performed. Impairment reviews consider the fair value and/or value in use of the potentially impaired asset or assets and compares that with the carrying value of the asset or assets in the Statement of Financial Position. Any reduction in value arising from such a review would be recorded in the Statement of Comprehensive Income. Impairment reviews involve the significant use of assumptions. Consideration has to be given as to the price that could be obtained for the asset or assets, or in relation to a consideration of value in use, estimates of the future cash flows that could be generated by the potentially impaired asset or assets, together with a consideration of an appropriate discount rate to apply to those cash flows.

##### **(f) Revenue recognition**

Turnover represents the management services income received by the Company for the provision of a PFI asset to the customer. The income is received over the life of the concession period.

# **Alert Communications Limited**

## **Notes to the Annual Report and Financial Statements *(continued)***

### **Year Ended 31 March 2019**

#### **3. Accounting Policies *(continued)***

##### **(g) Income tax**

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

##### **i) Current Tax**

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

##### **ii) Deferred tax**

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is also recognised on the revaluations of derivative financial instruments, with the movements going through the Statement of Comprehensive Income.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the deferred tax asset or liability.

##### **(h) Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of six months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

##### **(i) Borrowings**

Borrowings are recognised at amortised cost using the effective interest rate method. Under the effective interest rate method, any transaction fees, costs, discounts and premiums directly related to the borrowings are recognised in the Statement of Comprehensive Income over the life of the borrowings. Borrowings with maturities greater than twelve months after the reporting date are classified as non-current liabilities.



# **Alert Communications Limited**

## **Notes to the Annual Report and Financial Statements *(continued)***

### **Year Ended 31 March 2019**

#### **3. Accounting Policies *(continued)***

##### **(j) Tangible assets**

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

##### **(k) Depreciation**

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Freehold property	-	Straight line over 27 years
Plant & machinery	-	Straight line over 27 years

##### **(l) Investments in associates**

Investments in associates accounted for in accordance with the cost model are recorded at cost less any accumulated impairment losses.

Investments in associates accounted for in accordance with the fair value model are initially recorded at the transaction price. At each reporting date, the investments are measured at fair value, with changes in fair value recognised in other comprehensive income/profit or loss. Where it is impracticable to measure fair value reliably without undue cost or effort, the cost model will be adopted.

Dividends and other distributions received from the investment are recognised as income without regard to whether the distributions are from accumulated profits of the associate arising before or after the date of acquisition.

##### **(m) Impairment of fixed assets**

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

# **Alert Communications Limited**

## **Notes to the Annual Report and Financial Statements *(continued)***

### **Year Ended 31 March 2019**

#### **3. Accounting Policies *(continued)***

##### **(n) Provisions**

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the Statement of Financial Position and the amount of the provision as an expense. Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset.

##### **(o) Financial instruments**

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price and subsequently at amortised cost, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Other financial instruments are subsequently measured at fair value, with any changes recognised in the Statement of Comprehensive Income, with the exception of hedging instruments in a designated hedging relationship.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in the Statement of Comprehensive Income immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised. 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 entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the Statement of Financial Position. Finance costs and gains or losses relating to financial liabilities are included in the Statement of Comprehensive Income. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

# Alert Communications Limited

## Notes to the Annual Report and Financial Statements *(continued)*

### Year Ended 31 March 2019

#### 3. Accounting Policies *(continued)*

##### (p) Hedge accounting

The Company has entered into an arrangement with third parties that is designed to hedge future cash flows arising on variable rate interest loan arrangements, with the net effect of exchanging the cash flows arising under those arrangements for a stream of fixed interest cash flows ("interest rate swaps"). The Company has designated that this arrangement is a hedge of another (non-derivative) financial instrument, to mitigate the impact of potential volatility on the Company's net cash flows.

To qualify for hedge accounting, documentation is prepared specifying the hedging strategy, the component transactions and methodology used for effectiveness measurement. Changes in the carrying value of financial instruments that are designated and effective as hedges of future cash flows ("cash flow hedges") are recognised directly in a hedging reserve in equity and any ineffective portion is recognised immediately in the Statement of Comprehensive Income. Amounts deferred in equity in respect of cash flow hedges are subsequently recognised in the Statement of Comprehensive Income in the same period in which the hedged item affects net profit or loss or the hedging relationship is terminated and the underlying position being hedged has been extinguished.

#### 4. Turnover

Turnover arises from:

	2019 £	2018 £
Rendering of Services	<u>9,028,560</u>	<u>11,653,020</u>

The whole of the turnover is attributable to the principal activity of the Company wholly undertaken in the United Kingdom.

#### 5. Operating Profit

Operating profit or loss is stated after charging:

	2019 £	2018 £
Depreciation of tangible assets	1,963,083	1,963,085
Fees payable for the audit of the annual report and financial statements	13,961	14,000
Fees payable to the company's auditors for taxation compliance and advisory services	<u>–</u>	<u>15,000</u>

#### 6. Particulars of Employees and Directors

The average number of persons employed by the Company during the financial year, including the directors, amounted to nil (2018: nil). The directors did not receive any remuneration from the Company during the year (2018: £nil).

# Alert Communications Limited

## Notes to the Annual Report and Financial Statements *(continued)*

### Year Ended 31 March 2019

#### 7. Other Interest Receivable and Similar Income

	2019	2018
	£	£
Interest on cash and cash equivalents	7,236	2,240
Interest from Group undertakings	<u>223,393</u>	<u>223,393</u>
	<u>230,629</u>	<u>225,633</u>

#### 8. Interest Payable and Similar Expenses

	2019	2018
	£	£
Interest on bank loans and overdrafts	2,350,231	2,489,893
Interest due to Group undertakings	454,861	427,256
Other interest payable and similar expenses	<u>16,039</u>	<u>17,643</u>
	<u>2,821,131</u>	<u>2,934,792</u>

#### 9. Tax on Profit

##### Major components of tax expense

	2019	2018
	£	£
<b>Current tax:</b>		
UK current tax expense	163,713	164,389
<b>Deferred tax:</b>		
Origination and reversal of timing differences	680,536	(26,479)
Tax rate changes	<u>(11,677)</u>	<u>2,787</u>
Total deferred tax	<u>668,859</u>	<u>(23,692)</u>
<b>Tax on profit</b>	<u>832,572</u>	<u>140,697</u>

##### Reconciliation of tax expense

The tax assessed on the loss for the year is higher than (2018: lower than) the standard rate of corporation tax in the UK of 19% (2018: 19%).

	2019	2018
	£	£
Profit before taxation	<u>675,618</u>	<u>747,927</u>
Profit by rate of tax	128,367	142,106
Effect of expenses not deductible for tax purposes	38,248	38,248
Effect of revenue exempt from tax	(42,445)	(42,445)
Effect of changes in tax rates	(11,677)	2,788
Deferred tax charged directly to equity	<u>(134,635)</u>	<u>—</u>
Tax losses not recognised	704,239	—
Other permanent differences	150,475	—
Total tax charge	<u>832,572</u>	<u>140,697</u>

# Alert Communications Limited

## Notes to the Annual Report and Financial Statements *(continued)*

### Year Ended 31 March 2019

#### 9. Tax on Profit *(continued)*

Legislation introduced by Finance (No.2) Act 2017 restricts the offset of brought forward losses to 50% of current year taxable profits arising after 31 March 2017. Corporation tax is charged on the remaining 50%.

#### 10. Tangible Assets

	Freehold property £	Plant and machinery £	Total £
<b>Cost</b>			
At 1 April 2018 and 31 March 2019	<u>5,238,594</u>	<u>47,764,663</u>	<u>53,003,257</u>
<b>Depreciation</b>			
At 1 April 2018	2,769,071	25,247,952	28,017,023
Charge for the year	<u>194,022</u>	<u>1,769,061</u>	<u>1,963,083</u>
At 31 March 2019	<u>2,963,093</u>	<u>27,017,013</u>	<u>29,980,106</u>
<b>Carrying amount</b>			
At 31 March 2019	<u>2,275,501</u>	<u>20,747,650</u>	<u>23,023,151</u>
At 31 March 2018	<u>2,469,523</u>	<u>22,516,711</u>	<u>24,986,234</u>

#### 11. Investments

	Shares in Group undertakings £
<b>Cost</b>	
At 1 April 2018 and 31 March 2019	<u>4,693,137</u>
<b>Impairment</b>	
At 1 April 2018 and 31 March 2019	<u>—</u>
<b>Carrying amount</b>	
At 31 March 2019	<u>4,693,137</u>
At 31 March 2018	<u>4,693,137</u>

Subsidiaries, associates and other investments

# Alert Communications Limited

## Notes to the Annual Report and Financial Statements *(continued)*

### Year Ended 31 March 2019

#### 11. Investments *(continued)*

The Company owns 100% of the issued preference share capital of Alert Communications (2006) Limited which is registered at 33 Wigmore Street London, W1U 1QX.

	2019 £	2018 £
Aggregate capital and reserves	280,019	241,113
Profit/(loss) for the year	38,906	38,906

The directors believe that based on a review of forecasts, the future profits support the value of the investments.

#### 12. Debtors

Debtors amounts falling due within one year are as follows:

	2019 £	2018 £
Amounts owed by Group undertakings	2,745,592	2,522,199
Deferred tax asset	(67,317)	—
Prepayments and accrued income	19,527	—
	<u>2,697,802</u>	<u>2,522,199</u>

Debtors amounts falling due after more than one year are as follows:

	2019 £	2018 £
Deferred tax asset	<u>4,638,996</u>	<u>5,557,032</u>

Amounts owed by Group undertakings relate to preference share dividends due from Alert Communications (2006) Limited.

#### 13. Creditors: amounts falling due within one year

	2019 £	2018 £
Bank loans and overdrafts	2,155,460	2,351,243
Trade creditors	476,934	743,304
Amounts owed to Group undertakings	277,872	387,806
Accruals and deferred income	381,127	324,297
Corporation tax	83,713	164,389
Taxation and social security	254,968	276,899
	<u>3,630,074</u>	<u>4,247,938</u>

Amounts owed to Group undertakings relates to subordinated debt of £53,348 (2018: £174,763) and accrued interest due on subordinated debt of £224,524 (2018: £213,043). Further information on the subordinated loan is detailed in the following note.

# Alert Communications Limited

## Notes to the Annual Report and Financial Statements *(continued)*

### Year Ended 31 March 2019

#### 14. Creditors: amounts falling due after more than one year

	2019	2018
	£	£
Bank loans and overdrafts	31,601,529	33,756,949
Amounts owed to Group undertakings	2,893,706	2,868,374
Derivative financial liability	9,579,512	10,371,482
	<u>44,074,747</u>	<u>46,996,805</u>

Included within creditors: amounts falling due after more than one year is an amount of £12,391,578 (2018: £11,711,614) in respect of liabilities payable or repayable by instalments which fall due for payment after more than five years from the reporting date.

Amounts owed to Group undertakings relate to a shareholder loan which bears interest at a rate of 14.04% per annum with interest accruing daily. Final repayment of the loan is due in 2030. The sum was advanced under a subordinated secured loan agreement and is therefore secured by way of a floating charge over the assets of the Company, a fixed charge over the shares of the Company, and a floating charge over the assets of Alert Communications (Holdings) Limited.

The bank loan is secured by a bond and floating charge over all the assets, rights and undertakings of the Company and a floating charge over the assets of Alert Communications (Holdings) Limited. The loan is repayable under an instalment scheme, the final repayment is due on 31 March 2030. The loan bears interest at LIBOR plus 0.60% however the Company has an interest rate swap arrangement receiving LIBOR and paying interest fixed at 5.97% for the full amount of the loan drawn, hence fixing the total interest payable on the bank loan to 6.57%. The full amount of loan drawdown at 31 March 2019 is £33,987,574 (2018: £36,354,816). Issue costs of £230,585 (2018: £246,624) have been set off against the total loan drawdowns.

#### 15. Provisions for Liabilities

	Deferred tax (note 16) £
At 1 April 2018	2,444,801
Deferred tax	(181,859)
At 31 March 2019	<u>2,262,942</u>

#### 16. Deferred Tax

The deferred tax included in the statement of financial position is as follows:

	2019	2018
	£	£
Included in debtors (note 12)	4,571,679	5,557,032
Included in provisions for liabilities (note 15)	(2,262,942)	(2,444,801)
	<u>2,308,737</u>	<u>3,112,231</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	2019	2018
	£	£
Accelerated capital allowances	(2,262,942)	(2,444,801)
Unused tax losses	2,943,162	3,793,881
Derivative financial instruments	1,628,517	1,763,151
	<u>2,308,737</u>	<u>3,112,231</u>

# Alert Communications Limited

## Notes to the Annual Report and Financial Statements *(continued)*

### Year Ended 31 March 2019

#### 16. Deferred Tax *(continued)*

Deferred tax of £704,239 in relation to unused losses has not been recognised in the financial statements.

	2019 £
Opening balance	3,112,232
Movement through the profit or loss	(668,859)
Movement through other comprehensive income	(134,636)
<b>Closing balance</b>	<b><u>2,308,737</u></b>

#### 17. Called Up Share Capital

Issued, called up and fully paid

	2019		2018	
	No.	£	No.	£
Ordinary shares of £1 each	<u>476,000</u>	<u>476,000</u>	<u>476,000</u>	<u>476,000</u>

#### 18. Reserves

The hedging reserve records fair value movements on cash flow and net investment hedging instruments.

Retained earnings records retained earnings and accumulated losses.

#### 19. Related Party Transactions

The Company is wholly owned by Alert Communications (Holdings) Limited and has taken advantage of the exemption in section 33 of FRS 102 'Related Party Disclosures', that allows it not to disclose transactions with wholly owned members of a group.

The following disclosures are with entities in the Group that are not wholly owned:

The Company paid £3,110,331 (2018: £6,089,852) to Babcock Communications Limited in connection with the operation, maintenance, build and management fees. Babcock Communications Limited is a subsidiary of Babcock International Group PLC, which ultimately holds 20% of the share capital in Alert Communications Group Holdings Limited. At the year end fees of £311,808 (2018: £743,305) were outstanding.

The Company also paid £22,659 (2018: £21,890) to Babcock Communications Limited and £45,225 (2018: £43,781) to BILF LP for Directors fees.



## **Alert Communications Limited**

### **Notes to the Annual Report and Financial Statements** *(continued)*

#### **Year Ended 31 March 2019**

##### **20. Controlling Party**

The immediate parent undertaking is Alert Communications (Holdings) Limited.

The intermediate parent undertaking is BIIF Holdco Limited, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of BIIF Holdco Limited consolidated financial statements can be obtained from the Company Secretary at Cannon Place, 78 Cannon Street, London, EC4N 6AF.

The ultimate parent and controlling party is BIIF L.P. BIIF L.P. is owned by a number of investors with no one investor having individual control.