

**ALC (FMC) Limited**

Directors' report and financial statements

Registered number 5424243

For the period ended 31 December 2005



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## Directors' report

The directors present their annual report and the audited financial statements for the period ended 31 December 2005.

### Principal activities

The Company's principal activity is the operation of the service element of a 16 year Private Finance Initiative (the "C Vehicle Contract") through a subcontract arrangement with ALC (SPC) Limited, wherein the Company is responsible for the service element of the provision of C Vehicle capability on a global basis.

No change in the Company's activities is anticipated.

### Business review

The Company was incorporated on 14 April 2005.

On 10 June 2005 the Company entered into a 16 year principal subcontract with ALC (SPC) Limited (the "C Vehicles Contract") to provide C Vehicle Capability to the Ministry of Defence under the Government's Private Finance Initiative.

Under the Subcontract the Company is responsible for the provision of the service element of the C Vehicle capability on a Global basis.

The implementation programme commenced on 10<sup>th</sup> June 2005 and all phases were successfully completed within the planned timescales.

The results for the period are set out in the profit and loss account on page 5.

### Proposed dividend

The directors do not recommend the payment of a dividend.

### Directors and directors' interests

The directors who held office during the period were as follows:

Name	Appointed	Resigned
Keith Cottrell	14 April 2005	20 September 2005
Peter R. Harris	10 June 2005	
Steve Helliwell	20 September 2005	
Mark J. Lewis	10 June 2005	
Andrew L. Nelson	14 April 2005	20 September 2005
John Pilkington	14 April 2005	
George E. Webb	10 June 2005	
Chris C. Webster	20 September 2005	

None of the directors at 31 December 2005 had other interests in the shares of the Company or in the securities of any other company the group of which it is a member required to be disclosed under the Companies Act 1985.

Furthermore, according to the register of directors' interests, no rights to subscribe for shares in or debentures of the company were granted to any of the directors or their immediate families, or exercised by them, during the financial period.

### **Policy and practice on payment of creditors**

When entering into commitments for the purchase of services and goods the Company gives due consideration to quality, price and the terms of payment. Suppliers are made aware of these terms. The Company abides by these terms where it is satisfied that suppliers have provided the services or goods in accordance with such agreed terms and conditions. In the event of disputes, every effort is made to resolve things quickly.

The amount due to the Company's trade creditors at 31 December 2005 represented 16 days' average daily purchases of goods and services received from those creditors, calculated in accordance with the Companies Act 1985, as amended by Statutory Instrument 1997/571.

### **Employees**

#### *Diversity*

Our aim is to ensure that no job applicant, employee or former employee receives less favourable treatment on the grounds of colour, race, nationality, ethnic or national origin, religious belief, sex, sexual orientation, marital status, age or as a consequence of unlawful discrimination relating to disability.

#### *Disabled employees*

The Company gives consideration to applications for employment from disabled persons where the disabled person may adequately cover the requirements of the job.

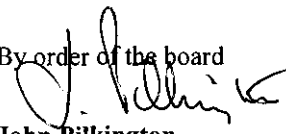
Disabled persons are employed under the normal contract terms and conditions. Career development and promotion is provided wherever appropriate.

#### *Employee involvement*

It is the ALC Group ("Group") policy to communicate with and involve all employees, subject to commercial and practical limitation, in matters affecting their interests at work and to inform them of the performance of their Business. Employees are provided with information about the Business, which is supplemented by regular team briefing. The Company makes full use of its intranet to provide current information to its employees.

### **Political and charitable contributions**

The company made no political or charitable contributions during the period.

By order of the board  
  
**John Pilkington**  
Director

The Sherard Building, Edmund Halley Rd, Oxford, OX4 4DQ

10 February 2006

## **Statement of directors' responsibilities in respect of the director's report and the financial statements**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to 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 judgments 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; and
- prepare the 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They 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.

Under applicable law the directors are also responsible for preparing a Directors' Report that complies with that law.

## **Independent auditors' report to the members of ALC (FMC) Limited**

We have audited the financial statements of ALC (FMC) Limited for the period ended 31 December 2005 which comprise Profit and Loss Account, the Balance Sheet, the Reconciliation of movements in Shareholders' funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities on page 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

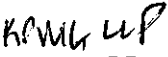
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the period then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

  
**KPMG LLP**  
*Chartered Accountants*  
*Registered Auditor*  
10 February 2006

8 Salisbury Square  
London  
EC4Y8BB  
United Kingdom

**Profit and loss account**

*for the period from 14 April 2005 to 31 December 2005*

	<i>Note</i>	<b>2005 £000</b>
<b>Turnover</b>	<b>2</b>	<b>11,028</b>
Cost of sales		<b>(6,253)</b>
<b>Gross profit</b>		<b>4,775</b>
Administrative expenses		<b>(1,359)</b>
<b>Operating profit</b>		<b>3,416</b>
Other interest receivable and similar income	<b>6</b>	<b>13</b>
<b>Profit on ordinary activities before taxation</b>	<b>3</b>	<b>3,429</b>
Tax on profit on ordinary activities	<b>7</b>	<b>(1,039)</b>
<b>Profit for the financial period</b>		<b>2,390</b>

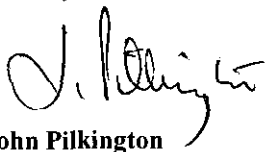
The results above are all derived from continuing operations. There are no recognised gains and losses for the period other than those recorded in the profit and loss account.

## Balance sheet

At 31 December 2005

	Note	2005 £000
<b>Fixed assets</b>		
Tangible assets	8	126
		<hr/> 126
<b>Current assets</b>		
Debtors	9	6,611
Cash at bank and in hand		322
<b>Creditors: amounts falling due within one year</b>	10	(2,252)
		<hr/> 4,681
<b>Net current assets</b>		
		<hr/> 4,807
<b>Total assets less current liabilities</b>		
<b>Creditors: amounts falling due after more than one year</b>	11	(2,417)
		<hr/> 2,390
<b>Net assets</b>		
		<hr/> <hr/> 2,390
<b>Capital and reserves</b>		
Called up share capital	13	-
Profit and loss account	14	2,390
		<hr/> <hr/> 2,390
<b>Shareholders' funds</b>		
		<hr/> <hr/> 2,390

These financial statements were approved by the board of directors on 10 February 2006 and were signed on its behalf by:



**John Pilkington**  
 Director



**Reconciliation of movements in shareholders' funds**  
*for the period from 14 April 2005 to 31 December 2005*

	2005 £000
<b>Profit for the financial period</b>	<b>2,391</b>
	<hr/>
<b>Net addition to shareholders' funds</b>	<b>2,391</b>
Opening shareholders' funds	
	<hr/>
<b>Closing shareholders' funds</b>	<b>2,391</b>
	<hr/>

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

#### ***Basis of preparation***

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Under Financial Reporting Standard 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds of that a parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of ALC (SuperHoldCo) Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of ALC (SuperHoldCo) Limited, within which this company is included, can be obtained from the address given in note 16.

#### ***Fixed assets***

Tangible fixed assets are depreciated on a straight line basis to write off the cost of such assets less any residual value over their anticipated useful lives.

The anticipated useful lives are as follows:

Tools & equipment                      -            5 years

Tools & equipment are depreciated on a straight line basis.

#### ***Foreign currencies***

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

#### ***Leases***

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

## Notes to the financial statements (*continued*)

### ***Taxation***

The charge for taxation is based on the taxable profits for the year, after adjustments in respect of prior years. Tax, including tax relief for losses if applicable, is allocated over profits on ordinary activities and amounts charged or credited to reserves as appropriate.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

### ***Turnover***

Turnover represents the amounts derived from the provision of goods and services to customers and excludes VAT.

## **2 Analysis of turnover**

	Period from 14 April 2005 to 31 December 2005
	£000
<i>By activity</i>	
Service revenue	9,904
Sale of goods	1,124
	<hr/>
	11,028
	<hr/>

All turnover originates in the United Kingdom.

## **3 Profit on ordinary activities before taxation**

	Period from 14 April 2005 to 31 December 2005 £000
<i>Profit on ordinary activities before taxation is stated</i>	
<i>after charging /(crediting)</i>	
Depreciation	3
Auditors' remuneration:	
Audit	13

## **4 Remuneration of directors**

Directors emoluments for the period amounted to £nil

## Notes to the financial statements (continued)

### 5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the period, analysed by category, was as follows:

	Period from 14 April 2005 to 31 December 2005
	2005 (No.)
Technical	21
Administration	37
	<hr/>
	58
	<hr/>

The aggregate payroll costs of these persons were as follows:

	Period from 14 April 2005 to 31 December 2005
	£000
Wages and salaries	1,071
Social security costs	160
Other pension costs	93
	<hr/>
	1,324
	<hr/>

### 6 Other interest receivable and similar income

	Period from 14 April 2005 to 31 December 2005
	£000
Bank interest	13
	<hr/>
	13
	<hr/>

### 7 Taxation

	Period from 14 April 2005 to 31 December 2005
	£000
<i>UK corporation tax</i>	
Current tax on income for the period	1,039
Deferred tax	-
	<hr/>
Tax on profit on ordinary activities	1,039
	<hr/>

## Notes to the financial statements (continued)

### 7 Taxation (continued)

*Factors affecting the current tax charge for the period*

	Period from 14 April 2005 to 31 December 2005 £000
Profit on ordinary activities before taxation	3,429
UK Corporation tax thereon at 30%	1,029
<i>Effects of</i>	
Disallowable expenditure	15
Accelerated capital allowances	(5)
Total current tax	1,039

### 8 Tangible fixed assets

	2005 Tools & equipment £000	2005 Total £000
<i>Cost or valuation</i>		
Additions	129	129
At end of period	129	129
<i>Depreciation</i>		
Charge for period	3	3
At end of period	3	3
<i>Net book value</i>		
At 31 December 2005	126	126

## Notes to the financial statements *(continued)*

### 9 Debtors

	2005 £000
Amount due from group undertakings	4,410
Other creditors	361
Prepayments and accrued income	1,840
	<hr/>
	6,611
	<hr/>

There are no amounts due after more than one year

### 10 Creditors: amounts falling due within one year

	2005 £000
Trade creditors	477
Other creditors	83
Accruals and deferred income	1,692
	<hr/>
	2,252
	<hr/>

### 11 Creditors: amounts falling due after more than one year

	2005 £000
Deferred income	2,417
	<hr/>
	2,417
	<hr/>

### 12 Pension schemes

The Company does not operate a pension scheme. All UK staff are seconded in from the parent companies and as such are eligible to participate in the relevant Company's pension scheme.

## Notes to the financial statements (continued)

### 13 Called up share capital

	2005 £'s
<i>Authorised</i>	
Equity: 100 Ordinary shares of £1.00 each	100
	<hr/>
	100
	<hr/>
<i>Allotted, called up and fully paid</i>	
Equity: 1 Ordinary share of £1.00 each	1
	<hr/>
	1
	<hr/>

### 14 Profit and loss account

	Profit and loss account £000
At beginning of period	
Retained profit for the period	2,390
	<hr/>
At end of period	2,390
	<hr/>

### 15 Leases

The commitments under non-cancellable operating leases are as follows:

	£000
Operating leases (other than land and buildings) which expire:	
Within one year	8
Between 2- 5 years	21
	<hr/>
	29
	<hr/>

## **Notes to the financial statements *(continued)***

### **16 Ultimate parent company and parent undertaking of larger group of which the company is a member**

The Company is a subsidiary undertaking of ALC (Superholdco) Limited incorporated in the United Kingdom. ALC (Superholdco) Limited is a joint venture between Amey Ventures Investments Limited and Lex Defence Limited, the ultimate parent companies of which are Grupo Ferrovial sa and Aviva plc respectively.

The largest and smallest group in which the results of the Company are consolidated is that headed by ALC (Superholdco) Limited. The consolidated accounts of this group are available to the public and may be obtained from the Sherard Building, Edmund Halley Road, Oxford, OX4 4DQ.