ALC (FMC) Limited

Directors' report and financial statements
Registered number 05424243
For the year ended 31 December 2015

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Strategic report

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 ("SPC"), 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

Overview

On 10 June 2005, SPC entered into a 16 year Contract with the Secretary of State for Defence (the "C Vehicles Capability Contract") to provide C Vehicle Capability to the Ministry of Defence ("MOD" or "the Authority") under the Government's Private Finance Initiative. The provision of the service was subcontracted by SPC to ALC (FMC) Limited ("FMC"), the principal subcontractor, for the full 16 years. Together the two companies of SPC and FMC are known as "ALC". The service provider, SPC, holds all the equipment, bid costs and funding for the project.

The C Vehicle Capability Contract provides the MOD with a worldwide capability to use an extensive range of construction and field mechanical handling equipment. This equipment is operated largely by the Royal Engineers and the Royal Logistic Corps and are specifically designed and specified to support the MOD on operations. In late 2006 the Equipment Replacement and Refurbishment Programme ("ERRP") started with the disposal of a number of assets that had already been identified as being surplus to requirement, together with the trials and testing and consequent purchase of new vehicles and ancillaries to ensure that the soldier in the field has the best possible equipment that is up to date and reliable. In line with the ERRP, this process has continued through 2015 with over 98% (by value) of the contracted ERRP procurement having been delivered. Training is also given in respect of all equipment to ensure optimal use and maintenance.

Services in respect of vehicle allocation and maintenance are managed in-house via the Fleet Management System, which can be accessed by both the MOD and ALC. Services provided by sub-contractors, most of whom were an integral part of the bidding process, include spares provision; access to online and hard copy technical publications; training of plant operators and maintainers; transporting of equipment; hiring in/out of commercial equipment to optimise the fleet holding; together with the provision of IT services to support the business-wide processes.

Praise for the project and the service provided has been given at the highest of levels by the MOD together with recognition in the Public Private Finance Awards in 2007 where ALC's C Vehicle Capability was voted the Best Operational Defence Scheme. ALC gained the ISO 9001 Quality accreditation in 2007 and during 2008 achieved further management systems accreditations in Health and Safety (BS18001) and Environmental (ISO 14001). These accreditations have been maintained during 2015 with ALC winning a fifth consecutive Gold RoSPA award during the year in recognition of its continued high level of performance in Occupational Health. ALC has not had any RIDDOR accidents for over 4 years.

The C Vehicle project is thoroughly integrated across the armed services from senior command levels to soldiers in the field, with all the support functions provided, such as logistics and training, directly supporting current Operations.

Strategic report *(continued)*

Progress in 2015

Noteworthy achievements by ALC in 2015 have been:

- Continuing recognition by MOD of quality and reliability of service delivered.
- Agreeing and implementing ALC's ninth Contract change which, through some adjustments to equipment fleet numbers, has helped maintained the C Vehicle capability relevant to today's military requirements and incorporated similar RAF equipment.
- Regeneration of over 160 C Vehicle equipment returned from Operations in Afghanistan.
- Delivering the 1724th new equipment under the ERRP - 83 pieces of equipment were procured in 2015, including further lighting towers under Contract change to meet demand and Compactor Plates and 100 litre mixers.
- Progress continues to be made with a number of internally resourced refurbishment projects, most notably the CAT D5N bulldozer refurbishment and the Rough Terrain Container Handler.
- Cumulatively, since the start of the Contract, ALC has given back to the MOD £12.6M of disposal gain share for equipment being replaced under the ERRP.
- Further developing ALC's fleet management information system capability to aid management decision making.
- Raising the internal standards for quality and safety management to offset the dangers of complacency arising in a long-term contract.
- Promoting a culture of cyber and information security within the business.
- Embedding a 'Target Zero' health and safety culture.
- Presenting the 9th Fleet Survey Report to the Authority.
- Consulting with staff through a number of listening forums on how ALC can improve diversity and respect within its workforce.

2016 Strategy

As in 2015, ALC will be looking to continue improving and optimising its service delivery processes during 2016 and ensure they are sustainable as the business needs change and evolve.

Key focuses during 2016 will be:

- Continued focus on raising internal standards for quality and safety management to offset the dangers of complacency arising in a long-term contract and to ensure information available to management is as accurate as possible.
- Working jointly with the MOD, where possible, to improve End User engagement with a focus on reducing unnecessary expenditure.
- Continue with the in-house refurbishment of equipment in accordance with the ERRP.
- Further developing the Quality, Health and Safety, Environmental and Security management systems and endeavouring to embed the correct behavioural culture in our way of working as a business.
- Refreshing the "ALC Way" and promoting it as a method to sustain continuous improvement in service delivery and ensure all staff understand who ALC's ultimate customers are and what they can do to support them.
- Continuing a number of business' focus initiatives aimed at developing an improved understanding of our cost drivers and the maintenance trends on the equipment fleet to ensure their availability levels can be sustained through the contract term and enhancing our engineering and information quality.
- Preparing the 10th Fleet Survey Report and undertaking and reporting on the 10 Year Value for Money Review for the Authority.

Project risks and uncertainties

ALC runs a joint service delivery risk register with the MOD which is reviewed at quarterly joint review meetings, with all risks being managed actively and collectively. A recurring risk on this register relates to the risk to ALC from the MOD's use of its own fleet management system, known as JAMES. Whilst ALC and the MOD continue to work together to ensure that necessary data transfer requirements are being met, there remains room for improvement in End User engagement to maximise the benefit of this system.

Strategic report *(continued)*

ALC is exposed to a number of financial risks. These are effectively managed with our increased knowledge base of the contract, built over the last 10 years:

- Demand – the MOD requesting less equipment than anticipated at Contract Award. This risk is mitigated by a minimum "take or pay level" to reduce exposure and the opportunity to earn 'third party revenue' as an offset.
- Demand volatility – the locations and numbers of transactions required to deliver the service may exceed that assumed at Contract Award. This is mitigated by the Contract rules on minimum hire periods, the management of equipment movement by ALC's operations team and the changes in transport risk arrangements introduced in the PFI Efficiency Review.
- Pricing risk – this is the assumption made to calculate the amount of labour and materials required to deliver the service. Pricing was based on previous parent company experience of operating in this field and continues to be proved accurate overall.
- Foreign exchange risk – is kept under review by the Board with a view that hedge contracts are to be applied where considered appropriate. Whilst most of ALC's costs are in GBP, a strengthening of the Euro against the GBP has the potential to put cost pressure on ALC and the impact of this is kept under review. The few remaining ERRP contracts are expected to be denominated in GBP. ALC has a relatively small exposure to Euro denominated operational costs incurred in Germany and any spare parts sourced from European suppliers.
- Economic pressure – other than interest rate risk (see below), ALC is largely unaffected by the impact of heightened economic pressure directly (due to the existence of the minimum take or pay level of charge within the contract), but there is a risk that it will be impacted indirectly by a subcontractor or supplier failing, although, this situation has not had any adverse impact on ALC during 2015. Management continue to keep the situation under close scrutiny and work closely with and support its suppliers.
- Government Budgetary pressures – ALC has previously worked with the MOD's Private Finance Unit (PFU) wishing to explore any possible efficiencies in the C Vehicle contract and the findings of the review were implemented during 2014 through a Contract change that is acknowledged to have generated savings for the MOD overall. Further areas of potential joint efficiency will be explored in 2016 through the Year 10 Value for Money review.

Financial risk management policies and objectives

The Company does not undertake financial instrument transactions which are speculative or unrelated to the Company's trading activities. Board approval is required for the use of any new financial instrument and the Company's ability to do so is restricted by covenants in its existing funding agreements.

- **Interest rate risk:** The fall in bank base rates at the start of 2009 has resulted in the interest generated on funds on deposit reducing significantly.
- **Currency risk**: The weakening of the GBP in 2008 adversely impacted ALC's operating costs, but this has lessened in recent years to some extent with the strengthening of the GBP. Further, any residual impact has been more than offset by continuing efforts in the year to improve efficiency and remove unnecessary cost from the business. As mentioned above, ALC's exposure to foreign currency risk on the ERRP has been minimal in 2015 and remains so for future years.
- **Bank default:** ALC has a policy of spreading its investment of deposits. ALC invests across five mainstream banks, all of whom were S&P long term credit rated 'A-' or better at 31 December 2015. Having a mix of banks that ALC can invest funds with has also enabled ALC to maximize the return it generates on funds invested.

Strategic report *(continued)*

KPI measurement

Measurement of contract performance falls into two categories: external with the MOD and internal with shareholders and lenders. Contractual KPIs, that aim to ensure ALC is providing the required level of service to the military user of ALC's equipment, are measured with the MOD on a monthly basis and reported to the ALC board. ALC's financial and operational performance is reviewed monthly with the shareholders. In 2015 (as in 2014) there were no KPI performance deductions incurred by ALC and only minimal deductions for unavailability of equipment due to breakdowns. ALC will continue to strive in 2016 to achieve service delivery to the Authority with zero penalties and continues to improve its methods of tracking internal operating performance measures, including the quality of information.

Overall Performance

FMC's financial results and, hence the return on investment for shareholders, are reflective of the high level of service performance that ALC continues to provide to the MOD. The partnership between the MOD and ALC continues to go from strength to strength due to the specific aims of both parties wishing to ensure success for the Contract and ultimately the service provided to the soldier in the field as the end user. This was reinforced in 2015 by the MOD and ALC both continuing to build on a joint vision and strategic objectives set in 2012 for the project. ALC will continue to strive to build upon its success and aims to continue to be a supplier of choice for the MOD and continue to meet their evolving capability requirements.

By order of the Board

Roger A Hardy
Director

Registered Office
The Sherard Building
Edmund Halley Road
Oxford
OX4 4DQ
15 March 2016

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2015.

The results for the year are set out in the profit and loss account on page 9.

Dividends

The Directors approved and paid dividend payments of £12.4M in the year ended 31 December 2015 (2014: £6.8M).

Directors

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

Name	Appointed	Resigned
Nicolas C Anderson	1 December 2009	
John Connelly (alternate to Asif Ghafoor)	23 July 2013	
John R Davies	28 April 2006	01 December 2015
Gillian Duggan	13 March 2013	18 June 2015
Asif Ghafoor	25 January 2007	
Roger A Hardy	01 December 2015	
Daniel L Holland	18 June 2015	
Richard H Taylor	28 April 2006	
Paul M Kingshott (alternate to Richard Taylor)	1 January 2011	
Samuel M White (alternate to Nicolas Anderson)	1 April 2013	

Directors' report *(continued)*

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 briefings. The Company makes full use of its intranet and a quarterly internal communications magazine to provide current information to its employees.

Disclosure of information to auditor

The directors who held office at the date of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all the 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 auditor is aware of that information.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic report on page 1.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board

Roger A Hardy
Director

Registered Office
The Sherard Building
Edmund Halley Road
Oxford
OX4 4DQ

15 March 2016

Statement of directors' responsibilities in respect of the Strategic report, Directors' report and the financial statements

The directors are responsible for preparing the Strategic and Directors' reports 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 applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 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 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 judgments and accounting 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 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 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.

Independent auditor's report to the members of ALC (FMC) Limited

We have audited the financial statements of ALC (FMC) Limited for the year ended 31 December 2015 set out on pages 9 to 23. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of director's responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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.

Amanda Moses (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Arlington Business Park
Theale
Reading, RG7 4SD

18 March 2016

Profit and loss account

For the year ended 31 December 2015

	Note	2015 £000	2014 £000
Turnover	2	27,918	27,339
Cost of sales		(12,785)	(12,581)
Gross profit		**15,133**	**14,758**
Administrative expenses		(5,896)	(6,322)
Other operating income	3	862	947
Operating profit		**10,099**	**9,383**
Other interest receivable and similar income	7	27	38
Profit on ordinary activities before taxation		**10,126**	**9,421**
Tax on profit on ordinary activities	8	(2,076)	(2,038)
Profit for the financial year		**8,050**	**7,383**

Notes on pages 12 to 23 form part of these financial statements.

The results above are all derived from continuing operations.

Balance sheet
At 31 December 2015

	Note	2015 £000	2014 £000
Fixed assets			
Tangible assets	9	882	489
Current assets			
Debtors	10	6,238	5,731
Cash at bank and in hand		3,657	9,728
		9,895	**15,459**
Creditors: amounts falling due within one year	11	(5,362)	(5,245)
Net current assets		**4,533**	**10,214**
Total assets less current liabilities		**5,415**	**10,703**
Creditors: amounts falling due after more than one year	12	(332)	(408)
Provision for liabilities	13	(1,934)	(2,796)
Net assets		**3,149**	**7,499**
Capital and reserves			
Called up share capital	16	-	-
Profit and loss account		3,149	7,499
Shareholders' funds		**3,149**	**7,499**

Notes on pages 12 to 23 form part of these financial statements.

These financial statements were approved by the board of directors on 15 March 2016 and were signed on its behalf by:

Roger A Hardy
Director

Company Statement of Changes in Equity

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2014	-	6,916	6,916
Total comprehensive income for the period			
Profit or loss	-	7,383	7,383
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	7,383	7,383
Dividends	-	(6,800)	(6,800)
Total contributions by and distributions to owners	-	583	583
Balance at 31 December 2014	**-**	**7,499**	**7,499**
Balance at 1 January 2015	-	7,499	7,499
Total comprehensive income for the period			
Profit or loss	-	8,050	8,050
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	8,050	8,050
Dividends	-	(12,400)	(12,400)
Total contributions by and distributions to owners	-	(4,350)	(4,350)
Balance at 31 December 2015	**-**	**3,149**	**3,149**
Set aside for dividends declared after the reporting period	-	3,100	3,100
Total	**-**	**49**	**49**

Notes to the financial statements

1. Accounting policies

ALC (FMC) Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

Basis of preparation

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")* as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

In the transition to FRS 102 from old UK GAAP, the Company has made no measurement and recognition adjustments.

The Company's parent undertaking, ALC (SuperHoldCo) Limited includes the Company in its consolidated financial statements. The consolidated financial statements of ALC (SuperHoldCo) Limited are available to the public and may be obtained from the address given in note 18. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of ALC (SuperHoldCo) Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The requirements of Section 33 Related Party Disclosure paragraph 33.7; and
- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Measurement convention

The financial statements are prepared on the historical cost basis.

Going concern

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules. The financial statements have been prepared on a going concern basis. The Directors feel this is appropriate as the Company has considerable financial resources together with a long term contract to provide C Vehicle Capability to the Ministry of Defence and therefore the Directors believe the Company is well placed to manage its business risks successfully.

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

Tangible Fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

Tools & equipment	-	5 years straight line
Van racking	-	4 years straight line

Where equipment have been purchased to meet a specific MOD demand over an agreed period, the life of the asset is taken to be the same as this agreed period.

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Foreign currencies

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Expenses

Operating lease:
Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and Interest payable:
Interest payable and similar charges include interest payable and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

Notes to the financial statements *(continued)*

1. Accounting policies (continued)

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which 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. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Government Grants

Government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the expected useful lives of the assets to which they relate or in periods in which they related.

Cash

Cash comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Turnover

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

Turnover from services is recognised when the service provided to the customer has been completed. This largely represents the monthly service fee, together with other services provided such as repair work.

Turnover from the provision of goods is recognised when the risks and rewards of ownership of goods have been transferred to the customer. The risks and rewards of ownership of goods are deemed to have been transferred when the goods are shipped to or picked up by the customer. This largely represents the sale of spare parts.

Notes to the financial statements *(continued)*

2. Analysis of turnover

	2015 £000	2014 £000
By activity		
Service revenue	24,073	22,911
Sale of goods	3,845	4,428
	27,918	**27,339**

All turnover originates in the United Kingdom.

3. Other operating income

	2015 £000	2014 £000
Release of unused provisions	862	947
	862	**947**

4. Audit remuneration

	2015 £000	2014 £000
Amounts receivable by the auditor and their associates *in respect of:*		
Audit of these financial statements	20	20
Training services provided	9	-
	29	**20**

5. Remuneration of directors

Directors' emoluments for the period amounted to £nil (2014: £nil)

Notes to the financial statements *(continued)*

6. Staff numbers and costs

All UK staff are seconded in from the parent companies and not employed directly by ALC. ALC does reimburse the parent companies for the payroll costs of all secondees. In Germany, ALC employs 4 (2014: 10) people directly. The analysis of ALC's total UK and German staff numbers is shown in the table below:

	2015 (No.)	**2014 (No.)**
Technical	52	51
Administration	56	59
	108	110

The aggregate payroll costs of these persons were as follows:

	2015 £000	**2014 £000**
Wages and salaries	3,764	3,798
Social security costs	406	443
Other pension costs (see Note 15)	332	389
	4,502	**4,630**

The above payroll cost includes the cost of employees in Germany of 2015: £282K (2014: £635K)

7. Other interest receivable and similar income

	2015 £000	**2014 £000**
Bank interest	27	38

Notes to the financial statements *(continued)*

8. Taxation

	2015 £000	£000	2014 £000	£000
Current tax				
Current tax on income for the period		1,874		2,017
Overseas tax on income for the period		33		33
Adjustments in respect of prior periods		10		2
Total current tax		**1,917**		2,052
Deferred tax (see note 14)				
Origination and reversal of timing differences	**160**		(15)	
Change in tax rate	**(1)**		1	
Adjustments arising from a change in tax status of the company	**-**		-	
Total deferred tax		**159**		(14)
Tax expense(income) relating to changes in accounting policies and material error		**-**		-
Total tax		**2,076**		2,038

	2015 £000 Current tax	2015 £000 Deferred tax	2015 £000 Total tax	2014 £000 Current tax	2014 £000 Deferred tax	2014 £000 Total tax
Recognised in Profit and loss account	1,917	159	2,076	2,052	(14)	2,038
Recognised in other comprehensive income	-	-	-	-	-	-
Recognised directly in equity	-	-	-	-	-	-
Total tax	**1,917**	**159**	**2,076**	**2,052**	**(14)**	**2,038**

Notes to the financial statements *(continued)*

8. Taxation *(continued)*

Analysis of current tax recognised in profit and loss

	2015 £000	2014 £000
UK corporation tax	1,894	2,040
Double taxation relief	(20)	(23)
Foreign tax	33	33
Adjustment in respect of prior periods	10	2
Total current tax recognised in profit and loss	**1,917**	**2,052**

Reconciliation of effective tax rate

	2015 £000	2014 £000
Profit for the year	10,126	9,421
Total tax expense	(2,076)	(2,038)
Profit excluding taxation	8,050	7,383
Tax using the UK corporation tax rate of 20.25% *(2014: 21.50 %)*	2,050	2,025
Effect of tax rates in foreign jurisdictions	13	10
Difference in tax rate on gain on sale of discontinued operation	-	-
Non-deductible expenses	1	3
Tax exempt revenues	-	-
Recognition of previously unrecognised tax losses	-	-
Re-measurement of deferred tax – change in UK rate at 18% *(2014: 19%)*	2	2
Under / (over) provided in prior years	10	(2)
Total tax expense included in profit or loss	**2,076**	**2,038**

Notes to the financial statements *(continued)*

9. Tangible fixed assets

	Tools & Equipment £000	Van Racking £000	Other £000	Total £000
Cost or valuation				
Balance at beginning of year	908	144	199	1,251
Additions	537	-	-	537
Disposals	(154)	-	-	(154)
Balance at the end of year	**1,291**	**144**	**199**	**1,634**
Depreciation				
Balance at beginning of year	419	144	199	762
Charge for the year	60	-	-	60
Disposals	(70)	-	-	(70)
Balance at the end of year	**409**	**144**	**199**	**752**
Net book value				
As at 31 December 2014	489	-	-	489
As at 31 December 2015	**882**	**-**	**-**	**882**

Notes to the financial statements *(continued)*

10. Debtors

	2015 £000	2014 £000
Trade Debtors	364	204
Amount due from group undertakings	4,453	3,944
Deferred Taxation (*note 14*)	108	267
Other Debtors	945	884
Prepayments and accrued income	368	432
	6,238	**5,731**

11. Creditors: amounts falling due within one year

	2015 £000	2014 £000
Trade creditors	612	564
Corporation Tax payable	759	710
Other creditors	7	32
Accruals and deferred income	3,984	3,939
	5,362	**5,245**

12. Creditors: amounts falling due after more than one year

	2015 £000	2014 £000
Deferred Fair Value of Spares	332	408

	2015 £000	2014 £000
Deferred Fair Value of Spares at 1 January 2015	483	559
Net amount released to Profit and Loss in the period	(76)	(76)
Deferred Fair Value of Spares at 31 December 2015	407	483
Less amounts shown as less than 1 year (in accruals and deferred income)	(75)	(75)
	332	**408**

Notes to the financial statements *(continued)*

13. Provision for liabilities

	Gain Share £'000	Other Provisions £'000	Total £'000
At beginning of year	**161**	**2,635**	**2,796**
Released during year	(30)	(832)	(862)
Additional amounts provided	-	-	-
	131	**1,803**	**1,934**

The Gain Share provision relates to the disposal of legacy equipment. The gain share is accounted for in the Profit and Loss account on an overall projected percentage gain basis. This amount is gradually reducing as further sales are made.

Other provisions relate to certain contractual risks that have arisen that ALC has made provision against. These liabilities are expected to fall due before the end of the contract.

14. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2015 £000	2014 £000	**2015 £000**	2014 £000	**2015 £000**	2014 £000
Accelerated capital allowances	-	-	(87)	(3)	(87)	(3)
Other	195	270	-	-	195	270
Tax (assets) / liabilities	**195**	**270**	**(87)**	**(3)**	**108**	**267**
Net tax (assets) / liabilities	**195**	**270**	**(87)**	**(3)**	**108**	**267**

15. 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. All German staff are directly employed by ALC (FMC) Limited and they are not part of any pension scheme however the Company is contributing to their personal pension funds.

Notes to the financial statements *(continued)*

16. Called up share capital

	2015 £	2014 £
Allotted, called up and fully paid		
Equity: 1 Ordinary share of £1.00 each	1	1

17. Commitments

	2015 £000	2014 £000
Operating leases (other than land and buildings) which expire:		
Within one year	325	237
Between 2 – 5 years	438	303
	763	**540**

18. Related parties

The Company has taken advantage of the exemption under FRS 102 that transactions with wholly owned subsidiaries, do not need to be disclosed.
During the period, the group had transactions with its shareholders which are summarised below:

	2015 £000	2014 £000
IT, Staff and other group services		
– Babcock Group companies	2,123	2,915
– Amey Group companies	4,671	4,774
The balances due to them at the period end is below:		
– Babcock Group companies		
– Amey Group companies	92	122
The balances due from them at the period end is below:		
– Babcock Group companies	9	60
– Amey Group companies	28	4

With the exception of 4 staff employed directly by ALC (FMC) Limited in Germany, all other staff is seconded from either Babcock or Amey Group companies.

Notes to the financial statements *(continued)*

19. 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 in the United Kingdom. ALC (SuperHoldCo) Limited has no single ultimate parent undertaking or controlling party by virtue of the Company's joint ownership and joint control by Amey Ventures Investments Limited and Babcock Defence and Security Investments Limited.

Amey Ventures Investments Limited itself a joint venture company held jointly between Amey Investments Limited and DIF Infra JV UK Limited since 14 December 2009. Amey Investments Limited is a wholly owned subsidiary undertaking of Amey plc group whose ultimate parent is Ferrovial, S.A., a company incorporated in Spain. DIF Infra JV UK Limited is a wholly owned subsidiary of DIF Infrastructure UK Partnership, whose ultimate parent is DIF Infrastructure II B.V. (NL), a company incorporated in The Netherlands.

Babcock Defence and Security Investments Limited is a wholly owned subsidiary undertaking of Babcock International Group Plc.

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.