ALC (SuperHoldCo) Limited

Annual report and financial statements
Registered number 05424245
For the year ended 31 December 2019

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Strategic report

Principal activities

The Company acts as a holding company for the ALC Group ("ALC" or the "Group") comprising ALC (HoldCo) Limited, ALC (SPC) Limited ("SPC") and ALC (FMC) Limited ("FMC").

The Group's principal activity is the operation of a 16 year Private Finance Initiative ("PFI") C Vehicle Capability Contract (the "Contract"). The Directors anticipate that there will be no follow-on Contract for the Group and it will cease trading on completion of the Contract in 2021. As the Directors do not intend to acquire a replacement trade, the financial statements have been prepared on a non-going concern basis. The effect of this is explained in note 1.4 of the financial statements. No other changes in the Group's activities are anticipated.

Business Review

Overview

On 10 June 2005, ALC (SPC) Limited ("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 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. This process has continued, in line with the ERRP, and the final contracted ERRP procurement was completed and delivered in 2016, with just ongoing refurbishment programmes continuing to be 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). In 2019 the BS18001 has been migrated to the BS45001 standard and ALC have won a ninth consecutive Gold RoSPA (The Royal Society for the Prevention of Accidents) Health and Safety award during the year in recognition of its continued high level of performance in Occupational Health. ALC has not had any reportable accidents for over eight years under RIDDOR regulation (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013) and the business is proud of the focus all staff give to ensuring the safety of themselves and their colleagues.

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 2019

Noteworthy achievements by ALC in 2019 have been:

- Continuing recognition by the MOD of the quality and reliability of service delivered and evidenced through the support provided to various Operations in the year.
- 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 on a number of ideas raised through joint team engagement to improve the service delivered to the End User and endeavour to reduce unnecessary expenditure.
- Agreement of the twelfth Contract Change to reflect minor changes required from the Fleet Survey Reports in 2017 and 2018.
- Continuation of the in-house refurbishment of the final few equipment in accordance with the ERRP.
- Through the 'Sustainability Board' continuing to maintain the business' understanding of its 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.
- Further developing ALC's fleet management information system capability to aid management decision making, including safety performance.
- Continuing work to promote:
    - a culture of cyber and information security within the business.
    - a 'proud to be safe' health and safety culture.
    - diversity and respect within the workforce, as part of the 'ALC Way'.
- Ahead of Preferred Bidder being announced for the follow-on contract, some limited progress has been made on preparing for 'end of contract' obligations.
- Keeping staff briefed on progress by the Authority and Bidders with the follow-on contract.
- Presenting the 13th Fleet Survey Report to the Authority.

2020 Strategy

As in 2019, ALC will again be looking to continue its efforts to improve and optimise its service delivery processes during 2020 and ensure they are sustainable as the business needs change and evolve.

Key focuses during 2020 will be:

- Continued focus on maintaining internal standards for quality and safety management to mitigate any risk of complacency arising and to ensure information available to management is as accurate as possible.
- Continuing to work jointly with the MOD, where possible, to improve End User engagement with a focus on reducing unnecessary expenditure.
- Whilst no significant new changes are anticipated in 2020, working with the Authority to manage, agree and implement any minor Contract changes required.
- Completing the final few equipment refurbishments in accordance with the ERRP.
- Maintaining the Sustainability Board's focus on the equipment fleet's condition, to ensure their availability levels can be sustained through the contract term.
- Engaging with the MOD and, once Preferred Bidder is announced for the follow-on contract, with the new Service Provider, to develop an understanding of end of contract requirements to achieve a smooth transition of the C Vehicle service.
- Continuing with a number of strategies to retain staff as contract end approaches.
- Preparing the 14th Fleet Survey Report.

Strategic report *(continued)*

Project risks and uncertainties

ALC maintains a comprehensive risk register that monitors both internal and external risks and is reviewed quarterly by management to ensure that appropriate mitigation and risk reduction measures are in place. The approach of the end of the Contract in 2021 means that there are a number of risks associated to this, the most significant being the risk to service delivery from failing to retain staff. This issue is being closely monitored and management are very aware of the need to keep staff informed on the MOD's progress with the re-let of the contract as part of Project MITER.

In 2018, ALC undertook a review of BREXIT risks, considering economic, legal, labour and supply chain risks. The output of the review was shared with the Board and confirmed that ALC's exposure to adverse impacts is low in all areas, with the exception of some limited exposure in relation to supply chains, where there is a direct or indirect reliance on European based suppliers. Working with ALC's spares and logistics subcontractor, TVS, it was established that the risk has been largely mitigated by preparatory action taken by the primary sources of spares supply and TVS took appropriate stocking action to mitigate the residual risk. Consequently, even in the event of No Deal, the impact on service levels to the MOD was anticipated to be minimal. This position has been re-assessed at each of the approaching BREXIT dates and held true for the 31 January 2020 BREXIT date.

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 15 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 materially accurate overall.
- Foreign exchange risk – whilst this is kept under review by the Board, with the procurement phase of the ERRP now complete and the closure of the German Regional office in 2016, ALC's exposure to foreign currency risk is minimal. The majority of ALC's operating costs are denominated in GBP, so variations in the strength of the Euro against the GBP are not material.
- Economic pressure – other than interest rate risk (see below), ALC remains largely unaffected by the impact of wider economic pressures 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 2019. 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.

Strategic report *(continued)*

Financial risk management policies and objectives

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

The main risk arising from the Group's financial instruments are detailed below:

- **Interest rate risk:** The Group entered into interest swap contracts at the beginning of the Contract in order to hedge interest rates and set at a fixed level. In accordance with the Facilities Agreement, it was required to complete its draw-down of loan funding at the end of September 2008. This resulted in SPC holding a large balance on deposit awaiting the purchase of vehicles and equipment in line with the ERRP. The fall in bank base rates at the start of 2009 and the continued low rates has resulted in the interest generated on these funds reducing significantly, although the scale of this reduction has lessened as the funds have been gradually spent on the ERRP in subsequent years. The small rate increase seen in the last couple of years has also helped mitigate this impact.

- **Liquidity risk:** The overall pricing of the Contract was designed to ensure that sufficient funds were always available to pay its debt, with shareholders' guarantees in place to support any losses in FMC. Full draw-down of contracted debt facilities was achieved in September 2008 and despite the reduction in interest generated, latest forecasts do not suggest any problems with SPC meeting its loan repayment obligations as they fall due. Repayments of the loans began in March 2009 and have continued each six months thereafter.

- **Currency risk**: As mentioned above, ALC's exposure to foreign currency risk is now minimal and is expected to remain so for future years.

- **Bank default:** ALC has a policy of spreading its investment of deposits. In 2019 ALC invested across six mainstream banks, all of whom were S&P long term credit rated 'A' or better at 31 December 2019. Having a mix of banks that ALC can invest funds with has also enabled ALC to maximize the return it generates on funds invested.

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, with a particular focus on cost drivers, information quality and service delivery. In 2019 (as in 2018) there were no KPI performance deductions incurred by ALC and only £4,800 (2018: £800) of deductions for unavailability of equipment due to breakdowns. ALC will continue to strive in 2020 to achieve service.delivery to the Authority with zero penalties and continues to improve its methods of tracking internal operating performance measures, especially in relation to internal information quality, the readiness of the equipment fleet to meet demand requirements and the availability of spares to support maintenance requirements.

Strategic report *(continued)*

Overall Performance

ALC'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. Revenue in the year of £42.9M (2018: £43.2M) is in line with prior year performance and Operating profit of £18.4M (2018: £21.4M) has fallen by £3.0M. In 2018, following a review by ALC's Sustainability Board, a number of equipment maintenance related provisions and cost accruals were released and this, along with the increased costs incurred in 2019 in maintaining an aging fleet, has led to the higher cost of sales figure. ALC has continued the repayment of its loans and, in the Balance Sheet, the Net Assets figure of £34.3M (2018: £34.3M) has not significantly changed year on year. ALC's Fixed Assets have reduced by £6.1M as the equipment fleet continues to be depreciated, and there being very few additions due to the Equipment Replacement and Replenishment Programme being all but complete at this stage of the contract. Creditors due within one year have fallen by £5.8M to £14.3M (2018: £20.1M) as there is only one payment left on the main Tranche of debt that will be paid in March 2020.

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. 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

Mark Dixon
Director

Registered Office
Chancery Exchange
10 Furnivall Street
London
EC4A 1AB

24 March 2020

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2019.

The results for the year are set out in the consolidated profit and loss account on page 12.

Dividends

The Directors approved and paid dividend payments of £15.2M in the year ended 31 December 2019 (2018: £9.3M).

Political Contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year.

Directors

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

Name	Appointed	Resigned
James Mark Dixon		
Louis Javier Falero		
Asif Ghafoor		13 March 2020
Amit Joshi	17 October 2019	
Mark D Lawton		
Richard H Taylor		
Adam Waddington		17 October 2019
Nicholas J Dawson (alternate to Asif Ghafoor)		13 March 2020
Robert Pemberton (alternate to James Dixon)		

Supplier payment policy

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 2019 represents 35 days (2018: 35 days) average daily purchases of goods and services received from those creditors, calculated in accordance with the Companies Act 2006, Statutory Instrument 2008/410 schedule 7 part 5.12.

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's 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 he/she ought to have taken as a director to make himself/herself 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

Mark Dixon
Director

Registered Office
Chancery Exchange
10 Furnivall Street
London
EC4A 1AB

24 March 2020

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *'The Financial Reporting Standard applicable in the UK and Republic of Ireland'*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company 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;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so. (As explained in note 1.4, the Directors do not believe that it is appropriate to prepare these financial statements on a going concern basis).

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

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

Opinion

We have audited the financial statements of ALC (Superholdco) Limited ("the company") for the year ended 31st December 2019 which comprise the Consolidated Profit and Loss Account, Consolidated Other Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Cash Flow Statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31st December 2019 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as residual value of vehicles, valuation of maintenance provisions estimation and related disclosures. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and its effects are subject to unprecedented levels of uncertainty of consequences, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Emphasis of matter - non-going concern basis of preparation

We draw attention to the going concern disclosure made in note 1.4 to the financial statements which explains that the financial statements are now not prepared on the going concern basis for the reasons set out in that note. Our opinion is not modified in respect of this matter.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

Independent auditor's report to the members of ALC (SuperHoldCo) Limited *(Continued)*

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

Independent auditor's report to the members of ALC (SuperHoldCo) Limited *(Continued)*

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

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

J Long

Joseph Long (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
66 Queen Square,
Bristol
BS1 4BE

Date: 27 March 2020

Consolidated Profit and loss account

For the year ended 31 December 2019

	Note	2019 £000	2018 £000
Turnover	2	42,934	43,168
Cost of sales		(12,524)	(9,512)
Gross profit		**30,410**	**33,656**
Administrative expenses		(12,268)	(12,886)
Other operating income	3	227	648
Operating profit		**18,369**	**21,418**
Other interest receivable and similar income	7	188	222
Interest payable and similar expenses	8	(836)	(1,818)
Profit before taxation		**17,721**	**19,822**
Tax on profit	9	(3,061)	(3,475)
Profit for the financial year		**14,660**	**16,347**

Notes on pages 19 to 35 form part of these financial statements.

The profit above is derived from continuing operations.

Consolidated Other Comprehensive Income

for year ended 31 December 2019

	Note	2019 £000	2018 £000
Profit for the year		**14,660**	**16,347**
Other comprehensive income			
Effective portion of changes in fair value of cash flow hedges	21	576	1,155
Deferred tax on other comprehensive income	9	(99)	(196)
Other comprehensive income for the year, net of income tax		**477**	**959**
Total comprehensive income for the year		**15,137**	**17,306**

Notes on pages 19 to 35 form part of these financial statements.

The profit above is derived from continuing operations.

Consolidated Balance sheet
At 31 December 2019

	Note	2019 £000	2019 £000	2018 £000	2018 £000
Non-Current Assets					
Tangible assets	10		**34,016**		**40,163**
Current assets					
Debtors	12	5,867		4,016	
Cash at bank and in hand	13	19,647		29,725	
		25,514		33,741	
Creditors: amounts falling due within one year	14	(14,159)		(20,126)	
Net current assets			**11,355**		**13,615**
Total assets less current liabilities			**45,371**		**53,778**
Creditors: amounts falling due after more than one year	15	(5,680)		(12,708)	
Other financial liabilities	17	(411)		(987)	
Provisions for liabilities					
Deferred tax liability	18	(3,416)		(3,975)	
Other provisions	19	(1,602)		(1,769)	
			(11,109)		**(19,439)**
Net assets			**34,262**		**34,339**
Capital and reserves					
Called up share capital	20		10		10
Other reserves – cash flow hedging reserve			(342)		(819)
Profit and loss account			34,594		35,148
Shareholders' funds			**34,262**		**34,339**

Notes on pages 19 to 35 form part of these financial statements.

These financial statements were approved by the board of directors on 24 March 2020 and were signed on its behalf by:

Mark Dixon
Director

Company Balance sheet
At 31 December 2019

	Note	2019 £000	2018 £000
Fixed assets			
Investments	*11*	10	10
Net assets		**10**	**10**
Capital and reserves			
Called up share capital	*20*	10	10
Profit and loss account		-	-
Shareholders' funds		**10**	**10**

Notes on pages 19 to 35 form part of these financial statements.

These financial statements were approved by the board of directors on 24 March 2020 and were signed on its behalf by:

Mark Dixon
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Called up share capital	Cash flow hedging reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
Balance at 1 January 2018	10	(1,778)	28,101	26,333
Total comprehensive income for the period				
Profit or loss	-	-	16,347	16,347
Other comprehensive income (see note 21)	-	959	-	959
Total comprehensive income for the period	-	959	16,347	17,306
Dividends	-	-	(9,300)	(9,300)
Total contributions by and distributions to owners	-	-	(9,300)	(9,300)
Balance at 31 December 2018	**10**	**(819)**	**35,148**	**34,339**
Balance at 1 January 2019	10	(819)	35,148	34,339
Total comprehensive income for the period				
Profit or loss	-	-	14,660	14,660
Other comprehensive income (see note 21)	-	477	-	477
Total comprehensive income for the period	-	477	14,660	15,137
Dividends	-	-	(15,214)	(15,214)
Total contributions by and distributions to owners	-	-	(15,214)	(15,214)
Balance at 31 December 2019	**10**	**(342)**	**34,594**	**34,262**
Set aside for dividends declared after the reporting period	-	-	(687)	(687)
Total	**10**	**(342)**	**33,907**	**33,575**

Notes on pages 19 to 35 form part of these financial statements.

Company Statement of Changes in Equity

	***Called up* share capital £000**	***Profit and* loss account £000**	***Total equity* £000**
Balance at 1 January 2018	10	-	10
Total comprehensive income for the period			
Profit or loss	-	9,300	9,300
Total comprehensive income for the period	-	9,300	9,300
Dividends	-	(9,300)	(9,300)
Balance at 31 December 2018	**10**	**-**	**10**
Balance at 1 January 2019	10	-	10
Total comprehensive income for the period			
Profit or loss	-	15,214	15,214
Total comprehensive income for the period	-	15,214	15,214
Dividends	-	(15,214)	(15,214)
Balance at 31 December 2019	**10**	**-**	**10**

Notes on pages 19 to 35 form part of these financial statements.

Consolidated Cash Flow Statement

for year ended 31 December 2019

	Note	2019 £000	2018 £000
Cash flows from operating activities			
Profit for the year		**14,660**	**16,347**
Adjustments for:			
Depreciation		5,852	6,573
Loss on sale of tangible fixed assets		52	60
Decrease in Deferred Income	*15*	(1,991)	(1,991)
Interest receivable and similar income		(188)	(222)
Interest payable and similar expenses		836	1,818
Taxation		3,061	3,475
		22,282	**26,060**
(Increase)/Decrease in trade and other debtors		(1,851)	3,787
Decrease in trade and other creditors and provisions		(434)	(3,534)
		19,997	**26,313**
Tax paid		(4,030)	(3,244)
Net cash from operating activities		**15,967**	**23,069**
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets		304	324
Interest received		195	133
Acquisition of tangible fixed assets		(18)	(551)
Net cash from investing activities		**481**	**(94)**
Cash flows from financing activities			
Interest paid		(987)	(2,182)
Repayment of borrowings		(10,325)	(16,509)
Dividends paid		(15,214)	(9,300)
Net cash from financing activities		**(26,526)**	**(27,991)**
Net decrease in cash and cash equivalents		(10,078)	(5,016)
Cash and cash equivalents at 1 January		29,725	34,741
Cash and cash equivalents at 31 December	*13*	**19,647**	**29,725**

Notes on pages 19 to 35 form part of these financial statements.

Notes to the financial statements

1. Accounting policies

ALC (SuperHoldCo) Limited (the "Company") is a private company limited by shares and incorporated, domiciled and registered in England in the UK. The registered office is Chancery Exchange, 10 Furnivall Street, London, EC4A 1AB.

The Group's financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The parent company financial statements present information about the Company as a separate entity and not about its Group.

1.1 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")*. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- Reconciliation of the number of shares outstanding from the beginning to end of the period has not been included a second time; and
- No separate Cash Flow Statement with related notes is included.

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 28.

1.2 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value:

- derivative financial instruments

1.3 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2019. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In the parent financial statements, investments in subsidiaries are carried at cost less impairment.

Notes to the financial statements *(continued)*

1.4 Non-Going concern

The Group is operating under a 16 year Contract which began in June 2005 and is due to expire in 2021. In previous years, the financial statements have been prepared on a going concern basis. However, the Directors now anticipate that there will be no follow-on Contract for the Group or Company and it will cease trading following completion of the Contract. Recognising the approaching cessation of trade, the financial statements have been prepared on a non-going concern basis. The Directors have reviewed the Group's wind-down projections by modelling the anticipated financial outcome covering accounting periods up to 2021 which shows the assets recovered at their full value and settling all its liabilities as they fall due and consequently no adjustments have been made to the value of assets or liabilities from the value that would have been shown had the financial statements been prepared on a going concern basis

1.5 Foreign currency

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 except for differences arising on the retranslation of qualifying cash flow hedges and items which are fair valued with changes taken to other comprehensive income, which are recognised in other comprehensive income.

1.6 Classification of financial instruments issued by the Company

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.7 Basic financial instruments

Trade and other debtors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

1.7 Basic financial instruments *(continued)*

Trade and other creditors

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments in subsidiaries

In the separate financial statements of the Parent Company, investments in subsidiaries are carried at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

1.8 Other financial instruments

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Cash flow hedges

The Company has entered into an interest rate swap to manage variable interest rate risk and has designated these as hedges for highly probable for forecast transactions. The Company recognises the effective part of any gain or loss on the derivative financial instrument in Other Comprehensive Income (OCI). Any ineffective portion of the hedge is recognised immediately in profit or loss.

The hedging gain or loss recognised in OCI is reclassified to profit or loss when the hedged item is recognised in profit or loss or when the hedging relationship ends.

1.9 Tangible fixed assets

The Company is an operator of a Private Finance Initiative ("PFI") contract. The underlying asset is deemed to be an asset of the Company. The Company took the transition exemption under FRS102 section 35.10(i) which allows the Company to continue the service concession arrangement accounting policies from previous UK GAAP.

Tangible fixed assets are depreciated to write off the cost of such assets, less any residual value over their anticipated useful economic lives. The anticipated useful economic lives are as follows:

Commercial of the Shelf (COTS) vehicles	-	8 to 15 years, straight line
Military Special (MS) vehicles	-	8 to 16 years, straight line
Management Information System (MIS)	-	15 years, straight line
Tools & equipment	-	5 years, straight line

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

1.9 Tangible fixed assets (continued)

The cost of vehicles capitalised is the purchase price of the vehicle itself, together with any costs incurred in developing and acquiring the necessary vehicle specific support package to enable the MOD to use the vehicles.

The residual values, calculated as a percentage of the original cost price, are 15% for Military Special and 22% for COTS vehicles. The residual value for Military Special vehicles is set at this level as there is an obligation on the MOD to buy back these vehicles at the end of the contract based on this assumption. The residual value of 22% for COTS vehicles is based on management's own assessment of the sales proceeds at the end of the Contract based on their past experience and assessment of current values of similar vehicles in the market. The residual value assumptions have not moved significantly from last year due to there being no noticeable change in external market values or the condition of the fleet.

1.10 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.

Deferred income

The fleet owned by the MOD was sold to the Company for £1, but was capitalised in the financial statements at its fair market valuation. The resultant fair value adjustment is amortised over the life of the contract.

1.11 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 depending on the contractual terms. This largely represents the sale of spare parts.

1.12 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 expenses include interest payable, classified as liabilities using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. The Interest paid figure in the Cash Flow statement has been treated as Financing Activity due to the loans funding the ERRP program. Dividend income is recognised in the profit and

Notes to the financial statements *(continued)*

1. Accounting policies *(continued)*

1.12 Expenses (continued)

loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.13 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; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. 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.

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.

2. Turnover

	2019 £000	2018 £000
By activity		
Service revenue	41,928	42,027
Sale of goods	1,006	1,141
	42,934	**43,168**

All turnover originates in the United Kingdom.

3. Other operating income

	2019 £000	2018 £000
Release of unused provisions	227	648
	227	**648**

Notes to the financial statements *(continued)*

4. Expenses and auditor's remuneration

Auditor's remuneration:	2019 £000	2018 £000
Audit of these financial statements	**3**	**3**
Amounts receivable by the company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the company	46	46

5. Staff numbers and costs

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

	Number of employees 2019	2018
Technical	49	48
Administration	47	46
	96	**94**

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	3,646	3,581
Social security costs	374	270
Other pension costs	112	266
	4,132	**4,117**

The Company does not operate a pension scheme. The pension costs of £112K (2018: £266K) are recharged by companies related to the Shareholders.

6. Directors' remuneration

Directors' emoluments for the year amounted to £nil *(2018: £nil)* as all Directors' are paid by one or other of the Shareholder companies. As part of a management charge from the Shareholder companies, £202K *(2018: £197K)* was charged in the year in respect of the provision of Board Directors.

Notes to the financial statements *(continued)*

7. Other interest receivable and similar income

	2019 £000	2018 £000
Bank interest	188	222

8. Interest payable and similar expenses

	2019 £000	2018 £000
Shareholder loans	-	427
Bank loans	836	1,391
	836	**1,818**

9. Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity.

	2019 £000	£000	2018 £000	£000
Current tax				
Current tax on income for the period	3,730			4,103
Adjustments in respect of prior periods	(12)			25
Total current tax		**3,718**		**4,128**
Deferred tax (see note 18)				
Origination and reversal of timing differences	(645)		(602)	
Adjustments in respect of prior periods	(12)		(51)	
Total deferred tax		**(657)**		**(653)**
Total tax expense included in profit or loss		**3,061**		**3,475**

	2019 £000 Current tax	£000 Deferred tax	£000 Total tax	2018 £000 Current tax	£000 Deferred tax	£000 Total tax
Recognised in Profit and loss Account	3,718	(657)	3,061	4,128	(653)	3,475
Recognised in Other Comprehensive Income	-	99	99	-	196	196
Total tax	**3,718**	**(558)**	**3,160**	**4,128**	**(457)**	**3,671**

Notes to the financial statements *(continued)*

9. Taxation *(continued)*

Reconciliation of effective tax rate

	2019 £000	2018 £000
Profit for the year	14,660	16,347
Total tax expense	3,061	3,475
Profit excluding taxation	17,721	19,822
Tax using the UK corporation tax rate of 19% *(2018: 19%)*	3,367	3,766
Effect of UK tax rate changes	66	71
Non-taxable income	(348)	(336)
(Over) / under provided in prior years	(24)	(26)
Total tax expense included in profit or loss	**3,061**	**3,475**

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2018) and to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax assets and liabilities at 31 December 2019 have been calculated based on these rates.

10. Tangible fixed assets

	MIS £000	COTS Vehicles £000	MS Vehicles £000	Tools and Equipment £000	Total £000
Cost					
Balance at 1 January 2019	4,935	86,728	11,771	1,757	105,191
Additions	-	8	-	10	18
Disposals	-	(315)	(485)	(8)	(808)
Balance at 31 December 2019	4,935	86,421	11,286	1,759	104,401
Depreciation and impairment					
Balance at 1 January 2019	4,166	52,137	7,769	956	65,028
Depreciation charge for the year	318	5,539	(168)	163	5,852
Disposals	-	(205)	(287)	(3)	(495)
Balance at 31 December 2019	4,484	57,471	7,314	1,116	70,385
Net book value					
At 1 January 2019	769	34,591	4,001	801	40,163
At 31 December 2019	**451**	**28,949**	**3,972**	**643**	**34,016**

Notes to the financial statements *(continued)*

11. Fixed asset investments – Company

The Company has the following investments in subsidiaries:

	Registered Company Address	Principal activity	Class & percentage of ordinary shares held	Carrying value of Investment £000
ALC (HoldCo) Limited	The Sherard Building, Edmund Halley Road, Oxford, OX4 4DQ	Holding company	£1 Ordinary shares – 100%	10
ALC (FMC) Limited	The Sherard Building, Edmund Halley Road, Oxford, OX4 4DQ	PFI Operator	£1 Ordinary shares – 100%	-

In addition ALC (SPC) Limited is an indirect subsidiary as it is fully owned by ALC (HoldCo) Limited.

All investments have the same registered office address as the Company. See Note 1.

12. Debtors

	2019 £000	2018 £000
Trade debtors	3,993	1,183
Other debtors	-	16
Prepayments	1,874	2,817
	5,867	**4,016**

There are no amounts due after more than one year.

13. Cash and cash equivalents

	2019 £000	2018 £000
Cash at bank and in hand	19,647	29,725
Cash and cash equivalents per cash flow statements	**19,647**	**29,725**

Within Cash at bank and in hand amount there is £12,415K *(2018: £17,721K)* held for which the use of the funds is restricted by the terms of the company's bank loans.

Notes to the financial statements *(continued)*

14. Creditors: amounts falling due within one year

	2019 £000	2018 £000
Bank loans	5,038	10,325
Trade creditors	1,212	1,290
Corporation tax	1,942	2,355
Other creditors	782	997
Accruals	3,194	3,168
Deferred Income	1,991	1,991
	14,159	**20,126**

15. Creditors: amounts falling after more than one year

	2019 £000	2018 £000
Bank loans	4,850	9,888
Deferred income	830	2,820
	5,680	**12,708**

Analysis of debt

Debt can be analysed as falling due:

	2019 £000	2018 £000
Within one year	5,038	10,325
In the second to fifth year	4,850	9,888
	9,888	**20,213**

Notes to the financial statements *(continued)*

15. Creditors: amounts falling after more than one year *(continued)*

Analysis of deferred income:

	2019 £000	2018 £000
Fair value of fleet	4,629	6,545
Fair value of spares	182	257
	4,811	6,802
Less amortisation in the period	(1,991)	(1,991)
Deferred Income at the end of the period	2,820	4,811
Less amounts shown as due within less than one year	(1,990)	(1,991)
Amounts falling due after more than one year	**830**	**2,820**

16. Interest-bearing loans and borrowings

Bank loans bear interest based on LIBOR. The Company has entered into swap contracts covering all of the debt which hedges the company's interest rate exposure on bank loans (see note 21). Shareholder loan stock interest rate is set at 12%.

The bank loans and shareholder loan stock are repayable in six-monthly instalments commencing 31 March 2009 and ending on or before 9 June 2021.

17. Other financial liabilities

	2019 £000	2018 £000
Amounts falling due after more than one year		
Financial liabilities designated as fair value through profit or loss (see note 21)	(411)	(987)
	(411)	**(987)**

Notes to the financial statements *(continued)*

18. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2019	2018	**2019**	2018	**2019**	2018
	£000	£000	**£000**	£000	**£000**	£000
Accelerated capital allowances	-	-	(3,453)	(4,088)	(3,453)	(4,088)
Cashflow Hedge	69	168	-	-	69	168
Other	35	57	(67)	(112)	(32)	(55)
Tax assets / (liabilities)	**104**	**225**	**(3,520)**	**(4,200)**	**(3,416)**	**(3,975)**

19. Provisions

	Gain share	Other provisions	Total
	£000	£000	£000
Balance at 1 January 2019	19	1,753	1,772
Provisions made during the year	1	681	682
Provisions used during the year	-	(625)	(625)
Provisions reversed during the year	-	(227)	(227)
Balance at 31 December 2019	**20**	**1,582**	**1,602**

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.

Other provisions largely relate to risks surrounding the maintenance and sustainability of ALC's equipment. These liabilities are expected to fall due before the end of the contract.

20. Capital and reserves

Share capital

	Ordinary shares 2019	Ordinary shares 2018
On issue at 1 January and 31 December – fully paid	**10,000**	**10,000**

	2019	2018
	£000	£000
Allotted, called up and fully paid		
Equity: 10,000 ordinary shares of £1 each	**10**	**10**

Notes to the financial statements *(continued)*

20. Capital and reserves *(continued)*

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Cash flow hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Dividends

During the year total dividends of £15,214K equivalent to £1,521.40 per qualifying ordinary share *(2018: £9,300K; £930)* were proposed and paid.

After the balance sheet date total dividends of £2,050K equivalent to £205 per qualifying ordinary share *(2018: £3,700K; £370)* were proposed by the directors. Of this total, £687K relates to profit arising in the year to 31 December 2019 and whilst this has not been provided for, it is presented as a segregated component of retained earnings at the end of the period.

21. Financial instruments

21 (a) Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

	2019 £000	**2018 £000**
Assets measured at cost less impairment	25,514	33,741
Liabilities measured at fair value through profit or loss	(411)	(987)
Liabilities measured at amortised cost	(19,839)	(30,479)

21 (b) Financial instruments measured at fair value

Derivative financial instruments

The fair value of interest rate swaps is based on bank valuations. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

The interest rates used to discount estimated cash flows, where applicable are based on weighted average cost of capital and were 6.42% *(2018: 6.42%)*.

Notes to the financial statements *(continued)*

21. Financial instruments *(continued)*

21 (c) Hedge accounting

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to occur as required by FRS 102.29(a) for the cash flow hedge accounting models

	2019					2018				
Interest rate swaps	**Carrying amount**	**Expected cash flows**	**1 year or less**	**1 to <2 years**	**2 to <5 years**	**Carrying amount**	**Expected cash flows**	**1 year or less**	**1 to <2 years**	**2 to <5 years**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Liabilities	**(411)**	**(410)**	(280)	(130)	()	**(987)**	**(1,153)**	(707)	(304)	(142)

Notes to the financial statements *(continued)*

21. Financial instruments *(continued)*

21 (c) Hedge accounting (continued)

The Company manages its exposure to interest risk on bank loans by entering into an interest rate swap. At the balance sheet date, the notional amount of the interest rate swap is £10 million (*2018: £19 million*).

The swap fixes the interest rate on bank loans to 4.73% (*2018: 4.73%).*

£576K *(2018: £1,155K)*, being the change in fair value of the hedging instrument, has been recognised in other comprehensive income for the period.

21 (d) Fair values

The amounts for all financial assets and financial liabilities carried at fair value are as follows:

	2019 £000	**2018** £000
Interest rate swap	(411)	(987)

22. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2019 £000	**2018** £000
Less than one year	192	175
Between one and five years	76	247
	268	**422**

During the year £203K was recognised as an expense in the profit and loss account in respect of operating leases (2018: £226K).

During the year £nil *(2018: £nil)* of contingent rent was recognised as income by the Company.

23. Commitments

Capital commitments

The Company's contractual commitments to purchase tangible fixed assets at the year-end were £nil *(2018: £nill).*

24. Contingencies

During the year £nil *(2018: £nil)* of contingencies were recognised by the Company.

Notes to the financial statements *(continued)*

25. Related parties

During the period, the group had transactions with its shareholders which have joint control over the Company and their wholly owned group companies which are summarised below:

	2019 £000	2018 £000
IT, Staff and other group services		
– Babcock Group companies	2,657	2,371
– Amey Group companies	4,370	3,759
The balances due to them at the period end is below:		
– Babcock Group companies	273	8
– Amey Group companies	84	375
Loan Stock		
Babcock Defence and Security Investments Limited		
– Interest paid	-	214
Amey Ventures Investments Limited		
– Interest paid	-	214

All staff are seconded from either Babcock or Amey Group companies. The total aggregate remuneration for Key Management Personnel was £618K in the year *(2018: £602K).*

26. Ultimate parent company and parent company of larger group

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 is itself a joint venture company held jointly between Amey Investments Limited and DIF Infrastructure II 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 Infrastructure II 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 Chancery Exchange, 10 Furnivall Street, London, EC4A 1AB.

Notes to the financial statements *(continued)*

27. Subsequent events

There are no subsequent events to the balance sheet date.

28. Accounting estimates and judgements

Key sources of estimation uncertainty

As detailed in note 19, ALC's management have made £1.6M (2018: £1.8M) of provisions in relation to identified risks and as these relate to future outcomes, inevitably they include an element of judgement and estimation. These provisions largely relate to risks surrounding the maintenance and sustainability of ALC's equipment and the levels of the provisions are kept under regular review and adjusted as further information becomes available to refine any estimates made. Given the estimated nature of the provisions, it is hard to give a range on the likely outcome, except to note that as a portfolio of provisions relating to varying issues, it would be reasonably expected that any under provision on a particular issue would be mitigated and offset by possible over provisions on other issues.

The residual value for commercial off the shelf vehicles is estimated at £22M *(2018: £22M)* and is based on management's own assessment of the likely market value of the vehicles at the end of the contract. This estimate takes account of factors such as the size of the vehicle fleet and the age and likely condition of the vehicles themselves, recognising that, due to the nature of ALC's contract with the MOD, it is anticipated that a large portion of the vehicle fleet will be disposed of in bulk to the MOD and is subject to agreement of a 'fair value'. The assessment also takes into account the disposal values achieved on similar equipment in the legacy fleet and management's knowledge of aftermarket sales prices currently being achieved recognising likely costs of sales and method of disposal.

The impact of BREXIT on the residual values has been considered, but it is hard to determine whether this will have a neutral, positive or negative impact.

If management's future estimate of the residual value of the equipment was to move by £2M (approximately 10%), say, this would impact the depreciation charge and hence the reported profit in 2020 by approximately two thirds of this amount as the contract comes to an end in May 2021 and the equipment will be disposed of at this point.

Beyond this, the Directors do not believe that there are any other accounting estimates that would have a significant effect on the financial statements, or any critical judgements.