

ALC (SuperHoldCo) Limited

Annual report and financial statements
Registered number 05424245
For the 18 months ended 30 June 2021



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Strategic report

Principal activities

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

During the period the Group's principal activity was the operation of the service element of a 16 year Private Finance Initiative (the "C Vehicle Contract" or the "Contract"). The Contract completed in May 2021. The Directors anticipate that there will be no follow-on Contract for the Group and it will cease trading on completion of the of the rundown of the business. 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, 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. 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). These accreditations have been maintained during 2020/21 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*)

Section 172(1) Statement

The following disclosure describes how the directors have had regard to the matters set out in section 172(1)(a) to (f) and forms the directors' statement required under section 414 of The Companies Act 2006:

- Customers – The Company maintains open and honest communications with its main customers the Ministry of Defence holding regular meetings to ensure delivery against expectations. Regular interaction provides an environment where issues can be resolved and day to day business progressed efficiently.
- Employees - the Group places considerable value on the involvement of its employees and continues to keep them informed on matters affecting them and on the performance of the company as a whole. This is achieved through formal and informal meetings, newsletters and emails. An employee survey gathers employees' views and opinions, which further inform company decisions on matters affecting them.
- The Group operates an equal opportunity policy. It is Group policy that training, career development and promotion is consistent and fair for all employees, irrespective of sex, race, religion, age or disability. The employment of disabled people is encouraged where possible, subject to the limitations placed upon the company by the nature of its business activities.
- Suppliers – collaboration and partnership are also fundamental to our supply chain relationships and there are established ongoing communication mechanisms with preferred suppliers and other supply chain partners. The Group strives to adhere to good payment practices. The Group works closely with its suppliers, maintaining regular communication in order to resolve issues in a timely manner and prevent delays in payment terms.
- Shareholders – regular sharing of strategy and performance with the parent companies takes place throughout the year. There is a clear understanding of shareholder needs and this is reflected in Group decision making.
- Communities and the Environment – our culture is supportive of ongoing engagement by our employees with the communities in which they live and engage. We encourage charitable fund raising and volunteering at all levels of the organisation.

Progress in 2020/21

- The contract and its staff migrated successfully over to the new incumbent on May 31st, 2021.
- All remaining assets were disposed by our agent by June 30th, 2021.
- The business managed all main risks both the authority and to its shareholders.
- 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.
- Keeping staff briefed on progress by the Authority and Bidders with the follow-on contract.
- Presenting the 14th Fleet Survey Report to the Authority.
- 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.
- Maintaining the Sustainability Board's focus on the equipment fleet's condition, to ensure their availability levels can be sustained through the contract term.
- Engaged fully with the MOD and new incumbent 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.
- The majority of the staff transferred to the new incumbent bringing with them their knowledge, expertise and passion for the job.

Strategic report (*continued*)

Future outlook

The Company and its subsidiaries will be closed down and once all regulatory compliance is in place will be removed from the company's house register.

Project risks and uncertainties

ALC maintained 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 end of the Contract in 2021 meant 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 was closely monitored, and management are very aware of the need to keep staff informed on the MOD's progress resulting in the majority of staff TUPE to the new incumbent.

During the period ALC also managed and mitigated a number of operational and financial risks which are now no longer relevant due to the end of the Contract. These were effectively managed on exit with our increased knowledge base of the Contract, built over the last 14 years.

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 2020/21 (as in 2019) there were no KPI performance deductions incurred by ALC and only £19,988 (2019: £4,800) of deductions for unavailability of equipment due to breakdowns.

Overall Performance 18 months

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 of £60.9M (2019 £42.9M) is comparable on a 17-month trading basis of £3.58M per month compared to £3.57M in 2019. Operating Profit of £45.0M (2019: £18.4M) has increased per trading month by £1.1M per month. The main driver on the increase in profit is on the £15.6m gain on disposal of all assets which have been sold to the new provider of the service, or where there has been excess assets no longer required they have been sold in the market place, to ensure there are no assets at the end of the contract.

The partnership between the MOD and ALC is still strong despite the exit of the contract ALC will continue to honour its remaining commitments.

By order of the Board



Steven West
Director

Registered Office
Chancery Exchange
10 Furnivall Street
London
EC4A 1AB
2 December 2021

Directors' report

The Directors present their annual report and the audited financial statements for the 18 months ended 30 June 2021.

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

Dividends

The Directors approved and paid dividend payments of £63.0M in the period ended 30 June 2021 (2019: £15.2M).

After the Balance Sheet date total dividends of £3.55M were proposed by the directors. This has not been included within creditors as it was not approved before the period end.

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		03 August 2020
Louis Javier Falero		
Asif Ghafoor		13 March 2020
Amit Joshi		
Mark D Lawton		26 May 2021
Richard H Taylor		18 May 2020
Sam White	3 August 2020	30 September 2021
Nicholas J Dawson (alternate to Asif Ghafoor)		13 March 2020
Steve West	26 May 2021	
Jonathan Cohen	22 June 2020	
Katie Pearman	24 April 2020	
Robert Pemberton (alternate to James Dixon)		03 August 2020
Robert Pemberton (alternate to Sam White)	3 August 2020	01 December 2020

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 30 June 2021 represents 1 day (2019: 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.

Greenhouse gas emissions and energy consumption

The Group and Company are exempt from making disclosures under the Streamlined Energy & Carbon Reporting requirements as energy usage for the 18 months ended 30 June 2022 was less than 40,000 kWh.

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.

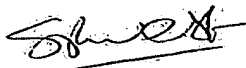
Other information

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 3.

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



Steven West
Director

Registered Office
Chancery Exchange
10 Furnivall Street
London
EC4A 1AB

2 December 2021

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 the group's 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 30 June 2021 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. These financial statements have not been prepared on the going concern basis for the reason set out in note 1.4.

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 30 June 2021 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 company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to ALC's high-level policies and procedures to prevent and detect fraud that apply to this group company as well as enquiring whether the directors have knowledge of any actual, suspected or alleged fraud.
- Reading Board and Operational Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because there is no material estimation involved in the amount of revenue to recognise and the completion of the Contract has minimised the opportunity to commit fraud without detection.

We did not identify any additional fraud risks.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of some of the Company-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included credit entries to revenue that were not the monthly unitary charge billing to the customer and unusual cash postings.
- Evaluated the business purpose of significant unusual transactions.

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

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards) and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies' legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, employment law, GDPR compliance and certain aspects of company legislation recognising the nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

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

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

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 parent company or to cease operations, or have no realistic alternative but to do so.

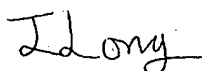
Auditor's responsibilities

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.

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.



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

Date: 7 December 2021

Consolidated Profit and loss account

For the 18-month period ended 30 June 2021 (2019 - 12 months)

	Note	2021 £000	2019 £000
Turnover	2	60,897	42,934
Cost of sales		(15,594)	(12,524)
Gross profit		45,303	30,410
Administrative expenses		(16,913)	(12,268)
Profit on disposal of assets		15,907	-
Other operating income	3	713	227
Operating profit		45,010	18,369
Other interest receivable and similar income	7	59	188
Interest payable and similar expenses	8	(444)	(836)
Profit before taxation		44,625	17,721
Tax on profit	9	(8,375)	(3,061)
Profit for the financial year		36,250	14,660

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 the 18-month period ended 30 June 2021 (2019 - 12 months)

	Note	2021 £000	2019 £000
Profit for the year		36,250	14,660
Other comprehensive income			
Effective portion of changes in fair value of cash flow hedges	21	411	576
Deferred tax on other comprehensive income	9	(69)	(99)
Other comprehensive income for the year, net of income tax		342	477
Total comprehensive income for the year		36,592	15,137

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

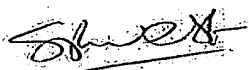
Consolidated Balance sheet

For the 18 month period ended 30 June 2021 (2019 - 12 months)

	Note	2021 £000	£000	2019 £000	£000
Non-Current Assets					
Tangible assets	10		-		34,016
Current assets					
Debtors	12	4,588		5,867	
Cash at bank and in hand	13	10,634		19,647	
		15,222		25,514	
Creditors: amounts falling due within one year	14	(7,347)		(14,159)	
Net current assets			7,875		11,355
Total assets less current liabilities			7,875		45,371
Creditors: amounts falling due after more than one year	15	-		(5,680)	
Other financial liabilities	17	-		(411)	
Provisions for liabilities					
Deferred tax liability	18	-		(3,416)	
Other provisions	19	-		(1,602)	
			-		(11,109)
Net assets			7,875		34,262
Capital and reserves					
Called up share capital			10		10
Other reserves – cash flow hedging reserve			-		(342)
Profit and loss account			7,865		34,594
Shareholders' funds			7,875		34,262

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

These financial statements were approved by the board of directors on 2 December 2021 and were signed on its behalf by:



Steven West
Director

Company Balance sheet

For the 18 month period ended 30 June 2021 (2019 - 12 months)

	Note	2021 £000	2019 £000
Fixed assets			
Investments	11	10	10
		<hr/>	<hr/>
		<hr/>	<hr/>
Net assets		10	10
		<hr/>	<hr/>
Capital and reserves			
Called up share capital		10	10
Profit and loss account		-	-
		<hr/>	<hr/>
Shareholders' funds		10	10
		<hr/>	<hr/>

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

These financial statements were approved by the board of directors on 2 December 2021 and were signed on its behalf by:



Steven West
Director

Consolidated Statement of Changes in Equity

For the 18 month period ended 30 June 2021 (2019 - 12 months)

	Called up share capital	Cash flow hedging reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
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
Balance at 1 January 2020	10	(342)	34,594	34,262
Total comprehensive income for the period				
Profit or loss	-	-	36,250	36,250
Other comprehensive income (see note 21)	-	342	-	342
Total comprehensive income for the period	-	342	36,250	36,592
Dividends	-	-	(62,979)	(62,979)
Total contributions by and distributions to owners	-	-	(62,979)	(62,979)
Balance at 30 June 2021	10	-	7,865	7,875
Set aside for dividends declared after the reporting period	-	-	(3,552)	(3,552)
Total	10	-	4,313	4,323

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

Company Statement of Changes in Equity

For the 18 month period ended 30 June 2021 (2019 - 12 months)

	Called up share capital £000	Profit and loss account £000	Total equity £000
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
Balance at 1 January 2020	10	-	10
Total comprehensive income for the period			
Profit or loss	-	62,979	62,979
Total comprehensive income for the period	-	62,979	62,979
Dividends	-	(62,979)	(62,979)
Balance at 30 June 2021	10	-	10
Set aside for dividends declared after the reporting period	-	(3,552)	(3,552)

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

Consolidated Cashflow Statement

For the 18 month period ended 30 June 2021 (2019 - 12 months)

	Note	2021	2019
		£000	£000
Cash flows from operating activities			
Profit for the year		36,250	14,660
Adjustments for:			
Depreciation		7,711	5,852
(Gain)/Loss on sale of tangible fixed assets		(15,907)	52
Decrease in Deferred Income	15	(830)	(1,991)
Interest receivable and similar income		(59)	(188)
Interest payable and similar expenses		444	836
Taxation		8,375	3,061
		35,984	22,282
Decrease/(Increase) in trade and other debtors		1,279	(1,851)
Decrease in trade and other creditors and provisions		(8,037)	(434)
		29,226	19,997
Tax paid		(7,510)	(4,030)
Net cash from operating activities		21,716	15,967
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets		42,975	304
Interest received		60	195
Acquisition of tangible fixed assets		(312)	(18)
Net cash from investing activities		42,723	481
Cash flows from financing activities			
Interest paid		(585)	(987)
Repayment of borrowings		(9,888)	(10,325)
Dividends paid		(62,979)	(15,214)
Net cash from financing activities		(73,452)	(26,526)
Net decrease in cash and cash equivalents		(9,013)	(10,078)
Cash and cash equivalents at 1 January		19,647	29,725
Cash and cash equivalents at 31 December	13	10,634	19,647

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 financial statements have been prepared for the 18 months ended 30 June 2021 in order to extend the period to approximately the end of the Contract. The prior period comparatives shown are for the 12 months ended 31 December 2019 and are therefore not entirely comparable.

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 26.

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 for the 18 months ended 30 June 2021. 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 expired in May 2021. The Directors anticipate that there will be no follow-on Contract for the Group or Company and it will cease trading on completion of the rundown of the business. 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 until the projected closure date of the Group and Company. This 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 used in the period, 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 are no longer relevant at the period end, due to the disposal of all fixed assets during the period.

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 it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

2. Turnover

	18 months ended 30 Jun 2021 £000	Year ended 31 Dec 2019 £000
<i>By activity</i>		
Service revenue	59,938	41,928
Sale of goods	959	1,006
	<hr/>	<hr/>
	60,897	42,934
	<hr/>	<hr/>

All turnover originates in the United Kingdom.

3. Other operating income

	18 months ended 30 Jun 2021 £000	Year ended 31 Dec 2019 £000
Release of unused provisions (see note 19)	713	227
	<hr/>	<hr/>
	713	227
	<hr/>	<hr/>

Notes to the financial statements (*continued*)

4. Expenses and auditor's remuneration

Auditor's remuneration:	18 months ended 30 Jun 2021 £000	Year ended 31 Dec 2019 £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	63	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 18 months ended 30 Jun 2021	Year ended 31 Dec 2019
Technical	47	49
Administration	44	47
	91	96

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	5,100	3,646
Social security costs	534	374
Other pension costs	171	112
	5,805	4,132

The Company does not operate a pension scheme. The pension costs of £171K (2019: £112K) are recharged by companies related to the Shareholders.

6. Directors' remuneration

Directors' emoluments for the year amounted to £nil (2019: £nil) as all Directors' are paid by one or other of the Shareholder companies. As part of a management charge from the Shareholder companies, £309K was charged in respect of the provision of Board Directors for the 18 month period ended 30 June 2021 (2019: £202k for the 12 month period ended 31 December 2019).

Notes to the financial statements (*continued*)

7. Other interest receivable and similar income

	18 months ended 30 Jun 2021 £000	Year ended 31 Dec 2019 £000
Bank interest	59	188

8. Interest payable and similar expenses

	18 months ended 30 Jun 2021 £000	Year ended 31 Dec 2019 £000
Bank loans	444	836
	444	836

9. Taxation

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

	18 months ended 30 Jun 2021 £000	Year ended 31 Dec 2019 £000
<i>Current tax</i>		
Current tax on income for the period	11,853	3,730
Adjustments in respect of prior periods	8	(12)
Total current tax	11,861	3,718
<i>Deferred tax (see note 18)</i>		
Origination and reversal of timing differences	(3,837)	(645)
Adjustments in respect of prior periods	-	(12)
Total deferred tax	(3,486)	(657)
Total tax expense included in profit or loss	8,375	3,061

	18 months ended 30 Jun 2021			Year ended 31 Dec 2019		
	£000	£000	£000	£000	£000	£000
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
Recognised in Profit and loss Account	11,861	(3,486)	8,375	3,718	(657)	3,061
Recognised in Other Comprehensive Income	-	69	69	-	99	99
Total tax	11,861	(3,417)	8,444	3,718	(558)	3,160

Notes to the financial statements (continued)

9. Taxation (continued)

Reconciliation of effective tax rate	18 months ended 30 Jun 2021 £000	Year ended 31 Dec 2019 £000
Profit for the year	36,250	14,660
Total tax expense	8,375	3,061
Profit excluding taxation	44,625	17,721
Tax using the UK corporation tax rate of 19% (2019: 19%)	8,479	3,367
Effect of UK tax rate changes	341	66
Chargeable Gains	22	-
Non-taxable income	(475)	(348)
(Over) / under provided in prior years	8	(24)
Total tax expense included in profit or loss	8,375	3,061

An increase in the UK Corporation tax rate from 19% to 25% (effective from 1 April 2023) was announced in the chancellor's budget on 3 March. This will increase the company's future current tax charge accordingly. There has not been any impact on the tax rates used to measure deferred tax assets and liabilities as at 30 June 2021 because the date of the corporation tax rate change is after the projected closure date of the Company.

10. Tangible fixed assets

	MIS £000	COTS Vehicles £000	MS Vehicles £000	Tools and Equipment £000	Total £000
Cost					
Balance at 1 January 2020	4,935	86,421	11,286	1,759	104,401
Additions	-	73	106	133	312
Disposals	(4,935)	(86,494)	(11,392)	(1,892)	(104,713)
Balance at 30 June 2021	-	-	-	-	-
Depreciation and impairment					
Balance at 1 January 2020	4,484	57,471	7,314	1,116	70,385
Depreciation charge for the period	451	7,240	(194)	214	7,711
Disposals	(4,935)	(64,711)	(7,120)	(1,330)	(78,096)
Balance at 30 June 2021	-	-	-	-	-
Net book value					
At 1 January 2020	451	28,950	3,972	643	34,016
At 30 June 2021	-	-	-	-	-

Notes to the financial statements (*continued*)

11. Fixed asset investments – Company

The Company has the following investments in subsidiaries:

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

	30 Jun 2021 £000	31 Dec 2019 £000
Trade debtors	4,588	3,993
Prepayments	-	1,874
	4,588	5,867

There are no amounts due after more than one year.

13. Cash and cash equivalents

	30 Jun 2021 £000	31 Dec 2019 £000
Cash at bank and in hand	10,634	19,647
Cash and cash equivalents per cash flow statements	10,634	19,647

Within Cash at bank and in hand amount there is £nil (2019: £12,415K) 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

	30 Jun 2021 £000	31 Dec 2019 £000
Bank loans	-	5,038
Trade creditors	102	1,212
Corporation tax	6,603	1,942
Other creditors	431	782
Accruals	211	3,194
Deferred Income	-	1,991
	<u>7,347</u>	<u>14,159</u>

15. Creditors: amounts falling after more than one year

	30 Jun 2021 £000	31 Dec 2019 £000
Bank loans	-	4,850
Deferred income	-	830
	<u>-</u>	<u>5,680</u>

Analysis of debt

Debt can be analysed as falling due:

	30 Jun 2021 £000	31 Dec 2019 £000
Within one year	-	5,038
In the second to fifth year	-	4,850
	<u>-</u>	<u>9,888</u>

Notes to the financial statements (*continued*)

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

Analysis of deferred income:

	30 Jun 2021 £000	31 Dec 2019 £000
Fair value of fleet brought forward	798	4,629
Fair value of spares brought forward	32	182
	<hr/>	<hr/>
	830	4,811
Less amortisation in the period	(830)	(1,991)
Deferred Income at the end of the period	<hr/> -	<hr/> 2,820
Less amounts shown as due within less than one year	-	(1,990)
	<hr/>	<hr/>
Amounts falling due after more than one year	<hr/> -	<hr/> 830
	<hr/>	<hr/>

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 were repayable in six-monthly instalments commencing 31 March 2009 and ended on or before 9 June 2021.

17. Other financial liabilities

	30 Jun 2021 £000	31 Dec 2019 £000
Amounts falling due after more than one year		
Financial liabilities designated as fair value through profit or loss (see note 21)	-	(411)
	<hr/>	<hr/>
	-	(411)
	<hr/>	<hr/>

Notes to the financial statements (*continued*)

18. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	30 Jun 2021 £000	Assets 31 Dec 2019 £000	30 Jun 2021 £000	Liabilities 31 Dec 2019 £000	30 Jun 2021 £000	Net 31 Dec 2019 £000
Accelerated capital allowances	-	-	-	(3,453)	-	(3,453)
Cashflow Hedge	-	69	-	-	-	69
Other	-	35	-	(67)	-	(32)
	<u>-</u>	<u>104</u>	<u>-</u>	<u>(3,520)</u>	<u>-</u>	<u>(3,416)</u>
Tax assets / (liabilities)	-	104	-	(3,520)	-	(3,416)

19. Provisions

	Gain share £000	Other provisions £000	Total £000
Balance at 1 January 2020	20	1,582	1,602
Provisions made during the period	-	-	-
Provisions used during the period	(20)	(869)	(889)
Provisions reversed during the period	-	(713)	(713)
	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 30 June 2021	-	-	-

The Gain Share provision related 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	
	30 Jun 2021	31 Dec 2019
On issue at 1 January and 31 December – fully paid	10,000	10,000
	<u>10,000</u>	<u>10,000</u>
	30 Jun 2021 £000	31 Dec 2019 £000
Allotted, called up and fully paid		
Equity: 10,000 ordinary shares of £1 each	10	10
	<u>10</u>	<u>10</u>

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 £62,979K equivalent to £6,297.90 per qualifying ordinary share (2019: £15,214K; £1521.40) were proposed and paid.

After the balance sheet date total dividends of £3,552K equivalent to £355 per qualifying ordinary share (2019: £2,050K; £205) were proposed by the directors. Of this total, £3.55m relates to profit arising in the 18 months to 30 June 2021 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:

	30 Jun 2021 £000	31 Dec 2019 £000
Assets measured at cost less impairment	15,222	25,514
Liabilities measured at fair value through profit or loss	-	(411)
Liabilities measured at amortised cost	(7,347)	(19,839)
	<hr/>	<hr/>

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.

For the year ended 31 December 2019 the interest rate used to discount estimated cash flows, where applicable, was 6.42%, based on the weighted average cost of capital.

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

Interest rate swaps	30 Jun 2021					31 Dec 2019				
	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)	-

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 £0 million (2019: £10 million).

The swap fixed the interest rate on bank loans to 4.73% (2019: 4.73%).

£411K (2019: £576K), 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:

	30 Jun 2021 £000	31 Dec 2019 £000
Interest rate swap	-	(411)

22. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	30 Jun 2021 £000	31 Dec 2019 £000
Less than one year	-	192
Between one and five years	-	76
	-	268

During the eighteen month period £314K was recognised as an expense in the profit and loss account in respect of operating leases (2019: £203K).

Notes to the financial statements (*continued*)

23. 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:

	30 Jun 2021	31 Dec 2019
	£000	£000
IT, Staff and other group services		
– Babcock Group companies	3,241	2,657
– Amey Group companies	6,503	4,370
The balances due to them at the period end is below:		
– Babcock Group companies	27	273
– Amey Group companies	17	84

All staff are seconded from either Babcock or Amey Group companies. The total aggregate remuneration for Key Management Personnel was £946K in the eighteen months (2019: £618K).

24. 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*)

25. Subsequent events

There are no subsequent events to the balance sheet date.

26. Accounting estimates and judgements

Key sources of estimation uncertainty

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.