

## **ALC (SPC) Limited**

Annual report and financial statements  
Registered number 05424261  
For the 18 months ended 30 June 2021



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## **Strategic report**

### **Principal activities**

During the period the Company'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 Company 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 1.3 of the financial statements. No other changes in the Company'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*)

### Progress in 2020/21

- The contract and its staff migrated successfully over to the new incumbent on May 31<sup>st</sup>, 2021.
- All remaining assets were disposed by our agent by June 30<sup>th</sup>, 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.

### 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 company 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 company operates an equal opportunity policy. It is company 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 Company strives to adhere to good payment practices. The Company 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 company takes place throughout the year. There is a clear understanding of shareholder needs and the wider Group strategy is reflected in Company 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.

## Strategic report (*continued*)

### Future outlook

The Company 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

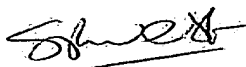
Measurement of contract performance falls into two categories: external with the MOD and internal with shareholders and lenders. Contractual KPIs, that aim to ensure ALC is providing the required level of service to the military user of ALC's equipment, are measured with the MOD on a monthly basis and 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

SPC'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 £60.7M (2019: £43.0M) is in line with the prior year level on a monthly basis and Operating Profit of £21.8M (2019: £5.6M) includes a gain on disposal of assets of £15.5m. The increase in profit represents operational savings, release of provisions no longer required and disposal of equipment which had been previously been written down.

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 10.

### Dividends

The Directors have approved and paid dividend payments of £47,101K in the period ended 30 June 2021 (2019: £3,264K).

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

The Company made no political donations or incurred any political expenditure during the current or prior 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	
Katherine 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 is zero (2019: 44 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 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 period 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



Steven West  
Director

Registered Office  
Chancery Exchange  
10 Funnivall 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 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the 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 company or to cease operations or have no realistic alternative but to do so. (As explained in note 1.3, 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that 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 company and to prevent and detect fraud and other irregularities.



## **Independent auditor's report to the members of ALC (SPC) Limited**

### **Opinion**

We have audited the financial statements of ALC (SPC) Limited ("the company") for the 18 month period ended 30 June 2021 which comprise the Profit and Loss Account, Other comprehensive income, Balance Sheet, the Statement of Changes in Equity 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 1.3.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2021 and of its profit for the period 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.

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.

We 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 (SPC) 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 period 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 (SPC) 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 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 6, 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 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 company or to cease operations, or have no realistic alternative but to do so.

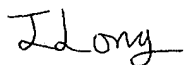
### **Auditor's responsibilities**

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](http://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

## Profit and loss account

For the 18-month period ended 30 June 2021 (2019 - 12 months ended 31 December 2019)

	Note	2021 £000	2019 £000
<b>Turnover</b>	2	60,684	42,980
Cost of sales		(40,827)	(28,273)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>19,857</b>	<b>14,707</b>
Administrative expenses		(13,490)	(9,083)
Gain on disposal of tangible assets		15,477	-
		<hr/>	<hr/>
<b>Operating profit</b>		<b>21,844</b>	<b>5,624</b>
Other interest receivable and similar income	6	58	181
Interest payable and similar expenses	7	(444)	(836)
		<hr/>	<hr/>
<b>Profit before taxation</b>		<b>21,458</b>	<b>4,969</b>
Tax on profit	8	(4,017)	(676)
		<hr/>	<hr/>
<b>Profit for the financial period</b>		<b>17,441</b>	<b>4,293</b>
		<hr/>	<hr/>

Notes on pages 14 to 25 form part of these financial statements.

The profit above is derived from continuing operations.

## Other comprehensive income

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

	Note	2021 £000	2019 £000
<b>Profit for the financial period</b>		<b>17,441</b>	<b>4,293</b>
<b>Other comprehensive income</b>			
Effective portion of changes in fair value of cash flow hedges	17	411	576
Deferred tax on other comprehensive income	8	(69)	(99)
<b>Other comprehensive income for the period, net of income tax</b>		<b>342</b>	<b>477</b>
<b>Total comprehensive income for the financial period</b>		<b>17,783</b>	<b>4,770</b>

Notes on pages 14 to 25 form part of these financial statements.

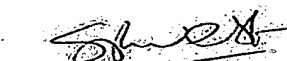
## Balance sheet

For the 18-month period ended 30 June 2021 (2019 - 12 months ended 31 December 2019)

	Note	2021		2019	
		£000	£000	£000	£000
<b>Non-Current Assets</b>					
Tangible assets	9		-		36,751
<b>Current assets</b>					
Debtors	10	4,589		5,278	
Cash at bank and in hand	11	9,930		18,475	
		<u>14,519</u>		<u>23,753</u>	
<b>Creditors: amounts falling due within one year</b>	12	<u>(7,830)</u>		<u>(14,525)</u>	
<b>Net current assets</b>			<b>6,689</b>		<b>9,228</b>
<b>Total assets less current liabilities</b>			<b>6,689</b>		<b>45,979</b>
<b>Creditors: amounts falling due after more than one year</b>	13	-		(5,648)	
Other financial liabilities	14	-		(411)	
<b>Provisions for liabilities</b>					
Deferred tax liability	15	-		(3,913)	
					<u>(9,972)</u>
<b>Net assets</b>			<b>6,689</b>		<b>36,007</b>
<b>Capital and reserves</b>					
Called up share capital	16		10		10
Other reserves – cash flow hedging reserve			-		(342)
Profit and loss account			6,679		36,339
<b>Shareholders' funds</b>			<b>6,689</b>		<b>36,007</b>

Notes on pages 14 to 25 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

## Statement of changes in equity

For the 18-month period ended 30 June 2021 (2019 - 12 months ended 31 December 2019)

	Called up share capital £000	Cash flow hedging reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2019	10	(819)	35,310	34,501
<b>Total comprehensive income for the period</b>				
Profit or loss	-	-	4,293	4,293
Other comprehensive income	-	477	-	477
<b>Total comprehensive income for the period</b>	-	477	4,293	4,770
Dividends	-	-	(3,264)	(3,264)
<b>Total contributions by and distributions to owners</b>	-	-	(3,264)	(3,264)
<b>Balance at 31 December 2019</b>	<b>10</b>	<b>(342)</b>	<b>36,339</b>	<b>36,007</b>
Balance at 1 January 2020	10	(342)	36,339	36,007
<b>Total comprehensive income for the period</b>				
Profit or loss	-	-	17,441	17,441
Other comprehensive income	-	342	-	342
<b>Total Comprehensive income for the period</b>	-	342	17,441	17,783
Dividends	-	-	(47,101)	(47,101)
<b>Total contributions by and distributions to owners</b>	-	-	(47,101)	(47,101)
<b>Balance at 30 June 2021</b>	<b>10</b>	<b>-</b>	<b>6,679</b>	<b>6,689</b>
Set aside for dividends declared after the reporting period	-	-	(3,552)	(3,552)

Notes on pages 14 to 25 form part of these financial statements.

## Notes to the financial statements

### 1. Accounting policies

ALC (SPC) 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 Funnival Street, London, EC4A 1AB.

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

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

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

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

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

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 20.

#### 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.



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

### 1. Accounting policies (*continued*)

#### 1.3 *Non-going concern*

The Company operated under a 16 year Contract which expired in May 2021. The Directors anticipate that there will be no follow-on Contract for the 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 Company's wind-down projections by modelling the anticipated financial outcome covering the period up until the projected closure date of the 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.

#### 1.4 *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.

#### 1.5 *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 interest.

##### *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 interest.

##### *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.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits.

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

### 1. Accounting policies (*continued*)

#### 1.6 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 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.

#### 1.7 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

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 purchase price, were 15% for Military Special and 22% for COTS vehicles. The residual value for Military Special vehicles was set at this level as there was 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 was 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.

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

### 1. Accounting policies (*continued*)

#### 1.8 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 contractual terms. This largely represents the sale of spare parts.

#### 1.9 Expenses

##### *Interest receivable and Interest payable*

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

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

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

#### 1.10 Taxation

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

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

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

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

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

#### 1.11 Deferred Income

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

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

### 2. Turnover

	18 months ended 30 Jun 2021 £000	Year ended 31 Dec 2019 £000
<i>By activity</i>		
Service revenue	59,834	42,201
Sale of goods	850	779
	<u>60,684</u>	<u>42,980</u>

All turnover originates in the United Kingdom.

### 3. 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	<u>23</u>	<u>22</u>

### 4. Staff numbers and costs

The company does not employ any staff and has outsourced its administration function to ALC (FMC) Ltd.

### 5. Directors' remuneration

Directors' emoluments for the period amounted to £nil (2019: £nil), as Directors are paid by one of the shareholder companies. There is no management recharge to ALC (SPC) Ltd. ALC (FMC) Ltd pays a management charge to the shareholder companies, of which £309K related to the provision of Board Directors for the 18 month period (2019: £202K for the 12 month period). ALC (SPC) Ltd pays a Service Fee to ALC (FMC) Ltd that incorporates a proportional share of the management charge.

### 6. Other interest receivable and similar income

	18 months ended 30 Jun 2021 £000	Year ended 31 Dec 2019 £000
Bank interest	<u>58</u>	<u>181</u>

### 7. Interest payable and similar expenses

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



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

### 8 Taxation (continued)

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.

### 9. Tangible fixed assets

	MIS £000	COTS Vehicles £000	MS Vehicles £000	Total £000
<b>Cost</b>				
Balance at 1 January 2020	5,821	92,751	15,565	114,137
Acquisitions	-	848	107	955
Disposals	(5,821)	(93,599)	(15,672)	(115,092)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 June 2021	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation and impairment</b>				
Balance at 1 January 2020	5,289	62,274	9,823	77,386
Depreciation charge for the period	532	9,497	1,565	11,594
Disposals	(5,821)	(71,771)	(11,388)	(88,980)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 June 2021	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
At 1 January 2020	532	30,477	5,742	36,751
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2021	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

### 10. Debtors

	30 Jun 2021 £000	31 Dec 2019 £000
Trade debtors	4,589	3,996
Amount due to group undertakings	-	98
Prepayments	-	1,184
	<hr/>	<hr/>
	4,589	5,278
	<hr/>	<hr/>

There are no amounts due after more than one year.

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

### 11. Cash and cash equivalents

	30 Jun 2021 £000	31 Dec 2019 £000
Cash at bank and in hand	9,930	18,475
Cash and cash equivalents	<u>9,930</u>	<u>18,475</u>

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.

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

	30 Jun 2021 £000	31 Dec 2019 £000
Bank loans	-	5,038
Trade creditors	-	400
Amount due to group undertakings	-	3,040
Corporation tax	6,439	761
Other creditors	1,360	1,704
Deferred Income	-	1,916
Accruals	31	1,666
	<u>7,830</u>	<u>14,525</u>

### 13. Creditors: amounts falling after more than one year

	30 Jun 2021 £000	31 Dec 2019 £000
Bank loans	-	4,850
Deferred income	-	798
	<u>-</u>	<u>5,648</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>

Bank loans in the period had interest based on LIBOR. The Company had entered into swap contracts covering all of the debt which hedges the company's interest rate exposure on senior debt (see note 17).

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

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

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

#### Analysis of deferred income:

	30 Jun 2021 £000	31 Dec 2019 £000
Fair value of fleet brought forward	798	4,629
Less amortisation in the period	(798)	(1,915)
Deferred revenues at the end of the period	-	2,714
Less amounts shown as due within less than one year	-	(1,916)
Amounts falling due after more than one year	-	798

### 14. Other financial liabilities

	30 Jun 2021 £000	31 Dec 2019 £000
Amounts falling due after more than one year	-	(411)
Financial liabilities designated as fair value through profit or loss (see note 17)	-	(411)

### 15. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	30 Jun 2021 £000	31 Dec 2019 £000	30 Jun 2021 £000	31 Dec 2019 £000	30 Jun 2021 £000	31 Dec 2019 £000
Accelerated capital allowances	-	-	-	(3,982)	-	(3,982)
Deferred tax - cash flow hedge	-	69	-	-	-	69
Tax assets / (liabilities)	-	69	-	(3,982)	-	(3,913)



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

### 16. Capital and reserves

#### Share capital

	Ordinary shares	
	30 Jun 2021	31 Dec 2019
On issue at 31 December – fully paid	10,000	10,000
	<hr/>	<hr/>
	30 Jun 2021	31 Dec 2019
	£	£
<b>Allotted, called up and fully paid</b>		
Equity: 10,000 ordinary shares of £1 each	10	10
	<hr/>	<hr/>

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

The company paid £47,101K (2019: £3,264K) equivalent to £4,710 (£326) per qualifying ordinary share in dividends during the period.

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.

### 17. Financial instruments

#### 17 (a) Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

	30 Jun 2021	31 Dec 2019
	£000	£000
Assets measured at cost less impairment	14,519	23,749
Liabilities measured at fair value through profit or loss	-	(411)
Liabilities measured at amortised cost	(7,830)	(20,173)
	<hr/>	<hr/>

#### 17 (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)

### 17. Financial instruments (continued)

#### 17 (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	Carrying amount	30 Jun 2021			31 Dec 2019			1 to <2 years	2 to <5 years
		Expected cash flows	1 year or less	1 to <2 years	Expected cash flows	1 year or less	1 to <2 years		
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Liabilities	-	-	-	-	(411)	(410)	(280)	(130)	-

The Company managed its exposure to interest risk on external loans by entering into an interest rate swap. At the balance sheet date, the notional amount of the interest rate swap is £nil (2019: £10 million).

The swap fixed the interest rate on external 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.

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

### 17. Financial instruments (*continued*)

#### 17 (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)

### 18. Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of ALC (Holdco) Limited which is a wholly owned subsidiary of ALC (SuperHoldCo) Limited in the United Kingdom. ALC (SuperHoldCo) Limited has no single ultimate parent company 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 Infra JV UK Limited since 14 December 2009. Amey Investments Limited is a wholly owned subsidiary undertaking of Amey plc group whose ultimate parent is Ferrovial S.A., a company incorporated in Spain. DIF Infra JV UK Limited is a wholly owned subsidiary of DIF Infrastructure UK Partnership, whose ultimate parent is DIF Infrastructure II B.V. (NL), a company incorporated in The Netherlands.

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

The largest and smallest group in which the results of the Company are consolidated is that headed by ALC (SuperHoldCo) Limited. The consolidated accounts of this group are available to the public and may be obtained from Chancery Exchange, 10 Furnival Street, London, EC4A 1AB.

The Company has taken advantage of the exemption under FRS 102 that transactions with wholly owned subsidiaries, do not need to be disclosed. There are no other related party transactions.

### 19. Subsequent events

There are no subsequent events to the balance sheet date.

### 20. Accounting estimates and judgements

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