Babcock Southern Careers Limited

(formerly VT Southern Careers Limited)

Directors' report and financial statements for the year ended 31 March 2011

Registered number 3007083

Babcock Southern Careers Limited

(formerly VT Southern Careers Limited)

Directors' report and financial statements

Contents

The Directors' report

The directors present their report and the audited financial statements for the year ended 31 March 2011

Principal activity

The principal activity of the company is the provision of careers advice and related services

Results and dividends

The company's results for the year are set out in the profit and loss account on page 7 showing a profit for the financial year after tax of £65,000 *(2010 £121,000)* At 31 March 2011 the company had net assets of £2,068,000 *(2010 £2,003,000)*

	2011	2010
	£000	£000
Turnover	**2,322**	2,018
Operating profit	**115**	170

Turnover increased by 15% during the year due to a strong performance on the DWP Reachout contract The operating profit has decreased by 32% due to obligations arising on the termination of the contract which have been recognised in the year The results achieved are in line with management expectations

No dividends were paid or proposed during the year *(2010 None)*

Review of business and future development

During the year the company continued to provide careers advisory services to adults in the Hampshire and Isle of Wight region

The sole contract in the company ceased on 22 June 2011 The company will continue to exist and settle all liabilities as they fall due An exceptional cost of £83,000 has been charged to the profit and loss account in the year in respect of the employee redundancies which will be incurred on termination of this contract

Acquisition by Babcock International Group plc

On 23 March 2010 Babcock International Group PLC ("Babcock") and the company's ultimate parent undertaking, VT Group plc, announced that they had reached agreement on the terms of a recommended acquisition by Babcock of all the issued and to be issued share capital of VT Group plc

The acquisition was completed with effect from 8 July 2010 with VT Group plc shares being de-listed from the London Stock Exchange on 9 July 2010

On 9 July 2010 the company was renamed Babcock Southern Careers Limited

Principal risks and uncertainties

The management of the business and execution of the company's strategy are subject to a number of risks and uncertainties These are managed through the company's operational review process which is supplemented by Group level by independent challenge at both Divisional and Group and by the Audit and Risk Committee

The Directors' report *(continued)*

The company's business is susceptible to changes in government policy, budget allocations and the changing political environment The directors manage this risk by maintaining regular discussions with the government funding bodies and by continuously repositioning the business to meet their requirements and those of employers

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes to credit risk, liquidity risk and interest rate risk The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board The policies set by the board of directors of Babcock are managed by the group finance department The Babcock group has a policy and procedures manual that sets out guidelines to allow it to manage financial risks and this is applied by the company

Credit risk
The company has implemented policies that require appropriate credit checks on potential companies and organisations before sales are made The company also monitors existing accounts on an ongoing basis and takes appropriate action where necessary to minimise any potential credit risk Material cash and bank balances are held with banks that have been assigned satisfactory credit ratings by international credit ratings agencies

Liquidity risk
The company retains sufficient cash to ensure it has available funds for its operations The company also has access to longer term funding from its ultimate parent undertaking if required

Interest rate cash flow risk
The company has interest bearing assets in the form of cash balances, interest on which is at a floating rate The company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied

Key performance indicators

The performance of the company is measured by reference to the number of starters on the programme relative to profile and the proportion of those starters who obtain successful job placements

	2011	2010
Percentage of actual to profiled starters	**106%**	102%
Proportion of successful job placements relative to number of starters	**21%**	16%

Starts have been consistently above profile for the duration of the contract In addition the success rate for job outcomes has steadily improved due to the hard work and dedication of the operational staff

Directors

The directors of the company during the year were as follows

SB Withey	(resigned 1 October 2010)
PJ Harrison	(resigned 9 July 2010)
F Martinelli	(appointed 9 July 2010)
GD Leeming	(appointed 1 October 2010)

The Directors' report *(continued)*

Charitable and political donations

During the year the company made no charitable or political donations *(2010 £nil)*

Qualifying third-party and pension scheme indemnity provisions

Under their respective Articles of Association, the directors of the company are, and were during the year to 31 March 2011, entitled to be indemnified by the company against liabilities and costs incurred in connection with the execution of their duties or the exercise of their powers, to the extent permitted by the Companies Act 2006

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year Under that law, the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) 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 judgements 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The directors are responsible for the maintenance and integrity of the company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this directors' report confirm that

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

The Directors' report *(continued)*

Independent auditors

During the year the company changed its auditor to PricewaterhouseCoopers LLP, as a result in the change of ownership of the company's parent The company has dispensed with the requirement for an Annual General Meeting and the need to appoint auditors annually

By order of the Board

GD Leeming
Director

9 September 2011

Independent auditors' report to the members of Babcock Southern Careers Limited

We have audited the financial statements of Babcock Southern Careers Limited for the year ended 31 March 2011 which comprise the profit and loss account, the balance sheet and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 3 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Independent auditors' report to the members of Babcock Southern Careers Limited (continued)

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

MR

Michael Coffin (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton

12 September 2011

Profit and loss account

for the year ended 31 March 2011

	Notes	2011 £000	2010 £000
Turnover	2	**2,322**	2,018
Cost of sales		**(1,872)**	(1,603)
Gross profit		**450**	415
Administrative expenses - before exceptional items		**(252)**	(245)
- exceptional items	5	**(83)**	-
Total administrative expenses		**(335)**	(245)
Operating profit		**115**	170
Interest receivable and similar income	6	**6**	5
Interest payable and similar charges	7	**-**	(10)
Profit on ordinary activities before taxation	8	**121**	165
Tax on profit on ordinary activities	9	**(56)**	(44)
Profit for the financial year	14	**65**	121

All current and prior year amounts relate to discontinued activities as the company's sole contract expired on 22 June 2011

There are no recognised gains or losses other than the profit *(2010 profit)* for the year reported above and therefore no separate statement of total recognised gains and losses has been presented There is also no difference between the profit *(2010 profit)* on ordinary activities before taxation and the profit *(2010 profit)* for the financial year stated above, and their historical cost equivalents

Balance sheet
at 31 March 2011

	Notes	**2011 £000**	2010 £000
Current assets			
Debtors	*10*	**162**	519
Cash at bank and in hand		**2,839**	2,428
		3,001	2,947
Creditors amounts falling due within one year	*11*	**(857)**	(920)
Net current assets		**2,144**	2,027
Total assets less current liabilities		**2,144**	2,027
Provisions for liabilities	*12*	**(76)**	(24)
Net assets		**2,068**	2,003
Capital and reserves			
Called up share capital	*13*	**20**	20
Capital reserve	*14*	**-**	9
Profit and loss account	*14*	**2,048**	1,974
Total Shareholders' funds	*15*	**2,068**	2,003

The financial statements on pages 7 to 17 were approved by the board of directors on 9 September 2011 and were signed on its behalf by

GD Leeming
Director

Notes to the financial statements

1 Accounting policies

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

Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom

The Directors have reviewed the company's available resources and consider that the company has adequate resources to continue in existence for a period of at least 12 months following the date of approval of these financial statements While the main contract terminated on 22 June 2011, there are sufficient cash reserves to settle all liabilities as they fall due Accordingly, the directors consider it appropriate to continue to adopt the going concern basis in preparing these financial statements

Under Financial Reporting Standard 1 (1996 Revised), the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking

In addition, advantage has been taken of the exemption available under Financial Reporting Standard 8 not to disclose details of transactions with Babcock International Group PLC or other group undertakings, as the consolidated financial statements of Babcock International Group PLC in which the company is included are publicly available

Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured The following specific recognition criteria must also be met before revenue is recognised

Rendering of services
Turnover from services rendered is recognised by reference to the stage of completion of the transaction measured by the costs incurred against the total cost to complete Turnover from services provided on a short-term or one-off basis is recognised when the service is complete

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items and accounting purposes Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19 Deferred taxation assets are recognised only to the extent that in the opinion of the directors, there is a reasonable probability that the asset will crystallise in the foreseeable future Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Notes *(continued)*

1 Accounting policies *(continued)*

Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation

Leases

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

Pension costs

The company participates in a group wide pension scheme providing benefits based on final pensionable pay The assets of the scheme are held separately from those of the company The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period

The company also operates a defined contribution pension scheme The assets of the scheme are held separately from those of the company in an independently administered fund The amount charged against profit represents the contributions payable to the scheme in respect of the accounting period

Contract termination

On termination or expiry of a contract, the company will evaluate the commitments relating to the contract and provide for terminal liabilities including redundancy and onerous leases at the time the liability becomes probable

Share based payments

During the year the company was acquired by Babcock International Group PLC and the Share based payment obligation was crystallised in full subject to performance measures New share based payments arrangements with Babcock will be cash settled and hence there will be no movement on reserves

Pre acquisition the group share option programme allowed employees to acquire shares of the parent company The fair value of options granted after 7 November 2002 was recognised as an employee expense with a corresponding increase in equity, in the form of a parent company capital contribution The fair value of the options granted were measured using an option pricing model, taking into consideration the terms and conditions upon which the options were granted The amount recognised as an expense was adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting

Notes *(continued)*

1 Accounting policies *(continued)*

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements

2 Turnover

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom

3 Staff numbers and costs

The average number of persons employed by the company during the year was as follows

	Number of employees	
By activity	**2011**	2010
Administration staff	**3**	2
Careers advisory staff	**12**	11
	15	13

The aggregate payroll costs of these persons were as follows

	2011	2010
	£000	£000
Wages and salaries	**308**	287
Share based payments	**-**	5
Social security costs	**29**	27
Other pension costs (*note 17*)	**7**	16
	344	335

4 Remuneration of directors

All of the directors of the company are subject to service agreements with and remunerated by other group companies It is not possible to make an accurate apportionment of their emoluments relating to the services provided to the company

Notes *(continued)*

5 Exceptional items

	2011 £000	2010 £000
Redundancy costs payable on cessation of sole contract	**83**	-

6 Interest receivable and similar income

	2011 £000	2010 £000
Bank interest receivable	**6**	5

7 Interest payable and similar charges

	2011 £000	2010 £000
Interest payable	**-**	10

8 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/ (crediting)

	2011 £000	2010 £000
Operating lease rentals – plant & machinery	**2**	1
Operating lease rentals – other	**24**	24
Share Based Payments	**-**	5
Auditors remuneration		
Fees payable for the audit	**7**	5

No fees are paid to PricewaterhouseCoopers LLP in respect of this company other than the statutory audit of the company Fees for other services provided by the auditor to the group of companies are disclosed on a consolidated basis in the financial statements of Babcock International Group PLC

On 15 September 2010, proprietary know-how, not capitalised in the accounts of the company in accordance with FRS 10, was transferred to Babcock Integration LLP in exchange for an interest in that partnership This was in order to facilitate the integration of the Babcock and VT groups The partnership interest has been recognised at a cost of £nil given that the know-how transferred was not recognised in the accounts of the company prior to the transfer A royalty is payable at the rate of 1 5% of turnover The charge for the period is £17,000 *(2010 £Nil)* and has been recognised in cost of sales

Notes *(continued)*

9 Taxation

	2011	2010
	£000	£000
Current tax		
UK Corporation tax on profit the year	-	72
Adjustments in respect of previous years	-	(2)
Total current tax	-	70
Deferred Tax		
Origination and reversal of timing differences	**37**	(28)
Deferred tax asset written off	**19**	-
Adjustments in respect of prior years	-	2
Total deferred tax	**56**	(26)
Tax on profit on ordinary activities	**56**	44

Factors affecting the tax charge for the current year

The current tax charge for the year is lower *(2010 higher)* than the standard rate of corporation tax in the UK of 28% *(2010 28%)* The differences are explained below

	2011	2010
	£000	£000
Profit on ordinary activities before tax	**121**	165
Profit on ordinary activities multiplied by standard rate in UK of 28% *(2010 28%)*	**34**	46
Effects of		
Accelerated capital allowances and other timing differences	**(37)**	26
Group relief for nil consideration	**3**	-
Adjustments to tax charge in respect of previous years	-	(2)
Current tax charge for the year	-	70

Notes *(continued)*

Factors affecting current and future tax charges

The reduction to the UK main corporation tax rate from 28% to 26% was substantively enacted on 29 March 2011 and is effective from 1 April 2011 As the deferred tax asset has been written off in the current year, there is no impact to the deferred tax at the year end

A number of changes to the UK Corporation tax system were announced in the March 2011 Budget Statement The rate of corporation tax was reduced from 28% to 26% with effect from 1 April 2011 Legislation to reduce the main rate of corporation tax from 26% to 25% from 1 April 2012 was substantively enacted on 5 July 2011 in the Finance Act 2011 Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014 These further changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements

10 Debtors

	2011	2010
	£000	£000
Trade debtors	**10**	182
Amounts owed by group undertakings	**39**	50
Other debtors	**2**	1
Deferred taxation	**-**	56
Prepayments and accrued income	**111**	230
	162	519

The amounts owed by group undertakings are unsecured, interest free and repayable on demand

Deferred tax movements are

	Deferred taxation £000
At 1 April 2010	56
Charged to the profit and loss account	(56)
At 31 March 2011	-

The deferred tax asset is analysed as follows

	2011	2010
	£000	£000
Other timing differences	**-**	56

Notes *(continued)*

11 Creditors: amounts falling due within one year

	2011 £000	2010 £000
Trade creditors	**103**	147
Amounts owed to group undertakings	**81**	84
Other taxes and social security costs	**96**	99
Other creditors	**4**	313
Accruals and deferred income	**573**	277
	857	920

The amounts owed to group undertakings are unsecured, interest free and repayable on demand

12 Provision for liabilities

A provision has been made to cover commitments relating to the cost of dilapidations to a leasehold property

	Dilapidations £000
At beginning of year	24
Charged to the profit and loss account	52
At end of year	**76**

The lease is due to terminate on the 23 September 2011 This provision is therefore expected to be utilised within one year

13 Called up share capital

	2011 £000	2010 £000
Allotted, called up and fully paid		
15,020 'A' ordinary shares of £1 each	**15**	15
3,980 'B' ordinary shares of £1 each	**4**	4
1,000 'C' ordinary shares of £1 each	**1**	1
	20	20

All dividends which shall be declared and distributed shall, for such period as shares in the capital of the company are split between A shares, B shares and C shares be declared and distributed so that

- the holders of the A shares shall be entitled to receive, in aggregate, 47 5% of the dividends, and
- the holders of the B shares shall be entitled to receive, in aggregate 47 5% of the dividends, and
- the holders of the C shares shall be entitled to receive, in aggregate, 5% of the dividends

Notes *(continued)*

13 Called up share capital (continued)

The dividends payable to the holders of the A shares, B shares and C shares respectively shall be paid pro-rata according to the percentage their holding of shares of the respective class bears to the aggregate number of shares of that class in issue

All three classes of share capital have the same rights and are equally ranked upon winding up of the company

14 Reserves

	Capital reserve £000	Profit and loss account £000	Total reserves £000
At 1 April 2010	9	1,974	1,983
Reserves transfer	(9)	9	-
Profit for the year	-	65	65
At 31 March 2011	-	**2,048**	**2,048**

The capital reserve arose on contributions to the VT share based payment schemes During the year the Company was acquired by Babcock International Group PLC and the share based payment obligation was crystallised in full subject to performance measures Following the closure of the schemes, the accumulated capital reserve has been transferred to the profit and loss account

New share based payments arrangements with Babcock will be cash settled and hence there will be no movement on reserves

15 Reconciliation of movements in shareholder's funds

	2011 £000	2010 £000
Profit for the financial year	**65**	121
Capital contribution relating to share based payments	-	5
Net addition to shareholder's funds	**65**	126
Opening shareholder's funds	**2,003**	1,877
Closing shareholder's funds	**2,068**	2,003

Notes *(continued)*

16 Commitments under operating leases

Annual commitments under non-cancellable operating leases are as follows

	2011 Land and buildings £000	**2011** Other £000	2010 Land and buildings £000	2010 Other £000
Operating leases which expire				
Within one year	6	-	24	1
Within two to five years	-	2	-	-
	6	2	24	1

17 Pension arrangements

The company is a member of a larger group wide pension scheme providing benefits based on final pensionable pay The company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits', the scheme has been accounted for, in these financial statements as if the scheme was a defined contribution scheme The pension charge in the financial statements (note 3) represents contributions paid to the scheme

The latest full actuarial valuation was carried out as at 31 March 2010 by a qualified independent actuary This valuation showed a funding shortfall of £87 9million This represents the liability to Babcock International Group PLC as a whole and does not represent the liability to the company During the year £4,421 was paid to the defined benefit scheme *(2010 £12,521)* At 31 March 2011 there were outstanding contributions payable of £368 *(2010 £368)*

The company also operated several defined contribution pension schemes During the year £2,730 was paid to the defined contribution schemes *(2010 £3,706)* At 31 March 2011 there were outstanding contributions payable of £nil *(2010 £224)*

18 Contingent liabilities

The company at the period end had a joint and several liability for drawn bank overdraft facilities of other group companies for the value of £4 5million *(2010 £nil)*

19 Ultimate parent company

The immediate parent undertaking is Babcock International Support Services Limited *(formerly VT Support Services Limited)*, a company incorporated in Great Britain and registered in England and Wales

The ultimate parent undertaking and controlling party is Babcock International Group PLC, a company incorporated in Great Britain and registered in England and Wales The largest and smallest group in which the results of the company are reported is that headed by Babcock International Group PLC

Copies of Babcock International Group PLC consolidated financial statements can be obtained from the Company Secretary at Babcock International Group PLC, 33 Wigmore Street, London W1U 1QX