

VT Southern Careers Limited

Directors' report and financial statements

Registered number 3007083

31 March 2010



VT Southern Careers Limited
Directors' report and financial statements

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VT Southern Careers Limited

Directors' report and financial statements

The directors' report and the business review

The directors present their annual report and the audited financial statements for the year ended 31 March 2010

Principal activity

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

Business review

Key performance indicators:

	2010	2009
	£000	£000
Turnover	2,018	1,530
Operating profit	170	214

Turnover increased by 32% during the year due to a strong performance on the DWP Reachout contract during the year. The operating profit has decreased by £44,000 due to current contracts needing to operate under different cost structures to those in place under previous contracts. The results achieved are in line with management expectations.

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

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.

Events after the balance sheet date

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

The acquisition is expected to be completed in July 2010 with the VT Group plc shares being delisted from the London Stock Exchange and VT Group plc and its subsidiary undertakings becoming subsidiaries of Babcock. Following the acquisition by Babcock, the change of control may have an impact on the basis of preparation applied to certain of the company's assets and liabilities; however, there is no consequential impact on the financial statements for the year ended 31 March 2010. The impact on the financial statements in the year ending 31 March 2011 and beyond, if any, has not yet been determined, although the immediate effect of the change in control of the Group is discussed in the basis of preparation.

Directors

The directors of the company during the year were as follows:

SB Withey
PJ Harrison

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The directors' report and the business review *(continued)*

Dividends

No dividends were paid during the year (2009 £nil)

Charitable and political donations

During the year the company contributed £nil (2009 £nil) to charitable organisations. There were no political donations during the year (2009 £nil)

Employment of disabled persons

Full and fair consideration is given to employment applications from disabled persons having regard to their particular aptitude and abilities. If an appropriate vacancy is available then, where practicable, arrangements will be made to continue the employment of an employee who becomes disabled. Disabled employees are given fair consideration for training, career development and promotion.

Employment policies

The development of employee involvement in the company's business is kept under regular review and the directors are committed to encouraging greater involvement of all employees. Formal and informal briefing of employees takes place as appropriate.

The company takes all reasonable steps to ensure that all employment conditions are applied regardless of sex, race, colour, ethnic background, religion or disability.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

With reference to note 17 of the financial statements, after the acquisition of the ultimate parent company by Babcock International PLC is completed, KPMG Audit Plc will resign as auditor of the company.

By order of the Board



MP Jowett
Secretary

30 June 2010

VT Southern Careers Limited

Directors' report and financial statements

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

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 the period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 2006. They 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 auditors' report to the members of VT Southern Careers Limited

We have audited the financial statements of VT Southern Careers Limited for the year ended 31 March 2010. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement 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 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

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 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with the UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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



KPMG Audit Plc

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

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

P Cotton (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants

30 June 2010

Dukes Keep
Marsh Lane
Southampton
SO14 3EX

VT Southern Careers Limited
Directors' report and financial statements

Profit and loss account

for the year ended 31 March 2010

	Notes	2010 £000	2009 £000
Turnover	2	2,018	1,530
Cost of sales		<u>(1,603)</u>	<u>(1,117)</u>
Gross profit		415	413
Administrative expenses		<u>(245)</u>	<u>(199)</u>
Operating profit		170	214
Interest receivable and similar income	5	5	73
Interest payable and similar charges	6	<u>(10)</u>	<u>-</u>
Profit on ordinary activities before taxation	7	165	287
Tax on profit on ordinary activities	8	<u>(44)</u>	<u>(45)</u>
Profit for the financial year	13	<u>121</u>	<u>242</u>

All current and prior year amounts relate to continuing activities

There are no recognised gains or losses other than the profit (*2009 profit*) for the year reported above
There is also no difference between the profit (*2009 profit*) on ordinary activities before taxation and the profit (*2009 profit*) for the financial year stated above, and their historical cost equivalents

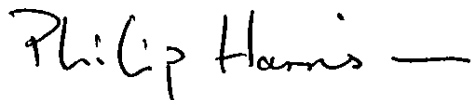
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Balance sheet

at 31 March 2010

	Notes	2010 £000	2009 £000
Current assets			
Debtors	9	519	127
Cash at bank and in hand		<u>2,428</u>	<u>2,393</u>
		2,947	2,520
Creditors amounts falling due within one year	10	<u>(920)</u>	<u>(626)</u>
Net current assets		<u>2,027</u>	<u>1,894</u>
Total assets less current liabilities		2,027	1,894
Provisions for liabilities and charges	11	<u>(24)</u>	<u>(17)</u>
Net assets		<u>2,003</u>	<u>1,877</u>
Capital and reserves			
Called up share capital	12	20	20
Capital reserve	13	9	4
Profit and loss account	13	<u>1,974</u>	<u>1,853</u>
Shareholder's funds	14	<u>2,003</u>	<u>1,877</u>

These financial statements were approved by the board of directors on 30 June 2010 and were signed on its behalf by



PJ Harrison
Director

VT Southern Careers Limited

Directors' report and financial statements

Notes

(forming part of 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

As explained in note 17 to the financial statements, the offer for the company's ultimate parent, VT Group plc, by Babcock International PLC ("Babcock") is expected to become unconditional on 8 July 2010. Accordingly, the company and the Group will be under the control of Babcock and, in particular, Babcock group's treasury arrangements. At 31 March 2010 the Group headed by VT Group plc ("the Group") had net cash and significant committed facilities. In the light of this and the company and the Group's financial projections, the directors consider that the company has adequate resources to continue in operational existence for the foreseeable future. However, following completion of the acquisition of VT Group plc by Babcock, the committed facilities may be cancelled and the Group's cash will be managed as a component of the treasury arrangements for the enlarged Babcock group. The directors of the company understand that Babcock has indicated to the directors of VT Group plc that it intends to provide financial support to VT Group plc and its subsidiaries at least for the period of twelve months from the date of completion of the transaction, to enable the Group to continue to trade and meet its liabilities as they fall due.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors consider it appropriate to continue to adopt the going concern basis in preparing these financial statements.

The financial statements have been prepared in accordance with applicable accounting standards under the historical cost accounting rules.

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 VT Group plc or other group undertakings, as the consolidated financial statements of VT 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. Turnover from services provided on a short-term or one-off basis is recognised when the service is complete.

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Directors' report and financial statements

Notes *(continued)*

1 Accounting policies *(continued)*

Fixed assets and depreciation

Depreciation is provided on tangible fixed assets at rates calculated to write off the cost less estimated residual value of each asset on a straight line basis over the expected useful life as follows

Office equipment	-	3-4 years
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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.

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.

Share based payments

The group share option programme allows employees to acquire shares of the parent company. The fair value of options granted after 7 November 2002 is 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 is 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 is 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.

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.

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Notes *(continued)*

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	
	2010	2009
Administration staff	2	4
Careers advisory staff	11	11
	13	15

The aggregate payroll costs of these persons were as follows

	2010	2009
	£000	£000
Wages and salaries	287	320
Share Based Payments	5	-
Social security costs	27	30
Other pension costs (<i>note 16</i>)	16	17
	335	367

4 Remuneration of directors

During the year none of the directors received remuneration for their services to the company as the services provided to the company are incidental to their wider role in the group (*2009 £nil*)

5 Interest receivable and similar income

	2010	2009
	£000	£000
Bank interest receivable	5	73

6 Interest payable and similar charges

	2010	2009
	£000	£000
Interest payable	10	-

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Notes *(continued)*

7 Profit on ordinary activities before taxation

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

	2010 £000	2009 £000
Sub lease income received	(20)	(30)
Operating lease rentals – plant & machinery	1	2
Operating lease rentals – other	24	(28)
Share Based Payments	5	-
<i>Auditors remuneration</i>		
Audit of these financial statements	<u>5</u>	<u>5</u>

Fees payable to the company's auditors, KPMG Audit Plc, and their associates, for services other than the statutory audit of the company, are disclosed on a consolidated basis in the consolidated financial statements of VT Group plc, the company's ultimate parent

8 Taxation

	2010 £000	2009 £000
<i>Current Tax</i>		
<i>UK corporation tax</i>		
Current tax on profit of the year	72	75
Adjustments in respect of prior years	<u>(2)</u>	<u>(1)</u>
Total current tax	<u>70</u>	<u>74</u>
<i>Deferred Tax</i>		
Origination and reversal of timing differences	(28)	(29)
Adjustments in respect of prior years	<u>2</u>	<u>-</u>
Total deferred tax	<u>(26)</u>	<u>(29)</u>
Tax on profit on ordinary activities	<u>44</u>	<u>45</u>

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Notes *(continued)*

8 Taxation *(continued)*

Factors affecting the tax charge for the current year

The current tax charge for the year is higher *(2009 lower)* than the standard rate of corporation tax in the UK of 28% *(2009 28%)*. The differences are explained below

	2010 £000	2009 £000
Profit on ordinary activities before tax	<u>165</u>	<u>287</u>
Profit on ordinary activities multiplied by standard rate in UK of 28% <i>(2009 28%)</i>	46	80
<i>Effects of</i>		
Difference between capital allowances and depreciation, and other timing differences	26	(5)
Adjustment to tax charge in respect of prior years	<u>(2)</u>	<u>(1)</u>
Current tax charge for the year	<u>70</u>	<u>74</u>

9 Debtors

	2010 £000	2009 £000
Trade debtors	182	12
Amounts owed by group undertakings	50	55
Other debtors	184	1
Deferred taxation	56	30
Prepayments and accrued income	<u>47</u>	<u>29</u>
	<u>519</u>	<u>127</u>

Deferred tax movements are

	Deferred taxation £000
At beginning of year	30
Credit during the year	<u>26</u>
At end of year	<u>56</u>

The deferred tax asset is analysed as follows

	2010 £000	2009 £000
Other timing differences	<u>56</u>	<u>30</u>

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Notes *(continued)*

10 Creditors: amounts falling due within one year

	2010	2009
	£000	£000
Trade creditors	147	68
Amounts owed to group undertakings	84	88
Other taxes and social security costs	99	161
Other creditors	313	78
Accruals and deferred income	277	231
	920	626

11 Provision for liabilities and charges

Provisions have been made to cover commitments relating to the cost of dilapidations to leasehold properties

	Dilapidations
	£000
At beginning of year	17
Created during the year	7
At end of year	24

12 Called up share capital

	2010	2009
	£000	£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,
- 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

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

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Notes *(continued)*

13 Reserves

	Capital reserve £000	Profit and loss account £000	Total reserves £000
At beginning of year	4	1,853	1,857
Capital contribution relating to share based payments	5	-	5
Profit for the year	-	121	121
At end of year	9	1,974	1,983

Capital reserve arises on contributions to share based payment schemes

Share based payments

Employees of the company participate in the following share plans operated by the ultimate parent company

Share option plans

The group operates two share option plans under which directors and other executives are eligible to participate at the discretion of the remuneration committee. Options are granted at market value, determined immediately before the grant.

Share options vest in equal tranches on the 3rd, 4th and 5th anniversaries of the date of the grant subject to achievement of a performance condition. The performance condition currently applying is real growth in earnings per share of at least 2% per annum over 3 consecutive years. These share options have a maximum life of 10 years.

On change of control (note 17), all outstanding awards are expected to vest in full.

Share incentive plan (SIP)

The group operates a SIP open to all employees. Under this plan employees are granted share options subject to the group meeting certain financial profit targets. Options are granted at the market value on date of the award and vest unconditionally if the employee remains in service for a period of 3 years from the date of the award. The contractual life of the options is 5 years and there are no cash settlement alternatives. The awards do not carry any dividend rights.

Employee Share Option Savings Plans (ESOP)

The group operates ESOP's for all eligible employees, whereby employees can save towards the exercise price payable for an award of share options. The exercise price of these options is set at 90% of the market value of the share price at the date of grant. Under awards granted by the group, the savings period is either 3 or 5 years. At the end of the savings period, the options vest and the option holders have a 6 month window in which to exercise their options.

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Notes (continued)

13 Reserves (continued)

The number and weighted average exercise price of share options are as follows

	2010		2009	
	Number of options	Weighted average exercise price (p)	Number of options	Weighted average exercise price (p)
Outstanding at beginning of year	1,080	-	2,174	261
Granted during the year	4,778	371	1,260	-
Transfers from group undertakings	1,977	401	-	-
Exercised during the year	(1,194)	410	(1,161)	261
Forfeited during the year	(133)	-	(1,193)	222
Outstanding at end of year	6,508	322	1,080	-

The weighted average share price at the date of exercise of share options exercised during the year was 577p (2009: 518p)

The options outstanding at the year end have an exercise price in the range of zero p to 497 7p and a weighted average contractual life of 2.2 years (2009: 2.3 years)

Share option valuation assumptions

The fair value of options granted, were measured using the Black-Scholes method for the share option plans and ESOP

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur

Compensation expense

	2010 £000	2009 £000
Equity settled share based payments	5	-

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Notes *(continued)*

14 Reconciliation of movements in shareholder's funds

	2010 £000	2009 £000
Profit for the financial year	121	242
Capital contribution relating to share based payments	<u>5</u>	<u>-</u>
Net addition to shareholder's funds	126	242
Opening shareholder's funds	<u>1,877</u>	<u>1,635</u>
Closing shareholder's funds	<u>2,003</u>	<u>1,877</u>

15 Commitments under operating leases

Annual commitments under non-cancellable operating leases are as follows

	2010		2009	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire				
Within one year	24	1	-	-
Within two to five years	-	-	48	-
Over five years	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>24</u>	<u>1</u>	<u>48</u>	<u>-</u>

16 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 latest full actuarial valuation on the Shipbuilding Industries Scheme was carried out at 31 March 2007 and was updated for accounting purposes to 2010 by a qualified independent actuary.

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Notes *(continued)*

16 Pension arrangements *(continued)*

The major assumptions used in these valuations were

	2010	2009
Discount rate	5.5%	6.7%
Expected rate of return on assets		
- Equities	8.0%	7.7%
- Corporate bonds	4.5%	6.7%
- Gilts	5.5%	4.2%
Future salary increases	4.8%	4.1%
Rate of increase in pensions in payment	3.6%	3.1%
Inflation rate	3.7%	3.2%

The net pension liability on the group wide pension scheme at 31 March 2010 was £64,765,000 (2009 £50,048,000). This represents the liability to VT Group plc as a whole and does not represent a liability to the company.

The pension charge for the year was £4,000 (2009 £12,000). At 31 March 2010, contributions amounting to £2,000 (2009 £2,000) were payable to the fund and are included in creditors.

The company also operated several defined contribution pension schemes. The pension cost charge for the year includes contributions payable by the company to these funds amounting to £4,000 (2009 £5,000). At 31 March 2010, contributions amounting to £1,000 (2009 £1,000) were payable to the funds and are included in creditors.

17 Events after the balance sheet date

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

The acquisition is expected to be completed in July 2010 with the VT Group plc shares being delisted from the London Stock Exchange and VT Group plc and its subsidiary undertakings becoming subsidiaries of Babcock. Following the acquisition by Babcock, the change of control may have an impact on the basis of preparation applied to certain of the company's assets and liabilities; however, there is no consequential impact on the financial statements for the year ended 31 March 2010. The impact on the financial statements in the year ending 31 March 2011 and beyond, if any, has not yet been determined although the immediate effect of the change in control of the Group is discussed in the basis of preparation.

18 Ultimate parent company

The company is a subsidiary undertaking of VT Support Services Limited, a company incorporated in Great Britain and registered in England and Wales.

The ultimate parent company is VT Group plc, a company incorporated in Great Britain and registered in England and Wales.

The largest group in which the results of the company are reported is that headed by VT Group plc. The consolidated financial statements are available to the public at that company's registered office of VT House, Grange Drive, Hedge End, Southampton, SO30 2DQ. No other financial statements include the results of the company.