

VT Fire Services Limited

Directors' report and financial statements

Registered number 3707192

31 March 2006

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VT Fire Services Limited
Directors' report and financial statements

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VT Fire Services Limited

Directors' report and financial statements

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2006.

Principal activity

The company's principal activity is the design, construction and maintenance of Fire Fighting Units for use in the provision of fire fighting training to the Royal Navy.

Business review

Key performance indicators:

	2006	2005
Turnover	£4.0m	£3.8m
Operating profit	£1.9m	£1.8m

During the year the main activity of the company was the maintenance of the Fire Fighting Training Units for the NRTA at Portsmouth and Plymouth through its sub-contract from Flagship Fire Fighting Training Ltd. As noted from the financial results above the business has traded in line with expectations. In addition to these financial measures, the company's performance is monitored by a variety of qualitative measures in terms of service delivery that can result in performance deductions. To date the level of performance deductions has remained below original expectations.

The key risk facing the company is maintaining high quality delivery to the client ensuring that the fire fighting training facilities is available as and when required. This is mitigated by ensuring that there is a close working relationship with the NRTA and a detailed maintenance schedule is in place based upon historical experience of managing similar contracts.

In addition the company is susceptible to interest fluctuations on long term borrowings. The company have managed this risk by the use of an interest rate swap to achieve a fixed rate borrowing.

The company has 15 years remaining of the original contract with the NRTA in respect of the operation of the facilities, providing visibility of future trading income.

Dividends

The directors do not recommend the payment of a dividend (2005: £Nil).

Directors

The directors who held office during the year were as follows:

CJ Cundy
SE Tarrant

CJ Cundy and SE Tarrant are directors of VT Group plc and their interests in the shares of that company and their rights to subscribe for shares of that company are shown in its directors' report.

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.

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Directors' report *(continued)*

Auditors

In accordance with section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



M P Jowett
Secretary

11 December 2006

VT Fire Services Limited

Directors' report and financial statements

Statement of directors' responsibilities in respect of the directors' report and the 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 the directors have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss 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 estimates that are reasonable and prudent;
- state whether applicable 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 proper accounting records that 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 1985. They have a 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.



KPMG Audit Plc

Dukes Keep

Marsh Lane

Southampton

Hampshire SO14 3EX

Independent auditors' report to the members of VT Fire Services Limited

We have audited the financial statements of VT Fire Services Limited for the year ended 31 March 2006 which comprise the profit and loss account, the balance sheet and related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 described in the statement of directors' responsibilities on page 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.



KPMG Audit Plc

Dukes Keep
Marsh Lane
Southampton
Hampshire SO14 3EX

Independent auditors' report to the members of VT Fire Services Limited (*continued*)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

KPMG Audit Plc

11 January 2007

KPMG Audit Plc
Chartered Accountants
Registered Auditor

VT Fire Services Limited
Directors' report and financial statements

Profit and loss account

for the year ended 31 March 2006

	Notes	2006 £000	2005 £000
Turnover	2	3,984	3,773
Operating costs		<u>(2,060)</u>	<u>(2,022)</u>
Operating profit		1,924	1,751
Interest receivable and similar income	4	258	199
Interest payable and similar charges	5	<u>(1,111)</u>	<u>(1,164)</u>
Profit on ordinary activities before taxation	6	1,071	786
Tax on profit on ordinary activities	7	<u>(373)</u>	<u>(278)</u>
Profit for the financial year	14	<u>698</u>	<u>508</u>

The above results all relate to continuing activities.

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

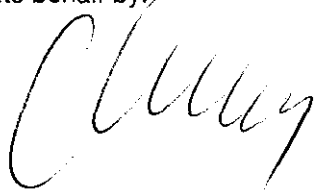
VT Fire Services Limited
Directors' report and financial statements

Balance sheet
at 31 March 2006

	Notes	2006 £000	2005 £000
Fixed assets			
Tangible assets	8	<u>12,239</u>	<u>13,183</u>
Current assets			
Debtors	9	<u>3,415</u>	<u>3,189</u>
Cash at bank and in hand		<u>5,928</u>	<u>4,978</u>
		9,343	8,167
Creditors: amounts falling due within one year	10	<u>(1,504)</u>	<u>(1,148)</u>
Net current assets		<u>7,839</u>	<u>7,019</u>
Total assets less current liabilities		20,078	20,202
Creditors: amounts falling due after more than one year	11	(15,443)	(16,269)
Provisions for liabilities and charges	12	<u>(1,976)</u>	<u>(1,972)</u>
Net assets		<u>2,659</u>	<u>1,961</u>
Capital and reserves			
Called up share capital	13	50	50
Profit and loss account	14	<u>2,609</u>	<u>1,911</u>
Shareholder's funds	15	<u>2,659</u>	<u>1,961</u>

These financial statements were approved by the board of directors on 11 December 2006 and were signed on its behalf by:

CJ Cundy
Director



VT Fire Services 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.

In these financial statements the following new standards have been adopted for the first time:

- FRS 21 'Events after the balance sheet date'; and
- FRS 28 'Corresponding amounts'.

The accounting policies under these new standards are set out below together with an indication of the effects of their adoption. FRS 28 'Corresponding amounts' has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985.

Basis of preparation

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

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. The provision of services over a long-term period are treated as construction contracts, and the turnover recognised as set out below.

Construction contracts

Turnover from construction contracts, including long-term service provision contracts, is recognised by reference to the stage of completion of the contract. The stage of completion is determined by the costs incurred on the contract to date, to the extent that such costs represent progress made on the project. A prudent level of profit attributable to the contract activity is recognised if the final outcome of such contracts can be reliably assessed. An expected loss on a contract is recognised immediately in the income statement.

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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 residual value of each asset on a straight line basis over the expected useful life as follows:

Leasehold land and buildings	-	20 years
Plant and machinery	-	3 – 20 years

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 for taxation and accounting purposes. Deferred taxation 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 FRS 19. 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

2 Analysis of turnover

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

3 Remuneration of directors

During the year and the previous year, the emoluments of the directors were borne by a fellow group company.

4 Interest receivable and similar income

	2006 £000	2005 £000
On bank deposits	<u>258</u>	<u>199</u>

5 Interest payable and similar charges

	2006 £000	2005 £000
Finance charges payable to fellow group undertaking	132	141
Interest on bank loan	<u>979</u>	<u>1,023</u>
	<u>1,111</u>	<u>1,164</u>

VT Fire Services Limited
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Notes *(continued)*

6 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2006 £000	2005 £000
Auditors remuneration - audit	6	6
Depreciation - owned tangible fixed assets	1,207	1,196

7 Taxation

	2006 £000	2005 £000
<i>Current tax</i>		
UK corporation tax on profits of the year	369	113
<i>Deferred tax</i>		
Origination and reversal of timing differences	4	95
Adjustments in respect of prior years	-	70
Total deferred tax charge	4	165
Tax on profit on ordinary activities	373	278

Factors affecting the tax charge for the current year

The current tax charge for the year is higher (2005: lower) than the standard rate of corporation tax in the UK of 30% (2005: 30%). The differences are explained below:

	2006 £000	2005 £000
Profit on ordinary activities before tax	1,071	786
Profit on ordinary activities multiplied by standard rate in UK of 30% (2004: 30%)	321	236
<i>Effects of:</i>		
Expenses not deductible for tax purposes	3	-
Depreciation on assets not qualifying for allowances	49	48
Difference between capital allowances and depreciation	(4)	(95)
Other timing differences	-	(76)
Current tax charge for the year	369	113

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Notes *(continued)*

8 Tangible assets

	Land and buildings £000	Plant and machinery £000	Total £000
Cost			
At beginning of year	7,970	10,565	18,535
Additions	<u>101</u>	<u>162</u>	<u>263</u>
At end of year	<u>8,071</u>	<u>10,727</u>	<u>18,798</u>
Depreciation			
At beginning of year	1,661	3,691	5,352
Charge for year	<u>402</u>	<u>805</u>	<u>1,207</u>
At end of year	<u>2,063</u>	<u>4,496</u>	<u>6,559</u>
Net book value			
At 31 March 2006	<u>6,008</u>	<u>6,231</u>	<u>12,239</u>
At 31 March 2005	<u>6,309</u>	<u>6,874</u>	<u>13,183</u>

9 Debtors

	2006 £000	2005 £000
Trade debtors	900	349
Amounts recoverable on contracts	575	556
Amounts owed by group undertakings	1,940	1,940
Other debtors	<u>-</u>	<u>344</u>
	<u>3,415</u>	<u>3,189</u>

10 Creditors: amounts falling due within one year

	2006 £000	2005 £000
Bank loan (secured – see note 11)	748	703
Amounts owed to group undertakings	148	80
Corporation tax	503	319
Accruals and deferred income	<u>105</u>	<u>46</u>
	<u>1,504</u>	<u>1,148</u>

11 Creditors: amounts falling due after more than one year

	2006 £000	2005 £000
Bank loan (secured)	13,819	14,567
Amounts owed to group undertakings	<u>1,624</u>	<u>1,702</u>
	<u>15,443</u>	<u>16,269</u>

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Notes *(continued)*

11 Creditors: amounts falling due after more than one year *(continued)*

The bank loan is secured by Barclays Bank plc via a fixed and floating charge over the shares and assets of VT Fire Services Limited.

	2006	2005
	£000	£000
Amounts due:		
In one year or less	748	703
In more than one year but not more than two years	796	748
In more than two years but not more than five years	2,711	2,547
In more than five years	10,312	11,272
	14,567	15,270

The bank loan is repayable by six-monthly capital and interest instalments and bears interest at a fixed rate of 6.45%. The loan is due to be repaid in full by 31 March 2019.

12 Provisions for liabilities and charges

	Deferred taxation £000
At beginning of year	1,972
Charge in year	4
At end of year	1,976

The deferred taxation liability is analysed as follows:

	2006	2005
	£000	£000
Accelerated capital allowances	1,976	1,972

13 Called up share capital

	2006	2005
	£000	£000
Authorised		
50,000 ordinary shares of £1 each	50	50
Allotted, called up and fully paid		
50,000 ordinary shares of £1 each	50	50

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Notes *(continued)*

14 Reserves

	Profit and loss account £000
At beginning of year:	1,911
Profit for the year	<u>698</u>
At end of year	<u>2,609</u>

15 Reconciliation of movements in shareholder's funds

	2006 £000	2005 £000
Profit for the financial year	<u>698</u>	<u>508</u>
Net addition to shareholder's funds	698	508
Opening shareholder's funds	<u>1,961</u>	<u>1,453</u>
Closing shareholder's funds	<u>2,659</u>	<u>1,961</u>

16 Related party transactions

During the year the company has entered into transactions, in the ordinary course of business, with Flagship Training Limited, a joint venture undertaking in which the company's intermediate parent holds a 50% share holding. Transactions entered into and trading balances outstanding at 31 March 2006 are as follows:

Related party	Sales to related party £000	Amounts owed by related party £000
Flagship Training Limited		
2006	3,984	900
2005	3,904	349

All dealings with related parties are conducted on an arm's length basis.

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Notes *(continued)*

17 Ultimate parent company

The company is a subsidiary undertaking of Vosper Thornycroft (UK) Limited, 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 Grange Drive, Hedge End, Southampton. No other financial statements include the results of the company.