
**Babcock Fire Training (Avonmouth)
Limited**

Annual report and financial statements

For the year ended 31 March 2013

Company registration number:

04168329

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Babcock Fire Training (Avonmouth) Limited

Company registration number: 04168329

Directors' report

The directors present their annual report and the audited financial statements of the Company, for the year ended 31 March 2013

Principal activities

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 Somerset and Avon and Gloucestershire Fire Brigades

Results and Dividends

The company's results for the year are set out in the profit and loss account on page 8 showing a profit for the financial year after tax of £93,000 (2012 £207,000) At 31 March 2013 the company had net liabilities of £2,131,000 (2012 £2,224,000)

No dividends were paid in the current or prior financial years and no final dividend is proposed

Review of Business

Key performance indicators

| | 2013 | 2012 |
|------------------|--------------|-------------|
| | £000 | £000 |
| Turnover | 2,842 | 2,921 |
| Operating profit | 825 | 935 |

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 operating profit margin is 29% (2012 32%) This is due to the decrease in training points used in the current year by the customer and fixed cost of sales

The interest charge for the year on long term inter-company funding amounted to £758,000 (2012. £780,000) resulting in a profit before tax of £72,000 (2012. £158,000)

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

The company has 15 years remaining of the original 25 year contract with the Fire Authority in respect of the operation of the facilities, providing visibility of future trading income

Future developments

The future outlook for the company is good and will continue in line with the financial model agreed at the contract inception

Babcock Fire Training (Avonmouth) Limited**Company registration number: 04168329****Directors' report**

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks and uncertainties. These are managed through the operational review process supplemented at Babcock International Group Plc "Group" level by independent challenge and review by the Group risk manager and the Audit and Risk Committee.

Babcock Group's key risks relate to successful delivery of projects and services in a timely fashion and to a technically proficient standard. As such the company employs a robust risk register process by contract to ensure that all key risks are identified, evaluated and ultimately managed as successfully as possible. Key risks are regularly reviewed by senior management and a weekly KPI system is used to enable prompt identification of issues.

Financial risks are discussed further below. The other key business risks and uncertainties affecting the company are considered to relate to overexposure to any one of our market sectors, the political and regulatory environment and the ability to recruit and retain quality staff. Further discussion of these risks and uncertainties, in the context of the group as a whole, is provided in the annual report of Babcock International Group PLC, which does not form part of this report.

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, interest rate risk, and price 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 Group 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 before sales are made. The company also monitors existing company accounts on an ongoing basis and takes appropriate action where necessary to minimise any potential credit risk. The main customer associated with Babcock Fire Training (Avonmouth) Limited is Gloucestershire County Council, Avon Fire Authority and Somerset County Council. 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 risk

The company has interest bearing assets in the form of cash balances, interest on which is at a variable rate. Intercompany borrowings are at a fixed rate and repayments are made according to an agreed schedule which is used to manage the cash balances to settle interest payments when they fall due. The company does not use derivative financial instruments to manage interest rate costs.

Foreign currency exchange rate risk

There is no foreign exchange risk to the company.

Babcock Fire Training (Avonmouth) Limited

Company registration number: 04168329

Directors' report

Price risk

Prices for the main contract have been set out for the duration of the life to vary in line with agreed indices. Third party prices are set using the prevailing market rate for an equivalent service in the local area.

Qualifying third party indemnity provisions

Under the company's respective Articles of Association, the directors of the Company are, and were during the year to 31 March 2013, 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.

Directors of the company

The directors who held office during the year and up to the date of signing the financial statements were as follows:

Graham Leeming
Franco Martinelli

Going concern

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company Babcock International Group PLC. The directors have received confirmation that Babcock Project Investments Limited, an intermediate holding company within the Babcock International Group PLC group, intends to support the company for at least one year after these financial statements are signed.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office. The company has dispensed with the requirement for an Annual General Meeting and the need to appoint auditors annually.

Disclosure of information to auditors

Each director, as at the date of this report, has confirmed that insofar as they are aware there is no relevant audit information (that is, information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of this information.

Babcock Fire Training (Avonmouth) Limited**Company registration number: 04168329****Directors' report**

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, 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 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.

On behalf of the Board on 4 November 2013



Graham Leeming
Director

Babcock Fire Training (Avonmouth) Limited**Company registration number: 04168329****Independent auditors' report**

Independent auditors' report to the members of Babcock Fire Training (Avonmouth) Limited

We have audited the financial statements of Babcock Fire Training (Avonmouth) Limited for the year ended 31 March 2013 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 on page 5 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 Directors' 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 2013 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

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.

Babcock Fire Training (Avonmouth) Limited

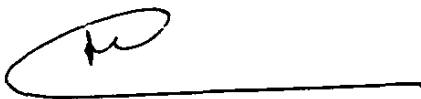
Company registration number: 04168329

Independent auditors' report (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



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

4 November 2013

Babcock Fire Training (Avonmouth) Limited**Company registration number: 04168329****Profit and loss account for the year ended 31 March 2013**

| | Notes | 2013 £000 | 2012 £000 |
|---|-------|--------------|--------------|
| Turnover | 2 | 2,842 | 2,921 |
| Cost of sales | | (2,009) | (1,978) |
| Gross profit | | 833 | 943 |
| Administrative expenses | | (8) | (8) |
| Operating profit | | 825 | 935 |
| Other interest receivable and similar income | 4 | 5 | 3 |
| Interest payable and similar charges | 5 | (758) | (780) |
| Profit on ordinary activities before taxation | 6 | 72 | 158 |
| Tax on profit on ordinary activities | 7 | 21 | 49 |
| Profit for the financial year | 14 | 93 | 207 |

The above results all relate to continuing activities

There are no recognised gains or losses other than the profit (2012. *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 (2012 *profit*) on ordinary activities before taxation and the profit (2012 *profit*) for the financial year stated above, and their historical cost equivalents.

Babcock Fire Training (Avonmouth) Limited

Company registration number: 04168329

Balance sheet as at 31 March 2013

| | Notes | 2013 £000 | 2012 £000 |
|---|-------|----------------|----------------|
| Fixed assets | | | |
| Tangible assets | 8 | <u>5,495</u> | <u>5,892</u> |
| Current assets | | | |
| Debtors | 9 | 21 | 50 |
| Cash at bank and in hand | | <u>1,423</u> | <u>1,088</u> |
| | | <u>1,444</u> | <u>1,138</u> |
| Creditors – amounts falling due within one year | 10 | <u>(772)</u> | <u>(671)</u> |
| Net current assets | | <u>672</u> | <u>467</u> |
| Total assets less current liabilities | | 6,167 | 6,359 |
| Creditors – amounts falling due after more than one year | 11 | (7,936) | (8,200) |
| Provisions for liabilities | 12 | <u>(362)</u> | <u>(383)</u> |
| Net liabilities | | <u>(2,131)</u> | <u>(2,224)</u> |
| Capital and reserves | | | |
| Called-up share capital | 13 | - | - |
| Profit and loss account | 14 | <u>(2,131)</u> | <u>(2,224)</u> |
| Total shareholders' deficit | 15 | <u>(2,131)</u> | <u>(2,224)</u> |

The financial statements on pages 8 to 16 were approved by the board of directors and signed on its behalf by



Graham Leeming
Director
4 November 2013

Babcock Fire Training (Avonmouth) Limited**Company registration number: 04168329****Notes to the financial statements**

1 Accounting policies***Basis of preparation***

These financial statements are prepared on the 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 principal accounting policies, which have been applied consistently throughout the year, are set out below.

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.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The project was entered into and a full financial model generated to support the company's agreement to provide services which covers inception to the end of the service life and demonstrates that the company will remain a going concern for the duration. The performance of the company has not deviated from this model. The directors have a formal letter of support from Babcock Project Investments Limited to confirm that the company and its subsidiaries will not seek repayment of amounts due for a period of 12 months from the date of approval of these financial statements unless the company generates sufficient cash flow from its operations to meet third party obligations as they fall due. Accordingly, the directors consider it appropriate to continue to adopt the going concern basis in preparing these financial statements.

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 is recognised by reference to the number of training points used by the customer, which is calculated according to the signed contractual agreement. Where the points used in the year fall below the contractual minimum level, this shortfall is billed and recognised as deferred revenue. These are only recognised as revenue if they are not used in the following three years, in accordance with schedule 5 of the contract.

Leasing

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

Babcock Fire Training (Avonmouth) Limited**Company registration number: 04168329****Notes to the financial statements**

1 Accounting policies (continued)***Tangible fixed assets and depreciation***

Tangible fixed assets are stated at historic cost less accumulated depreciation and any provision for impairment in value. Cost includes the original purchase price of the asset and the costs attributable to bring the asset to its working condition for its intended use.

Depreciation is provided on a straight line basis to write off the cost of all tangible fixed assets over their estimated useful lives or contract period if shorter, to their estimated residual value as follows:

| | |
|-------------------------------|---|
| Vehicles, plant and machinery | 2 to 25 years |
| Buildings | Over the term of the contract to which it relates |

Taxation

The charge for taxation is based on the result 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 tax is recognised without discounting, in respect of all timing differences between the treatment of certain tax 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. 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.

2. Turnover

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

3. Directors remuneration, staff numbers and costs

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.

There were no employees of the company during the current or prior year.

4. Other interest receivable and similar income

| | 2013 | 2012 |
|---------------------------|-------------|-------------|
| | £000 | £000 |
| Interest on bank deposits | <u>5</u> | <u>3</u> |

5. Interest payable and similar charges

| | 2013 | 2012 |
|---|-------------|-------------|
| | £000 | £000 |
| Finance charges payable to fellow group undertaking | <u>758</u> | <u>780</u> |

Babcock Fire Training (Avonmouth) Limited**Company registration number: 04168329****Notes to the financial statements (continued)**

6. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging

| | 2013 £000 | 2012 £000 |
|--|----------------------------|----------------------------|
| Depreciation – owned tangible fixed assets | 451 | 462 |
| Operating lease rentals – other | 114 | 114 |
| Auditors' remuneration | | |
| - audit fees | 4 | 4 |

No fees are paid to PricewaterhouseCoopers LLP, or its associates, 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 the ultimate parent undertaking, Babcock International Group PLC.

7. Tax on profit on ordinary activities

| | 2013 £000 | 2012 £000 |
|--|----------------------------|----------------------------|
| Current tax | | |
| UK Corporation tax on profit for the year | - | - |
| Current tax charge for the year | - | - |
| Deferred tax | | |
| Origination and reversal of timing differences | (6) | (18) |
| Adjustment in respect of prior years | - | 1 |
| Impact of change in UK tax rate | (15) | (32) |
| Tax on profit on ordinary activities | (21) | (49) |

Factors affecting the tax charge for the year

The tax assessed for the year is lower (2012: lower) than the standard effective rate of corporation tax in the UK for the year ended 31 March 2013 of 24% (2012: 26%). The differences are explained below

Babcock Fire Training (Avonmouth) Limited**Company registration number: 04168329****Notes to the financial statements (continued)**

7. Tax on profit on ordinary activities (continued)

| | 2013 | 2012 |
|--|--------------|--------------|
| | £000 | £000 |
| Profit on ordinary activities before tax | 72 | 158 |
| Tax on profit on ordinary activities at standard UK corporation tax rate of 24% (2012 26%) | 17 | 41 |
| Effects of | | |
| Timing differences | 6 | 18 |
| Expenses not deductible for tax purposes | 78 | 68 |
| Group relief for nil consideration | (101) | (127) |
| Current tax charge for the year | - | - |

Factors affecting future tax charges

A number of changes to the UK Corporation tax systems were announced in the March 2013 Budget Statement. Legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 is included in the Finance Act 2012. Further reductions to the main rate are proposed to reduce the rate to 21% from 1 April 2014 and to 20% from 1 April 2015. These further changes had not been substantively enacted at the balance sheet date and, therefore the impact is not included in these financial statements.

Babcock Fire Training (Avonmouth) Limited

Company registration number: 04168329

Notes to the financial statements (continued)**8. Tangible fixed assets**

| | Buildings £000 | Vehicles, plant and machinery £000 | Total £000 |
|-----------------------|-------------------|---|---------------|
| Cost | | | |
| At 1 April 2012 | 8,121 | 2,060 | 10,181 |
| Additions | - | 54 | 54 |
| At 31 March 2013 | 8,121 | 2,114 | 10,235 |
| Depreciation | | | |
| At 1 April 2012 | 2,922 | 1,367 | 4,289 |
| Charge for the year | 325 | 126 | 451 |
| At 31 March 2013 | 3,247 | 1,493 | 4,740 |
| Net book value | | | |
| At 31 March 2013 | 4,874 | 621 | 5,495 |
| At 31 March 2012 | 5,199 | 693 | 5,892 |

The assets of the fire training facility will, at the option of the Fire Authority, be transferred to that Authority at the end of the contract, subject to the agreement of compensating sums, where applicable, in accordance with the terms of that underlying contract

9. Debtors

| | 2013 £000 | 2012 £000 |
|------------------------------------|--------------|--------------|
| Amounts owed by group undertakings | 21 | 21 |
| Prepayments and accrued income | - | 29 |
| | 21 | 50 |

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

10. Creditors – amounts falling due within one year

| | 2013 £000 | 2012 £000 |
|--|--------------|--------------|
| Trade creditors | - | 29 |
| Amounts owed to group undertakings | 288 | 242 |
| Other creditors including taxation and social security | 68 | 6 |
| Accruals and deferred income | 416 | 394 |
| | 772 | 671 |

Babcock Fire Training (Avonmouth) Limited

Company registration number: 04168329

Notes to the financial statements (continued)**11. Creditors – amounts falling due after more than one year**

| | 2013 | 2012 |
|------------------------------------|--------------|--------------|
| | £000 | £000 |
| Amounts owed to group undertakings | <u>7,936</u> | <u>8,200</u> |

Amounts owed to group undertakings are due

| | 2013 | 2012 |
|---|--------------|--------------|
| | £000 | £000 |
| - in one year or less | 288 | 242 |
| - in more than one year but not more than two years | 289 | 265 |
| - in more than two years but not more than five years | 1,035 | 948 |
| - in more than five years | <u>6,612</u> | <u>6,987</u> |
| | <u>8,224</u> | <u>8,442</u> |

The amounts owed to group undertakings represent a trading balance of £23,000 (2012 £nil) and two loans totalling £8,201,000 (2012 £8,442,000). The loans are unsecured, repayable by six-monthly capital and interest repayments bearing interest at a fixed rate of 9.04%. The loans are due to be repaid in full by March 2026 and instalments commenced on 1 January 2011.

12. Provisions for liabilities

| | Deferred tax |
|---------------------------------------|---------------------|
| | £000 |
| At 1 April 2012 | 383 |
| Credit to the profit and loss account | <u>(21)</u> |
| At 31 March 2013 | <u>362</u> |

The deferred tax liability is analysed as follows

| | 2013 | 2012 |
|--------------------------------|-------------|-------------|
| | £000 | £000 |
| Accelerated capital allowances | <u>362</u> | <u>383</u> |

13. Called-up share capital

| | 2013 | 2012 |
|--|-------------|-------------|
| | £ | £ |
| Allotted, issued and fully paid | | |
| 1 (2012 1) ordinary shares of £1 each | <u>1</u> | <u>1</u> |

Babcock Fire Training (Avonmouth) Limited**Company registration number: 04168329****Notes to the financial statements (continued)**

14. Profit and loss account

| | £000 |
|-------------------------------|-----------------------|
| At 1 April 2012 | (2,224) |
| Profit for the financial year | <u>93</u> |
| At 31 March 2013 | <u>(2,131)</u> |

15. Reconciliation of shareholder's deficit

| | 2013 £000 | 2012 £000 |
|---------------------------------------|-----------------------|-----------------------|
| Profit for the financial year | <u>93</u> | <u>207</u> |
| Net increase to shareholder's deficit | 93 | 207 |
| Opening shareholder's deficit | <u>(2,224)</u> | <u>(2,431)</u> |
| Closing shareholder's deficit | <u>(2,131)</u> | <u>(2,224)</u> |

16. Commitments under operating leases

Annual commitments under non-cancellable operating leases are as follows

| | Land & buildings 2013 £000 | 2012 £000 |
|---|---|----------------------|
| Operating leases which expire After more than five years | <u>114</u> | <u>114</u> |

17. Cash at bank and in hand

Within the cash balance, £109,000 (2012 £109,000) is held in favour of the financiers, pursuant to the Financing agreements and withdrawals may only be made subject to any consent required from the Financiers

18. Ultimate parent undertaking

The Company's immediate parent Company is Babcock Project Investments Limited, a Company registered in England and Wales. The Company's ultimate parent Company and ultimate controlling party is Babcock International Group PLC, a Company registered in England and Wales. The only Group in which the results of the Company are consolidated is that headed by Babcock International Group PLC.

Copies of Babcock International Group PLC Financial Statements are available from the following address.

The Company Secretary
Babcock International Group PLC
33 Wigmore Street
London W1U 1QX