

**VT Fire Training
(Avonmouth) Limited**

**Directors' report and financial
statements**

Registered number 4168329

31 March 2010

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VT Fire Training (Avonmouth) Limited

Directors' report and financial statements

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VT Fire Training (Avonmouth) 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 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

Review of business

Key performance indicators:

	2010	2009
	£000	£000
Turnover	2,311	2,701
Operating profit	504	820

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 interest charge for the year on long term inter-company funding amounted to £814,000 (2009: £830,000) resulting in a loss before tax of £307,000 (2009: £17,000 profit).

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 18 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.

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 in note 1.

Dividends

The directors do not recommend the payment of a dividend (2009: *£nil*).

VT Fire Training (Avonmouth) Limited
Directors' report and financial statements

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

Directors

The directors who held office during the year were as follows

J Davies
PJ Harrison

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

25 June 2010

VT Fire Training (Avonmouth) 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 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 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 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.



KPMG Audit Plc

Dukes Keep
Marsh Lane
Southampton
Hampshire SO14 3EX

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

We have audited the financial statements of VT Fire Training (Avonmouth) 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.fic.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 loss 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

Dukes Keep
Marsh Lane
Southampton
Hampshire SO14 3EX

Independent auditors' report to the members of VT Fire Training (Avonmouth) 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
Dukes Keep
Marsh Lane
Southampton
Hampshire SO14 3EX

30 June 2010

VT Fire Training (Avonmouth) Limited
Directors' report and financial statements

Profit and loss account

for the year ended 31 March 2010

	Notes	2010 £000	2009 £000
Turnover	2	2,311	2,701
Cost of sales		<u>(1,797)</u>	<u>(1,871)</u>
Gross profit		514	830
Administrative expenses		<u>(10)</u>	<u>(10)</u>
Operating profit		504	820
Interest receivable and similar income	4	3	27
Interest payable and similar charges	5	<u>(814)</u>	<u>(830)</u>
(Loss)/profit on ordinary activities before taxation	6	(307)	17
Tax on loss/profit on ordinary activities	7	<u>19</u>	<u>(81)</u>
Loss for the financial year	14	<u>(288)</u>	<u>(64)</u>

The above results all relate to continuing activities

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

VT Fire Training (Avonmouth) Limited
Directors' report and financial statements

Balance sheet

at 31 March 2010

	Notes	2010 £000	2009 £000
Fixed assets			
Tangible assets	8	<u>6,745</u>	<u>7,118</u>
Current assets			
Debtors	9	126	40
Cash at bank and in hand		<u>815</u>	<u>757</u>
		941	797
Creditors amounts falling due within one year	10	<u>(1,484)</u>	<u>(1,243)</u>
Net current liabilities		<u>(543)</u>	<u>(446)</u>
Total assets less current liabilities		6,202	6,672
Creditors amounts falling due after more than one year	11	<u>(7,866)</u>	<u>(8,052)</u>
Provision for liabilities and charges	12	<u>(468)</u>	<u>(464)</u>
Net liabilities		<u>(2,132)</u>	<u>(1,844)</u>
Capital and reserves			
Called up share capital	13	-	-
Profit and loss account	14	<u>(2,132)</u>	<u>(1,844)</u>
Shareholder's deficit	15	<u>(2,132)</u>	<u>(1,844)</u>

These financial statements were approved by the board of directors on 25 June 2010 and were signed on its behalf by

PJ Harrison —

PJ Harrison
Director

VT Fire Training (Avonmouth) 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 UK generally accepted accounting principles using 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.

Leasing

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

VT Fire Training (Avonmouth) Limited **Directors' report and financial statements**

Notes *(continued)*

1 Accounting policies *(continued)*

Tangible fixed assets and depreciation

The cost of tangible fixed assets comprises the purchase price and any directly attributable costs incurred in acquiring the assets

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	-	Over the term of the lease
Plant and machinery	-	2– 25 years

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 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 Directors remuneration, staff numbers and costs

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)

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

4 Interest receivable and similar income

	2010 £000	2009 £000
On bank deposits	<u>3</u>	<u>27</u>

5 Interest payable and similar charges

	2010 £000	2009 £000
Finance charges payable to fellow group undertakings	<u>814</u>	<u>830</u>

VT Fire Training (Avonmouth) Limited
Directors' report and financial statements

Notes *(continued)*

6 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging.

	2010	2009
	£000	£000
Depreciation - owned tangible fixed assets	449	425
Operating lease rentals - other	100	100
<i>Auditors remuneration</i>		
Audit of these financial statements	5	4

No other fees are paid to the company auditors, KPMG Audit Plc and its associates, in respect of this company, other than the statutory audit of the company. Fees for other services are disclosed on a consolidated basis in the financial statements of the ultimate parent undertaking, VT Group plc.

7 Taxation

	2010	2009
	£000	£000
<i>Current tax</i>		
UK corporation tax on (loss)/profit for the year	(21)	61
Adjustment in respect of prior periods	(2)	-
Total current tax (credit)/charge	(23)	61
<i>Deferred tax</i>		
Origination and reversal of timing differences	12	20
Adjustment in respect of prior periods	(8)	-
Total deferred tax charge	4	20
Tax (credit)/charge on (loss)/profit on ordinary activities	(19)	81

Factors affecting the tax (credit)/charge for the current year

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

	2010	2009
	£000	£000
(Loss)/profit on ordinary activities before tax	(307)	17
(Loss)/profit on ordinary activities multiplied by standard rate in UK of 28% (2009 28%)	(86)	5
<i>Effects of</i>		
Depreciation on assets not qualifying for allowances	77	76
Difference between capital allowances and depreciation	(12)	(20)
Adjustments in respect of prior years	(2)	-
Current tax (credit)/charge for the year	(23)	61

VT Fire Training (Avonmouth) Limited
Directors' report and financial statements

Notes *(continued)*

8 Tangible assets

	Leasehold land and buildings £000	Plant and machinery £000	Total £000
Cost			
At beginning of year	8,121	1,908	10,029
Additions	-	76	76
At end of year	<u>8,121</u>	<u>1,984</u>	<u>10,105</u>
Depreciation			
At beginning of year	1,947	964	2,911
Charge for year	324	125	449
At end of year	<u>2,271</u>	<u>1,089</u>	<u>3,360</u>
Net book value			
At 31 March 2010	<u>5,850</u>	<u>895</u>	<u>6,745</u>
At 31 March 2009	<u>6,174</u>	<u>944</u>	<u>7,118</u>

The asset of the fire training facility shall, 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

	2010 £000	2009 £000
Amounts receivable from group undertakings	-	1
Prepayments and accrued income	<u>126</u>	<u>39</u>
	<u>126</u>	<u>40</u>

10 Creditors: amounts falling due within one year

	2010 £000	2009 £000
Amounts owed to group undertakings	1,004	1,126
Accruals and deferred income	<u>480</u>	<u>117</u>
	<u>1,484</u>	<u>1,243</u>

VT Fire Training (Avonmouth) Limited
Directors' report and financial statements

Notes *(continued)*

11 Creditors: amounts falling due after more than one year

	2010	2009
	£000	£000
Amounts owed to group undertakings	<u>7,866</u>	<u>8,052</u>

The amounts owed to group undertakings, represents two loans which are repayable by six-monthly capital and interest instalments totalling £1,000,000 per annum and bear interest at a fixed rate of 9.04%. The loans are due to be repaid in full by March 2026.

12 Provisions for liabilities and charges

	Deferred taxation £000
At beginning of year	464
Charge for the year	<u>4</u>
At end of year	<u>468</u>

The deferred taxation liability is analysed as follows

	2010	2009
	£000	£000
Accelerated capital allowances	<u>468</u>	<u>464</u>

13 Called up share capital

	2010	2009
	£	£
Allotted, called up and fully paid		
1 ordinary shares of £1 each	<u>1</u>	<u>1</u>

14 Reserves

	Profit and loss account £000
At beginning of year	(1,844)
Loss for the year	<u>(288)</u>
At end of year	<u>(2,132)</u>

VT Fire Training (Avonmouth) Limited
Directors' report and financial statements

Notes *(continued)*

15 Reconciliation of movements in shareholder's deficit

	2010 £000	2009 £000
Loss for the financial year	<u>(288)</u>	<u>(64)</u>
Net increase in shareholder's deficit	(288)	(64)
Opening shareholder's deficit	<u>(1,844)</u>	<u>(1,780)</u>
Closing shareholder's deficit	<u>(2,132)</u>	<u>(1,844)</u>

16 Commitments under operating leases

Annual commitments under non-cancellable operating leases are as follows

	Land & buildings 2010 £000	2009 £000
Operating leases which expire After more than five years	<u>100</u>	<u>100</u>

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 in note 1.

18 Ultimate parent company

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

The ultimate parent undertaking of the 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.