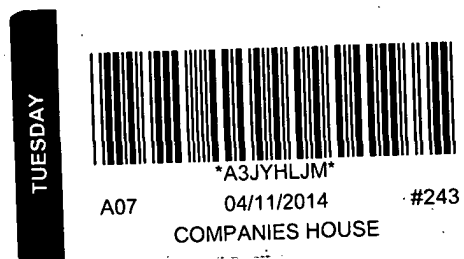

**Babcock Fire Training (Avonmouth)
Limited**

Annual report and financial statements

For the year ended 31 March 2014

Company registration number:

04168329



The directors present their strategic report for the year ended 31 March 2014.

Review of Business

Key performance indicators

	2014	2013
	£000	£000
Turnover	3,219	2,842
Operating profit	1,166	825

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 36% (2013: 29%). This is due to the increase 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 £735,000 (2013: £758,000) resulting in a profit on ordinary activities before taxation of £436,000 (2013: £72,000).

The key risk facing the company is maintaining high quality delivery to the client ensuring that the firefighting 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 14 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.

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.

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

Future developments

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

On behalf of the Board on 24 October 2014:

A handwritten signature in black ink, appearing to read 'G Leeming', with a long horizontal stroke extending to the right.

Graham Leeming
Director

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

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2014.

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 9 showing a profit for the financial year after tax of £486,000 (2013: £93,000). At 31 March 2014 the company had net liabilities of £1,645,000 (2013: £2,131,000).

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

Review of Business

Information on the review of business can be found in the Strategic report.

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes to price risk, credit risk, liquidity and interest rate cash flow risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company. Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors of Babcock are managed by the group finance department. The Babcock group has a policy and procedures manual that sets out guidelines to allow it to manage financial risks and this is applied by the company.

Price Risk

The company is exposed to a price risk as a result of its operations. This risk is mitigated by specific functions which assess pricing in respect of both selling and procurement activities.

Credit Risk

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

Liquidity Risk

The company has access to longer term funding from its ultimate parent undertaking if required as it is part of the Babcock International Group PLC overdraft facility. The company along with other group undertakings has provided cross guarantees in relation to this facility.

Interest Rate Cash Flow Risk

The company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied. 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.

Directors of the company

Babcock Fire Training (Avonmouth) Limited

Company registration number: 04168329

Directors' report

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

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report, 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.

Directors' protection

Under the Articles of Association, the directors of the company are, and were during the year to 31 March 2014, 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.

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

Disclosure of information to auditors

Each of the directors at the date of approval of this report, as shown on Page 5, confirm the following:

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

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.

On behalf of the Board on 26 October 2014:

A handwritten signature in black ink, appearing to read 'G Leeming', with a horizontal line extending from the end of the signature.

Graham Leeming
Director

Babcock Fire Training (Avonmouth) Limited

Company registration number: 04168329

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

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 March 2014 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by Babcock Fire Training (Avonmouth) Limited, comprise:

- the balance sheet as at 31 March 2014;
- the profit and loss account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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).

In applying the financial reporting framework, the directors have made a number of subjective judgments, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual report and financial statements (the "Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Babcock Fire Training (Avonmouth) Limited

Company registration number: 04168329

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

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out 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 ISAs (UK & 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.



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

24 October 2014

Babcock Fire Training (Avonmouth) Limited**Company registration number: 04168329****Profit and loss account for the year ended 31 March 2014**

	Notes	2014 £000	2013 £000
Turnover	2	3,219	2,842
Cost of sales		(2,044)	(2,009)
Gross profit		1,175	833
Administrative expenses		(9)	(8)
Operating profit		1,166	825
Other interest receivable and similar income	4	5	5
Interest payable and similar charges	5	(735)	(758)
Profit on ordinary activities before taxation	6	436	72
Tax on profit on ordinary activities	7	50	21
Profit for the financial year	14	486	93

The above results all relate to continuing activities.

There are no recognised gains or losses other than the profit (*2013: 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 (*2013: profit*) on ordinary activities before taxation and the profit (*2013: profit*) for the financial year stated above, and their historical cost equivalents.

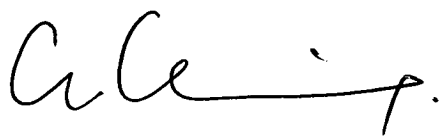
Babcock Fire Training (Avonmouth) Limited

Company registration number: 04168329

Balance sheet as at 31 March 2014

	Notes	2014 £000	2013 £000
Fixed assets			
Tangible assets	8	<u>5,270</u>	5,495
Current assets			
Debtors	9	35	21
Cash at bank and in hand		<u>1,536</u>	1,423
		<u>1,571</u>	1,444
Creditors – amounts falling due within one year	10	<u>(527)</u>	(772)
Net current assets		<u>1,044</u>	672
Total assets less current liabilities		6,314	6,167
Creditors – amounts falling due after more than one year	11	(7,647)	(7,936)
Provisions for liabilities	12	<u>(312)</u>	(362)
Net liabilities		<u>(1,645)</u>	(2,131)
Capital and reserves			
Called-up share capital	13	-	-
Profit and loss account	14	<u>(1,645)</u>	(2,131)
Total shareholders' deficit	15	<u>(1,645)</u>	(2,131)

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



Graham Leeming
Director
26 October 2014

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 other members of its group 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.

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

	2014	2013
	£000	£000
Interest on bank deposits	5	5

5. Interest payable and similar charges

	2014	2013
	£000	£000
Finance charges payable to fellow group undertaking	735	758

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:

	2014	2013
	£000	£000
Depreciation – owned tangible fixed assets	444	451
Operating lease rentals – other	119	114
Auditors' remuneration:		
- audit fees	5	4

No fees are paid to PricewaterhouseCoopers LLP, or its associates, in respect of this company, other than for 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

	2014	2013
	£000	£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	(3)	(6)
Adjustment in respect of prior years:	-	-
Impact of change in UK tax rate	(47)	(15)
Tax on profit on ordinary activities	(50)	(21)

Factors affecting the tax charge for the year

The tax assessed for the year is lower (2013: lower) than the standard effective rate of corporation tax in the UK for the year ended 31 March 2014 of 23% (2013: 24%). 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)**

	2014 £000	2013 £000
Profit on ordinary activities before taxation	436	72
Tax on profit on ordinary activities at standard UK corporation tax rate of 23% (2013: 24%)	100	17
Effects of:		
Timing differences	3	6
Expenses not deductible for tax purposes	75	78
Group relief for nil consideration	(178)	(101)
Current tax charge for the year	-	-

Factors affecting future tax charges

Legislation to reduce the main rate of corporation tax from 23% to 21% from 1 April 2014 was included in the Finance Act 2013. Further changes to the UK corporation tax system were announced in the March 2013 Budget Statement. These included further reductions to the main corporation rate from 21% to 20% by 1 April 2015. These further changes have been substantively enacted at the balance sheet date and, therefore, the impact is included in these financial statements. As a result of the above all deferred tax balances are restated at 20% at the balance sheet date.

8. Tangible fixed assets

	Buildings £000	Vehicles, plant and machinery £000	Total £000
Cost			
At 1 April 2013	8,121	2,114	10,235
Additions	-	219	219
At 31 March 2014	8,121	2,333	10,454
Depreciation			
At 1 April 2013	3,247	1,493	4,740
Charge for the year	325	119	444
At 31 March 2014	3,572	1,612	5,184
Net book value			
At 31 March 2014	4,549	721	5,270
At 31 March 2013	4,874	621	5,495

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.

Babcock Fire Training (Avonmouth) Limited

Company registration number: 04168329

Notes to the financial statements (continued)**9. Debtors**

	2014	2013
	£000	£000
Amounts owed by group undertakings	21	21
Prepayments and accrued income	14	-
	35	21

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

10. Creditors – amounts falling due within one year

	2014	2013
	£000	£000
Amounts owed to group undertakings	451	288
Taxation and social security	44	68
Accruals and deferred income	32	416
	527	772

11. Creditors – amounts falling due after more than one year

	2014	2013
	£000	£000
Amounts owed to group undertakings	7,647	7,936

Amounts owed to group undertakings are due:

	2014	2013
	£000	£000
- in one year or less	451	288
- in more than one year but not more than two years	314	289
- in more than two years but not more than five years	1,133	1,035
- in more than five years	6,200	6,612
	8,098	8,224

The amounts owed to group undertakings represent a trading balance of £162,000 (2013: £23,000) and two loans totalling £7,936,000 (2013: £8,201,000). 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 2013	362
Credit to the profit and loss account	<u>(50)</u>
At 31 March 2014	<u>312</u>

The deferred tax liability is analysed as follows:

	2014 £000	2013 £000
Accelerated capital allowances	<u>312</u>	<u>362</u>

13. Called-up share capital

	2014 £000	2013 £000
Allotted, issued and fully paid		
1 (2013: 1) ordinary shares of £1 each	<u>-</u>	<u>-</u>

14. Profit and loss account

	£000
At 1 April 2013	(2,131)
Profit for the financial year	<u>486</u>
At 31 March 2014	<u>(1,645)</u>

15. Reconciliation of shareholder's deficit

	2014 £000	2013 £000
Profit for the financial year	<u>486</u>	<u>93</u>
Net decrease to shareholders' deficit	<u>486</u>	<u>93</u>
Opening shareholders' deficit	<u>(2,131)</u>	<u>(2,224)</u>
Closing shareholders' deficit	<u>(1,645)</u>	<u>(2,131)</u>

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

16. Commitments under operating leases

Annual commitments under non-cancellable operating leases are as follows:

	Land & buildings	
	2014	2013
	£000	£000
Operating leases which expire:		
After more than five years	<u>119</u>	<u>114</u>

17. Cash at bank and in hand

Within the cash balance, £110,000 (2013: £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