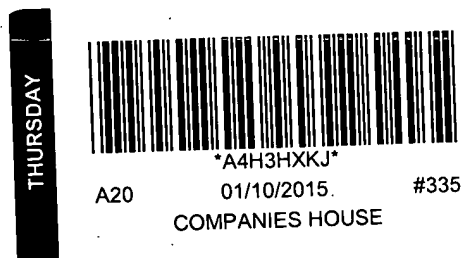

**Babcock Fire Training (Avonmouth)
Limited**

Annual report and financial statements

For the year ended 31 March 2015

Company registration number:

04168329



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

The directors present their strategic report for the year ended 31 March 2015.

Review of Business**Key performance indicators**

	2015	2014
	£000	£000
Turnover	2,877	3,219
Operating profit	838	1,166

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% (2014: 36%). 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 £711,000 (2014: £735,000) resulting in a profit on ordinary activities before taxation of £134,000 (2014: £436,000).

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 13 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.

Babcock Fire Training (Avonmouth) Limited

Company registration number: 04168329

Strategic report

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 18 September 2015:

A handwritten signature in black ink, appearing to read 'G. Leeming', with a stylized flourish at the end.

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 2015.

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 10 showing a profit for the financial year after tax of £144,000 (2014: £486,000). At 31 March 2015 the company had net liabilities of £1,501,000 (2014: £1,645,000).

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

The going concern basis of preparation has been applied to these accounts as explained in Note 1.

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.

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

Financial risk management (continued)*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

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 2015, 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.

Babcock Fire Training (Avonmouth) Limited

Company registration number: 04168329

Directors' report

Future developments

Refer to the strategic report for details of future developments.

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 18 September 2015:



Graham Leeming
Director

Report on the financial statements

Our opinion

In our opinion, Babcock Fire Training (Avonmouth) Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2015 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.

What we have audited

The financial statements comprise:

- the balance sheet as at 31 March 2015;
- the profit and loss account for the year then ended;
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report and financial statements, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements 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 judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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 International Standards on Auditing (UK and Ireland) ("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.

What an audit of financial statements involves

We conducted our audit in accordance with 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and financial statements 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.



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

22 September 2015

Babcock Fire Training (Avonmouth) Limited**Company registration number: 04168329****Profit and loss account for the year ended 31 March 2015**

	Notes	2015 £000	2014 £000
Turnover	2	2,877	3,219
Cost of sales		<u>(2,030)</u>	<u>(2,044)</u>
Gross profit		847	1,175
Administrative expenses		<u>(9)</u>	<u>(9)</u>
Operating profit		838	1,166
Interest receivable and similar income	4	7	5
Interest payable and similar charges	5	<u>(711)</u>	<u>(735)</u>
Profit on ordinary activities before taxation	6	134	436
Tax on profit on ordinary activities	7	<u>10</u>	<u>50</u>
Profit for the financial year	14	<u>144</u>	<u>486</u>

The above results all relate to continuing activities.

There are no recognised gains or losses other than the profit (*2014: 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 (*2014: profit*) on ordinary activities before taxation and the profit (*2014: 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 2015

	Notes	2015 £000	2014 £000
Fixed assets			
Tangible assets	8	<u>5,022</u>	<u>5,270</u>
Current assets			
Debtors	9	189	35
Cash at bank and in hand	17	<u>1,639</u>	<u>1,536</u>
		<u>1,828</u>	<u>1,571</u>
Creditors – amounts falling due within one year	10	<u>(716)</u>	<u>(527)</u>
Net current assets		<u>1,112</u>	<u>1,044</u>
Total assets less current liabilities		6,134	6,314
Creditors – amounts falling due after more than one year	11	(7,333)	(7,647)
Provisions for liabilities	12	<u>(302)</u>	<u>(312)</u>
Net liabilities		<u>(1,501)</u>	<u>(1,645)</u>
Capital and reserves			
Called-up share capital	13	-	-
Profit and loss account	14	<u>(1,501)</u>	<u>(1,645)</u>
Total shareholders' deficit	15	<u>(1,501)</u>	<u>(1,645)</u>

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



Graham Leeming
Director
18 September 2015

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

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. Interest receivable and similar income

	2015 £000	2014 £000
Interest on bank deposits	7	5

5. Interest payable and similar charges

	2015 £000	2014 £000
Finance charges payable to fellow group undertaking	711	735

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:

	2015 £000	2014 £000
Depreciation – owned tangible fixed assets	464	444
Operating lease rentals – other	134	119
Auditors' remuneration:		
- audit fees	5	5

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

	2015 £000	2014 £000
Current tax		
UK Corporation tax on profit for the year	-	-
Current tax charge for the year	-	-
Deferred tax charge	(1)	(3)
Adjustment in respect of prior years	(9)	-
Impact of change in UK tax rate	-	(47)
Tax on profit on ordinary activities	(10)	(50)

Factors affecting the tax charge for the year

The tax assessed for the year is lower (2014: lower) than the standard effective rate of corporation tax in the UK for the year ended 31 March 2015 of 21% (2014: 23%). 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)**

	2015 £000	2014 £000
Profit on ordinary activities before taxation	134	436
Tax on profit on ordinary activities at standard UK corporation tax rate of 21% (2014: 23%)	28	100
Effects of:		
Timing differences	1	3
Expenses not deductible for tax purposes	68	75
Group relief for nil consideration	(97)	(178)
Current tax charge for the year	-	-

Factors affecting future tax charges

On 2 July 2013, Finance Act 2013 was substantively enacted, reducing the main rate of UK corporation tax from 23% to 21% with effect from 1 April 2014 and to 20% from 1 April 2015. Closing deferred tax values have therefore been valued at 20% (2014: 20%).

On 8 July 2015 it was announced that the main rate of corporation tax in the UK would be reduced to 19% from 1 April 2017 and to 18% from 1 April 2020. As the changes had not been substantively enacted at the balance sheet date their effects are not included in these financial statements.

8. Tangible fixed assets

	Buildings £000	Vehicles, plant and machinery £000	Total £000
Cost			
At 1 April 2014	8,121	2,333	10,454
Additions	-	216	216
Disposal	-	(237)	(237)
At 31 March 2015	8,121	2,312	10,433
Accumulated Depreciation			
At 1 April 2014	3,572	1,612	5,184
Charge for the year	326	138	464
Disposal	-	(237)	(237)
At 31 March 2015	3,898	1,513	5,411
Net Book Value			
At 31 March 2015	4,223	799	5,022
At 31 March 2014	4,549	721	5,270

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

8. Tangible fixed assets (continued)

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

	2015	2014
	£000	£000
Trade debtors	81	-
Amounts owed by group undertakings	25	21
Prepayments and accrued income	83	14
	189	35

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

10. Creditors – amounts falling due within one year

	2015	2014
	£000	£000
Amounts owed to group undertakings	525	451
Taxation and social security	46	44
Accruals and deferred income	145	32
	716	527

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

	2015	2014
	£000	£000
Amounts owed to group undertakings	7,333	7,647

Total amounts owed to group undertakings are due:

	2015	2014
	£000	£000
- in one year or less	525	451
- in more than one year but not more than two years	345	314
- in more than two years but not more than five years	1,236	1,133
- in more than five years	5,752	6,200
	7,858	8,098

The amounts owed to group undertakings represent a trading balance of £211,000 (2014: £162,000) and two loans totalling £7,647,000 (2014: £7,936,000). 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 2014	312
Current year credit	(1)
Prior year adjustment	(9)
At 31 March 2015	302

The deferred tax liability is analysed as follows:

	2015 £000	2014 £000
Accelerated capital allowances	<u>302</u>	<u>312</u>

13. Called up share capital

	2015 £000	2014 £000
Allotted, issued and fully paid		
1 (2014: 1) ordinary shares of £1 each	<u>-</u>	<u>-</u>

14. Profit and loss account

	£000
At 1 April 2014	(1,645)
Profit for the financial year	<u>144</u>
At 31 March 2015	(1,501)

15. Reconciliation of shareholders' deficit

	2015 £000	2014 £000
Profit for the financial year	<u>144</u>	<u>486</u>
Net decrease to shareholders' deficit	144	486
Opening shareholders' deficit	<u>(1,645)</u>	<u>(2,131)</u>
Closing shareholders' deficit	(1,501)	(1,645)

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	
	2015	2014
	£000	£000
Operating leases which expire:		
After more than five years	134	119

17. Cash at bank and in hand

Within the cash balance, £110,000 (2014: £110,000) 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. Contingent liability

At the year end the company had guaranteed or had joint and several liability for drawn Babcock International Group PLC bank facilities of £nil (2014: £620.8 million) provided to certain group companies.

19. 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 the 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