

**VT Environmental Services
Limited**

**Directors' report and financial
statements**

Registered number 6122711

31 March 2010

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VT Environmental Services Limited
Directors' report and financial statements

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VT Environmental Services Limited

Directors' report and financial statements

The directors' report and the business review

The directors present their annual report and the audited financial statements of VT Environmental Services Limited for the year ended 31 March 2010

Principal activity

The principal activity of the company is the provision of environmental services for waste management and recycling. In addition the company acts as an intermediate holding company.

Business review

The results for the company show a loss before tax of £1,718,000 (2009: £4,968,000)

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.

Directors

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

P J Harrison
P J McIntosh (resigned 30 July 2009)

Dividends

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

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken, as a director, to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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Directors' report and financial statements

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

Auditors

With reference to note 16, 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 Environmental Services Limited

Directors' report and financial statements

Statement of directors' responsibilities in respect of the directors' report and 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

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

We have audited the financial statements of VT Environmental Services 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.frc.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

Independent auditors' report to the members of VT Environmental Services 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

30 June 2010

Dukes Keep
Marsh Lane
Southampton
SO14 3EX

VT Environmental Services Limited
Directors' report and financial statements

Profit and loss account
for the year ended 31 March 2010

	Notes	2010 £000	2009 £000
Administrative expenses		<u>(191)</u>	<u>(1,107)</u>
Operating loss		(191)	(1,107)
Interest payable	4	<u>(1,527)</u>	<u>(3,861)</u>
Loss on ordinary activities before taxation	5	(1,718)	(4,968)
Tax on loss on ordinary activities	6	<u>338</u>	<u>1,391</u>
Loss for the financial year	12	<u>(1,380)</u>	<u>(3,577)</u>

The above results for the current year and the prior period, 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 loss) on ordinary activities before taxation and the loss (2009 loss) for the financial year stated above, and their historical cost equivalents

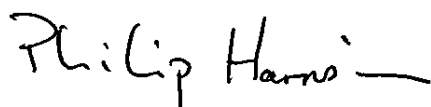
VT Environmental Services Limited
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Balance sheet

at 31 March 2010

	Notes	2010 £000	2009 £000
Fixed assets			
Investments	7	<u>41,136</u>	<u>41,136</u>
Current assets			
Debtors	8	<u>348</u>	<u>1,771</u>
		<u>348</u>	<u>1,771</u>
Creditors amounts falling due within one year	9	<u>(1,950)</u>	<u>(1,993)</u>
Net current liabilities		<u>(1,602)</u>	<u>(222)</u>
Total assets less current liabilities		39,534	40,914
Creditors: amounts falling due after more than one year	10	<u>(45,000)</u>	<u>(45,000)</u>
Net liabilities		<u>(5,466)</u>	<u>(4,086)</u>
Capital and reserves			
Called up share capital	11	-	-
Profit and loss account	12	<u>(5,466)</u>	<u>(4,086)</u>
Shareholders' deficit	13	<u>(5,466)</u>	<u>(4,086)</u>

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



P J Harrison
Director

VT Environmental Services Limited

Directors' report and financial statements

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

Basis of preparation

The financial statements have been prepared in accordance with UK generally accepted accounting principles using the historical cost accounting convention

The company is exempt by virtue of s400(1) of the Companies Act 2006 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

As explained in Note 16 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. In the event that the acquisition by Babcock did not occur the company's parent, VT Group plc, has confirmed that it will provide such financial and other support as is necessary to enable the company to trade for the foreseeable future.

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.

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 (see note 15).

Valuation of investments

Investments held as fixed assets are stated at cost less provision for impairment in value.

VT Environmental Services Limited
Directors' report and financial statements

Notes *(continued)*

1 Accounting policies *(continued)*

Taxation

The charge for taxation is based on the profit or loss 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 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 Staff costs

The average number of persons employed by the company (including directors) during the year was as follows

	Number of employees	
	2010	2009
Management	1	2
Administration	-	1
	<u>1</u>	<u>3</u>

The aggregate payroll costs of these persons were as follows

	2010	2009
	£000	£000
Wages and salaries	83	258
Social security costs	12	61
Other pension costs	24	72
	<u>119</u>	<u>391</u>

3 Remuneration of directors

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)

4 Interest payable

	2010	2009
	£000	£000
Interest on bank borrowings	39	184
Interest payable to group undertakings	<u>1,488</u>	<u>3,677</u>
	<u>1,527</u>	<u>3,861</u>

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Notes *(continued)*

5 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging

	2010	2009
	£000	£000
Auditors' remuneration - audit fees	11	10

No other fees are paid to KPMG Audit Plc 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.

6 Taxation

	2010	2009
	£000	£000
<i>Current tax</i>		
Current tax credit on loss for the year	(481)	(1,391)
Adjustment in respect of prior years	143	-
Tax credit on loss on ordinary activities	(338)	(1,391)

Factors affecting the tax charge for the current year

The current tax credit for the year is lower *(2009 equal)* to the standard rate of corporation tax in the UK of 28% *(2009: 28%)*.

	2010	2009
	£000	£000
Loss on ordinary activities before tax	(1,718)	(4,968)
Loss on ordinary activities multiplied by standard rate in UK of 28% <i>(2009: 28%)</i>	(481)	(1,391)
<i>Effects of</i>		
Adjustment to tax charge in respect of prior years	143	-
Current tax credit for the year	(338)	(1,391)

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Notes *(continued)*

7 Investments

	2010	2009
	£000	£000
Cost		
Investment in subsidiary undertakings	<u>41,136</u>	<u>41,136</u>

The company has the following interests in subsidiary undertakings

Company	Shareholding	Principal activity
VT Nuclear Services Ltd	100%	Technical and engineering consultancy to UK and foreign nuclear industries
VT Environmental Engineering Ltd	100%	Manage waste recycling facilities

Both the investment companies are incorporated in Great Britain

8 Debtors

	2010	2009
	£000	£000
Amounts owed by group undertakings	346	1,704
VAT receivable	2	8
Other debtors	<u>-</u>	<u>59</u>
	<u>348</u>	<u>1,771</u>

9 Creditors: amounts falling due within one year

	2010	2009
	£000	£000
Bank overdraft	1,935	1,845
Accruals & deferred income	14	16
Amounts owed to group undertakings	<u>1</u>	<u>132</u>
	<u>1,950</u>	<u>1,993</u>

VT Environmental Services Limited
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Notes *(continued)*

10 Creditors: amounts falling due after more than one year

	2010	2009
	£000	£000
Amounts owed to group undertakings	<u>45,000</u>	<u>45,000</u>

This loan is due for repayment on 17 January 2013. Interest on the outstanding balance is calculated daily based on 6 month LIBOR plus a variable margin depending on the amount of the facility drawn down and at 31 March 2010 is 2%.

11 Called up share capital

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

12 Reserves

	Profit and loss account £000
At beginning of year	(4,086)
Loss for the year	(1,380)
At end of year	<u>(5,466)</u>

13 Reconciliation of movements in shareholders' deficit

	2010	2009
	£000	£000
Loss on ordinary activities after taxation	<u>(1,380)</u>	<u>(3,577)</u>
Net increase in shareholders' deficit	(1,380)	(3,577)
Opening shareholders' deficit	<u>(4,086)</u>	<u>(509)</u>
Closing shareholders' deficit	<u>(5,466)</u>	<u>(4,086)</u>

VT Environmental Services Limited

Directors' report and financial statements

Notes *(continued)*

14 Pension arrangements

The company is a member of a larger group wide pension scheme providing benefits based on final pensionable pay. The company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits', the scheme has been accounted for, in these financial statements as if the scheme was a defined contribution scheme.

The latest full actuarial valuation was carried out at 31 March 2007 and was updated for accounting purposes to 2010 by a qualified independent actuary. The pension charge in respect of the defined benefit scheme for the year was £24,000 (2009 £72,000). Contributions totalling £nil (2009 £5,904) were payable to the fund at the year end and are included in creditors.

The net pension liability on the group wide pension scheme at 31 March 2010 was £64,765,000 (2009 £50,048,000), this represents the liability to VT Group plc as a whole and does not represent a liability to the company.

15 Ultimate parent company

The company is a subsidiary undertaking of 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.

16 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.