

VT Critical Services Limited

Directors' report and financial statements

Registered number SC046710

31 March 2009

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VT Critical Services Limited
Directors' report and financial statements

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VT Critical 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 for the year ended 31 March 2009.

Principal activity

The principal activity of the company is the provision of maintenance and fleet management support services.

The principal risk of the company is maintenance risk. The company provides maintenance in consideration for fixed contracted amounts from its customers during the contract life. The company bears the risk that related costs will be different to those initially anticipated. The company monitors projected maintenance activities and related costs through the useful economic life of the assets, enabling any risk to be minimised.

Business review

	2009	2008
	£000	£000
Turnover	58,835	56,154
Operating profit / (loss)	(1,325)	(1,425)

The company has built upon the organisational changes of the previous year and made solid progress in terms of business growth and underlying contract profitability. The profitability of the company was impacted however, by the inclusion of a non-recurring charge in respect of the impact on the company of a reorganisation and restructuring across the VT Group.

All 3 sectors of the company (Airside, Metropolitan Police Service and Fire & Marine) performed in line with expectations. In addition, the company won the 16 year contract let by the government procurement body Firebuy, for the service provision to the New Dimensions contract. This service commenced in October 2008 and was a significant contract win that pushes the VT brand further into the Emergency Services sector.

The Airside business further consolidated its position in 2008 following the move of British Airways to Terminal 5 at Heathrow. Although British Airways (BA) experienced a number of problems in making this move, VT's role in helping BA move was very successful and the business continued to provide good service to BA throughout. In the latter part of the year (and as expected and planned), BA began to consolidate their equipment at Heathrow as a result of the T5 move. This has resulted in the Airside business contracting by about 15% on an ongoing basis.

The contracts with the Metropolitan Police Service and within the Fire & Marine sector continued to perform well and meet the service expectations of their customers. The existing facilities management contract with the London Fire Brigade was re-let during the year and VT won this tender.

Management uses all relevant financial information in operating the company's contracts and in controlling its cost base. Individual contracts have key performance indicators (KPIs) integrated into their terms and conditions. These KPIs are normally based on two basic principles, being response and availability. Response means how quickly the company meets the needs of customers and their assets when those assets become unserviceable. The principle of availability typically measures the amount of time that a customer asset or fleet is unserviceable. These KPIs are at the heart of the company's activities and customer satisfaction and as such they are monitored by management on a regular basis.

VT Critical Services Limited

Directors' report and financial statements

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

In the last year the company has continued to maintain the high levels of service KPIs to its customers and, in many cases, improve to the best performance ever over the lives of the different contracts. The KPI performance levels in both the Airside and Metropolitan Police contracts in particular have remained high and at levels that the customer is very satisfied with.

The company's business is susceptible to individual contract performance, particularly where contracts carry pre-determined rebate levels in potential cases of under-achievement. The directors manage this risk by maintaining regular discussions with the relevant customers and controlling both direct and indirect expenditure as necessary.

The company's ongoing commitment to customer satisfaction and its current contract base ensure that the future prospects of the business are good. Opportunities within the Emergency Services and Airside sectors continue to be pursued in order to further strengthen the VT brand.

Dividends

The directors do not recommend the payment of a dividend (2008: £nil).

Directors and directors' interests

The directors of the company during the year were as follows:

J Davies
PJ Harrison

Creditor payment policy

The company is responsible for agreeing the terms and conditions under which business transactions with suppliers are conducted. It is company policy that payments to suppliers are made in accordance with these terms, provided that the supplier is also complying with all the relevant terms and conditions. It is the company's policy not to formally follow any code or standard on payment practice.

The number of days' purchases outstanding for payment by the company at the year end was 23 days (2008: 30 days).

Fixed assets

The company's freehold properties were last valued in May 1994 at open market value on the basis of existing use. This valuation has not been incorporated in the financial statements as the directors consider there is no permanent diminution in the value of the properties.

Charitable and political donations

During the year the company made no charitable (2008: £2,752) or political (2008: £nil) donations.

Employment policies

The development of employee involvement in the company's business is kept under regular review and the directors are committed to encouraging greater involvement of all employees. Formal and informal briefing of employees takes place as appropriate.

The company takes all reasonable steps to ensure that all employment conditions are applied regardless of sex, race, colour, ethnic background, religion or disability.

VT Critical Services Limited
Directors' report and financial statements

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

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

A resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board


MP Jowett
Secretary

28 October 2009

VT Critical Services Limited
Directors' report and financial statements

Statement of directors' responsibilities in respect of the director's 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).

The financial statements are required by law to 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 proper accounting records that 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 1985. They have a 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 Critical Services Limited

We have audited the financial statements of VT Critical Services Limited for the year ended 31 March 2009 which comprise the profit and loss account, the balance sheet and related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.



KPMG Audit Plc

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Marsh Lane
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Independent auditors' report to the members of VT Critical Services Limited
(continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2009 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

P. October 2009

VT Critical Services Limited
Directors' report and financial statements

Profit and loss account
for the year ended 31 March 2009

	Notes	2009 £000	2008 £000
Turnover	2	58,835	56,154
Staff costs	3	(27,593)	(25,524)
Raw materials and other operating charges		(30,297)	(30,684)
Reorganisation and restructuring costs	5	(1,030)	-
Amortisation of intangible fixed assets	8	(190)	(142)
Depreciation of tangible fixed assets	8	(1,050)	(1,229)
Operating (loss)		(1,325)	(1,425)
Interest receivable and similar income	6	1,368	1,696
Amounts written off investments	8	-	(617)
Interest payable and similar charges	7	-	(77)
Profit / (loss) on ordinary activities before taxation	8	43	(423)
Tax on profit / (loss) on ordinary activities	9	(18)	(537)
Profit / (loss) for the financial year	18	25	(960)

The above results all relate to continuing activities.

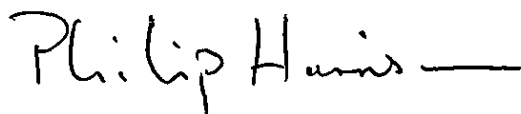
There are no recognised gains or losses other than the profit (2008: loss) for the year reported above. There is also no difference between the profit (2008: loss) on ordinary activities before taxation and the profit (2008: loss) for the financial year stated above, and their historical cost equivalents.

VT Critical Services Limited
Directors' report and financial statements

Balance sheet
at 31 March 2009

	Notes	2009 £000	2008 £000
Fixed assets			
Intangible assets	10	2,026	1,789
Tangible assets	11	10,463	10,828
Investments	12	-	-
		<u>12,489</u>	<u>12,617</u>
Current assets			
Stocks	13	170	219
Debtors	14	25,282	24,678
Cash at bank and in hand		<u>9,047</u>	<u>4,762</u>
		34,499	29,659
Creditors: amounts falling due within one year	15	<u>(23,396)</u>	<u>(19,705)</u>
Net current assets		<u>11,103</u>	<u>9,954</u>
Total assets less current liabilities		23,592	22,571
Provisions for liabilities and charges	16	<u>(2,923)</u>	<u>(2,051)</u>
Net assets		<u>20,669</u>	<u>20,520</u>
Capital and reserves			
Called up share capital	17	19,908	19,908
Capital reserve	18	269	145
Profit and loss account	18	<u>492</u>	<u>467</u>
Shareholders' funds	19	<u>20,669</u>	<u>20,520</u>

These financial statements were approved by the board of directors on 28 October 2009 and were signed on its behalf by:



PJ Harrison
Director

VT Critical 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 convention. The company is exempt by virtue of S228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

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.

Intangible fixed assets and amortisation

Development costs represent the initial investment in bidding contracts (post the point at which the company becomes the preferred bidder on any contract) and bringing them to contract signature and then commencing them.

It is the company's policy to amortise development costs on a straight line basis over the life of the contract to which the costs relate.

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on the purchase of contracts in respect of acquisitions since 1 January 1998 is capitalised. This goodwill is amortised to nil by equal annual instalments over its estimated useful life.

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.

Freehold and long leasehold land is not depreciated. Depreciation on property and equipment is provided on a straight line basis over the estimated useful lives as follows:

Freehold buildings	- 25 to 50 years
Vehicles	- 3 to 10 years
Computer peripherals, furniture, fittings, plant and equipment	- 3 to 7 years
Development of computer software and contract related assets	- 5 to 10 years

VT Critical Services Limited
Directors' report and financial statements

Notes *(continued)*

1 Accounting policies *(continued)*

Leases

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

Pension costs

The company participates in a group wide pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting year.

The company also operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profit represents the contributions payable to the scheme in respect of the accounting year.

Stocks

Stock is stated at the lower of cost and net realisable value. Cost includes all expenditure incurred in acquiring the stocks and bringing them to their current location and condition.

Turnover and Long term contracts

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the turnover can be reliably measured. The vast majority of the company's contracts are period costed; turnover and costs are recognised in the period and, where appropriate, accruals are made to match turnover and cost to the period in which they relate. Where appropriate, the amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years.

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

Onerous Contracts

Where any contract is foreseen to be loss making over its life then a provision is made for such loss at that point.

VT Critical Services Limited
Directors' report and financial statements

Notes *(continued)*

1 Accounting policies *(continued)*

Taxation

The charge for taxation is based on the profit 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.

Share based payments

The group share option programme allows employees to acquire shares of the parent company. The fair value of options granted after 7 November 2002 is recognised as an employee expense with a corresponding increase in equity, in the form of a parent company capital contribution. The fair value of the options granted is measured using an option pricing model, taking into consideration the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

2 Turnover

Turnover is substantially attributable to the principal activity of the company and arises solely within the United Kingdom. The analysis of turnover is as follows:

	2009	2008
	£000	£000
Property rental income	113	-
Maintenance and fleet management support services	58,722	56,154
	58,835	56,154

3 Staff numbers and costs

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

	Number of employees	
	2009	2008
Management and administration	108	97
Operations	540	511
	648	608

VT Critical Services Limited
Directors' report and financial statements

Notes *(continued)*

3 Staff numbers and costs *(continued)*

The aggregate payroll costs of these persons were as follows:

	2009 £000	2008 £000
Wages and salaries	20,875	20,178
Share based payments	124	92
Social security costs	1,900	2,185
Other pension costs <i>(note 22)</i>	4,694	3,069
	<u>27,593</u>	<u>25,524</u>

4 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 *(2008: £nil)*.

5 Reorganisation and restructuring costs

	2009 £000	2008 £000
Reorganisation and restructuring costs	<u>1,030</u>	<u>-</u>

The results for the year include a non-recurring charge in respect of the impact on the company of a reorganisation and restructuring across the VT Group.

6 Interest receivable and similar income

	2009 £000	2008 £000
Inter-company interest charged to fellow group undertakings	1,228	1,082
On bank deposits	<u>140</u>	<u>614</u>
	<u>1,368</u>	<u>1,696</u>

7 Interest payable and similar charges

	2009 £000	2008 £000
Interest on bank borrowings	-	61
Other interest	<u>-</u>	<u>16</u>
	<u>-</u>	<u>77</u>

VT Critical Services Limited
Directors' report and financial statements

Notes *(continued)*

8 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging / (crediting):

	2009	2008
	£000	£000
Operating lease rentals		
- plant and machinery	255	285
- other	314	103
Rent receivable from land and buildings	(113)	(113)
Loss on disposal of fixed assets	24	-
Depreciation of tangible fixed assets - owned	1,050	1,229
Diminution in investments	-	617
Amortisation of intangible fixed assets	190	142
	<hr/>	<hr/>
<i>Auditors' remuneration:</i>		
Audit of these financial statements	40	15
	<hr/>	<hr/>

No other fees are paid to KPMG Audit Plc in respect of this company other than the statutory audit of the company. Fees payable to the company's auditors other than the statutory audit of the company are disclosed on a consolidated basis in the consolidated financial statements of the company's ultimate parent.

9 Taxation

	2009	2008
	£000	£000
<i>Current tax</i>		
UK corporation tax on profit / (loss) for the year	117	(24)
Adjustments in respect of prior years	465	-
	<hr/>	<hr/>
Total current tax (credit) / charge	582	(24)
	<hr/>	<hr/>
<i>Deferred tax</i>		
Origination and reversal of timing differences	(26)	165
Adjustments in respect of prior years arising on ACA's	(538)	396
	<hr/>	<hr/>
Total deferred tax (credit) / charge	(564)	561
	<hr/>	<hr/>
Tax charge on profit on ordinary activities	18	537
	<hr/>	<hr/>

VT Critical Services Limited
Directors' report and financial statements

Notes *(continued)*

9 **Taxation** *(continued)*

Factors affecting the tax charge for the current year

The current tax charge for the year is higher (2008: higher) than the standard rate of corporation tax in the UK of 28% (2008: 30%). The differences are explained below:

	2009 £000	2008 £000
Profit/ (loss) on ordinary activities before tax	<u>43</u>	<u>(423)</u>
Profit/ (loss) on ordinary activities multiplied by standard rate in UK of 28% (2008: 30%)	12	(127)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	52	244
Difference between capital allowances and depreciation	(190)	(128)
Other timing differences	243	(13)
Adjustments in respect of prior years (arising on FY 2007)	<u>465</u>	<u>-</u>
Current tax charge / (credit)	<u>582</u>	<u>(24)</u>

10 **Intangible fixed assets**

	Development costs £000	Goodwill £000	Total £000
Cost			
At beginning of year	-	1,931	1,931
Additions	-	-	-
Transfers between items	<u>598</u>	<u>-</u>	<u>598</u>
At end of year	<u>598</u>	<u>1,931</u>	<u>2,529</u>
Amortisation			
At beginning of year	-	142	142
Charge for year	48	142	190
Transfers between items	<u>171</u>	<u>-</u>	<u>171</u>
At end of year	<u>219</u>	<u>284</u>	<u>503</u>
Net book value			
At 31 March 2009	<u>379</u>	<u>1,647</u>	<u>2,026</u>
At 31 March 2008	<u>-</u>	<u>1,789</u>	<u>1,789</u>

During the year a reclassification exercise of fixed assets resulted in the movement of tangible fixed assets to intangible fixed assets as shown above.

VT Critical Services Limited
Directors' report and financial statements

Notes *(continued)*

11 Tangible fixed assets

	Freehold land £000	Freehold buildings £000	Motor vehicles £000	Assets under course of construction £000	Equipment, fixtures & fittings £000	Total £000
Cost						
At beginning of year	3,249	4,093	1,860	24	4,829	14,055
Additions	-	-	148	666	349	1,163
Transfers between items	-	-	72	-	(670)	(598)
Disposals	-	-	(129)	-	(147)	(276)
At end of year	3,249	4,093	1,951	690	4,361	14,344
Depreciation						
At beginning of year	-	711	737	-	1,779	3,227
Charge for year	-	126	272	-	652	1,050
Transfers between items	-	-	100	-	(271)	(171)
Disposals	-	-	(184)	-	(41)	(225)
At end of year	-	837	925	-	2,119	3,881
Net book value						
At 31 March 2009	3,249	3,256	1,026	690	2,242	10,463
At 31 March 2008	3,249	3,382	1,123	24	3,050	10,828

12 Investments

	Shares in group undertakings £000
Cost	
At beginning of year	31,103
Transfers	-
At end of year	31,103
Provisions	
At beginning of year	31,103
Charge	-
At end of year	31,103
Net book value	
At 31 March 2009	-
At 31 March 2008	-

VT Critical Services Limited
Directors' report and financial statements

Notes *(continued)*

12 Investments *(continued)*

The principal subsidiary undertakings are shown below:

Company	Principal activity	Class of share	Country of incorporation	% held
B.V.S. Rentals Limited	Non-trading	Ordinary	Great Britain	100
B.V.S. Watford Limited	Non-trading	Ordinary	Great Britain	100
Chadmore Assets Plc	Non-trading	Ordinary	Great Britain	100
Chart Services Limited	Non-trading	Ordinary	Great Britain	100
Transfleet Distribution Limited	Non-trading	Ordinary	Great Britain	100
Transfleet Truck Rentals Limited	Non-trading	Ordinary	Great Britain	100

13 Stocks

	2009	2008
	£000	£000
Vehicle spare parts, fuel and consumables	<u>170</u>	<u>219</u>

14 Debtors

	2009	2008
	£000	£000
Amounts falling due within one year		
Trade debtors	7,201	6,126
Amounts owed by group undertakings	15,339	15,428
Amounts owed by joint ventures and associate undertakings	116	104
Other debtors	768	2,794
Prepayments and accrued income	1,271	203
Deferred tax	<u>587</u>	<u>23</u>
	<u>25,282</u>	<u>24,678</u>

The movement on the deferred tax account in the year was as follows:

	Deferred tax
	£000
At beginning of year	23
Credited during the year	<u>564</u>
	<u>587</u>

VT Critical Services Limited
Directors' report and financial statements

Notes *(continued)*

14 Debtors *(continued)*

Deferred taxation is analysed as follows:

	2009	2008
	£000	£000
Accelerated capital allowances	277	(92)
Other timing differences	310	115
	<u>587</u>	<u>23</u>

There was no unprovided deferred tax during the year (2008: £nil).

15 Creditors: amounts falling due within one year

	2009	Restated 2008
	£000	£000
Trade creditors	1,624	2,139
Amounts owed to group undertakings	4,197	1,975
Other creditors	248	264
Other taxes and social security	1,773	1,645
Sundry creditors and accrued expenditure	11,122	11,478
Deferred income	4,432	2,204
	<u>23,396</u>	<u>19,705</u>

The previous year has been restated to more appropriately classify balances with group companies arising as a result of the Corporation tax group payment arrangement.

16 Provisions for liabilities and charges

	Contract provisions £000	Reorganisation & Restructuring provisions £000	Total £000
At beginning of year	2,051	-	2,051
Charged during the year	(158)	1,030	872
At end of year	<u>1,893</u>	<u>1,030</u>	<u>2,923</u>

The contract provisions arise as a result of providing for the expected future losses of two contracts within the company. These contracts expire in 2022 and 2028 and the relevant provisions will unwind over the intervening period.

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Notes *(continued)*

17 Called up share capital

	2009	2008
	£000	£000
Authorised		
34,908,300 ordinary shares of £1 each	<u>34,908</u>	<u>34,908</u>
Allotted, called up and fully paid		
19,908,300 ordinary shares of £1 each	<u>19,908</u>	<u>19,908</u>

18 Reserves

	Capital Reserve £000	Profit and loss account £000
At beginning of year	145	467
Profit for the year	-	25
Capital contribution relating to share based payments	<u>124</u>	<u>-</u>
At end of year	<u>269</u>	<u>492</u>

Capital Reserve arises on contributions to share based payment schemes.

Share based payments

Employees of the company participate in the following share plans operated by the parent company.

Share option plans

The group operates three share option plans under which directors and other executives are eligible to participate at the discretion of the remuneration committee. Options are granted at market value, determined immediately before the grant.

Share options vest in equal tranches on the 3rd 4th and 5th anniversaries of the date of the grant subject to achievement of a performance condition. The performance condition currently applying is real growth in earnings per share of at least 2% per annum over three consecutive years. These share options have a maximum life of 10 years.

Share incentive plan (SIP)

The group operates a share incentive plan open to all employees. Under this plan employees are granted share options subject to the group meeting certain financial profit targets. Options are granted at the market value on date of the award and vest unconditionally if the employee remains in service for a period of 3 years from the date of the award. The contractual life of the options is five years and there are no cash settlement alternatives.

VT Critical Services Limited
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Notes (continued)

18 Reserves (continued)

Share based payments (continued)

Employee Share Option Savings Plans (ESOP)

The Group operates Share Option Savings Plans for all eligible employees, whereby employees can save towards the exercise price payable for an award of share options. The exercise price of these options is set at 90% of the market value of the share price at the date of grant. Under awards granted by the group, the savings period is either 3 or 5 years. At the end of the savings period, the options vest and the option holders have a 6 month window in which to exercise their options.

Performance Share Plan (PSP)

The Group operates a Performance Share Plan. Under this scheme certain employees are granted share options which vest after a three-year performance period, subject to the satisfaction of performance conditions and continued employment. Awards are subject to two performance conditions being either the Group's earnings per share growth or the relative TSR.

The number and weighted average exercise price of share options are as follows:

	2009		2008	
	Number of options	Weighted average exercise price (p)	Number of options	Weighted average exercise price (p)
Outstanding at the beginning of year	190,593	428	206,720	414
Granted during the year	25,478	-	16,429	576
Transfer to/from group undertakings	(67,623)	433	-	-
Exercised during the year	(2,144)	-	(7,227)	423
Forfeited during the year	(3,325)	284	(25,329)	413
Outstanding at end of year	142,979	297	190,593	428

The weighted average share price at the date of exercise of share options exercised during the year was 518p (2008: 600p).

The options outstanding at the year end have an exercise price in the range from nil to 488p and a weighted average contractual life of 1.4 years (2008: 3.2 years).

Share option valuation assumptions

The fair value of options granted were measured using the Black-Scholes method for the share option plans and Employee Share Options Savings Plans. The weighted average assumptions used in determining fair value of options granted were as follows:

	PSP	
	2009	2008
Expected volatility	24.0%	21.1%
Risk-free interest rate	4.6%	5.2%
Expected life	3 years	3 years

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information.

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Notes *(continued)*

18 Reserves *(continued)*

Share option valuation assumptions *(continued)*

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur.

The following approach has been adopted for these items:

Comparator company volatility – annualised, daily historic volatility assessed over a period prior to the date of grant that corresponds to the period over which the TSR is being projected;

Company correlation – taken as the average correlation of TSR between all of the companies over the same historic period.

Compensation expense

	2009 £000	2008 £000
Equity settled share based payments	<u>124</u>	<u>92</u>

19 Reconciliation of movements in shareholders' funds

	2009 £000	2008 £000
Profit / (loss) on ordinary activities after taxation	<u>25</u>	<u>(960)</u>
	25	(960)
Capital contribution relating to share based payments	<u>124</u>	<u>92</u>
Net increase / (decrease) to shareholders' funds	149	(868)
Opening shareholders' funds	<u>20,520</u>	<u>21,388</u>
Closing shareholders' funds	<u>20,669</u>	<u>20,520</u>

20 Financial commitments

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

	2009		2008	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire				
Within one year	25	4	47	26
Within two to five years	<u>354</u>	<u>205</u>	<u>-</u>	<u>143</u>
	<u>379</u>	<u>209</u>	<u>47</u>	<u>169</u>

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Notes *(continued)*

21 Contingent liabilities

Performance bonds amounting to £3,500,000 (2008: £3,500,000) have been given by the company in the normal course of business.

In the opinion of the directors no further provision is required in respect of these obligations.

22 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 2008 and was updated for accounting purposes to 2009 by a qualified independent actuary. The pension charge for the year was £4,640,000 (2008: £2,916,000). At 31 March 2009, contributions amounting to £244,000 (2008: £247,000) were payable to the funds and are included in creditors.

The net pension liability on the group wide pension scheme at 31 March 2009 was £50,048,000 (2008: £9,425,000). This represents the liability to VT Group plc as a whole and does not represent a liability to the company.

The company also operated several defined contribution pension schemes. The pension cost charge for the year includes contributions payable by the company to these funds amounting to £54,000 (2008: £153,000). At 31 March 2009, contributions amounting to £4,000 (2008: £18,000) were payable to the funds and are included in creditors.

23 Related party transactions

Related party transactions are with VT Flagship Ltd (formerly Flagship Training Ltd), VT Ocean Sciences Ltd and Whitefleet Ltd. Until 1 July 2008 VT Flagship Ltd was a joint venture undertaking in which the company's ultimate parent had a subsidiary company with a 50% share holding. On 1 July 2008 VT Flagship Ltd became 100% owned by VT Group. VT Ocean Sciences Ltd and Whitefleet Ltd are joint venture undertakings in which the company's ultimate parent has a subsidiary company with a 50% share holding in each joint venture. Transactions during the year and the balance outstanding at 31 March 2009 with these related parties are as follows:

	2009 £000	2008 £000
Sales		
Whitefleet Ltd	98	62
VT Ocean Sciences	738	972
Purchases		
Whitefleet Ltd	1	19
VT Flagship (for 3 months ended 30 June 2008)	-	25
Balance outstanding due from/(to): -		
Whitefleet Ltd	9	-
VT Ocean Sciences	107	104

All dealings with related parties are conducted on an arm's length basis.

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Notes *(continued)*

24 Ultimate parent company

The company is a subsidiary undertaking of VT Support Services 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 and smallest 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.