

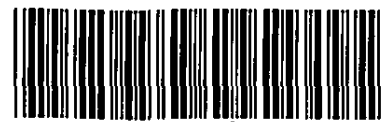
VT Fire Services Limited

Directors' report and financial statements

Registered number 3707192

31 March 2010

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VT Fire Services Limited
Directors' report and financial statements

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VT Fire 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 2010

Principal activity

The company's principal activity is the design, construction and maintenance of Fire Fighting Units for use in the provision of fire fighting training to the Royal Navy

Business review

Key performance indicators:

	2010	2009
Turnover	£5.1m	£4.9m
Operating profit	£2.7m	£2.5m

During the year the main activity of the company was the maintenance of the Fire Fighting Training Units for the Naval Recruiting & Training Agency (NRTA) at Portsmouth and Plymouth through its sub-contract from Flagship Fire Fighting Training Ltd. 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. Operating profit was higher than the previous year.

The key risk facing the company is maintaining high quality delivery to the client ensuring that the fire fighting training facilities are available as and when required. This is mitigated by ensuring that there is a close working relationship with the NRTA and a detailed maintenance schedule is in place based upon historical experience of managing similar contracts.

In addition the company is susceptible to interest rate fluctuations on long term borrowings. The company have managed this risk by the use of an interest rate swap to achieve a fixed rate borrowing.

The company has 11 years remaining of the original contract with the NRTA in respect of the operation of the facilities, providing visibility of future trading income.

Events after the balance sheet date

On 23 March 2010 Babcock International Group PLC ("Babcock") and the company's ultimate parent, VT Group plc announced that they had reached agreement on the terms of a recommended acquisition by Babcock of all of the issued and to be issued, share capital of the VT Group plc.

The acquisition is expected to be completed in July 2010 with the VT Group plc shares being delisted from the London Stock Exchange and VT Group plc and its subsidiary undertakings becoming subsidiaries of Babcock. Following the acquisition by Babcock, the change of control may have an impact on the basis of preparation applied to certain of the company's assets and liabilities however there is no consequential impact on the financial statements for the year ended 31 March 2010. The impact on the financial statements in the year ending 31 March 2011 and beyond, if any, has not yet been determined although the immediate effect of the change in control of the Group is discussed in the basis of preparation in note 1.

Dividends

The directors do not recommend the payment of a final dividend (2009: £nil).
No interim dividend was paid in the year (2009: £4m).

VT Fire Services Limited
Directors' report and financial statements

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

Directors

The directors who held office during the year were as follows

J Davies
PJ Harrison

PJ Harrison is also a director of VT Group plc and his interests in the shares of that company and his rights to subscribe for shares of that company are shown in its directors' report.

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

Charitable and political donations

There were no charitable (2009 £nil) or political donations (2009 £nil) during the year

Auditors

With reference to note 17 of the financial statements, after the acquisition of the ultimate parent company by Babcock International PLC is completed, KPMG Audit Plc will resign as auditor of the company

By order of the board



M P Jowett
Secretary

25 June 2010

VT Fire Services Limited

Directors' report and financial statements

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

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities



KPMG Audit Plc

Dukes Keep
Marsh Lane
Southampton
Hampshire SO14 3EX

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

We have audited the financial statements of VT Fire Services Limited for the year ended 31 March 2010 set out on pages 6 to 15. 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 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 profit for the year then ended,
- have been properly prepared in accordance with the UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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



KPMG Audit Plc

Dukes Keep
Marsh Lane
Southampton
Hampshire SO14 3EX

Independent auditors' report to the members of VT Fire 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

S. McCallion

28 June 2010

S McCallion (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants

VT Fire Services Limited
Directors' report and financial statements

Profit and loss account

for the year ended 31 March 2010

	<i>Notes</i>	2010 £000	2009 £000
Turnover	2	5,120	4,886
Operating costs		<u>(2,403)</u>	<u>(2,358)</u>
Operating profit		2,717	2,528
Interest receivable and similar income	4	24	323
Interest payable and similar charges	5	<u>(910)</u>	<u>(912)</u>
Profit on ordinary activities before taxation	6	1,831	1,939
Tax on profit on ordinary activities	7	<u>(713)</u>	<u>(731)</u>
Profit for the financial year	15	<u>1,118</u>	<u>1,208</u>

The above results all relate to continuing activities

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

VT Fire Services Limited
Directors' report and financial statements

Balance sheet

at 31 March 2010

	Notes	2010 £000	2009 £000
Fixed assets			
Tangible assets	9	<u>8,432</u>	<u>9,497</u>
Current assets			
Debtors	10	<u>5,718</u>	4,984
Cash at bank and in hand		<u>5,774</u>	<u>5,250</u>
		11,492	10,234
Creditors amounts falling due within one year	11	<u>(2,344)</u>	<u>(2,106)</u>
Net current assets		<u>9,148</u>	<u>8,128</u>
Total assets less current liabilities		17,580	17,625
Creditors amounts falling due after more than one year	12	(11,297)	(12,415)
Provisions for liabilities and charges	13	<u>(800)</u>	<u>(845)</u>
Net assets		<u>5,483</u>	<u>4,365</u>
Capital and reserves			
Called up share capital	14	50	50
Profit and loss account	15	<u>5,433</u>	<u>4,315</u>
Shareholder's funds	16	<u>5,483</u>	<u>4,365</u>

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

Philip Harrison —

PJ Harrison
Director

VT Fire 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

As explained in note 17 to the financial statements, the offer for the company's ultimate parent, VT Group plc, by Babcock International PLC ("Babcock") is expected to become unconditional on 8 July 2010. Accordingly, the company and the Group will be under the control of Babcock and, in particular, Babcock group's treasury arrangements. At 31 March 2010 the Group headed by VT Group plc ('the Group') had net cash and significant committed facilities. In the light of this and the company and the Group's financial projections, the directors consider that the company has adequate resources to continue in operational existence for the foreseeable future. However, following completion of the acquisition of VT Group plc by Babcock, the committed facilities may be cancelled and the Group's cash will be managed as a component of the treasury arrangements for the enlarged Babcock group. The directors of the company understand that Babcock has indicated to the directors of VT Group plc that it intends to provide financial support to VT Group plc and its subsidiaries at least for the period of twelve months from the date of completion of the transaction, to enable the Group to continue to trade and meet its liabilities as they fall due.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors consider it appropriate to continue to adopt the going concern basis in preparing these financial statements.

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

Under Financial Reporting Standard 1 (1996 Revised), the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking.

In addition, advantage has been taken of the exemption available under Financial Reporting Standard 8 not to disclose details of transactions with VT Group plc or other group undertakings, as the consolidated financial statements of VT Group plc in which the company is included are publicly available.

Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Rendering of services

Turnover from services rendered is recognised by reference to the stage of completion of the transaction. Turnover from services provided on a short-term or one-off basis is recognised when the service is complete. The provision of services over a long-term period are treated as construction contracts, and the turnover recognised as set out below.

VT Fire Services Limited

Directors' report and financial statements

Notes (continued)

1 Accounting policies (continued)

Turnover (continued)

Construction contracts

Turnover from construction contracts, including long-term service provision contracts, is recognised by reference to the stage of completion of the contract. The stage of completion is determined by the costs incurred on the contract to date, to the extent that such costs represent progress made on the project. A prudent level of profit attributable to the contract activity is recognised if the final outcome of such contracts can be reliably assessed. An expected loss on a contract is recognised immediately in the income statement.

Tangible fixed assets and depreciation

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

Depreciation is provided on tangible fixed assets, at rates calculated to write off the cost less residual value of each asset on a straight line basis over the expected useful life as follows:

Leasehold land and buildings	-	20 years
Plant and machinery	-	1 – 20 years

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

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 taxation is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19. Deferred taxation assets are recognised only to the extent that, in the opinion of the directors, there is a reasonable probability that the asset will crystallise in the foreseeable future.

2 Analysis of turnover

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

3 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). The company employs no staff.

VT Fire Services Limited
Directors' report and financial statements

Notes *(continued)*

4 Interest receivable and similar income

	2010	2009
	£000	£000
On bank deposits	<u>24</u>	<u>323</u>

5 Interest payable and similar charges

	2010	2009
	£000	£000
Interest payable to fellow group undertaking	107	114
Interest on bank loan	<u>803</u>	<u>798</u>
	<u>910</u>	<u>912</u>

6 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging

	2010	2009
	£000	£000
Depreciation - owned tangible fixed assets	1,482	1,446
Auditors remuneration - audit of these financial statements	<u>5</u>	<u>5</u>

Fees paid to the company's auditors, KPMG Audit Plc, and its associates, for services other than statutory audit of the company, are disclosed on a consolidated basis to the financial statements of the ultimate parent undertaking, VT Group plc

VT Fire Services Limited
Directors' report and financial statements

Notes *(continued)*

7 Taxation

	2010	2009
	£000	£000
<i>Current tax</i>		
UK corporation tax on profits of the year	763	801
Adjustments in respect of prior years	(5)	1
Total current tax charge	758	802
<i>Deferred tax</i>		
Origination and reversal of timing differences	(76)	(71)
Adjustment in respect of prior periods	31	-
Total deferred tax credit	(45)	(71)
Tax charge on ordinary activities	713	731

Factors affecting the tax charge for the current year

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

	2010	2009
	£000	£000
Profit on ordinary activities before tax	1,831	1,939
Profit on ordinary activities multiplied by standard rate in UK of 28% (2009 28%)	513	543
<i>Effects of</i>		
Expenses not deductible for tax purposes	(14)	-
Depreciation on assets not qualifying for allowances	188	187
Difference between capital allowances and depreciation	76	71
Adjustments in respect of prior years	(5)	1
Current tax charge for the year	758	802

8 Dividends

	2010	2009
	£000	£000
<i>Ordinary Shares.</i>		
Interim dividends paid of £80.00 per share	-	4,000

VT Fire Services Limited
Directors' report and financial statements

Notes *(continued)*

9 Tangible assets

	Short leasehold land and buildings £000	Plant and machinery £000	Total £000
Cost			
At beginning of year	8,071	12,042	20,113
Additions	<u>-</u>	<u>417</u>	<u>417</u>
At end of year	<u>8,071</u>	<u>12,459</u>	<u>20,530</u>
Depreciation			
At beginning of year	3,278	7,338	10,616
Charge for year	<u>405</u>	<u>1,077</u>	<u>1,482</u>
At end of year	<u>3,683</u>	<u>8,415</u>	<u>12,098</u>
Net book value			
At 31 March 2010	<u>4,388</u>	<u>4,044</u>	<u>8,432</u>
At 31 March 2009	<u>4,793</u>	<u>4,704</u>	<u>9,497</u>

10 Debtors

	2010 £000	2009 £000
Amounts owed by group undertakings	365	714
Accrued income	512	260
Amounts recoverable on contracts	<u>4,841</u>	<u>4,010</u>
	<u>5,718</u>	<u>4,984</u>

11 Creditors: amounts falling due within one year

	2010 £000	2009 £000
Bank loan (secured – see note 12)	962	904
Amounts owed to group undertakings	1,134	1,009
Other taxes and social security	194	171
Accruals and deferred income	<u>54</u>	<u>22</u>
	<u>2,344</u>	<u>2,106</u>

VT Fire Services Limited
Directors' report and financial statements

Notes *(continued)*

12 Creditors: amounts falling due after more than one year

	2010	2009
	£000	£000
Bank loan (secured)	10,304	11,266
Amounts owed to group undertakings	993	1,149
	<u>11,297</u>	<u>12,415</u>

The bank loan is secured by Barclays Bank plc via a fixed and floating charge over the shares and assets of VT Fire Services Limited

	2010	2009
	£000	£000
Amounts due		
In one year or less	962	904
In more than one year but not more than two years	1,024	962
In more than two years but not more than five years	3,487	3,276
In more than five years	5,793	7,028
	<u>11,266</u>	<u>12,170</u>

The bank loan is repayable by six-monthly capital and interest instalments and bears interest at a fixed rate of 6.45%. The loan is due to be repaid in full by 31 March 2019. The group loan is repayable six-monthly capital and interest and bears interest at a fixed rate of 8%.

13 Provisions for liabilities and charges

	Deferred taxation £000
At beginning of year	(845)
Debit in year	<u>45</u>
At end of year	<u>(800)</u>

The deferred taxation liability is analysed as follows

	2010	2009
	£000	£000
Accelerated capital allowances	<u>(800)</u>	<u>(845)</u>

VT Fire Services Limited
Directors' report and financial statements

Notes *(continued)*

14 Called up share capital

	2010	2009
	£000	£000
Allotted, called up and fully paid		
50,000 ordinary shares of £1 each	<u>50</u>	<u>50</u>

15 Reserves

	Profit and loss account
	£000
At beginning of year	4,315
Profit for the year	<u>1,118</u>
At end of year	<u>5,433</u>

16 Reconciliation of movements in shareholder's funds

	2010	2009
	£000	£000
Profit for the financial year	1,118	1,208
Interim dividend paid	<u>-</u>	<u>(4,000)</u>
Net increase/(reduction) to shareholder's funds	1,118	(2,792)
Opening shareholder's funds	<u>4,365</u>	<u>7,157</u>
Closing shareholder's funds	<u>5,483</u>	<u>4,365</u>

17 Events after the balance sheet date

On 23 March 2010 Babcock International Group PLC ("Babcock") and the company's ultimate parent, VT Group plc announced that they had reached agreement on the terms of a recommended acquisition by Babcock of all of the issued and to be issued, share capital of the VT Group plc

The acquisition is expected to be completed in July 2010 with the VT Group plc shares being delisted from the London Stock Exchange and VT Group plc and its subsidiary undertakings becoming subsidiaries of Babcock. Following the acquisition by Babcock, the change of control may have an impact on the basis of preparation applied to certain of the company's assets and liabilities however there is no consequential impact on the financial statements for the year ended 31 March 2010. The impact on the financial statements in the year ending 31 March 2011 and beyond, if any, has not yet been determined although the immediate effect of the change in control of the Group is discussed in the basis of preparation in note 1

VT Fire Services Limited
Directors' report and financial statements

Notes *(continued)*

18 Ultimate parent company

The company is a subsidiary undertaking of Vosper Thornycroft (UK) Limited, a company incorporated in Great Britain and registered in England and Wales

The ultimate parent undertaking of the company is VT Group plc, a company incorporated in Great Britain and registered in England and Wales

The largest group in which the results of the company are reported is that headed by VT Group plc. The consolidated financial statements are available to the public at that company's registered office of VT House, Grange Drive, Hedge End, Southampton, SO30 2DQ. No other financial statements include the results of the company.