

**Babcock Land
(Whitefleet Management)
Limited (formerly VT Land
(Whitefleet Management)
Limited)**

Directors' report and financial
statements for the year ended 31
March 2011

Registered number 4020610

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Babcock Land (Whitefleet Management) Limited (formerly VT Land (Whitefleet Management) Limited)
Directors' report and financial statements

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Babcock Land (Whitefleet Management) Limited (formerly VT Land (Whitefleet Management) Limited)

Directors' report and financial statements

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2011

Principal activity

The principal activity of the company is the supply of private and commercial non-military vehicles

Change of name

On 9 July 2010 the company changed its name from VT Land (Whitefleet Management) Limited to Babcock Land (Whitefleet Management) Limited

Business review

	2011	2010
	£000	£000
Turnover	111,214	115,706
Operating profit	168	280

On 9 July 2010 Babcock International Group PLC acquired the entire issued share capital of VT Group plc, previously the ultimate parent undertaking of the company

On 2 April 2001 the company was awarded a ten year contract with the Ministry of Defence ("MoD") for the supply of both private and commercial non-military vehicles, referred to as the "White Fleet". The company's sole customer is currently the Ministry of Defence, and it sources its purchases from Lex Vehicle Leasing Limited for the supply of private cars, Babcock Land Limited (formerly VT Land Limited) for the supply of commercial vehicles and Whitefleet Limited for contract management

The company acts as a principal on the contract

Future developments

The contract is due to end on 31 August 2011. Discussions are ongoing with the MoD to determine how the services provided under the contract will be procured beyond this date. It is unlikely that, should Babcock International Group PLC be successful in any subsequent contract award, the company will be utilised in the delivery of that contract. As the company acts as the principal on the current White Fleet contract, this will not impact the company's ability to meet its financial obligations as they fall due.

Principal risk 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 Group level by independent challenge and review by the Group Risk Manager and the Audit and Risk Committee.

The key risks and uncertainties affecting the company are considered to be related to contractual performance and the political and regulatory environment. Turnover is dependant on the size of the contract hire fleet, which could increase or decrease, and also vehicle rental is susceptible to MoD demand. The company manages its profit risk by passing on certain risks to its three subcontractors.

Further discussion of these risks and uncertainties, in the context of the group as a whole, is provided on pages 39 to 45 of the annual report of Babcock International Group PLC, which does not form part of this report.

Babcock Land (Whitefleet Management) Limited (formerly VT Land (Whitefleet Management) Limited)
Directors' report and financial statements

Directors' report *(continued)*

Financial risk management

The company's operations expose it to a variety of financial risks that include price risk, credit risk, liquidity risk and interest rate cash flow risk. The company has in place a risk management programme that seeks to limit 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 International Group PLC are implemented by the group finance department. The department has a policy and procedures manual that sets out guidelines to allow it to manage interest rate risk, credit risk and circumstances where it would be appropriate to use financial instruments to manage these.

Price risk

The company is exposed to 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. The company has no exposure to equity securities price risks as it holds no listed equity investments.

Credit risk

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

Liquidity risk

The company acts as principal on the White Fleet contract. It receives monies from the MoD and uses them to pay its suppliers. As a result, the company does not bear much liquidity risk. The company also has access to longer term funding from its ultimate parent undertaking if required.

Interest rate cash flow risk

The company has interest bearing liabilities. Interest bearing liabilities accrue interest at a floating rate. The company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied.

Key performance indicators

The company's activities are managed on a divisional basis. For this reason, the company's directors believe that analysis using key performance indicators for the company is not always appropriate for an understanding of the development, performance or position of the company. The growth and performance of Defence & Security, a division of Babcock International Group PLC, which includes the company, is discussed on pages 24, 27 and 28 of the Group's report, which does not form part of this report.

Babcock Land (Whitefleet Management) Limited (formerly VT Land (Whitefleet Management) Limited)
Directors' report and financial statements

Directors' report *(continued)*

Directors

The directors of the company during the year and up to the date of signing the financial statements were as follows

F Martinelli	(appointed 9 July 2010)
NC Anderson	
JR Davies	
VFA Teller (Secretary)	(appointed 9 July 2010)
PJ Harrison	(resigned 9 July 2010)
MP Jowett	(resigned 9 July 2010)

Dividends

The directors do not recommend the payment of a dividend (2010 £nil)

Qualifying third-party and pension scheme indemnity provisions

The Directors of the Company are, and were during the year to 31 March 2011, entitled to be indemnified by the Company of which they are or were Directors 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

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.

The number of days' purchases outstanding for payment by the company at the year end was 31 days (2010 24 days)

Statement of directors' responsibilities

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 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.

Babcock Land (Whitefleet Management) Limited (formerly VT Land (Whitefleet Management) Limited)
Directors' report and financial statements

Directors' report *(continued)*

Statement of directors' responsibilities *(continued)*

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.

Disclosure of information to auditors

Each of the persons who is a director 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 auditor is aware of that information

Independent Auditors

During the year, PricewaterhouseCoopers LLP were appointed the auditors of the company, as a result of the change in ownership of the company's ultimate parent. The company has dispensed with the requirement for an Annual General Meeting and the need to appoint auditors annually.

By order of the Board



JR Davies
Director

30 June 2011

Babcock Land (Whitefleet Management) Limited (formerly VT Land (Whitefleet Management) Limited)
Directors' report and financial statements

Independent auditors' report to the members of Babcock Land (Whitefleet Management) Limited (formerly VT Land (Whitefleet Management) Limited)

We have audited the financial statements of Babcock Land (Whitefleet Management) Limited (formerly VT Land (Whitefleet Management) Limited) for the year ended 31 March 2011 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on pages 3 to 4 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). 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2011 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.

Opinion on other matter 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.

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:

Babcock Land (Whitefleet Management) Limited (formerly VT Land (Whitefleet Management) Limited)
Directors' report and financial statements

Independent auditors' report to the members of Babcock Land (Whitefleet Management) Limited (formerly VT Land (Whitefleet Management) Limited) (continued)

- 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



Alan Kinnear (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Southampton
30 June 2011

Babcock Land (Whitefleet Management) Limited (formerly VT Land (Whitefleet Management) Limited)
Directors' report and financial statements

Profit and loss account

for the year ended 31 March 2011

	Notes	2011 £000	2010 £000
Turnover	2	111,214	115,706
Other operating charges		<u>(111,046)</u>	<u>(115,426)</u>
Operating profit being profit on ordinary activities before taxation	4	168	280
Tax on profit on ordinary activities	5	<u>-</u>	<u>(280)</u>
Profit for the financial year	9	<u>168</u>	<u>-</u>

All current and prior year amounts relate to continuing activities

There are no recognised gains or losses other than the profit (*2010 profit*) for the financial 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 (*2010 profit*) on ordinary activities before taxation and the profit (*2010 profit*) for the financial year stated above, and their historical cost equivalents.

Babcock Land (Whitefleet Management) Limited (formerly VT Land (Whitefleet Management) Limited)
Directors' report and financial statements

Balance sheet

at 31 March 2011

	Notes	2011 £000	2010 £000
Current assets			
Debtors	6	11,480	10,952
Creditors amounts falling due within one year	7	<u>(11,311)</u>	<u>(10,951)</u>
Net assets		<u>169</u>	<u>1</u>
Capital and reserves			
Called up share capital	8	-	-
Profit and loss account	9	<u>169</u>	<u>1</u>
Shareholders' funds	10	<u>169</u>	<u>1</u>

The financial statements on pages 7 to 14 were approved by the board of directors on 30 June 2011 and were signed on its behalf by



JR Davies

Director

Babcock Land (Whitefleet Management) Limited (formerly VT Land (Whitefleet Management) Limited)

Babcock Land (Whitefleet Management) Limited (formerly VT Land (Whitefleet Management) Limited)
Directors' report and financial statements

Notes to the financial statements

(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 and the Companies Act 2006, 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 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. Accordingly, the directors consider it appropriate to continue to adopt the going concern basis in preparing these financial statements

Turnover

Turnover represents the value of goods and services provided net of value added tax. 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 company invoices the MoD for all services in relation to the contract, this includes services provided by its sub-contractors. The company recognises the total revenue on the contract with the MoD as the company invoices the MoD for all services and holds the risk of default if the MoD does not pay the invoice. The company is responsible for the selection and monitoring of the sub-contractors it engages with to fulfill the services under the contract with the MoD

Leases

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

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

Babcock Land (Whitefleet Management) Limited (formerly VT Land (Whitefleet Management) Limited)
Directors' report and financial statements

Notes to the financial statements *(continued)*

Taxation *(continued)*

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. 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 Financial Reporting Standard 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 Turnover

Turnover derives solely from the company's principal activity of the provision of non-military private and commercial vehicles to the Ministry of Defence.

All turnover relates to the United Kingdom market and originates from the United Kingdom.

The analysis of turnover is as follows:

	2011 £000	2010 £000
Operating leases	69,127	67,464
Associated services	5,499	7,419
Vehicle rental service	36,588	40,823
	<u>111,214</u>	<u>115,706</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 (2010: £nil). The company employs no staff.

4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2011 £000	2010 £000
Operating lease rentals - plant and machinery	<u>105,299</u>	<u>108,007</u>

Fees paid to the company's auditors, PricewaterhouseCoopers LLP, and its associates, for services other than statutory audit of the company, are disclosed on a consolidated basis in the financial statements of the ultimate parent undertaking, Babcock International Group PLC.

Audit fee of £5,000 (2010: £5,000) is borne by Babcock Land Limited (formerly VT Land Limited), a fellow group undertaking.

Babcock Land (Whitefleet Management) Limited (formerly VT Land (Whitefleet Management) Limited)
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Notes to the financial statements *(continued)*

5 Tax on profit on ordinary activities

	2011	2010
	£000	£000
<i>Current tax</i>		
UK corporation tax on profits of the year	-	135
Adjustments in respect of prior years	-	145
Total current tax charge	-	280

The current tax charge for the year is lower (2010 higher) than the standard rate of corporation tax in the UK of 28% (2010 28%). The differences are explained below

	2011	2010
	£000	£000
Profit on ordinary activities before tax	168	280
Profit on ordinary activities multiplied by standard rate in UK of 28% (2010 28%)	47	78
<i>Effects of</i>		
Expenses not deductible for tax purposes	213	57
Group relief claimed	(260)	-
Adjustments in respect of prior years	-	145
Current tax charge	-	280

Factors affecting current and future tax charges

A number of changes to the UK corporation tax system were announced in the March 2011 budget statement. The rate of corporation tax was reduced from 28% to 26% with effect from 1 April 2011. Legislation to reduce the main rate of corporation tax from 26% to 25% from 1 April 2012 is expected to be included in the Finance act 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014. These further changes had not been substantively enacted at the balance sheet date and therefore are not included in these financial statements.

6 Debtors

	2011	2010
	£000	£000
Trade debtors	3,255	2,531
Amounts owed by joint venture undertakings	14	12
Other taxes	49	-
Prepayments and accrued income	8,162	8,409
	11,480	10,952

Babcock Land (Whitefleet Management) Limited (formerly VT Land (Whitefleet Management) Limited)
Directors' report and financial statements

Notes to the financial statements *(continued)*

7 Creditors: amounts falling due within one year

	2011	2010
	£000	£000
Bank overdrafts	99	207
Trade creditors	422	-
Amounts owed to joint venture undertakings	4,666	4,767
Corporation Tax	135	135
Amounts owed to group undertakings	1,953	1,841
Other taxes	-	28
Accruals and deferred income	4,036	3,973
	11,311	10,951

The company at the period end had guaranteed or had joint and several liability for drawn Babcock International Group PLC bank facilities of £782.5 million provided to certain group companies

In addition, the company at the period end had joint and several liability for drawn bank overdraft facilities of other group companies for the value of £4.5 million

8 Called up share capital

	2011	2010
	£	£
Allotted, called up and fully paid		
1 ordinary shares of £1	1	1

9 Reserves

	Profit and loss account
	£000
At beginning of year	1
Profit for the year	168
At end of year	169

Babcock Land (Whitefleet Management) Limited (formerly VT Land (Whitefleet Management) Limited)
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Notes to the financial statements *(continued)*

10 Reconciliation of movements in shareholders' funds

	2011 £000	2010 £000
Profit on ordinary activities after taxation	<u>168</u>	<u>-</u>
Net addition to shareholders' funds	168	-
Opening shareholders' funds	<u>1</u>	<u>1</u>
Closing shareholders' funds	<u>169</u>	<u>1</u>

11 Financial commitments

Annual commitments under non-cancellable operating leases other than land and buildings are as follows

	2011 £000	2010 £000
Operating leases which expire		
Within one year	28,803	-
Within two to five years	<u>-</u>	<u>67,464</u>

The current leases are scheduled to end in August 2011

12 Related party transactions

During the year the company entered into the following transactions with Whitefleet Limited, a company also subject to influence by Babcock International Group PLC

	2011 £000	2010 £000
Sales	272	282
Purchases	<u>(42,053)</u>	<u>(45,830)</u>
Balance outstanding due from Whitefleet Limited	14	12
Balance outstanding due to Whitefleet Limited	<u>(4,666)</u>	<u>(4,767)</u>

Babcock Land (Whitefleet Management) Limited (formerly VT Land (Whitefleet Management) Limited)
Directors' report and financial statements

Notes to the financial statements *(continued)*

13 Contingent liabilities

The company at the period end had guaranteed or had joint and several liability for drawn Babcock International Group PLC bank facilities of £782.5 million provided to certain group companies

In addition, the company at the period end had joint and several liability for drawn bank overdraft facilities of other group companies for the value of £4.5 million

14 Ultimate parent company

The company is a subsidiary undertaking of Babcock Land Limited (formerly VT Land Limited), a company incorporated in Great Britain and registered in England and Wales

The ultimate parent undertaking and controlling party of the company is Babcock International 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 Babcock International Group PLC. The consolidated financial statements are available to the public at that company's registered office of 33 Wigmore Street, London W1U 1QX. No other financial statements include the results of the company.