

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

VSE CORPORATION
(Registrant)

Date: November 9, 1995 C. S. Weber
C. S. Weber, Senior Vice President,
Secretary and Treasurer
(Principal Financial Officer)

ITEM 7.A FINANCIAL STATEMENTS OF Energetics Incorporated

Attached are the financial statements of Energetics Incorporated, which include the unaudited financial statements as of June 30, 1995 and for the seven months ended June 30, 1995 and June 30, 1994 and the audited financial statements for the year ended December 27, 1994 with the Report of Arthur Andersen LLP, Independent Public Accountants.

<TABLE>

Energetics Incorporated
Financial Statements (Unaudited)

Balance Sheet As of June 30, 1995
(in thousands, except share amounts)
<CAPTION>

<S>	<C>
Assets	
Current assets:	
Cash and cash equivalents	\$ 227
Accounts receivable, principally U. S. Government	2,696
Other current assets	64
Total current assets	<u>2,987</u>
Property and equipment, net	308
Total assets	<u>\$ 3,295</u>
Liabilities and Stockholders' Investment	
Current liabilities:	
Current portion of long-term debt	\$ 67
Accounts payable and other current liabilities	274
Accrued expenses	733
Dividends payable	51
Total current liabilities	<u>1,125</u>
Total liabilities	<u>1,125</u>

Commitments and contingencies

Stockholders' investment:

Common stock, no par value, authorized 10,000 shares; issued 850 shares	-
Paid-in surplus	92
Retained earnings	2,078

Total stockholders' investment	2,170
Total liabilities and stockholders' investment	\$ 3,295

</TABLE>

See accompanying notes

<TABLE>

Energetics Incorporated
Financial Statements (Unaudited)

Statement of Income For the seven months ended June 30,

(in thousands, except share amounts)

<CAPTION>

	1995	1994
	<C>	<C>
Revenues, principally from contracts	\$ 6,450	\$ 6,075
Costs and expenses of contracts	5,985	5,701
Gross profit	<u>465</u>	<u>374</u>
Selling, general and administrative expenses	34	14
Interest expense	5	48
Net income	<u>\$ 426</u>	<u>\$ 312</u>

Earnings per common share, based on weighted shares outstanding	<u>\$501.67</u>	<u>\$368.10</u>
Weighted-average shares outstanding	<u>850</u>	<u>850</u>

</TABLE>

See accompanying notes

<TABLE>

Energetics Incorporated
Financial Statements (Unaudited)

Statement of Cash Flows For the seven months ended June 30,

(in thousands)

<CAPTION>

	1995	1994
	<C>	<C>
Cash flows from operating activities:		
Net income	\$ 426	\$ 312
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	130	127
Change in assets and liabilities (Increase) decrease in:		
Accounts receivable	(409)	(93)
Other current assets	(2)	(20)

Increase (decrease) in:			
Accounts payable and other current liabilities	(226)	(42)	
Accrued expenses	45	63	
Net cash (used in) provided by operations . . .	(36)	347	
Cash flows from investing activities:			
Purchase of property and equipment	(99)	(74)	
Net cash used in investing activities	(99)	(74)	
Cash flows from financing activities:			
Payments of bank note payable	(33)	(47)	
Cash dividends paid	(124)	(127)	
Net cash used in financing activities	(157)	(174)	
Net decrease in cash and cash equivalents	(292)	99	
Cash and cash equivalents at beginning of the year . .	519	1,057	
Cash and cash equivalents at end of period	\$ 227	\$1,156	
Interest paid	\$ 5	\$ 7	

</TABLE>

See accompanying notes

Energetics Incorporated
Notes to Financial Statements (Unaudited)

(1) Basis of Presentation

The unaudited financial statements included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Although certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, the Company believes that the disclosures included herein are adequate to make the information presented not misleading. Operating results for the seven month period ended June 30, 1995, are not necessarily indicative of the results that may be expected for the remainder of the current year. These unaudited financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company's audited financial statements for the year ended December 27, 1994 included in this Current Report on Form 8-K/A.

In the opinion of the Company, the unaudited financial statements contain all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the results for the seven month periods ended June 30, 1995 and June 30, 1994.

(2) Contingencies

During the seven month period ending June 30, 1995, there has been no change in the Company's position relating to contingencies discussed in Note 6 of the 1994 audited financial statements. No other matters of a contingent nature have arisen.

(3) Subsequent Events

Current portion of long-term debt	\$ 80
Accounts payable and other current liabilities	480
Accrued expenses	689
Dividends payable	58
	<hr/>
Total current liabilities	1,307
Long-term debt	33
	<hr/>
Total liabilities	1,340
Commitments and contingencies (Note 6)	
Stockholders' investment:	
Common stock, no par value, authorized 10,000 shares; issued 850 shares	-
Paid-in surplus	92
Retained earnings	1,776
	<hr/>
Total stockholders' investment	1,868
	<hr/>
Total liabilities and stockholders' investment	\$ 3,208
	<hr/> <hr/>

</TABLE>

See accompanying notes

<TABLE>

Energetics Incorporated
Financial Statements

Statement of Income For the year ended November 27, 1994

(in thousands, except share amounts)

<CAPTION>

	<hr/>	
<S>	<hr/>	<hr/>
Revenues, principally from contracts		\$10,484
Costs and expenses of contracts	9,836	
	<hr/>	
Gross profit	648	
Selling, general and administrative expenses	79	
Interest expense	70	
	<hr/>	
Net income	\$ 499	
	<hr/> <hr/>	
Earnings per common share, based on weighted shares outstanding	\$587.49	
	<hr/> <hr/>	
Weighted-average shares outstanding		850
	<hr/> <hr/>	

</TABLE>

See accompanying notes

<TABLE>

Energetics Incorporated

Financial Statements

Statement of Stockholders' Investment

(in thousands, except share amounts)

<CAPTION>

	Common Stock Shares	Paid-In Surplus	Retained Earnings	
<S>	<C>	<C>	<C>	<C>
Balance at November 28, 1993	850	--	\$ 92	\$ 1,504
Net income	--	--	--	499
Dividends declared (\$267 per share).	--	--	--	(227)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at November 27, 1994	850	--	\$ 92	\$ 1,776
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

</TABLE>

See accompanying notes

<TABLE>

Energetics Incorporated
Financial Statements

Statement of Cash Flows For the year ended November 27, 1994

(in thousands)

<CAPTION>

<S>	<C>
Cash flows from operating activities:	
Net income	\$ 499
Adjustments to reconcile net income to net cash provided by operations:	
Depreciation and amortization	193
Change in assets and liabilities (Increase) decrease in:	
Accounts receivable	2
Other current assets.	(38)
Decrease in:	
Accounts payable and other current liabilities.	(1)
Accrued expenses.	(40)
Net cash provided by operations	615
Cash flows from investing activities:	
Purchase of property and equipment	(149)
Net cash used in investing activities	(149)
Cash flows from financing activities:	
Payments of bank note payable	(128)
Payments of stockholders' loans	(650)
Cash dividends paid	(227)
Net cash used in financing activities	(1,005)
Net decrease in cash and cash equivalents	(539)
Cash and cash equivalents at beginning of year.	1,058

Cash and cash equivalents at end of year. \$ 519

</TABLE>

See accompanying notes

Energetics Incorporated
Notes to Financial Statements

(1) Summary of Significant Accounting Policies

Energetics Incorporated (the "Company") assists government and industry in conducting effective technology programs, primarily in the fields of energy use and the environment. Principal clients include the U. S. Department of Energy, other U. S. Government prime contractors, public utilities, universities, and non-profit corporations and associations.

Fiscal Year

The Company's annual accounting period ends on the Sunday closest to November 30. The fiscal year-end date for 1994 is November 27, 1994. Fiscal year 1994 contains 52 weeks.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

Financial instruments that potentially subject the company to concentration of credit risk consist primarily of cash, cash equivalents, and accounts receivable. The company believes that credit risk with respect to trade accounts receivable are limited due to the large number of U. S. Government receivables.

Statement of Cash Flows

Supplemental disclosures of cash flow information for the year ended November 27 1994 is presented below:

Interest paid \$70,000

Contract Revenues

Substantially all of the Company's revenues result from contract services performed for the U. S. Government or for contractors engaged in work for the U. S. Government under a variety of contracts. Revenues on cost-type contracts are recorded on the basis of recoverable costs incurred and fees earned. Revenues and fees on fixed price contracts are recorded as services are performed, using the percentage-of-completion method of accounting, primarily based on contract costs incurred to date compared with total estimated costs at completion. Revenues on time and material contracts are recorded on the basis of hours delivered plus other allowable direct costs as incurred. Losses on contracts are recognized when they become known.

A substantial portion of the contract and administrative costs is subject to audit by the Defense Contract Audit Agency. The company's indirect cost rates have been audited and approved for 1991 and prior years. In the opinion of management the audits of 1994, 1993 and 1992 will not result in adjustments, if any, having a material adverse effect on the Company's results of operations or financial position.

Income Taxes

Effective with the year beginning December 1, 1992, the Stockholders of the Company have consented to the Company's election to come within the provisions of Section 1372(A) of the Internal Revenue Code, which provides that income of the Corporation will be taxed directly to its stockholders; therefore, no provision for Federal or state income taxes has been recorded in the accompanying financial statements.

Property and Equipment

Property and equipment (valued at cost) as of November 27, 1994 consists of the following (in thousands):

Computer systems equipment.	\$ 731
Furniture, fixtures, equipment, and other	496
	<u>1,227</u>
Less accumulated depreciation	(888)
	<u>\$ 339</u>
	<u>=====</u>

Depreciation and amortization expense for property and equipment is approximately \$193,000 for 1994. The Company uses accelerated methods of depreciation over estimated useful lives ranging from five to seven years.

(2) Accounts Receivable

The components of accounts receivable as of November 27, 1994, are as follows (in thousands):

Billed	\$ 2,120
Unbilled:	
Retainages (generally not billable within one year).	114
Other	94
Less-Allowance for contract disallowances	(40)
Total accounts receivable	<u>\$ 2,288</u>
	<u>=====</u>

Notes to Financial Statements

(3) Debt

Long-Term Debt
(in thousands):

Long-term debt as of November 27, 1994 is comprised of the following:

Bank note payable	\$113
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Less current portion. (80)

Long-term debt \$ 33

The Company has an unsecured note with a bank which is used to fund working capital requirements. The loan is payable in monthly installments of \$6,667. The note bears interest at prime and one half percent. The note was paid in full in October 1995, as a result of the transaction discussed in Note (7).

(4) Retirement Plan

The Company maintains a profit sharing plan for employees. All employees who have completed two years of service are members of the profit sharing plan. The Company makes an annual discretionary contribution to the profit sharing plan. The Company's profit sharing plan expense for 1994 was approximately \$402,000.

(5) Accrued Expenses

The components of accrued expenses as of November 27, 1994 were as follows (in thousands):

Accrued salaries and bonuses.	\$ 647
Accrued vacation.	24
Other accrued expenses.	18
Total accrued expenses	<u>\$ 689</u>

(6) Commitments and Contingencies

Leases

The principal facilities, equipment, and automobiles of the Company are rented under generally noncancelable operating leases for periods of one to five years. Rent expense for 1994 was \$621,000. The future minimum rental payments required under leases having remaining noncancelable lease terms in excess of one year approximate \$627,000 in 1995, \$520,600 in 1996, \$494,000 in 1997, \$456,000 in 1998, and \$36,000 in 1999.

Notes to Financial Statements

Litigation

The Company has in the normal course of business, certain claims against it and against other parties. In the opinion of management, the resolution of these claims will not have a material adverse effect on the Company's results of operations or financial position.

(7) Subsequent Event

Effective August 29, 1995, VSE Corporation, a publicly traded professional services company, purchased all of the outstanding common stock of Energetics Incorporated.

ITEM 7.B Pro Forma Financial Statements of VSE Corporation

The following unaudited pro forma combined financial information sets forth the combined financial position and the combined results of operations of VSE Corporation and Energetics Incorporated based upon accounting for the acquisition as a purchase method transaction and that the acquisition was consummated (a) on June 30, 1995 for the Balance Sheet and; (b) as of the beginning of each period presented in the Statements of Income.

The unaudited pro forma combined financial information combines the historical Balance Sheets of VSE Corporation and Energetics Incorporated as of June 30, 1995 and the historical Statements of Income of VSE Corporation and Energetics Incorporated for the six months ended June 30, 1995 and the year ended December 31, 1994 and November 27, 1994, for VSE Corporation and Energetics Incorporated respectively.

Non-recurring administrative costs incurred by VSE Corporation such as legal and accounting costs have not been reflected in the pro forma combined financial statements. The following pro forma data is not necessarily indicative of the financial position or results of operations which would have actually been reported had the acquisition been in effect during those periods or which may be reported in the future. The pro forma adjustments described in the accompanying notes are based upon preliminary estimates and certain assumptions that the registrant believes are reasonable in the circumstances. The pro forma financial statements should be read in conjunction with the historical statements on file for VSE Corporation and those of Energetics Incorporated included in this filing.

<TABLE>

VSE Corporation and Energetics Incorporated
Pro Forma Condensed Combined Balance Sheets (Unaudited)
As of June 30, 1995
(in thousands)

<CAPTION>

	VSE Corporation	Energetics Incorporated	(A) Adjustments	Combined
<S>	<C>	<C>	<C>	<C>
Assets				
Current assets:				
Cash and cash equivalents.	\$ 1,286	\$ 227	\$(1,286)	\$ 227
Accounts receivable. . . .	11,973	2,696		14,669
Other current assets . . .	1,106	64		1,170
Deferred charges	1,259	0		1,259
Total current assets . . .	15,624	2,987	(1,286)	17,325
Property and equipment, less accumulated depreciation .				
	2,912	308		3,220
Intangible Assets.	2,437	0	1,490	3,927
Other assets	1,787	0		1,787
Total assets	\$ 22,760	\$ 3,295	\$ 204	\$26,259

Liabilities and Stockholders' Investment

Current liabilities:

Current portion of				
long-term debt.	\$	\$ 67	\$	\$ 67
Accounts payable and other current liabilities	1,761	274		2,035
Accrued expenses	6,351	733		7,084
Accrued and deferred income taxes.	212	0		212
Dividends payable	69	51		120
Total current liabilities	8,393	1,125	0	9,518
Long-term debt, less current portion				
	74	0	2,374	2,448
Deferred compensation plans	1,136	0		1,136
Deferred income taxes. . .	392	0		392
Total liabilities.	9,995	1,125	2,374	13,494
Total stockholders' investment	12,765	2,170	(2,170)	12,765
Total liabilities and stockholders' investment	\$22,760	\$3,295	\$ 204	\$26,259

<FN>
<FN1>

(A) To record the purchase of Energetics Incorporated by VSE Corporation for \$3,660,000 and the associated elimination of Energetics Incorporated stockholders' investment accounts as if the transactions was effected on June 30, 1995.

</FN>
</TABLE>

<TABLE>

VSE Corporation and Energetics Incorporated
Pro Forma Condensed Combined Income Statement (Unaudited)
For the six months ended June 30, 1995
(in thousands, except per share amounts)
<CAPTION>

<S>	VSE Corporation <C>	Energetics Incorporated <C>	(A) Adjustments <C>	Combined <C>
Revenues, principally from contracts	\$33,265	\$5,608	\$	\$38,873
Contract costs	31,964	5,181		37,145
Gross profit	<u>1,301</u>	<u>427</u>	<u>0</u>	<u>1,728</u>
Selling, general and administrative expenses . .	151	31	124	306
Interest expense	12	4	25	41
Income before income taxes .	<u>1,138</u>	<u>392</u>	<u>(149)</u>	<u>1,381</u>
Provision for income taxes .	427	0	122	549
Net income	<u>\$ 711</u>	<u>\$ 392</u>	<u>\$ (271)</u>	<u>\$ 832</u>

Earnings per common share, based on weighted shares outstanding:	<u>\$.82</u>	<u>\$.96</u>
Weighted-average shares outstanding	<u>864,024</u>	<u>864,024</u>

<FN>
<FN1>

(A) To record amortization of intangible assets and the related tax benefit associated with the purchase of Energetics Incorporated by VSE Corporation, to record Energetics Incorporated Federal and state income tax provision at effective tax rates and to record additional interest costs related to the purchase.

</FN>
</TABLE>

<TABLE>

VSE Corporation and Energetics Incorporated
Pro Forma Condensed Combined Income Statement (Unaudited)
For the year ended December 31, 1994 and November 27, 1994, respectively
(in thousands, except per share amounts)
<CAPTION>

VSE Energetics (A)

Corporation Incorporated Adjustments Combined

<S>	<C>	<C>	<C>	<C>
Revenues, principally from contracts	\$65,581	\$10,484	\$	\$76,065
Contract costs	61,468	9,836		71,304
Gross profit	<u>4,113</u>	<u>648</u>	<u>0</u>	<u>4,761</u>
Selling, general and administrative expenses . .	1,577	79	247	1,903
Interest expense	23	70	50	143
Income before income taxes .	<u>2,513</u>	<u>499</u>	<u>(297)</u>	<u>2,715</u>
Provision for income taxes .	960	0	133	1,093
Net income	<u>\$ 1,553</u>	<u>\$ 499</u>	<u>\$ (430)</u>	<u>\$ 1,622</u>

Earnings per common share,
based on weighted shares
outstanding: \$ 1.80 \$ 1.88

Weighted-average shares
outstanding 863,167 863,167

<FN>
<FN1>

(A) To record amortization of intangible assets and the related tax benefit associated with the purchase of Energetics Incorporated by VSE Corporation, to record Energetics Incorporated Federal and state income tax provision at effective tax rates and to record additional interest costs related to the purchase.

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</TABLE>

EXHIBIT 23

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report on the financial statements of Energetics Incorporated included in this Form 8-K/A, into VSE Corporation's previously filed registration statement on Form S-8 file number 2-83255.

ARTHUR ANDERSEN LLP

Washington, D.C.,
November 9, 1995