

Babcock Marine (Devonport) Limited

Annual report

For the year ended 31 March 2018

Company registration number:

02959785

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COMPANIES HOUSE

Babcock Marine (Devonport) Limited

Directors and advisors

Current directors

J W Howie
G Lambert
I S Urquhart

Company secretary

J M Wood
Babcock Corporate Secretaries Limited

Registered office

Devonport Royal Dockyard
Devonport
Plymouth
PL1 4SG

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
2 Glass Wharf
Bristol
BS2 0FR

Strategic report for the year ended 31 March 2018

The directors present their Strategic report on the Company for the year ended 31 March 2018.

Principal activities

The Company acts as a holding company for those subsidiaries listed within note 13.

Review of the business and future developments

The Company has no employees and does not trade. The directors are of the opinion that the Company will continue to operate as a holding company for the foreseeable future. Given the Company's status as a non-trading holding company the directors are of the opinion that disclosure of key performance indicators are not necessary for an understanding of the development, performance or position of the Company's business.

Principal risks 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.

Further discussion of these risks and uncertainties, in the context of the Group as a whole, is provided on pages 68 to 79 of the annual report of Babcock International Group PLC, which does not form part of this report.

On behalf of the board



G Lambert
Director
14 September 2018

Directors' report for the year ended 31 March 2018

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2018.

Dividends

An interim dividend of £25,000,000 (2017: £20,000,000) representing £62,500 (2017: £50,000) per ordinary share was declared and paid in the year. No final dividend for the year ended 31 March 2018 has been proposed by the directors (2017: £nil).

Future developments

Information on the future developments of the Company can be found in the Strategic report.

Financial risk management

As a holding company the Company's exposure to financial risks is limited. All treasury transactions are carried out only with prime rated counter-parties. Financial risk is managed in accordance with Group policies and procedures which are discussed on pages 26 to 29 and Note 2 of the annual report of Babcock International Group PLC, which does not form part of this report.

Directors

The directors who held office during the year and up to the date of signing the annual report were as follows:

I S Urquhart
J W Howe
G Lambert

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual 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, comprising FRS 101 'Reduced Disclosure Framework', 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. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

Babcock Marine (Devonport) Limited

Directors' report for the year ended 31 March 2018 *(continued)*

Statement of directors' responsibilities in respect of the financial statements *(continued)*

The directors 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.

Qualifying third party indemnity provisions

Babcock International Group PLC provides protections for directors of companies within the Group against personal financial exposure they may incur in their capacity as such. These include qualifying third party indemnity provisions (as defined by Companies Act 2006) for the benefit of members of Babcock International Group PLC, including, where applicable, in their capacity as a director of the Company and other companies within the Group. These indemnities came into force in 2012 and remain in force.

Disclosure of information to auditors

Each director, as at the date of this report, has confirmed that in so far as they are aware there is no relevant audit information of which the Company's auditors are unaware, and they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of this information.

On behalf of the board



G Lambert
Director
14 September 2018

Independent auditors' report to the members of Babcock Marine (Devonport) Limited

Report on the audit of the financial statements

Opinion

In our opinion, Babcock Marine (Devonport) Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements included within the Annual Report, which comprise: the balance sheet as at 31 March 2018; the income statement; the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Independent auditors' report to the members of Babcock Marine (Devonport) Limited
(continued)

Report on the audit of the financial statements *(continued)*

Reporting on other information *(continued)*

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Babcock Marine (Devonport) Limited

Independent auditors' report to the members of Babcock Marine (Devonport) Limited *(continued)*

Report on the audit of the financial statements *(continued)*

Responsibilities for the financial statements and the audit *(continued)*

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

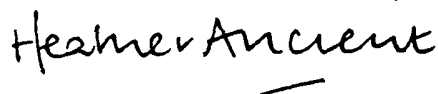
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Heather Ancient (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
18 September 2018

Babcock Marine (Devonport) Limited**Income statement***for the year ended 31 March 2018*

	Note	2018 £000	2017 £000
Income from shares in group undertakings	4	<u>25,000</u>	<u>20,000</u>
Profit before tax		25,000	20,000
Income tax expense	6	<u>-</u>	<u>-</u>
Profit for the year		<u>25,000</u>	<u>20,000</u>

There was no other comprehensive income for 2018 and 2017 other than those included in the income statement above and therefore no statement of comprehensive income has been presented.

Babcock Marine (Devonport) Limited**Balance sheet***as at 31 March 2018*

	Note	2018 £000	2017 £000
Non-current assets			
Investments	7	40,627	40,627
		<u>40,627</u>	<u>40,627</u>
Current assets			
Trade and other receivables	8	158,688	158,688
		<u>158,688</u>	<u>158,688</u>
Trade and other payables	9	(59,473)	(59,473)
Net current assets		<u>99,215</u>	<u>99,215</u>
Net assets		<u>139,842</u>	<u>139,842</u>
Equity			
Called up share capital	10	1	1
Share premium account		40,626	40,626
Retained earnings		<u>99,215</u>	<u>99,215</u>
Total shareholders' funds		<u>139,842</u>	<u>139,842</u>

The notes on pages 11 to 16 are an integral part of these financial statements.

The financial statements on pages 8 to 16 were approved by the board of directors and signed on its behalf by:



G Lambert
Director
14 September 2018

Babcock Marine (Devonport) Limited**Statement of changes in equity**
for the year ended 31 March 2018

	Note	Called up share capital £000	Share premium account £000	Retained Earnings £000	Total £000
Balance at 1 April 2016		1	40,626	99,215	139,842
Profit for the year		-	-	20,000	20,000
Dividends paid	11	-	-	(20,000)	(20,000)
Balance at 31 March 2017		1	40,626	99,215	139,842
Profit for the year		-	-	25,000	25,000
Dividends paid	11	-	-	(25,000)	(25,000)
Balance at 31 March 2018		1	40,626	99,215	139,842

Babcock Marine (Devonport) Limited

Notes to the financial statements for the year ended 31 March 2018

1 General information

Babcock Marine (Devonport) Limited is a private company which is incorporated and domiciled in the UK. The address of the registered office is Devonport Royal Dockyard, Devonport, Plymouth, PL1 4SG.

2 Summary of significant accounting policies

The principle accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented. The Company has prepared these financial statements in accordance with FRS 101. No new accounting standards have been adopted during the financial year.

Basis of preparation

The financial statements have been prepared in accordance with the Companies Act 2006 as applicable to companies using Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). These financial statements are prepared on a going concern basis, under the historical cost convention, in accordance with the Companies Act 2006. The financial statements are prepared in sterling which is the functional currency of the Company and rounded to the nearest thousand (£'000).

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The Company is a wholly owned subsidiary of Babcock Marine & Technology Holdings Limited and of its ultimate parent, Babcock International Group PLC. It is included in the consolidated financial statements of Babcock International Group PLC which are publicly available. Therefore the Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- a) Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information in respect of:
 - paragraph 79(a) (iv) of IAS 1 Share capital and reserves;
 - paragraph 73(e) of IAS 16 Property, plant and equipment; and
 - paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period)
- b) The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d), 16, 38A-D, 111, and 134-136
- c) IAS 7, 'Statement of cash flows'
- d) Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors'
- e) Paragraph 17 of IAS 24, 'Related party transactions' in respect of key management compensation
- f) The requirements of IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

Notes to the financial statements for the year ended 31 March 2018 *(continued)*

2 Summary of significant accounting policies *(continued)*

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.

Investments

Fixed asset investments are stated at cost less provision for impairment in value. Assets are tested annually for impairment. An impairment loss is recognised when the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less disposal costs and the value in use.

Trade and other receivables

Trade receivables are stated at their cost less provision for bad debts. A provision for bad debt is established when there is objective evidence that the collection of the debt is no longer probable.

Taxation

(a) Current income tax

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Tax is recognised in the income statement except to the extent that it relates to items recognised directly in either other comprehensive income or in equity.

Income from shares in group undertakings

Income from shares in group undertakings is recognised in the Company's financial statements in the year in which it is approved. Interim dividends are recognised when received.

Dividends paid and payable

Dividends are recognised as a liability in the Company's financial statements in the year in which they are approved. Interim dividends are recognised when paid.

3 Critical accounting estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

There are no judgements or estimates that the directors believe are significant in the context of these financial statements.

Babcock Marine (Devonport) Limited

Notes to the financial statements for the year ended 31 March 2018 *(continued)*

4 Income from shares in group undertakings

Revenue is wholly attributable to the principal activities of the Company and arises as follows:

	2018 £000	2017 £000
Interim dividend received in respect of the current year	25,000	20,000
	<u>25,000</u>	<u>20,000</u>

5 Directors' remuneration

All of the directors of the Company are remunerated by other Babcock Group companies. It is not possible to make an accurate apportionment of these directors' emoluments relating to services provided to the Company and as such no disclosure of emoluments received by these directors has been made in these financial statements. No recharge is made for costs borne by the Company in relation to services performed by the directors in relation to other Babcock Group companies. The audit fee is paid by other Group companies and is not recharged.

6 Income tax

The current and deferred tax charge for the year is £nil (2017: £nil).

Tax expense for the year is lower (2017: lower) than the standard rate of corporation tax in the UK for the year ended 31 March 2018 of 19% (2017: 20%). The differences are explained below:

	2018 £000	2017 £000
Profit before tax	<u>25,000</u>	<u>20,000</u>
Profit multiplied by standard UK corporation tax rate of 19% (2017: 20%)	4,750	4,000
Effects of:		
Income not taxable	<u>(4,750)</u>	<u>(4,000)</u>
Tax charge for the year	<u>-</u>	<u>-</u>

Babcock Marine (Devonport) Limited

Notes to the financial statements for the year ended 31 March 2018 (continued)

7 Investments

	2018			2017		
	Shares in group undertakings £000	Shares in joint ventures £000	Total £000	Shares in group undertakings £000	Shares in joint ventures £000	Total £000
Carrying amount at 1 April and 31 March	40,627	-	40,627	40,627	-	40,627

The directors believe that the carrying value of the investments is supported by their underlying net assets.

During the year the Company received a dividend of £25,000,000 (2017: £20,000,000) from Devonport Royal Dockyard Limited.

8 Trade and other receivables

	2018 £000	2017 £000
Amounts falling due within one year:		
Amounts owed by group undertakings	158,688	158,688
	<u>158,688</u>	<u>158,688</u>

Amounts owed by group undertakings are unsecured and repayable on demand.

There are five loans (2017: five) to group companies:

- Five (2017: five loans) totalling £158,688,000 (2017: £158,688,000) are repayable on demand, with no interest charge.

Trade receivables are stated after provisions for impairment of £nil (2017: £nil).

9 Trade and other payables

	2018 £000	2017 £000
Amounts falling due within one year:		
Amounts owed to parent and group undertakings	59,473	59,473
	<u>59,473</u>	<u>59,473</u>

Amounts owed to parent and group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Babcock Marine (Devonport) Limited

Notes to the financial statements for the year ended 31 March 2018 (continued)

10 Called up share capital

	2018 £	2017 £
Allotted and fully paid		
204 'A' ordinary shares of £1 each (2017: 204)	204	204
196 'B' ordinary shares of £1 each (2017: 196)	196	196
	400	400

Profits which the Company may determine to distribute shall be distributed as follows: 51 percent shall be distributed amongst the 'A' shareholders rateably according to the number of shares held, and 49 percent shall be distributed amongst the 'B' shareholders rateably according to the number of shares held. In all other respects the 'A' and 'B' shares carry the same rights and privileges and shall rank *pari passu*.

11 Dividends

Dividends declared and paid were £25,000,000 (2017: £20,000,000), this is equivalent to £62,500 per share (2017: £50,000). There are no plans for a final dividend.

12 Contingent liabilities

At 31 March 2018 the Company had guaranteed or had joint and several liability for drawn Babcock International Group PLC bank facilities of £nil (2017: £nil) provided to certain Group companies. In addition, the Company had joint and several liabilities for the drawn bank overdraft facilities of other Group companies of £nil (2017: £nil).

No securities have been provided by the Company in relation to these contingent liabilities. There is no current expectation that these contingent liabilities will crystallise.

13 Subsidiary undertakings

All related undertakings for the Company are as listed below:

Company Name	Country	Interest	Direct %	Ultimate%
Devonport Royal Dockyard Limited Plymouth, PL1 4SG	United Kingdom	5,350,001 Ordinary shares	100.0%*	100.0%*
Defence SCS Limited Devonport Royal Dockyard Plymouth, PL1 4SG	United Kingdom	1,000 Ordinary Shares	100.0%	100.0%

* The Secretary of State holds one special share of £1 in Devonport Royal Dockyard Limited which has rights attaching that effectively give him the power, under extreme circumstances set out in the Company's Articles of Association, to overrule the votes of the ordinary shares.

Babcock Marine (Devonport) Limited is exempt from preparing consolidated financial statements under section 400 of the Companies Act 2006, as it is a wholly owned subsidiary. Details of the ultimate parent company are given in note 15.

Notes to the financial statements for the year ended 31 March 2018 *(continued)*

14 Related party disclosures

The Company has taken advantage of the exemptions within FRS 101 not to disclose transactions and balances with Babcock International Group PLC and its wholly owned subsidiaries, on the grounds that the Company itself is a wholly owned subsidiary of Babcock International Group PLC, for which the consolidated financial statements are publicly available.

15 Ultimate parent undertaking

The Company's immediate parent company is Babcock Defence & Security Holdings LLP, a limited liability partnership registered in England and Wales. The Company's ultimate parent undertaking and controlling party is Babcock International Group PLC, a company registered in England and Wales. The only Group in which the results of the Company are consolidated is that headed by Babcock International Group PLC.

Copies of Babcock International Group PLC Financial Statements are available from the following address:

The Company Secretary
Babcock International Group PLC
33 Wigmore Street
London
W1U 1QX