

Rosyth Royal Dockyard Limited

Group annual report and financial statements for the
year ended 31 March 2015

Registered number: SC101959

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Rosyth Royal Dockyard Limited

Group annual report and financial statements for the year ended 31 March 2015

Contents

	Page
Company Information.....	1
Strategic report for the year ended 31 March 2015	2
Directors' report for the year ended 31 March 2015	5
Independent auditors' report to the members of Rosyth Royal Dockyard Limited	7
Group profit and loss account for the year ended 31 March 2015	9
Company profit and loss account for the year ended 31 March 2015.....	9
Group statement of total recognised gains and losses	10
Group note of historical cost profits and losses	10
Group balance sheet as at 31 March 2015.....	11
Company balance sheet as at 31 March 2015	12
Notes to the group and company financial statements for the year ended 31 March 2015	13

Rosyth Royal Dockyard Limited

Company information

Directors

I S Urquhart
A A Bethel CBE
F Martinelli
D M Jones
J A Donaldson
J W Howie
I S Donnelly

Company secretary

J M Wood

Registered office

Rosyth Business Park
Rosyth
Dunfermline
Fife
KY11 2YD

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
141 Bothwell Street
Glasgow
G2 7EQ

Bankers

The Royal Bank of Scotland plc
Dunfermline Branch
52-54 East Port
Dunfermline
Fife
KY12 7HB

Rosyth Royal Dockyard Limited

Strategic report for the year ended 31 March 2015

The directors present their strategic report on the affairs of the group for the year ended 31 March 2015.

Review of business

The group continued to make its employees and assets available to other Babcock International Group PLC companies and is also engaged in leasing land and buildings to commercial tenants and is currently undertaking early works in relation to the MoD's submarine dismantling project. The group continues to grow its port business with both bulk and specialist project cargoes.

The leasing of surplus buildings and land to commercial tenants continues to meet expectations with high occupancy levels and rental fees in line with current market pricing. The port business continues to attract new customers, and deliveries of aggregate and timber have been in line with our plans.

The Submarine Dismantling Project (SDP) will determine future phases of decommissioning at Rosyth, and the final decommissioning of the legacy submarine refitting infrastructure will follow completion of submarine dismantling activities. In response to public consultation a staged approach to dismantling will be adopted. Stage 1 will see the removal of low level waste (LLW) whilst stage 2 will deal with the intermediate level waste (ILW). The first submarine will be dismantled at Rosyth as a demonstration of the radioactive waste removal process. The rate and order of dismantling the remaining submarines, at both Rosyth and Devonport, will then be optimised. Priority will be given to clearing the seven submarines currently at Rosyth. The planning and infrastructure improvement works required for the first submarine are underway, with submarine dismantling activities expected to commence during 2016.

The group recognises the promotion of health and safety at work as an important objective. It is group policy to take steps to ensure, as far as reasonably practical, the health, safety and welfare of the employees of the group. This commitment to Health & Safety excellence has led the group to seek to achieve certification in this area and the group was successful in achieving the OHSAS18001 standard during the 14/15 financial year.

The strategic focus on health and safety performance, behaviour and culture continued throughout the financial year, managed by a joint team drawn from across the business with regular performance feedback to all employees. The group introduced a Visible Leadership Programme during the year whereby each senior manager visits a different area of the business each month to discuss health and safety issues with the workforce. The rate of reportable accidents per 100,000 hours of work during the financial year was 0.18 (2014 = 0.19).

The group recognises its responsibility to minimise so far as reasonably possible the potential for adverse impacts from its operations. We aim to achieve the highest standards in environmental management and to successfully maintain our existing ISO14001 Certification and continually seek and implement further environmental improvements.

Results and performance

The audited financial statements for the year ended 31 March 2015 are set out on pages 9 to 32. The group and company profit for the financial year was £4,501,000 (2014: £3,977,000).

The group and company net liability position at the end of the financial year was £20,762,000 (2014: £51,537,000).

Key performance indicators

The marine activities of the group are managed on a divisional basis. The following financial and non-financial key performance indicators (KPIs) have been identified. These reflect the internal benchmarks that are used to measure the success of the business and strategy.

Rosyth Royal Dockyard Limited

Strategic report for the year ended 31 March 2015 (continued)

	2015	2014	
Revenue Growth	12.3%	20.4%	<p>Increase in revenue when compared to that in the previous year.</p> <p>The growth reflects the increased number of employees utilised by the company's parent together with the commencement of the submarine dismantling programme.</p>
Operating Return on Revenue	4.5%	4.6%	<p>Operating profit expressed as a percentage of revenue.</p> <p>The return has remained consistent with the prior year.</p>
Headcount growth	8.1%	12.5%	<p>Increase in the number of employees at the end of the year compared to the start of the year.</p> <p>The increase primarily reflects the continued growth in the number of employees engaged by the company's parent on the QEC aircraft carrier contract.</p>
Occupancy levels for leased properties	92.8%	93.3%	<p>Area leased to external tenants compared with that available for leasing.</p> <p>Demonstrates continued high occupancy of available space.</p>
Total injuries per 100,000 hours worked	3.6	4.0	<p>The data is for all reported injuries.</p> <p>Health and safety is a core value for the Company, the reduced accident rate reflects continuing good performance.</p>
Number of Apprentices	79	79	<p>Number at the end of the year.</p> <p>Apprentices are primarily engaged by the parent company on the QEC aircraft carrier contract.</p>

The growth and performance of Babcock Marine and Technology, the division of Babcock International Group PLC of which the group forms part, is discussed on pages 12 to 17 and 40 to 47 of the group's annual report, which does not form part of this report.

Rosyth Royal Dockyard Limited

Strategic report for the year ended 31 March 2015 (continued)

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.

The key business risks and uncertainties affecting the Company are considered to relate to contractual performance, the political and regulatory environment, and exposure to defined benefit pension schemes. Further discussion of these risks and uncertainties, in the context of the group as a whole, is provided on pages 60 to 69 of the annual report of Babcock International Group PLC, which does not form part of this report.

Future developments

The group plans to continue with the leasing of land and buildings to commercial tenants, to support the MoD programme of submarine dismantling and to develop additional business opportunities related to the exploitation of the Rosyth site.

As part of the Scottish Parliament review of key national infrastructure projects, additional container freight capacity on the Forth was included in the National Planning Framework (NPF) 2 and again in the NPF 3, with NPF 3 noting that they expect to see proposals for an International Container Terminal at the west end of the Rosyth site progress through the marine consenting process in the short term. In support of the marine consenting process a comprehensive range of exploratory work has been agreed with Marine Scotland and is currently ongoing. It is expected that a marine licence will be granted prior to March 2016.

The directors consider that the development of the additional business does not present any significant risks to the company.

During the year the company commenced consultation with employee representatives on the modernisation of the defined benefit pension scheme, in order to reduce the risk profile to the company in respect of the future service of existing employees. This consultation process has now concluded and the changes were implemented from 1 June 2015.

On behalf of the board



D M Jones
24 June 2015

Rosyth Royal Dockyard Limited

Directors' report for the year ended 31 March 2015

The directors present their report and the audited financial statements of the group for the year ended 31 March 2015.

Directors

The directors of the company who were in office during the financial year and up to the date of signing the financial statements were:

I S Urquhart
A A Bethel CBE
F Martinelli
D M Jones
J A Donaldson
T M R Pettigrew (resigned 2 September 2014)
J Reilly (resigned 2 September 2014)
J W Howie
I S Donnelly (appointed 2 September 2014)

Future developments

Likely future developments in the business of the company are discussed on page 4 of the strategic report.

Dividends

No dividends were proposed or paid during the financial year (2014: £nil).

Financial risk management

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 44 to 46 and note 2 of the annual report of Babcock International Group PLC, which does not form part of this report.

Employment of disabled persons

The policy of the company is to give full consideration to applications for employment from disabled persons who have the aptitudes and abilities to meet the requirements of the job. An employee who becomes disabled will continue to be employed where possible under the same terms and conditions. Training and career development applies wherever appropriate to all employees, including disabled persons.

Employee involvement

The company communicates regularly with its employees in briefings and discussions, by written communications on specific topics and on more general issues through the bulletin "Newslines". The company routinely discusses issues affecting its employees with the employees' trade unions' representatives. This interaction is further enhanced through the Employee Engagement Excellence programme. During the year the company issued and communicated through employee engagement sessions the 'GOLD Challenge 2014' document which described the company's achievements in the past year and the plans and challenges for the year ahead. Employees can share in the fortunes of the group by electing to join the Babcock All Employee Share Option Plan (AESOP).

Qualifying third party indemnity provisions

Under their respective Articles of Association, the directors of the company are, and were during the financial year to 31 March 2014, entitled to be indemnified by the company against liabilities and costs incurred in connection with the execution of their duties or the exercise of the powers, to the extent permitted by the Companies Act 2006.

Babcock International Group PLC also 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 directors of Babcock International Group PLC, including, where applicable, in their capacity as a director of the Company and other companies within the Group.

Rosyth Royal Dockyard Limited

Directors report for the year ended 31 March 2015 (continued)

Going concern statement

The company had net liabilities at 31 March 2015, primarily due to the pension scheme deficit. The directors believe that, having regard to the company's prospects for future business, and having agreed a recovery plan for the pension scheme deficit with the scheme's trustees, the company remains a going concern. Further, Babcock Marine (Rosyth) Limited, the company's immediate parent undertaking, has confirmed its intention to ensure that the company is able to meet its liabilities as they fall due.

Statement of directors' responsibilities

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 group and parent company 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 group and the company and of the profit or loss of the company and group 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 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;

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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure of information to auditors

In the case of each of the persons who are directors at the time when the report is approved, under Section 418 of the Companies Act 2006 the following applies:

- a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information,

On behalf of the Board



D M Jones
Director
24 June 2015

Rosyth Royal Dockyard Limited

Independent auditors' report to the members of Rosyth Royal Dockyard Limited

Report on the financial statements

Our Opinion

In our opinion, Rosyth Royal Dockyard Limited's group financial statements and company financial statements (the 'financial statements'):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2015 and of the group's and the company's 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.

What we have audited

Rosyth Royal Dockyard Limited's financial statements comprise:

- Group and Company balance sheets as at 31 March 2015;
- Group and Company profit and loss accounts for the year then ended;
- Group statement of total recognised gains and losses;
- Group note of historical cost profits and losses; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Rosyth Royal Dockyard Limited

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, 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) ('ISAs (UK & 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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 group's and 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Martin Cowie (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Glasgow
24 June 2015

Rosyth Royal Dockyard Limited

Group profit and loss account for the year ended 31 March 2015

	Note	2015 £'000	2014 £'000
Turnover	2	90,445	80,515
Cost of sales		(86,380)	(76,802)
Operating profit		4,065	3,713
Interest receivable and similar income	3	1	2
Interest payable and similar charges	3	(1,943)	(1,162)
Other finance income	17	2,455	1,473
Profit on ordinary activities before taxation	4	4,578	4,026
Tax on profit on ordinary activities	7	(77)	(49)
Profit for the financial year	14	4,501	3,977

All the profit and loss items relate to continuing operations.

Company profit and loss account for the year ended 31 March 2015

	Note	2015 £'000	2014 £'000
Turnover	2	90,445	80,515
Cost of sales		(86,380)	(76,802)
Operating profit		4,065	3,713
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Rosyth Royal Dockyard Limited

Group statement of total recognised gains and losses for the year ended 31 March 2015

	Note	2015 £'000	2014 £'000
Profit for the financial year		4,501	3,977
Actuarial gains / (losses) on pension scheme	17	26,274	(13,944)
Total recognised gains and losses relating to the year		30,775	(9,967)

Group note of historical cost profits and losses for the year ended 31 March 2015

	2015 £'000	2014 £'000
Profit on ordinary activities before taxation	4,578	4,026
Difference between historical cost depreciation charge and the actual depreciation charge for the financial year calculated on the revalued amount	3,100	3,100
Historical cost profit on ordinary activities before taxation	7,678	7,126
Historical cost profit for the financial year	7,601	7,077

Rosyth Royal Dockyard Limited

Registered number: SC101959

Group balance sheet as at 31 March 2015

	Note	2015 £'000	2014 £'000
Fixed assets			
Intangible assets	8	-	-
Tangible assets	9	47,587	51,587
		47,587	51,587
Current assets			
Debtors	11	43,733	47,502
Cash at bank and in hand		604	602
Net current assets		44,337	48,104
Total assets less current liabilities		91,924	99,691
Net assets excluding pension liability		91,924	99,691
Defined benefit pension liability	17	(112,686)	(151,228)
Net liabilities including pension liability		(20,762)	(51,537)
Capital and reserves			
Called up share capital	13	250	250
Share premium account	14	32,300	32,300
Revaluation reserve	14	44,298	47,398
Profit and loss account	14	(97,610)	(131,485)
Total shareholders' deficit	15	(20,762)	(51,537)

All notes refer to both the group and company unless otherwise indicated.

The financial statements on pages 9 to 32 were approved by the Board of directors on 24 June 2015 and were signed on its behalf by:



D M Jones

Director

Rosyth Royal Dockyard Limited

Registered number: SC101959

Company balance sheet as at 31 March 2015

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Fixed assets			
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Profit and loss account	14	(97,610)	(131,485)
Total shareholders' deficit	15	(20,762)	(51,537)

All notes refer to both the group and company unless otherwise indicated.

The financial statements on pages 9 to 32 were approved by the Board of directors on 24 June 2015 and were signed on its behalf by:



D M Jones

Director

Rosyth Royal Dockyard Limited

Notes to the group and company financial statements for the year ended 31 March 2015

1 Accounting policies

The principal accounting policies are summarised below.

Basis of accounting

The financial statements have been prepared on the going concern basis under the historical cost convention as modified by the revaluation of certain tangible fixed assets and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. A summary of the key accounting policies, which have been applied consistently, is set out below.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 March 2015

Going concern basis

The company had net liabilities at the balance sheet date. The directors believe that, having regard to the company's prospects for future business, and having agreed a recovery plan for the pension scheme deficit with the scheme's trustees, the company remains a going concern. Further, Babcock Marine (Rosyth) Limited, the company's immediate parent undertaking, has confirmed its intention to ensure that the company is able to meet its liabilities as they fall due.

Tangible fixed assets

- (i) Tangible fixed assets (with the exception of those revalued as at 1 April 2008, see (ii) below) are stated at cost less accumulated depreciation and any provision for impairment in value. This includes assets held and leased to third parties under operating lease arrangements. The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition. Depreciation is provided on a straight line basis to write off the cost of these tangible fixed assets over the course of their estimated useful lives, or for assets leased on operating leases over their contract period if shorter, to their estimated residual values as follows:

Buildings related to operating leases	10 to 15 years
Land and other buildings	5 to 20 years
Specialised marine facilities (including associated land), see (ii) below	15 years
Plant and machinery	3 to 8 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

- (ii) Revalued assets: A class of assets comprising the specialised marine facilities at Rosyth Royal Dockyard was first revalued as at 1 April 2008 (and subsequently updated at 31 March 2011 and at 31 March 2013), see note 9. Recognising the specialist nature of these assets a depreciated replacement cost approach has been adopted to the valuation of these assets, with the associated land assessed at existing use value. Depreciation has been provided on the revalued amounts (excluding the associated land) on a straight line basis in accordance with the estimated remaining economic lives of the assets. The estimated remaining economic life of such assets is 15 years.

Intangible fixed assets

Intangible fixed assets represent intellectual property rights acquired from the Ministry of Defence. Initially, amortisation was provided in line with the allocated programme of work from the Ministry of Defence, amortisation of the remaining value is taking place over an 8 year period.

Fixed asset investments

Fixed asset investments are stated at cost less provisions for impairment in value. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

Rosyth Royal Dockyard Limited

Notes to the group and company financial statements for the year ended 31 March 2015 (continued)

1 Accounting policies (continued)

Taxation

Current tax, including UK corporation 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. The taxation liabilities of certain group companies may be reduced, wholly or in part, by the surrender of losses by fellow group companies. The decision to charge group relief is made on a case by case basis.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured on an undiscounted basis 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.

Turnover

Turnover includes operating lease income and the sale of fixed assets and labour supplied in the normal course of business. Operating lease income is recognised in the period to which it relates as defined by the lease agreements. Revenue in respect of fixed assets is recognised in line with the depreciation of the assets. Revenue in respect of labour is recognised in line with the costs incurred. All turnover is stated net of value added tax.

Pensions

The company operates a defined benefit pension scheme for the benefit of a number of its employees, the assets of which are held separately from those of the company in independently administered funds.

Pension scheme assets are measured using market value. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability. The increase in the present value of the liabilities of the Group's defined benefit pension schemes expected to arise from employee service in the period is charged to operating profit. The expected return on the schemes' assets and the increase during the year in the present value of the schemes' liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the consolidated statement of total recognised gains and losses.

Pension schemes' surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet net of the related deferred tax.

Rosyth Royal Dockyard Limited

Notes to the group and company financial statements for the year ended 31 March 2015 (continued)

1 Accounting policies (continued)

The company is also a contributing employer to the Babcock International Group Pension Scheme, a defined benefit scheme, in respect of a small number of its employees. This scheme is multi-employer and as such the company is unable to identify its share of the underlying assets and liabilities in the scheme. The company therefore does not believe that the accounting treatment for a defined benefit scheme is appropriate and is accounting for it in line with that required for a defined contribution scheme. The cost of employer contributions is charged to the profit and loss account.

Contributions are also made to the personal plans of certain employees who are not members of defined benefit pension schemes. The expenditure is charged to the profit and loss account in the period to which it relates.

Leases

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Rentals paid under operating leases are charged to the profit and loss account on a straight line basis. Where the company acts as a lessor income received under operating leases is recognised in accordance with the terms of the lease agreements.

Cash flow statement and related party disclosures

The company is a wholly owned subsidiary of Babcock International Group PLC and is included in the consolidated financial statements of Babcock International Group PLC, which are publicly available. Consequently, the company has taken advantage of the exemptions from preparing a cashflow statement under the terms of FRS 1 (revised 1996) 'Cash flow statements'. The company is also exempt under the terms of FRS 8 'Related party disclosures' from disclosing related party transactions with entities that are part of Babcock International Group PLC.

2 Turnover

Turnover is entirely attributable to the United Kingdom market and the sole activity described in the strategic report.

3 Net interest payable and similar charges

	2015 £'000	2014 £'000
Interest receivable and similar income		
Bank interest	1	2
Interest payable and similar charges		
FRS 17 pension scheme interest charge	(1,943)	(1,162)

The FRS 17 pension scheme interest charge represents a proportion of the FRS 17 'Retirement Benefits' pension scheme interest income that is passed to other group undertakings. This proportion is in respect of employees of the company whose services are provided to other group undertakings.

Rosyth Royal Dockyard Limited

Notes to the group and company financial statements for the year ended 31 March 2015 (continued)

4 Profit on ordinary activities before taxation

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

	2015 £'000	2014 £'000
Depreciation - owned tangible fixed assets	4,000	3,668
Operating lease rentals		
- other	6	6
Rents received in relation to operating leases	(1,056)	(1,226)

The auditors' remuneration in both the current and prior financial year was borne by the immediate parent company. The amount of such auditors' remuneration was £18,000 (2014: £18,000).

5 Staff costs

Employee costs during the financial year amounted to:

	2015 £'000	2014 £'000
Wages and salaries	60,821	57,773
Social security costs	5,924	4,440
Other pension costs	6,718	7,124
	73,463	69,337

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

	2015 Number	2014 Number
Production	1,461	1,373
Administration	135	127
	1,596	1,500

Rosyth Royal Dockyard Limited

Notes to the group and company financial statements for the year ended 31 March 2015 (continued)

6 Directors' remuneration

	2015 £'000	2014 £'000
Aggregate emoluments	374	769
Aggregate amounts receivable under long-term incentive schemes	658	341
Aggregate gains received on exercise of share options	130	70
	1,162	1,180

Highest Paid Director	2015 £'000	2014 £'000
Aggregate emoluments and benefits (excluding shares) under long-term incentive schemes	213	215
Defined benefit pension scheme: Accrued pension at the end of year (per annum)	58	56

No share options were exercised in the year to 31 March 2015 (2014: one) by the highest paid director.

The remuneration of the executive directors includes a performance related bonus which depends upon pre-set targets. Performance related bonuses are normally paid in the period after that in which they are earned.

Three directors (2014: four) participate in any long term incentive schemes and shares were received or receivable in the year.

One director (2014: none) exercised share options in respect of qualifying services under any long term incentive schemes.

Retirement benefits are accruing to three directors (2014: three) under defined benefit schemes. Retirement benefits are accruing to one director (2014: one) under defined contribution schemes.

The above disclosures relate to three directors (2014: four) actually paid by the company. The remaining six directors (2014: four) are also directors of the holding company or fellow subsidiaries. Recharges are made by the holding company or fellow subsidiaries to cover central and shared services, including an element of directors' emoluments.

Rosyth Royal Dockyard Limited

Notes to the group and company financial statements for the year ended 31 March 2015 (continued)

7 Tax on profit on ordinary activities

	2015 £'000	2014 £'000
Current tax		
UK Corporation tax	-	-
Deferred tax (note 12)		
Origination and reversal of timing differences	81	14
Impact of change in UK tax rate	(4)	67
Adjustment in respect of prior years	-	(32)
Tax on profit on ordinary activities	77	49

The tax assessed for the financial year is lower (2014: lower) than the standard rate of corporation tax in the UK of 21% (2014: 23%).

The difference between the total current year tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit on ordinary activities before taxation is as follows:

	2015 £'000	2014 £'000
Profit on ordinary activities before taxation	4,578	4,026
Tax on profit on ordinary activities at standard UK corporation tax rate of 21% (2014: 23%)	961	926
Effects of:		
Capital allowances in excess of depreciation	(81)	(14)
Deferred tax unprovided	(2,576)	(3,095)
Expenses not deductible for tax purposes	824	735
Group relief surrendered / (claimed) for nil consideration	872	1,448
	-	-

Rosyth Royal Dockyard Limited

Notes to the group and company financial statements for the year ended 31 March 2015 (continued)

8 Intangible fixed assets

	Intellectual property
Cost	£'000
At 1 April 2014 and 31 March 2015	300
Accumulated amortisation	
At 1 April 2014 and 31 March 2015	300
Net book value	
At 31 March 2014 and 31 March 2015	-

Rosyth Royal Dockyard Limited

Notes to the group and company financial statements for the year ended 31 March 2015 (continued)

9 Tangible fixed assets

	Buildings related to operating leases	Land and Other Buildings	Specialised Marine Facilities (including associated land)	Plant and machinery	Total
Cost or valuation	£'000	£'000	£'000	£'000	£'000
At 1 April 2014	2,954	10,191	50,597	16,160	79,902
Disposals	-	(65)	-	(7,562)	(7,627)
At 31 March 2015	2,954	10,126	50,597	8,598	72,275
Accumulated depreciation					
At 1 April 2014	2,842	8,074	3,100	14,299	28,315
Charge for the year	74	269	3,100	557	4,000
Disposals	-	(65)	-	(7,562)	(7,627)
At 31 March 2015	2,916	8,278	6,200	7,294	24,688
Net book value					
At 31 March 2015	38	1,848	44,397	1,304	47,587
At 31 March 2014	112	2,117	47,497	1,861	51,587

Land and buildings disclosed above relate to freehold land and buildings only.

A full revaluation of a class of assets comprising the marine facilities at Rosyth Royal Dockyard was carried out by James Barr Limited, chartered surveyors, qualified independent valuers as defined within the RICS Valuation Standards. The effective date of the valuation was 1 April 2013.

Rosyth Royal Dockyard Limited

Notes to the group and company financial statements for the year ended 31 March 2015 (continued)

9 Tangible fixed assets (continued)

Historical cost values for the revalued class of assets are shown below:

Specialised marine facilities (including associated land)

	£'000
Cost	
At 1 April 2014 and 31 March 2015	4,030
Accumulated depreciation	
At 1 April 2014 and 31 March 2015	3,931
Net book value	
At 31 March 2014 and 31 March 2015	99

An amount of £3,100,000, (2014: £3,100,000) representing the excess of the depreciation charge on the revalued assets over the amount charged on a historical cost basis has been transferred from the revaluation reserve to the profit and loss account, see note 14.

10 Subsidiaries

The company owns 100% of the allotted ordinary share capital of Rosyth Royal Dockyard Pension Trustees Limited, a company registered in Scotland. This subsidiary undertaking is the trustee of the Rosyth Royal Dockyard Pension Scheme, the financial statements of which are included in the group's consolidated financial statements.

11 Debtors

Amounts falling due within one year:

	Note	2015 £'000	2014 £'000
Amounts owed by group undertakings		43,367	47,059
Deferred tax	12	366	443
		43,733	47,502

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

Rosyth Royal Dockyard Limited

Notes to the group and company financial statements for the year ended 31 March 2015 (continued)

12 Deferred tax

The components of the deferred tax asset recorded and the potential deferred tax asset are as follows:

	2015	2014	2015	2014
	Provided	<i>Provided</i>	Potential	<i>Potential</i>
	£'000	£'000	£'000	£'000
Accelerated capital allowances	366	443	366	443
Defined benefit pension liability	-	-	22,537	30,246
Capital tax losses	-	-	68	68
	366	443	22,971	30,757
Less defined benefit pension liability	-	-	(22,537)	(30,246)
Excluding defined benefit pension liability	366	443	434	511

The potential deferred tax asset of £22,537,000 (2014: £30,246,000) on the defined benefit pension liability has not been recognised by the company as it has been recognised by the company's immediate parent.

A deferred tax asset has not been recognised in respect of capital tax losses carried forward as, in the opinion of the Directors, there is insufficient evidence that the asset will be recovered in the foreseeable future. The amount of the total tax asset not recognised is £68,000 (2014: £68,000).

The movement on the deferred tax asset is as follows:

	£'000
At 1 April 2014	443
Origination and reversal of timing differences	(81)
Impact of change in UK tax rate	4
At 31 March 2015	366

Rosyth Royal Dockyard Limited

Notes to the group and company financial statements for the year ended 31 March 2015 (continued)

13 Called up share capital

	2015 £'000	2014 £'000
Authorised		
200,101 (2014: 200,101) ordinary shares of £1 each	200	200
49,998 (2014: 49,998) "A" ordinary shares of £1 each	50	50
	250	250
Allotted and fully paid		
200,022 (2014: 200,022) ordinary shares of £1 each	200	200
49,998 (2014: 49,998) "A" ordinary shares of £1 each	50	50
	250	250

Share capital consists entirely of equity shares.

The Secretary of State for Defence retains a special share in the company, which empowers him to take control of the company under certain circumstances, particularly to safeguard national security. The "A" ordinary shares are non-voting, have no dividend rights and have a deferred right to the return of capital.

14 Reserves

	Note	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000
At 1 April 2014		32,300	47,398	(131,485)
Profit for the financial year		-	-	4,501
Actuarial gain on pension scheme		-	-	26,274
Transfer of excess depreciation on revalued assets	9	-	(3,100)	3,100
At 31 March 2015		32,300	44,298	(97,610)
Defined benefit pension deficit				112,686
Profit and loss account excluding defined benefit pension deficit				15,076

Rosyth Royal Dockyard Limited

Notes to the group and company financial statements for the year ended 31 March 2015 (continued)

15 Reconciliation of movements in group and company shareholders' deficit

		2015	2014	2015	2014
		Group	Group	Company	Company
	Note	£'000	£'000	£'000	£'000
Profit for the financial year		4,501	3,977	4,501	3,977
Actuarial gain / (loss) on pension scheme	17	26,274	(13,944)	26,274	(13,944)
Net addition / (deduction) to shareholders' deficit		30,775	(9,967)	30,775	(9,967)
Opening shareholders' deficit		(51,537)	(41,570)	(51,537)	(41,570)
Closing shareholders' deficit		(20,762)	(51,537)	(20,762)	(51,537)

16 Guarantees and financial commitments

Capital commitments

There were no capital commitments (2014: nil) at the end of the financial year.

Contingent liabilities

- At the year end the company had guaranteed or had joint and several liability for drawn Babcock International Group PLC bank facilities of £537,900,000 (2014: £620,800,000) provided to certain group companies. In addition, the company at the year-end had joint and several liabilities for the drawn bank overdraft facilities of other group companies of £15,000,000 (2014: £nil).
- Pursuant to the agreement for the acquisition of Rosyth Royal Dockyard, the following charge and security interest has been granted in favour of the Ministry of Defence ("MoD"):

Development clawback

The MoD will share in the net proceeds of sale or development of the Dockyard, on terms set out in the asset purchase agreement between the company and the MoD. By way of security for the MoD's rights to such share, the company has granted a fixed charge over the Dockyard in favour of the MoD.

Rosyth Royal Dockyard Limited

Notes to the group and company financial statements for the year ended 31 March 2015 (continued)

16 Guarantees and financial commitments (continued)

Operating lease commitments

At 31 March the company had annual commitments under non-cancellable operating leases expiring as follows:

	Land and buildings	
	2015	2014
	£'000	£'000
- within one year	-	6
- after more than 5 years	6	-

17 Pension commitments

The pension cost included as a charge in arriving at the profit for the financial year was as follows:

	2015	2014
	£'000	£'000
Rosyth Royal Dockyard Pension Scheme	4,310	4,903
Babcock International Group Pension Scheme	294	321
BIG Defined Contribution Scheme	2,114	1,900
	6,718	7,124

No amounts were prepaid or outstanding at the year-end in relation to defined contribution schemes (2014: £nil).

The company operates the "Rosyth Royal Dockyard Pension Scheme", a defined benefit scheme, for the benefit of its employees and for employees of other Babcock group companies. The full details of this scheme are disclosed below.

The company also contributes to the "Babcock International Group Pension Scheme", a multi-employer defined benefit scheme, the full details of which are disclosed in the financial statements of Babcock International Group Plc. The company is accounting for this scheme as if it was a defined contribution scheme as the company is unable to identify its share of the underlying assets and liabilities in the scheme. During the year an additional payment of £175,000 (2014: £163,000) was made in respect of the scheme's deficit and £24,000 (2014: £Nil) in respect of the scheme's administration expenses.

The company also contributes to a defined contribution scheme (the "Babcock International Group Defined Contribution Scheme") in respect of a number of its employees.

Rosyth Royal Dockyard Limited

Notes to the group and company financial statements for the year ended 31 March 2015 (continued)

17 Pension commitments (continued)

The Rosyth Royal Dockyard Pension Scheme is a multi-employer defined benefit scheme, funded in advance by contributions from the members at rates set out in the scheme rules, and from the employers to meet the balance of the costs, at a rate assessed by the actuaries of the scheme in regular funding reviews.

During the year ended 31 March 2015 contributions were made at an average of 22.5% of pensionable pay. Future ordinary contributions are expected to be made at the same rate.

An additional contribution of £8,700,000 was made in March 2015 in order to address the scheme's deficit. Further payments of £8,700,000 are anticipated in each of the next nine years.

The company also made payments of £2,200,000 during the year (2014: £4,190,000) in order to meet the funding gap arising from a longevity swap arrangement entered into with Credit Suisse.

For defined benefit schemes the fair values of pension scheme assets at 31 March 2015 are compared with the pension liabilities calculated under the projected unit method. A full actuarial valuation was carried out at 31 March 2012.

The latest full actuarial valuation of the scheme has been updated to 31 March 2015 by qualified independent actuaries using the following assumptions:

	2015	2014
Rate of increase of future salaries (past service)	2.20%	2.40%
Rate of increase of future salaries (future service)	2.20%	2.60%
Discount rate (past service)	3.40%	4.50%
Discount rate (future service)	3.60%	4.60%
Expected pension increases (past service)	3.04%	3.40%
Expected pension increases (future service)	2.18%	2.32%
Inflation rate (past service)	2.90%	3.30%
Inflation rate (future service)	3.10%	3.50%

The mortality assumptions used were as follows:

	2015	2014
Life expectancy from age 65 (male age 65)	19.3	19.3
Life expectancy from age 65 (male age 45)	20.8	20.7

Rosyth Royal Dockyard Limited

Notes to the group and company financial statements for the year ended 31 March 2015 (continued)

17 Pension commitments (continued)

The fair value of the assets, the present value of the liabilities and the expected rates of return of the scheme at 31 March 2015 and 2014 were as follows:

	2015		2014	
	Expected rate of return	Fair value	Expected rate of return	Fair value
	%	£'000	%	£'000
Equities / private equity / GTAA	8.40	210,623	8.40	186,498
Property	7.70	33,658	7.70	25,255
Corporate bonds / credit / EMD	3.40	138,975	4.50	161,283
Government	2.21	749,675	3.38	599,078
Repurchase agreement obligations	2.21	(433,498)	3.38	(428,259)
Collateral	-	45,895	-	27,999
Cash (funds awaiting investment)	-	19,242	-	19,723
Active position of longevity swap	-	(59,613)	-	(47,299)
Fair value of assets		704,957		544,278
Present value of scheme liabilities		(817,643)		(695,506)
Recognised pension liability		(112,686)		(151,228)

Rosyth Royal Dockyard Limited

Notes to the group and company financial statements for the year ended 31 March 2015 (continued)

17 Pension commitments (continued)

	2015	2014
	£'000	£'000
Analysis of the amount charged to operating profit:		
Current service cost	(7,904)	(7,694)
Analysis of the amount credited to other finance income:		
	2015	2014
	£'000	£'000
Expected return on pension scheme assets	33,431	31,347
Interest on pension scheme liabilities	(30,976)	(29,874)
	2,455	1,473
Analysis of amount recognised in statement of recognised gains and losses		
	2015	2014
	£'000	£'000
Actual return less expected return on pension scheme assets	147,431	(22,643)
Experience (losses) / gains arising on scheme liabilities	(4,092)	24,702
Changes in assumptions underlying the present value of the scheme liabilities	(104,751)	(19,249)
Reimbursement right	(12,314)	3,246
Actuarial gain / (loss) recognised in the statement of recognised gains and losses	26,274	(13,944)
Cumulative actuarial losses recognised in the statement of total recognised gains and losses	(137,954)	(164,228)

Rosyth Royal Dockyard Limited

Notes to the group and company financial statements for the year ended 31 March 2015 (continued)

17 Pension Commitments (continued)

Movements in deficit during the financial year:	2015	2014
	£'000	£'000
At 1 April	(151,228)	(150,739)
Movement in the year:		
Current service cost	(7,904)	(7,694)
Other financial income	2,455	1,473
Actuarial gain / (loss)	26,274	(13,944)
Employer contributions	17,717	19,676
At 31 March	(112,686)	(151,228)

Reconciliation of present value of scheme liabilities:	2015	2014
	£'000	£'000
At 1 April	695,506	686,240
Current service cost	7,904	7,694
Employee contributions	37	44
Interest cost	30,976	29,874
Benefits paid	(25,623)	(22,893)
Actuarial gain / (loss)	108,843	(5,453)
At 31 March	817,643	695,506

Rosyth Royal Dockyard Limited

Notes to the group and company financial statements for the year ended 31 March 2015 (continued)

17 Pension Commitments (continued)

Reconciliation of present value of scheme assets:	2015	2014
	£'000	£'000
At 1 April	544,278	535,501
Expected return on scheme assets	33,431	31,347
Actuarial gains / (losses)	147,431	(22,643)
Employer contributions	17,717	19,676
Employee contributions	37	44
Reimbursement right	(12,314)	3,246
Benefits paid	(25,623)	(22,893)
At 31 March	704,957	544,278
Actual return on scheme assets	180,862	8,704
History of experience gains and losses:	2015	2014
	£'000	£'000
Difference between the expected and actual return on scheme assets:		
Amount	147,431	(22,643)
Percentage of scheme assets	27.1%	(4.2)%
Experience gains and losses on scheme liabilities:		
Amount	(4,092)	24,702
Percentage of the present value of scheme liabilities	(0.6)%	3.6%
Changes in assumptions underlying the present value of the scheme liabilities:		
Amount	(104,751)	(19,249)
Percentage of the present value of scheme liabilities	(15.1)%	(2.8)%

Rosyth Royal Dockyard Limited

Notes to the group and company financial statements for the year ended 31 March 2015 (continued)

17 Pension commitments (continued)

Amounts for the current and previous four years are as follows:

	2015	2014	2013	2012	2011
	£'000	£'000	£'000	£'000	£'000
Defined benefit obligation	(817,643)	(695,506)	(686,240)	(628,639)	(550,939)
Scheme assets	704,957	544,278	535,501	456,600	416,700
Deficit	(112,686)	(151,228)	(150,739)	(172,039)	(134,239)
Experience adjustments on scheme assets	147,431	(22,643)	57,374	18,200	(12,800)
Experience adjustments on scheme liabilities	(4,092)	24,702	18,968	(18,900)	-
Reimbursement right	(12,314)	3,246	(2,845)	(200)	(3,200)
Total amount recognised in the statement of total recognised gains and losses	26,274	(13,944)	11,055	(45,100)	(12,100)

Sensitivity analysis

The changes to the scheme liability at 31 March 2015 and the charges to the profit and loss account for the year ended 31 March 2016, if the assumptions were sensitised by the amounts below, would be:

	Balance Sheet	Profit and loss account
	2015	2016
	£'000	£'000
Initial assumptions	(112,686)	1,223
Discount rate moves up or down by 0.1%	±14,283	±131
Inflation rate moves up or down by 0.1% (excluding salaries)	±10,784	±510
Total life expectancy changes by half a year up or down	±12,335	±544
Real salaries move up or down by 0.25%	±1,554	±102

Rosyth Royal Dockyard Limited

Notes to the group and company financial statements for the year ended 31 March 2015 (continued)

18 Related party disclosures

The company, as a wholly owned subsidiary, has taken advantage of the exemption, granted under FRS 8 'Related party disclosures', by not disclosing details of related party transactions with other members of the group headed up by Babcock International Group PLC.

19 Ultimate parent undertaking and controlling party

The company's immediate parent company is Babcock Marine (Rosyth) Limited, a company registered in Scotland. The company's ultimate parent company 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. The directors regard Babcock International Group PLC as the ultimate controlling party.

Copies of Babcock International Group PLC financial statements are available to the public from the following address:

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