Classification:UNCLASSIFIED

Rosyth Royal Dockyard Limited

Annual report

For the year ended 31 March 2021

Company registration number:

SC101959

Rosyth Royal Dockyard Limited

Directors and advisors

Current Directors
I S Urquhart
D M Jones
J A Donaldson
A Coyle
W R Watson

Joint company secretaries
J M Wood
Babcock Corporate Secretaries Limited

Registered office
Babcock International
Rosyth Business Park
Rosyth
Dunfermline
Fife
KY11 2YD

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

Strategic report for the year ended 31 March 2021

The directors present their Strategic report on the Company for the year ended 31 March 2021.

Principal activities

The principal activities of the Company are the design, construction and repair of ships, the provision of specialised design and manufacturing services for the energy and defence sectors, carrying out the Submarine Dismantling Project (SDP), leasing of surplus property to commercial tenants and cargo handling carried out by the commercial port business.

On 1st April 2020, the Company purchased the trade and assets of Babcock Marine (Rosyth) Limited, its immediate parent, for consideration of £118,021,000 being the net book value of the assets, satisfied by the issue of 50 £1 ordinary shares at a premium of £118,020,950 or £2,360,419 per share.

On 7th April 2020 a contract was novated to the Company from Devonport Royal Dockyard Limited, a sister company, for the Design & Build Contract relating to the Type 31e Programme for the Ministry of Defence (MoD). The contract duration extends through to 2030, at an initial value of £1.430m.

Review of the business

	2021 £000	2020 £000
Revenue	**262,070**	97,257
Loss for the financial year	**(18,657)**	(5,541)
Net Asset/(Liabilities)	**1,484**	(22,405)

Over the course of the year, the Company's underlying core business activities continued to perform in line with expectations, however during the year, £3.1m of losses were recognised in relation to negotiations with MoD on the previously completed QEC programme, no margin was recognised on the T31 due to the long term nature of the programme and an exceptional charge of £7.5m was generated on the closure of the Rosyth Royal Dockyard Pension scheme.

The Company continues with the Design & Build contract relating to the Type 31e Programme. In addition, the Company maintains and refits the Sandown Class of Mine Countermeasure vessels, is engaged in leasing land and buildings to commercial tenants and is undertaking works in the MoD Submarine Dismantling Project. The Company continues to develop its port business with both bulk and specialist project cargoes, and has continued to diversify into adjacent markets to exploit its engineering and high integrity manufacturing capabilities.

Despite the significant changes and restrictions imposed due to the pandemic, the T31 programme has progressed well and has delivered all contractual milestones during the year. The Engineering team has worked to mature the design and successfully completed the Critical Design Review in February. A significant portion of the subcontract and material contracts have also been secured by the Supply Chain team. An historic ceremony took place at Rosyth in September 2021 to officially cut the first steel for the First of Class Type 31 frigate, HMS Venturer, which signalled the start of production on the Type 31 build programme.

In relation to the Submarine Dismantling Project, the removal of low level radioactive waste has commenced on the fourth submarine in the programme, Repulse, which is due to complete in 2023. All Low Level Waste was removed from the third boat, understood to be a world first, with over 241 tonnes in total of waste removed. The Concept design for removal of the intermediate level waste (the reactor pressure vessel) is nearing completion with detailed design to be started this year, with a view to commencing intermediate level waste removal in 2024.

The Company continued to refit the Sandown class of Mine Countermeasure vessels and provide Engineering Services design activities under the Maritime Support Delivery Framework (MSDF). The Company continues to participate in a wide range of initiatives that are intended to deliver key elements of the MOD's maritime change programme. This programme seeks to deliver improvements in both cost effectiveness and performance across the joint industrial-MOD enterprise, whilst ensuring that important naval design, build and support capabilities are retained. The MOD programme is operated under a contractual framework set out in the 15 year Terms of Business Agreement ("ToBA") which commenced in April 2010, and has continued to operate successfully. The operative contract of the ToBA framework for the financial year was the Maritime Support Delivery Framework ("MSDF"), which included all allocated Warship Upkeep, Ships and Submarine fleet time support, along with elements of Engineering Services design activities. This contract expired at the end of March 2021 and is being replaced by the Future Maritime Support Programme ("FMSP") which provides continuity of these activities for a further 5 year period plus options to extend up to a further 2 years at the end of the core term. FMSP is being contracted as four separate Qualifying Defence Contracts ("QDCs") under the Defence Reform Act and is subject to the Single Source Contracting Regulations.

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 have been in line with plans.

The Company has continued to seek opportunities which complement its MoD activities by moving into the adjacent Maritime Design and Commercial markets, as well as looking to support other programmes which require high integrity manufacturing.

In relation to existing commercial contracts, the Company delivered against key milestones across a range of programmes in support of end customers including Sellafield and Northlink.

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 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. The directors manage this risk by meeting on a regular basis to discuss these risks.

Further discussion of these risks and uncertainties, in the context of the Group as a whole and including the expected impact of COVID-19 is provided on pages 84 to 95 of the annual report of Babcock International Group PLC, which does not form part of this report.

Future developments

The directors are confident about the future trading prospects of the Company due to its current order book and market opportunities. The existing orderbook results in positions having been secured across a number of long term programmes. The company plans to continue to support these programmes, and to exploit its engineering and high integrity manufacturing capabilities by continuing to develop adjacent markets in the Nuclear, Oil & Gas and Commercial Marine sectors, and to develop additional business opportunities related to the exploitation of the Rosyth site.

In relation to the MoD T31 programme, the product is known as the Arrowhead 140, which is a design that is based on the existing Danish Iver Huitfeldt class frigates, adapted to the Royal Navy T31e requirements for a modular, scalable, open and agile platform. A key objective for the overall programme is to enhance the export opportunities for this vessel, both in terms of the provision of Engineering support as well as build of the vessels, and a number of opportunities are being progressed.

The contract for provision of support to the build of the UK Dreadnought and US Columbia class submarines will be novated to the Company from Babcock Marine Rosyth Ltd in the next financial year and will continue to deliver against existing contracts and, as a key strategic supplier into this programme, is well positioned for further opportunities.

In relation to the Future Maritime Support Programme the Company will continue to focus on developing and implementing efficiency improvements in order to deliver the committed savings in addition to ensuring contractual performance obligations are met or exceeded.

Recognising demonstrated capability in these markets, and the relationships that have been built with existing customers, the Company believes that it is in a strong position to pursue tenders and secure further orders.

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

Key performance indicators

The Company's activities are managed on a divisional basis. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the Company. The growth and performance of Marine, a division of Babcock International Group PLC, which includes the Company, is discussed on pages 50 and 51 of the annual report of Babcock International Group PLC, which does not form part of this report.

S172(1) statement and stakeholder engagement.

The Directors have acted in a way that they consider, in good faith, to be most likely to promote the long-term success of the Company for the benefit of the Shareholders as a whole while having regard for all stakeholders. Stakeholder engagement is managed in accordance with Group policies and procedures which are discussed on pages 58, 59, 79 and 114 to 116 of the annual report of Babcock International group PLC, which does not form part of this report.

On behalf of the board

D M Jones

Managing Director Operations

28th February 2022

Rosyth Royal Dockyard Limited

Directors' report for the year ended 31 March 2021

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2021.

Dividends

No dividends were declared or paid during the financial year (2020: £nil).

Future developments

The future developments of the Company are set out in the Strategic Report, page 4.

Financial risk management

The Company's operations expose it to a variety of financial risks that include the effects of changes in price risk, credit risk, liquidity risk and interest rate risk. The Company has in place a risk management programme that seeks to limit adverse effects on the financial performance of the Company by monitoring levels of debt finance and the related finance costs.

Given the size of the Company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors of Babcock International Group PLC are implemented by the Group and Company's finance departments. The department has a policy and procedures manual that sets out specific guidelines to allow it to manage interest rate risk, credit risk and circumstances where it would be appropriate to use financial instruments to manage these.

Price risk
The Company is exposed to price risk as a result of its operations. This risk is mitigated by specific functions which assess pricing in respect of both selling and procurement activities. The Company has no exposure to equity securities price risks as it holds no listed equity investments.

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

Liquidity risk
The Company retains access to pooled cash resources to ensure it has sufficient available funds for operations. The Company also has access to longer term funding from its ultimate parent undertaking if required.

Interest rate cash flow risk
The Company has both interest-bearing assets and interest-bearing liabilities. The interest-bearing assets earn interest at a fixed rate, with the exception of interest earned on cash balances which accrue interest at a floating rate. Interest-bearing liabilities accrue interest at a floating rate. The

Company does not use derivative financial instruments to manage interest rate costs and, as such, no hedge accounting is applied.

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
D M Jones
J A Donaldson
B R Alexander (resigned 29th October 2021)
A Coyle (appointed 29th October 2021)
W R Watson
J W Howie (resigned 31st March 2021)

Employment of disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Employee involvement

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the Company as a whole. Communication with all employees continues through the in-house newspaper and newsletters, briefing groups and the distribution of the annual report.

Safety policy

The Company recognises the promotion of health and safety at work as an important objective. It is Company policy to take steps to ensure, as far as reasonably practical, the health, safety and welfare of the employees of the Company. This commitment was evident when we successfully migrated to ISO45001 during the 2020/21 financial year.

The strategic focus for the site is to ensure a safe system of work for all those working on site. The last financial year was particularly challenging due to ensuring that the site was Covid Secure with appropriate control measures to protect all our employees who continued to work during the COVID-19 Pandemic. Employee engagement is recognised as being key in achieving this and a group wide safety stand down took place in January 2021 which this was followed up with a safety survey and an action plan was developed as a result of this. The use of the Company's Visible Leadership Programme has continued. We are also focusing on Mental Health as a key initiative with the roll out of Mental Health first aiders throughout the site and the promotion of our Employee Assistance Program and mental health support and counselling service provided by our Occupational Health provider. The rate of reportable accidents per 100,000 hours of work during the financial year was 0.23 (2019/2020 = 0.07).

Environment

The Company recognises its responsibility to minimise so far as reasonably possible the potential for adverse impacts from its operations. It aims to achieve the highest standards in environmental management and seek accreditation to appropriate standards where appropriate.

The Company has developed and implemented an environmental policy to ensure that the impact of its activities on the environment is limited to the minimum practicable level.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify the Company's shareholders in writing about the use of the disclosure exemptions, if any, of FRS 101 used in the preparation of these financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Restatement of prior years

The deferred tax balance at 31 March 2020 and 1 April 2019 has been re-stated to include additional deferred tax assets of £15.5m (31 March 2020) and £23.3m (1 April 2019) which had been incorrectly reported in the Company's direct parent, Babcock Marine (Rosyth) Limited. Under FRS 101, because the pension liability to which these deferred tax assets relate is shown in the financial statements of the Company, the resultant difference in the tax base of the Company means that the deferred tax assets should correctly be shown on the balance sheet of the Company.

Going concern statement

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. A letter of support has been issued to the Company by Babcock Southern Holdings Limited and the Company is included in the Group cash pooling/overdraft arrangements.

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 at the date of signing of the financial statements.

Statement of 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.

Reappointment of auditors

PricewaterhouseCoopers LLP has now completed its final audit as external auditors. Deloitte LLP has been selected as the Company's external auditors for the financial year ending 31 March 2022 following shareholders approval at the Annual General Meeting of the Ultimate Parent, Babcock International Group PLC.

On behalf of the board

D M Jones

Managing Director Operations

28th February 2022

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

Report on the audit of the financial statements

Opinion

In our opinion, Rosyth Royal Dockyard Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its loss 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: Statement of financial position as at 31 March 2021; Income statement, Statement of comprehensive income and 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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.

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 for the year ended 31 March 2021, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2021 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 for the year ended 31 March 2021.

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, 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.

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006 and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting in appropriate journal entries and fraudulent recording of revenue. Audit procedures performed by the engagement team included:

- Enquiries of management around known or suspected instances of non-compliance with laws and regulations, claims, litigation and instances of fraud;
- Understanding of management's controls designed to prevent and detect irregularities;
- Identifying and testing journal entries to assess whether any of the journals appear unusual, for example, unexpected account combinations impacting revenue; and
- Incorporating into our testing plan procedures which are unpredictable in nature.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 obtained 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.

Kenneth Wilson

Kenneth Wilson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors Glasgow

28th February 2022

Rosyth Royal Dockyard Limited

Income statement
for the year ended 31 March 2021

	Note	2021 £000	*Restated* 2020 £000
Revenue	4	262,070	97,257
Cost of sales		(269,020)	(89,109)
Gross (loss)/profit		(6,950)	8,148
Administration expenses		(6,786)	-
Operating (loss)/profit	6	(13,736)	8,148
(Loss)/Profit on ordinary activities before interest and taxation		(13,736)	8,148
Finance income	5	177	-
Finance costs	5	(63)	(4)
Other finance costs - pensions	25	(2,022)	(3,028)
(Loss)/Profit on ordinary activities before income tax		(15,644)	5,116
Income tax charge	10	(3,013)	(10,657)
Loss for the financial year		(18,657)	(5,541)

All of the above results derive from continuing operations.

Statement of comprehensive income
for the year ended 31 March 2021

	Note	2021 £000	*Restated* 2020 £000
Loss for the financial year		(18,657)	(5,541)
Other comprehensive (expense)/income:			
Items that will not be subsequently reclassified to income statement:			
Fair value adjustment of foreign exchange hedges		(3,403)	-
(Loss)/Gain on re-measurement of net defined benefit obligation		(88,979)	34,054
Deferred tax asset related to defined benefit pension schemes		16,906	2,740
Total comprehensive (expense)/income for the year		(94,133)	31,253

Rosyth Royal Dockyard Limited

Statement of financial position
as at 31 March 2021

	Note	31 March 2021 £000	Restated 31 March 2020 £000	Restated 1 April 2019 £000
Fixed assets				
Tangible assets	11	**84,089**	52,528	55,838
Intangible assets	12	**123,243**	-	-
Right-of-use assets	17	**61**	72	-
Deferred Tax	16	**30,262**	16,369	24,286
Investments	27	**-**	-	-
		237,655	68,969	80,124
Current assets				
Inventories	14	**443**	-	-
Trade and other receivables	13	**92,023**	19,500	19,500
Cash and cash equivalents		**12,379**	608	608
		104,845	20,108	20,108
Current liabilities				
Trade and other payables – amounts falling due within one year	23	**(139,762)**	(29,754)	(16,575)
Bank loans and overdrafts		**(40,019)**	-	-
Lease liabilities	18	**(14)**	(14)	-
Other financial liabilities	15	**(7,197)**	-	-
		(186,992)	(29,768)	(16,575)
Net current liabilities		**(82,147)**	(9,660)	3,533
Total assets less current liabilities		**155,508**	59,309	83,657
Trade and other payables – amounts falling due after more than one year				
Pension liabilities	25	**(153,845)**	(81,656)	(137,315)
Provision for liabilities	26	**(132)**	-	-
Lease liabilities	18	**(47)**	(58)	-
Net Asset/(liabilities)		**1,484**	(22,405)	(53,658)
Equity				
Called up share capital	19	**250**	250	250
Share premium account		**150,322**	32,300	32,300
Other reserves		**(3,403)**	-	-
Accumulated losses		**(145,685)**	(54,955)	(86,208)
Total shareholders' surplus/deficit		**1,484**	(22,405)	(53,658)

Rosyth Royal Dockyard Limited

Statement of financial position *(continued)*

The notes on pages 18 to 47 are an integral part of these financial statements.

The financial statements on pages 14 to 47 were approved by the board of directors on 28th February 2022 and signed on its behalf by:

D M Jones
Managing Director Operations

Classification: UNCLASSIFIED

Rosyth Royal Dockyard Limited

Statement of changes in equity
for the year ended 31 March 2021

	Called up share capital £000	Share premium account £000	Restated Accumulated Losses £000	Hedging reserve £000	Total Shareholders' deficit £000
At 1 April 2019 previously stated	250	32,300	(109,551)	-	(77,001)
Deferred Tax adjustment	-	-	23,343	-	23,343
Balance at 1 April 2019 Restated	250	32,300	(86,208)	-	(53,658)
Profit for the financial year	-	-	(5,541)	-	(5,542)
Other comprehensive income	-	-	36,794	-	36,794
Balance at 31 March 2020 Restated	**250**	**32,300**	**(54,955)**	**-**	**(22,405)**
Loss for the financial year	-	-	**(18,657)**	-	**(18,657)**
Share issue – note 19	-	118,022	-	-	118,022
Other comprehensive income/(expense)	-	-	(72,073)	(3,403)	(75,476)
Balance at 31 March 2021	**250**	**150,322**	**(145,685)**	**(3,403)**	**1,484**

Rosyth Royal Dockyard Limited

Notes to the financial statements

1 General Information

Rosyth Royal Dockyard Limited is a private company limited by shares which is incorporated and domiciled in Scotland, UK. The address of the registered Office is Babcock International, Rosyth Business Park, Rosyth, Dunfermline, Fife, KY11 2YD.

2 Summary of significant accounting policies

The principal 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

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 concem basis, under the historical cost convention, as modified by the revaluation of land and buildings and certain financial assets and liabilities measured at fair value through profit and loss 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 £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 (Rosyth) Limited ('BMRL') 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) Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share based payments'
b) IFRS 7, 'Financial instruments: Disclosures'
c) Paragraphs 91 to 99 of IFRS 13 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
d) 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)
e) The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.

2 Summary of significant accounting policies (continued)

f) The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases.
g) The following paragraphs of IAS 1, 'Presentation of financial statements':
- 10(d), 10(f), 16, 38, 40, 111, and 134-136
h) IAS 7, 'Statement of cash flows'
i) Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors'
j) Paragraph 17 of IAS 24, 'Related party transactions' in respect of key management compensation
k) The requirements of IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

Going concern

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. A letter of support has been issued to the Company by Babcock Southern Holdings Limited and the Company is included in the Group cash pooling/overdraft arrangements.

Restatement of prior years

The deferred tax balance at 31 March 2020 and 1 April 2019 has been re-stated to include additional deferred tax assets of £15.5m (31 March 2020) and £23.3m (1 April 2019) which had been incorrectly reported in the Company's direct parent, Babcock Marine (Rosyth) Limited. Under FRS 101, because the pension liability to which these deferred tax assets relate is shown in the financial statements of the Company, the resultant difference in the tax base of the Company means that the deferred tax assets should correctly be shown on the balance sheet of the Company.

Adoption of new and revised standards

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 March 2021 that have a material impact on the company's financial statements.

Revenue

Revenue recognised represents income derived from contracts with customers for the provision of goods and services in the ordinary course of business. Revenue is recognised in line with IFRS 15, Revenue from Contracts with Customers. IFRS 15 requires the identification of performance obligations in contracts, allocation of the contract price to the performance obligations and recognition of revenue as performance obligations are satisfied.

(a) Performance obligations

Contracts are assessed to identify each promise to transfer either a distinct good or service or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer. Goods and services are distinct and accounted for as separate

2 Summary of significant accounting policies *(continued)*

Revenue *(continued)*

performance obligations if the customer can benefit from them either on their own or together with other resources readily available to the customer and they are separately identifiable in the contract.

The integrated output nature of many of the goods and services provided by the Company can result in contracts with one performance obligation.

(b) Allocation of contract price to performance obligations

The contract price represents the amount of consideration which the Company expects to receive in exchange for delivering the promised goods or services to the customer. Variable consideration is included in the contract price on the most likely outcome basis but only to the extent that it is highly probable that it will not reverse in the future. Given the bespoke nature of many of the goods and services the Company provides, stand-alone selling prices are generally not available and, in these circumstances, the Company allocates the contract price to performance obligations based on cost plus margin, in accordance with the Group's pricing principles. The Company's contracts typically do not include significant financing components.

(c) Revenue and profit recognition

Performance obligations are satisfied, and revenue recognised, as control of goods and services is transferred to the customer. Control can be transferred at a point in time or over time and the

Company determines, for each performance obligation, whether it is satisfied over time or at a point in time. Performance obligations are satisfied over time if any of the following criteria are satisfied:

- the customer simultaneously receives and consumes the benefits of the company's performance as it performs; or
- the company's performance does not create an asset with an alternative use to the company and the company has an enforceable right to payment for work done; or
- the company's performance creates or enhances an asset controlled by the customer.

Most of the Company's contracts meet the requirements to satisfy performance obligations and recognise revenue over time either because the customer simultaneously receives and consumes the benefits of the Company's performance as it performs or the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for work done.

Where the Company satisfies performance obligations over time, revenue is recognised using costs incurred as a proportion of total estimated costs to assess stage of completion, but with the stage of completion and revenue assessed in relation to each performance obligation. In some circumstances the Company also uses an output based earned value approach, as an indicator, to validate the cost based input approach and this approach uses suitably qualified and experienced Company personnel to assess the stage of completion of performance obligations.

If a performance obligation is not satisfied over time, then revenue is recognised at the point in time that control is transferred to the customer. Point in time recognition mainly applies to sale of goods.

2 Summary of significant accounting policies *(continued)*

Revenue *(continued)*

Control typically transfers to the customer when the customer has legal title to the goods and this is usually coincident with delivery of the goods to the customer and right to payment by the Company. Profit is recognised to the extent that the final outcome on contracts can be reliably assessed. Contract outturn assessments are carried out on a contract-by-contract basis by suitably qualified and experienced Group personnel and the assessments of all significant contracts are subject to review and challenge by local management, sector management and Group management. Assessment of outcomes are in relation to separate performance obligations and include variable consideration, measured using the most likely outcome approach, to the extent that it is highly probable that there will not be a reversal in the amount of cumulative revenue recognised. Any expected loss on a contract is recognised immediately in the income statement.

The Company operates in a partnering environment with some customers and certain contracts include pain/gain share arrangements under which cost under/over spends against the contract target cost are shared with the customer. These contract sharing arrangements are included in the assessment of contract outturns.

The Company presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. The Company presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

(d) Costs of obtaining a contract

Pre-contract costs are recognised as expenses as incurred, except that directly attributable costs incurred from the point that it can be reliably expected that a contract will be obtained, typically at preferred bidder stage, are recognised as an asset in capitalised contract costs and amortised over the life of the contract, provided that the contract is expected to result in future net cash inflows.

(e) Contract mobilisation costs

Post-contract award but pre-contract operational start-up mobilisation costs are recognised as an asset and amortised over the life of the contract. These mobilisation costs are included within the contract value and relate to ensuring that assets and resources are mobilised as necessary to support delivery of performance obligations in accordance with contract requirements.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation. The intangible assets are amortised on a straight line basis as follows:

a) Goodwill

Goodwill relating to acquisitions prior to transition date is maintained at its net book value on the date of transition to FRS 101.
Annual impairment reviews are performed as outlined in note 10.

2 Summary of significant accounting policies *(continued)*

Intangible assets *(continued)*

b) Acquired intangibles

Acquired intangibles are the estimated fair value of customer relationships and brands which are in part contractual, represented by the value of the acquired order book, and in part non-contractual, represented by the risk adjusted value of future orders expected to arise from the relationships.

The carrying value of the contracted element is amortised straight-line over the remaining period of the orders that are in process or the future period in which the orders will be fulfilled, as the case may be. The amortisation periods, reflecting the lengths of the various contracts, are mainly in the range one year to five years, with a minority of contracts and hence amortisation periods, up to fifteen years.

The carrying value of the non-contracted element is amortised over the period in which it is estimated that the relationships are likely to bring economic benefit via future orders. The method of amortisation is tailored to the expectations of the timing of the receipt of specific future orders and therefore the charge to the income statement matches the timing of value likely to be generated in those years. Relationships are valued on a contract by contract and customer by customer basis and the pattern of amortisation reflects the expected pattern of benefit in each case. The amortisation profile is determined on a case-by-case basis and in all cases results in a front-loaded profile, reflecting the greater certainty of future orders in the near term compared with the longer term. The amortisation period is in the range one year to fifteen years.

The carrying value of the brands are amortised over the period in which it is estimated that the particular brands are likely to bring economic benefit via future orders. The maximum amortisation period for existing acquired brands is five years.

Property, plant and equipment

Property, plant and equipment is shown at cost less subsequent depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is provided on a straight-line basis to write off the cost of PPE over the estimated useful lives to their estimated residual value (reassessed at each balance sheet date) at the following annual rates:

Freehold and investment property	2% to 8%
Specialised Marine Facilities	5% to 10%
Plant and equipment	6.6% to 33.3%

PPE is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount exceeds the higher of an asset's fair value less cost to sell or value in use.

Investments

Fixed asset investments are stated at cost less provision for impairment in value.

2 Summary of significant accounting policies *(continued)*

Inventory and work in progress

Inventory is valued at the lower of cost and net realisable value. Cost is determined on a first-in first-out method. In the case of finished goods and work in progress, cost comprises direct material and labour and an appropriate proportion of overheads.

Financial assets and liabilities at amortised cost

Cash and cash equivalents, trade receivables, amounts due from related parties and other debtors are classified as financial assets held at amortised cost. Trade creditors, amounts due to related parties, other creditors, accruals, bank loans and overdrafts are classified as financial liabilities held at amortised cost.

The Company assesses on a forward-looking basis the expected credit losses associated with financial assets held at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Share based payments

The Group operates equity-settled, share-based compensation plans. The economic cost of awarding shares and share options to employees is recognised as an expense in the income statement equivalent to the fair value of the benefit awarded. The fair value is determined by reference to option pricing models. The charge is recognised in the income statement over the vesting period of the award.

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.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted, or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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.

2 Summary of significant accounting policies *(continued)*

Pensions costs and other post-retirement benefits

The Company participates in a defined benefit scheme that shares risks between entities under common control. The defined benefit scheme defines the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The cost of providing benefits is determined using the projected unit credit actuarial valuation method. The total service cost and associated administration costs of the pension scheme are

charged to operating profit. In addition, a retirement benefit interest charge on the net pension deficit is charged to the income statement as a finance cost. Actuarial gains and losses are recognised directly in equity through the statement of comprehensive income so that the Company's statement of financial position reflects the IAS 19 measurement of the schemes' surpluses or deficits at the statement of financial position date.

The fair value of plan assets is measured in accordance with the FRS 101 fair value hierarchy using appropriate valuation techniques.

The extent to which the Company recognises its share of the income statement charge, the assets and liabilities of the scheme, and the actuarial gain or loss is determined by the proportion of active members of the scheme that it employs.

The scheme's liability is the present value of the defined benefit obligation at the end of the reporting date less the fair value of the plan assets at the reporting date.

The Company participates in a defined contribution scheme. Obligations for contributions to the defined benefit pension plan are recognised as an expense in the income statement.

Foreign currencies

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the local currency at the year end exchange rates.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at exchange rates ruling at the statement of financial position date of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

2 Summary of significant accounting policies *(continued)*

Lessee Accounting

For all leases in which the Company is a lessee (other than those meeting the criteria detailed below), the present value of future lease payments are capitalised to the statement of financial position in accordance with IFRS 16 'Leases', with a corresponding right of use asset recognised. Lease payments are discounted using the interest rate implicit in the lease or the incremental borrowing rate where the interest rate implicit in the lease is not available.

Depreciation of right of use assets is recognised as an expense in the income statement on a straight-line basis over the shorter of the asset's useful life or expected term of the lease.

Interest on the lease liability is recognised as a finance expense in the income statement over time, with the rate being determined at lease inception based on a number of factors including asset type, lease currency and lease term.

Right of use assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, with the impairment expense being recognised in the income statement. Where a lease is terminated early, any termination fees or gain or loss relating to the release of right of use asset and lease obligation are recognised as a gain or loss through the income statement.

Payments in respect of short-term leases or low-value leases are expensed straight-line to the income statement as permitted by IFRS 16 'Leases'. A lease is considered short-term if the total lease length is less than 12 months, and low-value if the underlying asset would cost less than £5,000 to buy new.

Provisions for liabilities

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount has been reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at an appropriate discount rate.

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been publicly announced. Future operating costs are not provided for.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. A provision for warranties is recognised on completed contracts and disposals when there is a realistic expectation of the Company incurring further costs.

Provisions for losses on contracts are recorded when it becomes probable that total estimated contract costs will exceed total contract revenues.

Such provisions are recorded as write downs of contract balances for that portion of the work which has already been completed, and as liability provisions for the remainder. Losses are determined on the basis of estimated results on completion of contracts and are contract assessments are updated regularly. A provision is made where operating leases are deemed to be onerous.

A provision for deferred consideration on acquisitions is recognised when the Company has a realistic expectation of the expense based on the Purchase and Sale Agreement.

2 Summary of significant accounting policies *(continued)*

Provisions for liabilities *(continued)*

A provision for employee benefits is recognised when there is a realistic expectation of the liability.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative is entered into and are subsequently remeasured at their fair value. The Company designates certain derivative instruments within its portfolio to be hedges of the fair value of recognised assets or liabilities or unrecognised firm commitments.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

For derivatives that qualify as cash flow hedges, gains and losses are deferred in equity until such time as the firm commitment is recognised, at which point any deferred gain or loss is included in the assets' carrying amount. These gains or losses are then realised through the income statement as the asset is sold.

Certain derivatives do not qualify or are not designated as hedging instruments and any movement in their fair values is recognised in the income statement immediately.

Finance costs

Finance costs are recognised as an expense in the period in which they are incurred unless they are attributable to an asset under construction, in which case finance costs are capitalised.

Government Grants

Government grants relating to costs are recognised as income over the periods necessary to match them with the related costs and are presented as other income credit in the income statement. Where grants are received in advance of the related expenses, they are initially recognised as liabilities within trade payables and other liabilities and released to match the related expenditure.

3 Critical accounting estimates and judgements

In the course of preparation of the financial statements no judgements have been made in applying the Company's accounting policies, other than those involving estimates, that have had a material effect on the amounts recognised in the financial statements. The application of the Company's accounting policies requires the use of estimates and the inherent uncertainty in forward looking estimates may result in a material adjustment to the carrying amount of assets and liabilities in the next financial year.

Critical accounting estimates are subject to continuing evaluation and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable in light of known circumstances. Critical accounting estimates in relation to these financial statements are considered below:

Revenue and profit recognition

Revenue and profit recognition on contracts is based on estimates of outturn revenues and costs on a contract-by-contract basis. Both of these estimates can involve significant levels of estimation uncertainty. Estimating contract revenues can involve judgements around whether the Company will meet performance targets, earn incentives and the pricing of any scope changes, variations or claims under the contract. When considering variations to contracts, the Company must make a judgement as to whether the variation should be accounted for as a separate, distinct contract or be considered, and accounted for, as part of the original contract. This judgement will depend on the scope of the variation, its pricing and the contractual terms. Contract outturn assessments are carried out by suitably qualified and experienced personnel and include assessments of variable consideration and contract contingencies arising out of technical, commercial, operational and other risks. When considering variations, claims and contingencies, the Company analyses various factors including the contractual terms, status of negotiations with the customer and historic experience with that customer and similar contracts. The assessment of all significant contracts are subject to review and challenge. As contracts near completion, often less judgement is needed to determine the size of the expected outturn.

Defined benefit pension scheme

The Company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including: life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet.

The assumptions reflect historical experience and current trends. See note 25 for the disclosures of the defined benefit pension schemes.

4 Revenue

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

	2021 £000 Naval Support	2021 £000 Submarine dismantling	2021 £000 Property leasing	2021 £000 Vessel Build	2021 £000 Marine Design & commercial	2021 £000 Total
By area of activity:						
Long term contracts - transferred over time	16,529	25,679	-	189,889	28,956	261,053
Rental income - transferred at a point in time	-	-	1,017	-	-	1,017
	16,529	25,679	1,017	189,889	28,956	262,070

	2020 £000 Supply of employees and assets	2020 £000 Submarine dismantling	2020 £000 Property leasing	2020 £000 Commercial Port	2020 £000 Total
By area of activity:					
Rendering of services - transferred over time	70,639	-	-	2	70,641
Long term contracts - transferred over time	-	25,698	-	-	25,698
Rental income - transferred at a point in time	-	-	918	-	918
	70,639	25,698	918	2	97,257

All the revenue in the year ended 31 March 2021 originated in the United Kingdom.

5 Finance income and finance costs

	2021 £000	2020 £000
Finance income:		
Bank interest	7	-
Capitalised interest on capital expenditure	160	-
Loan interest receivable from group undertakings	10	-
	177	-

	2021 £000	2020 £000
Finance costs:		
Bank interest	(60)	-
Lease interest	(3)	(4)
	(63)	(4)

6. Operating (loss)/profit

Operating (loss)/profit is stated after charging:

	2021 £000	2020 £000
Depreciation of tangible fixed assets (note 11)	4,899	4,355
Right of use depreciation (note 17)	11	10

The audit fee in both the current and prior financial year was borne by the immediate parent company. The amount of such audit fee was £102,604 (2020: £40,788). Company's auditors, PricewaterhouseCoopers LLP provided no other services other than the statutory audit.

7 Staff costs

The average monthly number of employees (including directors) employed by the Company during the year was as follows:

	2021 Number	2020 Number
By activity:		
Operations	**1,502**	1,014
Management and administration	**139**	132
	1,641	1,146

Their aggregate remuneration comprised:

	2021 £000	2020 £000
Wages and salaries	**46,168**	50,283
Social security costs	**4,872**	5,445
Other pension costs	**15,165**	10,622
	66,205	66,350

Included in wages and salaries is a debit in relation to share-based payments of £37,050 (2020: (£10,153) credit), which arise from transactions accounted for as equity settled share-based payment transactions.

Included in other pension costs are £10,142,000 (2020: £7,423,000) in respect of defined benefit schemes and £5,023,000 (2020: £3,871,000) in respect of the defined contribution scheme.

8 Directors' remuneration

The emoluments of the directors, including pension contributions, paid by any company in respect of services provided to this Company were as follows:

	2021 £000	2020 £000
The remuneration of the directors which was paid by the Company was as follows:		
Emoluments (including benefits in-kind)	**621**	403
Defined contribution pension scheme	**-**	-
	621	403

During the year no (2020: two) directors remunerated by Rosyth Royal Dockyard Limited exercised share options under long term incentive plans and two (2020: two) directors were entitled to receive share options under long term incentive plans.

Retirement benefits are accruing to no (2020: nil) directors under defined benefit pension schemes.

Retirement benefits are accruing to no (2020: nil) directors under defined contribution pension schemes.

8 Directors' remuneration *(continued)*

The above amounts for remuneration include the following in respect of the highest paid director:

	2021	2020
	£000	£000
Emoluments (excluding pension contributions)	**264**	244
Company pension contributions (in place of accrued benefit entitlement under the group's defined contribution scheme)	-	-
Defined benefit pension scheme:		
- Accrued pension at the end of the year	**61**	61
- Accrued lump sum at the end of the year	-	-

The highest paid director did not exercise shares under long term incentive plans (2020: the highest paid director exercised share options under long term incentive plans).

9 Share based payments

The charge to the income statement has been based on the assumptions below and is based on the binomial model as adjusted, allowing for a closed form numerical-integrated solution, which makes it analogous to the Monte Carlo simulations, including performance conditions. The detailed description of the plans below are included within the Remuneration report, which is provided on pages 113 to 115 of the annual report of Babcock International Group Plc which does not form part of this report.

During the year the total charge relating to employee share-based payment plans was a debit of £37,050 (2020: (£10,153) credit), all of which related to equity-settled share-based payment transactions.

9 Share based payments *(continued)*

The fair value per option granted and the assumptions used in the calculation are as follows:

DBMP, PSPs and DBP[1]

	Options awarded Number	Share price at grant or modification date Pence	Expected volatility %	Option life Years	Expectations of meeting performance criteria – non-market conditions %	Fair value per option – TSR Pence	Fair value per option – non-market conditions Pence	Correlation %	Grant or modification date
2020 PSP	695,458	350.0	19.0%	6.0	100.0%	–	305.2	55.0%	01/12/20
2020 PSP	2,091,247	350.0	19.0%	4.0	100.0%	–	350.0	55.0%	01/12/20
2020 PSP	1,341,477	350.0	19.0%	6.0	100.0%	137.9	305.2	55.0%	01/12/20
2020 DBP	118,320	289.0	19.0%	4.0	100.0%	–	289.0	55.0%	03/08/20
2020 DBP	146,306	289.0	19.0%	3.0	100.0%	–	289.0	55.0%	03/08/20
2020 DBP	192,096	284.2	19.0%	4.0	100.0%	–	284.2	55.0%	13/08/20
2020 DBP	8,474	284.2	19.0%	3.0	100.0%	–	284.2	55.0%	13/08/20
2019 PSP	1,370,671	472.8	11.0%	6.0	–	70.9	472.8	45.0%	13/06/19
2019 PSP	3,019,033	472.8	11.0%	4.0	–	70.9	472.8	45.0%	13/06/19
2019 DBP	313,909	472.8	11.0%	4.0	100.0%	–	472.8	45.0%	13/06/19
2019 DBP	93,430	472.8	11.0%	3.0	100.0%	–	472.8	45.0%	13/06/19
2018 PSP	860,157	856.0	14.0%	6.0	–	370.9	856.0	56.0%	13/06/18

Both the vesting period and the expected life of all DBMP and PSP awards is three years, but for the DBP it is two years, other than for Executive Directors where the vesting period is three years. The holders of all awards receive dividends.

The PSP awards for 2017 and 2019 are split evenly between the performance criteria of TSR, EPS and ROCE. There are no performance conditions attached to the DBP.

For PSP awards made in December 2020, 2,786,705 were made via the use of restricted shares with a three-year vesting period. There are no performance conditions attached. A further 1,341,477 awards were made where the performance criteria is 50% against free cash flow and 50% TSR.

The expected volatility is based on historical volatility over the last one to three years. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon government bonds of a term consistent with the assumed option life.

The Group also operates the Babcock Employee Share Plan which allows employees to contribute up to £150 per month to the fund, which then purchases shares on the open market on the employees' behalf. The Group provides matching shares, purchased on the open market, of one share for every 10 purchased by the employee. During the year the Group bought 180,175 matching shares (2020: 104,756 matching shares) at a cost of £0.5 million (2020: £0.5 million).

The Group also operates the Babcock Employee Share Plan International which reflects the structure of the UK Plan. During the year 5,000 matching shares were purchased on the open market (2020: 1,000 matching shares) and 1,193 matching shares vested (2020: 713 matching shares) leaving a balance of 5,012 matching shares (2020: 1,205 matching shares).

1. DBMP = 2012 Deferred Bonus Matching Plan, PSP = 2009 Performance Share Plan and DBP = 2012 Deferred Bonus Plan.

10 Income tax expense

Tax expense included in income statement	**2021 £000**	Restated 2020 £000
Current tax:		
UK Corporation tax on profits for the year	-	-
Adjustment in respect of prior year	-	-
Current tax charge for the year	-	-
Deferred tax:		
Origination and reversal of timing differences	3,013	10,735
Adjustments in respect of prior years	-	30
Impact of change in UK tax rate	-	(108)
Total deferred tax charge (note 16)	3,013	10,657
Tax on profit	3,013	10,657

The tax expense for the year is lower (2020: lower) than the standard rate of corporation tax in the UK for the year ended 31 March 2020 of 19% (2020: 19%). The differences are explained below:

	2021 £000	Restated 2020 £000
(Loss)/Profit before taxation	**(15,644)**	**5,116**
Profit multiplied by standard UK corporation tax rate of 19% (2019: 19%)	**(2,972)**	**972**
Effects of:		
Adjustments in respect of prior years	-	**30**
Expenses not deductible for tax purposes	**137**	**721**
Deferred tax on losses not recognised	**5,848**	**9,042**
Impact of change in UK tax rate	-	**(108)**
Total tax charge for the year	**3,013**	**10,657**

10 Income tax expense *(continued)*

In the UK 2019 Budget it was announced that the UK corporation tax rate would not reduce to 17% but would remain at 19% from April 2020. As a result of this change, UK deferred tax balances have been re-measured at 19% as this is the tax rate that will apply on reversal.

11 Tangible assets

	Freehold property	Investment property	Specialised Marine Facilities	Plant and equipment	Total
	£000	£000	£000	£000	£000
Cost					
At 1 April 2020	28,516	2,023	51,642	14,103	**96,284**
Acquisition of business	-	-	-	9,520	**9,520**
Additions	19,561	-	-	14,940	**34,501**
Reclassification	-	-	(1,045)	1,045	-
At 31 March 2021	**48,077**	**2,023**	**50,597**	**39,608**	**140,305**
Accumulated depreciation					
At 1 April 2020	**(10,619)**	**(2,023)**	**(21,701)**	**(9,413)**	**(43,756)**
Acquisition of business	-	-	-	(7,562)	(7,562)
Charge for the year	(696)	-	(3,100)	(1,102)	(4,898)
At 31 March 2021	**(11,315)**	**(2,023)**	**(24,801)**	**(18,077)**	**(56,216)**
Net book value					
At 31 March 2021	**36,762**	-	**25,796**	**21,604**	**84,089**
At 31 March 2020	17,897	-	29,941	4,690	52,528

Investment property comprises a number of buildings (or parts thereof) and areas of land on the Rosyth site. Such property has been accounted for using the cost model. The fair value at year end of properties that can practicably be measured is £2,900,000 (2020: £2,900,000), their net book value under the cost model is nil (2020: £nil). The valuation was carried out by independent, appropriately qualified valuers. The remainder of the investment property comprises temporarily surplus production and office facilities upon which it is not practicable to place a fair value as they are part owner-occupied and/or integrated with key facilities on the Rosyth site.

12 Intangible assets

	Intellectual Property £000	Goodwill £000	Total £000
Cost			
At 1 April 2020	-	-	-
Acquisition of business	3,952	115,653	119,605
Additions	7,653	-	7,653
At 31 March 2021	**11,605**	**115,653**	**127,258**
Accumulated amortisation and impairment			
At 1 April 2020	-	-	-
Acquisition of business	(3,952)	-	(3,952)
Charge in year	(63)	-	(63)
At 31 March 2021	**(4,015)**	-	**(4,015)**
Net book value			
At 31 March 2021	**7,590**	**115,653**	**123,243**
At 31 March 2020	-	-	-

The intellectual property additions in the year are for T31 design rights.

The goodwill arose on the transfer of the trade and assets of Babcock's activities at Rosyth Dockyard from Babcock Marine (Rosyth) Limited on 1 April 2021.
The recoverable amount of goodwill was assessed by reference to value-in-use calculations. The value-in-use calculations are based on the company order book at 31 March 2021 and securing future revenues, along with the outlook into new strategic international markets out to March 2027, the directors have concluded that no impairment adjustment is required.

The expected future cash flow used in the cash flow models do hold a level of uncertainty and could materially change over time. The value-in-use calculation has a discount rate of 10%. Management's assumption was used for the discount rate of 10% resulting in the fair value measurements are considered to be at level 3 in the fair value hierarchy, as defined in IFS 13 'Fair Value Measurement'.

It is not possible to quantify the effect of the departure from the Companies Act, because a finite life for the goodwill has not been identified. However, the effect of amortising over a useful life of 20 years would be a charge of £5,782k (2020: nil) against operating profit and a reduction of £5,782k (2020: nil) in the carrying value of goodwill in the balance sheet.

The Company does not amortise goodwill in accordance with the requirements of IFRS as applied under FRS 101. Instead an annual impairment test is performed and any impairment that is identified is recognised in the income statement. The non-amortisation of goodwill conflicts with paragraph 22 of Schedule 1 to 'The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410), which requires acquired goodwill to be written off over its useful economic life. As such, the non-amortisation of goodwill is a departure, for the overriding purpose of giving a true and fair view, from the requirement of paragraph 22 of Schedule 1 to those Regulations. The useful life will continue to be reviewed in line with IAS 36, Impairment of Assets.

13 Trade and other receivables

	2021 £000	Restated 2020 £000	Restated 2019 £000
Amounts falling due within one year:			
Amounts owed from group undertakings including loans	**12,824**	19,500	19,500
Trade receivables	**25,361**	-	-
Amounts due from customers for contract work	**21,298**	-	-
Capitalised Contract Costs	**8,762**	-	-
Other receivables	**10,963**	-	-
Corporation Tax	**4,915**	-	-
Prepayments and accrued income	**7,900**	-	-
	92,023	19,500	19,500

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

	Amounts due for contract work £000	Accrued Income £000	Capitalised contract costs £000	Total £000
At 1 April 2020	-	-	-	-
Transfer of assets from BMRL	25,441	5,662	5,412	36,515
Transfers from contract assets recognised at the beginning of the year to receivables	(25,441)	(5,662)	-	(31,103)
Increase due to work done not transferred from contract assets	21,298	7,900	-	29,198
Amounts capitalised	-	-	3,350	3,350
At 31 March 2021	**21,298**	**7,900**	**8,762**	**37,960**

14 Inventories

	2021 £000	2020 £000
Raw materials	**443**	-
	443	-

	2021 £000	2020 £000
Recognised as an expense in the year	**3,210**	-

15 Other financial assets and other financial liabilities

Included in Derivative financial instruments at fair value:

	31 March 2021		31 March 2020	
	Assets £'000	**Liabilities £'000**	Assets £'000	Liabilities £'000
Forward FX contracts – cash flow hedges	-	7,197	-	-
Current portion	-	7,197	-	-

The company enters into forward foreign exchange contracts in order to hedge the risk arising from purchase and sale transactions, unrecognised commitments or highly probable forecast transactions denominated in foreign currencies

At the year end there were forty three (2020: nil) contracts in place to sell US Dollars, eighty four (2020: nil) contracts in place to purchase Euros, two (2020: nil) contracts in place to purchase Swedish Krona and eight (2020: nil) to purchase Denmark Krona.

The Company has taken advantage of the exemptions within FRS 101 not to disclose all IFRS 7 and IFRS 13 requirements, 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 with compliance to IFRS.

16 Deferred taxation

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

Deferred tax asset	Accelerated capital allowances £000	Pension liability Restated £000	Short term timing differences £000	Total Restated £000
At 1 April 2019 previously stated	942			942
Deferred Tax adjustment		23,344		23,344
At 1 April 2019 Restated:	942	23,344	-	24,286
- Charged to the income statement	(88)	(10,569)	-	(10,657)
- Charged to other comprehensive income	-	2,740	-	2,740
At 31 March 2020 Restated:	854	15,515	-	16,369
- Charged to the income statement	(10)	(3,190)	187	(3,013)
- Charged to other comprehensive income	-	16,906	-	16,906
At 31 March 2021:	844	29,231	187	30,262

17 Right-of-use assets

	Property £000	Total £000
Cost		
At 1 April 2020	82	82
Additions	-	-
Modifications	-	-
Terminations	-	-
At 31 March 2021	82	82
Accumulated depreciation		
At 1 April 2020	(10)	(10)
Charge for the year	(11)	(11)
Terminations	-	-
At 31 March 2021	(21)	(21)
Net book value		
At 31 March 2021	61	61
At 31 March 2020	72	72

18 Lease liabilities

The entity leases Sea bed from the Crown Office. The leases have various terms, escalation clauses and renewal rights. Including where relevant:

- variable lease payments
- extension and termination options

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2021 £'000	2020 £'000
At 31 March 2020/March 19	72	82
Interest charged	3	4
Payments	(14)	(14)
At 31 March 2021/March 20	61	72

Discounted future minimum lease payments are as follows:

	2021 £'000	2020 £'000
Within one year	14	14
In more than one year, but not more than five years	47	58
After five years		
Carrying value of liability	61	72

The Company had total cash outflows for leases of £72,000 for the year ended 31 March 2021 (2020: £13,000).

The following are the amounts recognised in profit or loss:

	2021 £'000	2020 £'000
Expense relating to short-term leases	16	13
Expense relating to leases of low-value assets	56	-
	72	13

19 Called up share capital

	2021 £000	2020 £000
Allotted and fully paid		
200,020 ordinary shares of £1 each (2020: 200,020)	**200**	200
50,048 "A" ordinary shares of £1 each (2020: 49,998)	**50**	50
	250	250

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.

On 1st April 2020, the Company purchased the trade and assets of Babcock Marine (Rosyth) Limited, its immediate parent, for consideration of £118,021,000 being the net book value of the assets, satisfied by the issue of 50 £1 ordinary shares at a premium of £118,020,950 or £2,360,419 per share.

20 Dividends

No dividends have been declared or paid (2020: Nil). There are no plans for a final dividend (2020: Nil).

21 Contingent liabilities

At 31 March 2021 the Company had guaranteed or had joint and several liability for drawn Babcock International Group PLC bank facilities of £nil (2020: £307.2 million) provided to certain Group companies. In addition, the Company at the 31 March 2021 had joint and several liabilities for the drawn bank overdraft facilities of other group companies of £nil (2020: £nil).

22 Guarantees and financial commitments

Capital Commitments

At 31 March 2021 the Company had capital commitments of £28,030,460 (2020: Nil).

23 Trade and other payables

	2021 £000	2020 £000
Amounts falling due within one year:		
Amounts owed to parent and group undertakings	**14,498**	29,754
Trade creditors	**35,675**	-
Taxation and social security	**2,276**	-
Payments received on account	**59,770**	-
Value Added Tax	**2,244**	-
Accruals and deferred income	**25,299**	-
Lease liability	**14**	14
	139,776	29,768

There is one major loan (2020: nil) from group companies of £9,943,000 (2020: nil) and is repayable on demand, with no interest charge.

Amounts falling due after more than one year:	2021 £000	2020 £000
Lease obligations	**47**	58
	47	58

	Contract cost accrual £000	Advance payments £000	Total £000
At 1 April 2020	-	-	-
Transfer of trade from BMRL	37,607	23,856	61,463
Revenue recognised that was included in contract liabilities at the beginning of the year	(37,871)	(33,549)	(71,420)
Increase due to cash received, excluding amounts recognised as revenue	14,998	69,463	84,461
At 31 March 2021	**14,734**	**59,770**	**74,504**

24 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.

There were no (2020: none) other transactions during the year or balances at the end of the year (2020: none) with related parties.

25 Pension liabilities

The Company financial statements for pension costs in accordance with IAS 19. The Company contributes to a defined contribution scheme in the UK in respect of a number of its employees.

The Company is also a contributing employer to a defined benefit scheme, the "Rosyth Royal Dockyard Pension Scheme" (RRDL). The Company is severally liable, along with the other participating employers, for the assets and liabilities of the scheme. The allocation of the assets and liabilities of the scheme and what has been recognised in these financial statements are detailed in this note.
The nature of the scheme is that the employees contribute to the schemes with the employers paying the balance of the cost required. The contributions required and the assessment of the assets and the liabilities that have accrued to members and any deficit recovery payments required are agreed by the participating employer companies with the trustees who are advised by an independent, qualified actuary.

The key risks relate primarily to longevity, the expected inflation rate in the future which impacts on pension increases and indirectly salary increases and the discount rate used to value the liabilities. The schemes have mitigated some of these risks by taking out longevity swaps in respect of pensioners and their spouses, through a common investment committee we have significantly hedged the interest rate and inflation risk though derivative instruments and introduced benefit changes impacting future service benefits which included capping of pensionable salaries, capping pension increases, increased normal retirement age in line with state pension ages and increased the level of member contributions.

The scheme is funded by payments to legally separate trustee-administered funds..The trustees of the scheme are required by law to act in the best interests of the scheme's members. In addition to determining future contribution requirements (with the agreement of the participating employers), the trustees are responsible for setting the schemes' investment strategy (subject to consultation).

The scheme has an independent trustee and member nominated trustees. The scheme is subject to regulation under the funding regime set out in Part III of the Pensions Act 2004.

In the last financial year, the Babcock International Group Pension Scheme was closed to future accrual for some employees. These members moved from active to active deferred members of the scheme, retaining a final salary link.

25 Pension commitments *(continued)*

Rosyth Royal Dockyard Pension scheme

The IAS 19 valuation has been updated at 31 March 2021 by an independent qualified actuary using revised assumptions that are consistent with the requirements of IAS 19. The date of the last full actuarial valuation was 31 March 2019. The major assumptions used for the IAS 19 valuation were:

Major assumptions	**2021 %**	**2020 %**	**2019 %**
Rate of increase in salaries	**2.9**	**1.9**	**2.3**
Rate of increase in pension payment	**2.7**	**2.7**	**3.3**
Discount rate	**2.0**	**2.5**	**2.4**
Inflation	**2.5**	**2.5**	**3.2**

The expected total employer contributions to be made by participating employers to the scheme in 2021/22 are £33.5m. The future service rate is 51.1%. The above level of funding is expected to continue until the next actuarial valuation, with valuations carried out every 3 years. Included in employer contributions of £33.5m is £22.9m of deficit recovery payments. The Company's share of this is allocated based on the percentage of active members of the scheme that it employs.

The mortality assumptions used were:

	2021 Years	**2020 Years**	**2019 Years**
Life expectancy from age 65 (male age 65)	**19.8**	**19.8**	**19.7**
Life expectancy from age 65 (male age 45)	**20.9**	**20.9**	**20.7**

25 Pension commitments *(continued)*

The changes to the Babcock International Group Plc balance sheet at March 2021 and the changes to the Babcock International Group Plc income statement for the year to March 2022, if the assumptions were sensitised by the amounts below, would be:

	Defined benefit obligations 2022 £m	Income statement 2022 £m
Initial assumptions	1,022,842	5,538
Discount rate assumptions increased by 0.5%	940,094	4,468
Discount rate assumptions decreased by 0.5%	1,105,590	5,780
Inflation rate assumptions increased by 0.5%	1,096,077	7,003
Inflation rate assumptions decreased by 0.5%	1,090,963	6,900
Total life expectancy increased by half a year	1,072,961	6,540
Total life expectancy decreased by half a year	972,723	4,536
Salary increase assumptions increased by 0.5%	1,022,842	5,538
Salary increase assumptions decreased by 0.5%	1,022,842	5,538

The weighted average duration of cashflows (years) was 18.

The fair value of the assets, the present value of the liabilities and the expected rates of return of the scheme at the balance sheet date of 31 March 2021 were:

Fair value of plan assets	**2021**	2020
	£000	£000
Equities	22,105	5,798
Property	80,568	80,166
Absolute return and multi strategy funds	117,385	127,291
Bonds	307,007	226,278
Matching assets	350,902	411,250
Active position on longevity swaps	(66,162)	(57,567)
Total assets	811,805	793,216
Present market value of liabilities - funded	(1,022,843)	(904,974)
Gross pension deficit	(211,038)	(111,758)

All the assets of the scheme are quoted except for the longevity swaps.
The scheme does not invest directly in assets or shares of Babcock International Group Plc.

25 Pension commitments *(continued)*

The longevity swaps have been valued, in 2021, in line with assumptions that are consistent with the requirements of IFRS 13.

Analysis of amount charged to the income statement in Babcock International Group Plc	**2021 £000**	2020 £000
Current service cost	**1,946**	5,480
Past service cost	**206**	-
Curtailment	**7,500**	-
Incurred expenses	**1,486**	535
Total included within operating profit	**11,138**	6,015
Net interest cost	**2,774**	4,144
Total charged to the income statement	**13,912**	10,159

The amounts charged to the income statement in these financial statements, based on the Company's allocation of the total Babcock International Group Plc charge, included £1,419,000 for current service costs (2020: £4,004,000), £150,000 for past service costs (2020: Nil), £1,083,000 for incurred expenses (2020: £391,000), and net interest cost of £2,022,000 (2020: £3,028,000).

Analysis of amount included in Babcock International Group Plc statement of comprehensive income ("SOCI")	**2021 £000**	2020 £000
Actuarial (loss)/gain recognised in the SOCI	**(137,133)**	65,781
Experience gains/(losses)	**32,884**	(19,645)
Other (losses)/gains	**(7,384)**	911
	(111,633)	47,047

The actuarial loss recognised in the SOCI in these financial statements, based on the Company's allocation of the total Babcock International Group Plc movement, was £88,979,000 (2020: £34,054,000 gain).

25 Pension commitments *(continued)*

The equity investments and bonds are valued at bid price.

Reconciliation of present value of scheme assets in Babcock International Group Plc	2021 £000	2020 £000
At 1 April	850,785	889,538
Interest on assets	17,367	20,202
Employer contributions	26,264	28,428
Employee contributions	4	6
Benefits paid	(69,844)	(76,511)
Actuarial gain/(loss)	53,392	(10,878)
At 31 March	877,968	850,785

Reconciliation of present value of scheme liabilities	2021 £000	2020 £000
At 1 April	904,974	1,009,503
Current Service cost	1,946	5,480
Incurred expenses	1,486	535
Interest on liabilities	18,930	22,975
Employee contributions	4	6
Actuarial (gain)/loss – demographics	(1,366)	3,673
Actuarial loss/(gain) – financial	138,499	(69,454)
Experience loss	20,508	8,767
Benefits paid	(69,844)	(76,511)
Curtailment	7,600	-
Past Service cost	206	-
At 31 March	1,022,843	904,974

The deficit recognised in these financial statements, based on the Company's allocation of the total Babcock International Group Plc assets and liabilities for this scheme, was £153,845,000 (2020: £81,656,000).

26 Provisions for liabilities

The company had the following provisions during the year:

	Contract provision £'000	Total £'000
At 1 April 2020	-	-
Charged to the income statement	132	132
At 31 March 2021	**132**	**132**

Contract provisions

Contract provisions relate to potential loss regarding COVID 19 related costs and redundancy costs. These are based on the assessment of future costs and are assessed with reference to past experience. Contract provisions have not been discounted. The provisions are expected to be fully utilised during the year ending 31 March 2022.

27 Subsidiary, and associate and Joint Venture undertakings

All related undertakings for the Company are as listed below:

Company Name	Country	Interest	Interest %
Rosyth Royal Dockyard Pension Trustees Limited[1]	United Kingdom	100 Ordinary shares	100.0%

[1] The subsidiary is directly owned and its registered address is c/o Babcock International, Rosyth Business Park, Rosyth, Dunfermline, Fife, KY11 2YD

28 Ultimate parent undertaking

The Company's immediate parent company is Babcock Marine (Rosyth) Limited, a company registered in Scotland. 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