Cavendish Nuclear Limited

Annual Report

For the year ended 31 March 2020

Company registration number:

3975999

Directors and advisors

Current directors

S C Bowen
P L Edwards
D Kieran
I S Urquhart

Company secretary

Babcock Corporate Secretaries Limited

Registered office

33 Wigmore Street
London
W1U 1QX

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Pegasus Business Park
Herald Park
East Midlands
DE74 2UZ

Strategic report for the year ended 31 March 2020

The directors present their Strategic report on the Company for the year ended 31 March 2020.

Principal activities

The principal activities of the Company are the provision of engineering and support services to the nuclear industry.

Review of the business

	2020	2019
	£'000	£'000
Revenue	**203,587**	229,459
Profit for the financial year	**17,202**	21,086

Cavendish Nuclear Limited operates across the nuclear industry and was built through a combination of acquisition and organic growth. Services offered encompass consultancy, design, support to reactor outages and plant operations, decommissioning, and involvement in the UK's nuclear new build programmes.

Over the course of the year, the company's core business activities continued to perform in line with expectations. Major customers included the Nuclear Decommissioning Authority ("the NDA") (including via the Cavendish Fluor Partnership Limited and Cavendish Dounreay Partnership Limited), AWE, Sellafield and EDF.

In the medium term, the Company's markets are expected to grow with the second-generation power stations moving into the decommissioning phase, together with expected growth in the UK nuclear new build sector. The Company is also pursuing targeted opportunities internationally.

The profit for the financial year includes provisions for exceptional costs relating to an organisational restructure.

The COVID 19 pandemic only began to affect the Company towards the very end of the financial year to which these financial statements relate, so the impact on the results reported is limited. After the end of the financial year, the impact of the pandemic was being felt across all markets. However, the Company continued to support its customers by keeping critical programmes and services operating, demonstrating the underlying strength of the business.

Operational and financial review

Revenue for the year was £203,587,000 (2019: £229,459,000), whilst profit before taxation was £21,758,000 (2019: £26,179,000). The decrease in profit before tax was largely due to exceptional restructuring costs (£17,000,000), partially offset by an increase in dividends on the cessation of the Magnox Joint Venture contract.

The Company secured places on a number of long-term frameworks in the previous financial year and flow through opportunities from these are now starting to come to market. During the year, the Company has significantly increased the support it is providing to the Devonport Royal Dockyard.

Following agreement with the NDA in 2017 for the termination of the Magnox joint venture contract, as planned the company successfully transferred the management of the Magnox site licence organisation to NDA management in September 2019.

Operational and financial review *(continued)*

Focus of the Cavendish Dounreay Partnership joint venture has turned to decommissioning progress at Dounreay following completion of the exotics waste removal project (meeting part of the UK government's waste removal strategy).

At Sellafield, the Company continues to deliver exemplary project performance, notably on the Pile Fuel Cladding Silo Project (PFCS) in a joint venture with Bechtel. The strong performance on the design frameworks at Sellafield continues, with additional new scope secured.

The Company continues to provide services to EDF's generating fleet - including critical reactor core analysis, maintenance and outage support.

Following the end of the Magnox contract and recognising the profile of other key contracts it was recognised that changes to the operating model were required to ensure levels of profitability were maintained over the medium term. Provisions for the costs associated with the delivering this organisational change were made in the financial year, with the restructuring completed by September 2020. Long-term business sustainability continues to be a key priority for Cavendish Nuclear and the company continues to focus on three key themes of safety, people and performance. The Company continues to actively recruit talent into the graduate and apprenticeship schemes.

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 Babcock International Group PLC ("Group") level by independent challenge and review by the Group Risk Manager and the Audit and Risk Committee.

The directors manage this by reviewing the risk landscape on a regular basis.

Key current risks are:

a) Operations that carry significant health and safety, and environmental risks

Risk mitigation and control process:

- i) Health, safety and environmental performance is an absolute priority for the business and receives continuous attention and oversight at all levels in the business
- ii) Health, safety and environmental professionals are employed across the business

b) Reliance on major contracts with a small number of large clients

Risk mitigation and control process:

- i) The business is responsive, and innovative, to ensure it is meeting customer needs
- ii) The business has extensive dialogue with customers to ensure that we have a clear understanding of their changing requirements and priorities
- iii) Projects are reviewed and monitored on a frequent basis to ensure we are delivering to customer agreed targets
- iv) All staff are rigorously trained to minimise risk of mistakes and accidents
- v) The resource base includes a high level of agency staff enabling the business to flex its resources to meet project demands

Principal risks and uncertainties *(continued)*

c) Dependency on attracting, developing and retaining skilled staff

Risk mitigation and control process:

i) A dedicated team is in place to focus on attracting and developing talent
ii) Apprentice and graduate recruitment programmes are run annually
iii) The business has a succession plan in place for all key staff and roles

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 80 to 92 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. On 1 September 2020, the Company moved to a new organisation structure and operating model; the enabling costs for which have been provided in these financial statements.

The Company continued to provide critical services to all its customers during the initial stages of the COVID19 pandemic (March 2020) and has continued to do so during the new financial year. There has been no ongoing impact to existing contracts from Covid 19, whilst the long-term forecasts are broadly unchanged as a result of the pandemic.

Brexit considerations

The majority of the Company's revenue is derived, and cost base sourced, from the UK. A small amount of materials are sourced from Europe and the Company has robust controls and contingency plans in place to mitigate the risk of disruption. These include finding new sources of supply, holding adequate stock to reduce logistical risk, or by working with partners to ensure arrangements for continuity of supply post 1st January 2021.

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 is not necessary for an understanding of the development, performance, or position of the Company. The growth and performance of Nuclear, a division of Babcock International Group PLC, which includes the Company, is discussed on pages 72 to 73 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.

The Company works continually to foster its relationships with customers - driving a customer focussed organisation in which the Company is a trusted partner to its clients. During the year, the Directors have had regular meetings with the Company's key customers in order to understand their priorities.

S172 (1) statement and stakeholder engagement *(continued)*

The Directors are well aware that the Company's long-term success depends on the engagement of its employees, which in turn depends on the Directors taking into account their interests in its decision making process. During the year, the Directors sought to understand the interests of its employees through a number of different channels, including regular briefings and multi-way communications. Furthermore the revised operating model implemented from September 2020 sought to ensure greater levels of agility, empowerment and delegation in the organisation. There was regular and positive engagement with trade unions throughout the restructuring; and a new forum was established, with membership from across the organisation, to support embedding the new operating model.

The Company recognises that external supply chains support operational performance, and works to maintain good working relationships with its suppliers. The Company strives to safeguard the interests, well-being, and reputation of the Company, and its employees, through good practice - only engaging with those suppliers who are fully capable of executing supply requirements in a safe, ethical, and environmentally acceptable manner.

Where the Company has major operations, such as at Sellafield and Dounreay, it is often one of the largest employers in the local area. The Company is aware of the impact that it has on those communities, and aims to build positive relationships with the communities in which it operates. The company seeks to work with local SMEs where possible; whilst engaging with, and supporting, socio-economic activities near our major locations.

Stakeholder engagement is managed in accordance with Group policies and procedures, which are discussed on pages 30 and 31 of the annual report of Babcock International group PLC, which does not form part of this report.

On behalf of the Board

P L Edwards

Director

8 January 2021

Directors' report for the year ended 31 March 2020

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2020.

Dividends

No dividends were declared or paid in the year (2019: Dividend of £47,000,000 representing £3,133,333 per ordinary share declared and paid).

Future developments

On 10 July 2020, the Nuclear Decommissioning Authority (the "NDA") announced that Dounreay Site Restoration Limited (DSRL) will transfer ownership from the Cavendish Dounreay Partnership Limited to the NDA at the end of March 2021, as part of the strategic plan to build an NDA group. The NDA recognised the important contribution that the Company has delivered as part of the Cavendish Dounreay Partnership Limited in the clean-up and decommissioning of the Dounreay site.

Going concern

The Company meets its day-to-day working capital requirements through bank facilities and the Group's treasury arrangements. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of available facilities. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and for at least 12 months from the point of approving this Annual Report.

However, due to the recognition of current liabilities on the balance sheet, the Company has received a letter of support from Babcock Management Limited and, therefore, the directors are confident the company has access to adequate resources to meet current obligations. Accordingly, they continue to adopt the going concern basis in preparing the annual financial statements.

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 department. The department has procedures that set 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.

All treasury transactions are carried out only with prime rated counter-parties. Financial Risk is managed in accordance with Group policies and procedures which are discussed on pages 65 to 67 and Note 2 of the annual report of Babcock International Group PLC, which does not form part of this report.

Directors' report for the year ended 31 March 2020 *(continued)*

Directors

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

S C Bowen
P L Edwards (appointed 1 December 2019)
K J Garvey (resigned 1 December 2019)
D Kieran (appointed 24 June 2020)
I S Urquhart

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. Employees are updated on the financial and economic performance of the Company on a periodic basis. Communication with all employees continues through multiple channels.

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.

Research and development

The Company commits resources to research and development to the extent management considers reasonable for the evolution, and development, of the business.

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 seeks 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;
- 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.

Qualifying third party indemnity provisions

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

Post balance sheet events

On 18 September 2020, a subsidiary company, Cavendish Nuclear Manufacturing Limited, was sold as a going concern to QML Holdings Limited, a Company outside of the Babcock Group. On 29 September 2020, this Company changed its name to Deva Manufacturing Limited.

On 10 July 2020, the Nuclear Decommissioning Authority (the "NDA") announced that Dounreay Site Restoration Limited (DSRL) will transfer ownership from the Cavendish Dounreay Partnership to the NDA at the end of March 2021, as part of the strategic plan to build an NDA group. The NDA recognised the important contribution that the Company has delivered as part of the Cavendish Dounreay Partnership in the clean-up and decommissioning of the Dounreay site.

Directors' report for the year ended 31 March 2020 *(continued)*

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 were reappointed as auditors by the directors of Babcock International Group.

On behalf of the Board

P L Edwards

Director

8 January 2021

Independent auditors' report to the members of Cavendish Nuclear Limited

Report on the audit of the financial statements

Opinion

In our opinion, Cavendish Nuclear Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Balance sheet as at 31 March 2020; the Income statement, the Statement of comprehensive income and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Reporting on other information

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

Independent auditors’ report to the members of Cavendish Nuclear Limited *(continued)*

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

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

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

Strategic Report and Directors’ Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors’ Report for the year ended 31 March 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors’ Responsibilities set out on page 8, 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.

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.

Independent auditors' report to the members of Cavendish Nuclear Limited *(continued)*

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Alan Walsh (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands

8 January 2021

Income statement
for the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
Revenue	4	**203,587**	229,459
Cost of sales		**(186,775)**	(194,783)
Gross profit		**16,812**	34,676
Administrative expenses		**(19,166)**	(22,124)
Operating (loss) / profit	6	**(2,354)**	12,552
Income from shares in group undertakings	7	**24,102**	13,098
Profit before interest and taxation		**21,748**	25,650
Finance income	5	**20**	-
Finance costs	5	**(825)**	(286)
Other finance credit – pensions	27	**815**	815
Profit before income tax		**21,758**	26,179
Income tax credit / (expense)	11	**(4,556)**	(5,093)
Profit for the financial year		**17,202**	21,086

All of the above results derive from continuing operations.

Statement of comprehensive Income
for the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
Profit for the financial year		**17,202**	21,086
Other comprehensive income / (expense):			
Items that may be subsequently reclassified to income statement:			
Fair value adjustment of interest rate and foreign exchange hedges	21	**42**	-
Items that will not be subsequently reclassified to income statement:			
Gain on remeasurement of net defined benefit obligation	27	**35,553**	220
Tax on net defined benefit obligation	11	**(6,755)**	(42)
Impact of change in UK tax rate	11	**(572)**	(14)
Total comprehensive income for the year		**45,470**	21,250

Balance sheet
as at 31 March 2020

	Note	2020 £'000	2019 £'000
Non-current assets			
Intangible assets	12	**93,762**	93,719
Tangible fixed assets	13	**8,837**	9,505
Right-of-use assets	14	**10,076**	-
Investments	15	**2,000**	2,000
Retirement benefit assets	27	**77,115**	28,593
		191,790	133,817
Current assets			
Inventories	16	**2,972**	3,057
Trade and other receivables	17	**111,393**	113,071
Other financial assets	21	**42**	-
Cash and cash equivalents		**23,093**	2,718
		137,500	118,846
Current liabilities			
Trade and other payables – amounts falling due within one year	18	**(161,054)**	(153,648)
Lease liabilities	19	**(1,802)**	-
Net current liabilities		**(25,356)**	(34,802)
Total assets less current liabilities		**166,434**	99,015
Lease liabilities – amounts falling due after more than one year	19	**(9,601)**	-
Provision for liabilities	20	**(16,676)**	(3,821)
Net assets		**140,157**	95,194
Equity			
Called up share capital	23	**50**	50
Share premium account		**50,000**	50,000
Other reserves		**42**	-
Retained earnings		**90,065**	45,144
Total shareholders' funds		**140,157**	95,194

The notes on pages 16 to 50 are an integral part of these financial statements.

The financial statements on pages 13 to 50 were approved by the board of directors and signed on its behalf by:

P L Edwards
Director
8 January 2021

Cavendish Nuclear Limited

Statement of changes in equity
for the year ended 31 March 2020

	Note	Called up share capital £'000	Share premium account £'000	Hedging reserve £'000	Retained earnings £'000	Total share-holders' funds £'000
Balance at 1 April 2018		50	50,000	-	70,894	120,944
Profit for the year		-	-	-	21,086	21,086
Other comprehensive income		-	-	-	164	164
Dividends paid	24	-	-	-	(47,000)	(47,000)
Balance at 31 March 2019		**50**	**50,000**	**-**	**45,144**	**95,194**
Profit for the year		**-**	**-**	**-**	**17,202**	**17,202**
Other comprehensive income		**-**	**-**	**42**	**28,226**	**28,268**
Transition to IFRS 16		**-**	**-**	**-**	**(507)**	**(507)**
Balance at 31 March 2020		**50**	**50,000**	**42**	**90,065**	**140,157**

Notes to the financial statements

1 General information

Cavendish Nuclear Limited is a private limited company, which is incorporated and domiciled in the UK. The address of the registered office is 33 Wigmore Street, London W1U 1QX.

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 Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101).

These financial statements are prepared on a going concern 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. 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 Services Group Limited and of its ultimate parent, Babcock International Group PLC. It is included in the consolidated financial statements of Babcock International Group PLC which are publicly available. Therefore the Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

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

a) 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;

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

Basis of preparation *(continued)*

- 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.

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

At 31 March 2020, the company had net current liabilities of £25,356,000 (2019: £34,802,000). The Company is dependent upon the continued support of a fellow group undertaking, Babcock Management Limited, which has expressed its willingness to support the Company for at least 12 months from the signing of these financial statements. On this basis the directors consider it appropriate that these financial statements have been prepared on a going concern basis.

Adoption of new and revised standards

The Company applied for the first time certain standards and amendments which are effective for annual periods beginning on or after 1 January 2019. The Company has not early adopted any other standard, interpretation or amendment that has been issued if it is not yet effective.

IFRS 16, 'Leases' has been adopted in the year (effective 1 January 2019) and replaces IAS 17 as the definitive accounting standard for the recognition, measurement and disclosure of leases. The Company has adopted the standard from 1 April 2019.

Under the new standard, the Company has now recognised almost all leases, where the Company is a lessee, on the balance sheet as the distinction between finance leases and operating leases has been removed. Both short-term leases and low-value leases are exempt from IFRS 16, and instead their lease payments continue to be recognised as expenses on a straight-line basis. The approach for lessors has remained largely unchanged.

The Company has adopted the simplified transition approach, with the right-of-use assets measured at the amount of the lease liability on the date of transition for all leases. The lease liability was calculated as the present value of the minimum lease payments on the date of transition. For a number of high value property leases however, the right-of-use asset values have been calculated as the present value of the minimum lease payments at the inception date less accrued depreciation and any impairments. The difference between the right-of-use assets and lease liabilities on the date

2 Summary of significant accounting policies *(continued)*

Adoption of new and revised standards *(continued)*

of transition is taken to retained earnings. Comparative figures have not been restated for the year ended 31 March 2019.The following practical expedients have been adopted on transition:

• Single discount rates have been applied to portfolios of leases with similar characteristics
• IFRS 16 has only been applied to contracts that were previously classified as leases
• For leases with onerous lease provisions recognised against them immediately prior to the date of transition, the provisions have been utilised and offset against the right-of-use assets on the date of transition
• Initial direct costs have been excluded from the measurement of right-of-use assets on the date of transition
• The lease term has been determined with the use of hindsight where the contract contains options to extend the lease

Right-of-use asset are held at cost less accumulated depreciation and impairment. Any impairments are determined in line with IAS 36, “Impairment of Assets”. Depreciation is charged on a straight-line basis over the full length of the lease.

Lease liabilities decrease over time by the net of lease payments made and the interest accrued. Interest is charged to the income statement as the effect of discounting the future lease payments is unwound.

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 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. The Company’s contracts typically do not include significant financing components.

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

Revenue *(continued)*

(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. 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, including consideration of technical and other risks, by suitably qualified and experienced personnel and the assessments of all significant contracts are subject to review and challenge. Assessment of outcomes is in relation to separate performance obligations and includes variable consideration, which can include judgements on variations and claims, 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. Judgements on contract variations and claims may consider, amongst other matters, the contract terms and conditions, previous experience with customers and the status of negotiations at the time judgements are made. Any expected loss on a contract is recognised immediately in the income statement.

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

Revenue *(continued)*

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

Where appropriate 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 12.

b) Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and only if the cost can be measured reliably. Other development expenditure is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs that have been capitalised are amortised from the date the product is available for use on a straight-line basis over the period of its expected benefit but not exceeding seven years.

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

Intangible assets *(continued)*

c) Computer software

Computer software includes software licences acquired plus the costs incurred in bringing the software into use and is shown at cost less accumulated amortisation and is amortised over its expected useful lives of between three and five years.

Property, plant and equipment

Property, plant and equipment is shown at cost less subsequent depreciation and impairment, except for land, which is shown at cost less 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 over the estimated useful lives to their estimated residual value (reassessed at each balance sheet date) at the following annual rates:

Freehold property	2% per annum
Short Leasehold land and buildings	6.66% to 20% per annum
Vehicles, plant and machinery	6.6% to 33.3%
Office equipment	20% per annum

Property, plant and equipment 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.

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.

Trade receivables

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

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.

2 Summary of significant accounting policies *(continued)*

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.

Pension costs and other post-retirement benefits

The Company participates in defined benefit schemes that share risks between entities under common control. The defined benefit schemes define 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 schemes are charged to operating profit in the entities which participate in the scheme. 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.

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 defined contribution schemes. Obligations for contributions to the defined contribution pension plans are recognised as an expense in the income statement

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

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 balance sheet date of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Lessee Accounting

For lessees there is no longer a distinction between finance or operating leases as all leases are now recognised on the balance sheet. When a lease commences, a lease liability is recognised that is equal to the present value of the minimum lease payments. A right-of-use asset is also recognised and is equal in value to the lease liability. This represents the right to use the leased asset for the full lease term.

Short-term leases and low-value leases are exempt from recognition on the balance sheet, and the payments are instead recognised on a straight-line basis in the income statement in the same way as they would have been under IAS 17. 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.

Right-of-use assets are depreciated over the total lease term. As the discounting is unwound, interest is charged in the income statement and increases the lease liabilities. When lease payments are made, the lease liabilities reduce. Therefore both right-of-use assets and lease liabilities have nil value at the end of the lease.

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.

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 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.

2 Accounting policies *(continued)*

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 of the 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.

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.

Notes to the financial statements *(continued)*

3 Critical accounting estimates and judgements *(continued)*

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 27 for the disclosures of the defined benefit pension scheme.

4 Revenue

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

	2020	2019
	£'000	£'000
By area of activity:		
Sale of goods – transferred at a point in time	**3,556**	3,824
Sale of goods – transferred over time	**2,212**	2,258
Provision of services – transferred over time	**197,819**	223,377
	203,587	229,459

All the revenue in the year ending 31 March 2020 originated in the United Kingdom.

	2020	2019
	£'000	£'000
By geographical area:		
United Kingdom	**203,012**	228,208
Rest of world	**575**	1,251
	203,587	229,459

5 Finance income and costs

	2020	2019
	£'000	£'000
Finance income:		
Bank interest	**20**	-
Finance costs:		
Bank interest	**(140)**	(193)
Lease liabilities	**(593)**	-
Other charges	**(92)**	(93)
	(825)	(286)

Interest expense for lease liabilities represents the annual impact of the transition to IFRS 16. The company initially applied IFRS 16 at 1 April 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application.

Notes to the financial statements *(continued)*

6 Operating (loss) / profit

Operating (loss) / profit is stated after charging / (crediting):

	2020	2019
	£'000	£'000
Loss on disposal of property, plant and equipment	**-**	91
Depreciation and amortisation	**3,625**	456
Impairment	**814**	-
Research and development recognised as a credit	**(8,400)**	(6,480)
Exceptional costs relating to organisational restructure	**17,013**	-
Foreign exchange losses	**2**	-
Audit fees payable to the Company's auditor	**61**	40

Fees paid to the Company's auditors, PricewaterhouseCoopers LLP, and its associates, for services other than statutory audit of the Company, are disclosed on a consolidated basis in the financial statements of the ultimate parent undertaking, Babcock International Group PLC. The group accounts are required to comply with the statutory disclosure requirements.

7 Income from shares in group undertakings

	2020	2019
	£'000	£'000
Dividends received from joint ventures	**24,102**	13,098

The increase in dividend income reflects the impact of the termination of the Magnox joint venture contract.

Notes to the financial statements *(continued)*

8 Staff costs

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

	2020 Number	2019 Number
By activity:		
Operations	**1,092**	1,029
Management and administration	**197**	196
	1,289	1,225

Their aggregate remuneration comprised:

	2020 £'000	2019 £'000
Wages and salaries	**62,093**	61,441
Social security costs	**6,946**	6,965
Other pension costs (note 27)	**11,754**	11,085
	80,793	79,491

Included in wages and salaries is a total expense of share-based payments of £250,000 (2019: £165,000) of which £172,000 (2019: £72,000) arises from transactions accounted for as equity settled share-based payment transactions.

Included in other pension costs are £6,175,000 (2019: £7,499,000) in respect of the defined benefit schemes and £5,579,000 (2019: £3,586,000) in respect of the defined contribution scheme.

The employment costs above include those of employees providing management services to other group companies, as well as staff seconded to other group companies. These are recharged to those business entities.

9 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:

	2020 £'000	2019 £'000
The remuneration of the directors which was paid by the Company was as follows:		
Emoluments (including benefits in-kind)	**777**	694
Defined contribution pension scheme	**20**	18
	797	712

During the year two (2019: one) directors remunerated by Cavendish Nuclear Limited exercised share options under long term incentive plans and three (2019: two) directors were entitled to receive share options under long term incentive plans.

9 Directors' remuneration *(continued)*

Retirement benefits are accruing to no directors (2019: None) under defined benefit pension schemes.

One (2019: one) director of the Company was remunerated by other Babcock Group companies. It is not possible to make an accurate apportionment of these director's emoluments relating to services provided to the Company and as such no disclosure of emoluments received by this director has been made in these financial statements. No recharge is made for costs borne by the Company in relation to services performed by the director in relation to other Babcock Group companies.

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

	2020	2019
	£'000	£'000
Emoluments (excluding pension contributions)	**511**	391
Company pension contributions (in place of accrued benefit entitlement under the group's defined contribution scheme)	**79**	56

The highest paid director exercised shares under long-term incentive plans (2019: the highest paid director did not exercise shares under long-term incentive plans).

10 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 is included within the Remuneration report.

During the year the total charge relating to employee share-based payment plans was £250,000 (2019: £165,000), all of which related to equity-settled share-based payment transactions.

After tax, the income statement charge was £200,000 (2019: £132,000).

Notes to the financial statements *(continued)*

10 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 – EPS/ROCE %	Fair value per option – TSR Pence	Fair value per option – EPS/ROCE Pence	Correlation %	Grant or modification date
2019 PSP	1,370,67	472.8	11.0%	6.0	–	70.9	472.8	45%	13/06/19
2019 PSP	3,019,03	472.8	11.0%	4.0	–	70.9	472.8	45%	13/06/19
2019 DBP	313,909	472.8	11.0%	4.0	100%	–	472.8	45%	13/06/19
2019 DBP	93,430	472.8	11.0%	3.0	100%	–	472.8	45%	13/06/19
2018 PSP	860,157	856.0	14.0%	6.0	–	370.9	856.0	56%	13/06/18
2018 PSP	1,699,32	856.0	14.0%	4.0	–	370.9	856.0	56%	13/06/18
2018 DBP	187,433	856.0	14.0%	4.0	100%	–	856.0	56%	13/06/18
2018 DBP	90,777	856.0	14.0%	3.0	100%	–	856.0	56%	13/06/18
2017 PSP	902,424	905.5	15.0%	6.0	–	131.2	905.5	46%	14/06/17
2017 PSP	1,769,33	905.5	15.0%	4.0	–	131.2	905.5	46%	14/06/17
2017 DBP	186,949	905.5	15.0%	4.0	100%	–	905.5	46%	14/06/17
2017 DBP	103,246	905.5	15.0%	3.0	100%	–	905.5	46%	14/06/17

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 are split evenly between the performance criteria of TSR, EPS and ROCE. There are no performance conditions attached to the DBP.

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 104,756 matching shares (2019: 92,772 matching shares) at a cost of £0.5 million (2019: £0.6 million).

The Group also operates the Babcock Employee Share Plan International which reflects the structure of the UK Plan. During the year 1,000 matching shares were purchased on the open market (2019: nil matching shares) and 713 matching shares vested (2019: 82 matching shares) leaving a balance of 1205 matching shares (2019: 918 matching shares).

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

Notes to the financial statements *(continued)*

11 Income tax expense

Tax expense included in income statement

	2020 £'000	2019 £'000
Current tax:		
UK Corporation tax on profits for the year	**2,341**	5,149
Adjustment in respect of prior year	**-**	-
Current tax charge for the year	**2,341**	5,149
Deferred tax:		
Origination and reversal of temporary differences	**2,471**	(79)
Adjustment in respect of prior years	**(167)**	33
Impact of change in UK tax rate	**(89)**	(10)
Total deferred tax charge (note 22)	**2,215**	(56)
Tax on profit	**4,556**	5,093

Tax expense included in other comprehensive income

Current tax	**-**	-
Deferred tax:		
- Tax impact of actuarial gains/ losses on pension schemes	**6,755**	42
- Impact of change in tax rates	**572**	14
Tax expense included in other comprehensive income	**7,327**	56

Notes to the financial statements *(continued)*

11 Income tax *(continued)*

Tax expense for the year is higher (2019: higher) than the standard effective rate of corporation tax in the UK for the year ended 31 March 2020 of 19% (2019: 19%). The differences are explained below:

	2020 £'000	2019 £'000
Profit on ordinary activities before taxation	**21,758**	26,179
Profit before taxation multiplied by standard UK corporation tax rate of 19% (2019: 19%)	**4,134**	4,974
Effects of:		
Expenses not deductible for tax purposes	**678**	96
Adjustments in respect of deferred tax for prior years	**(167)**	33
Impact of change in UK tax rate	**(89)**	(10)
Tax charge for the year	**4,556**	5,093

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.

12 Intangible assets

	Development costs £'000	Software £'000	Goodwill £'000	Total £'000
Cost				
At 1 April 2019	-	2,587	118,774	**121,361**
Additions	43	180	-	**223**
At 31 March 2020	**43**	**2,767**	**118,774**	**121,584**
Accumulated amortisation and impairment				
At 1 April 2019	-	1,216	26,426	**27,642**
Amortisation of software	-	180	-	**180**
At 31 March 2020	**-**	**1,396**	**26,426**	**27,822**
Net book value				
At 31 March 2020	**43**	**1,371**	**92,348**	**93,762**
At 31 March 2019	-	1,371	92,348	93,719

Notes to the financial statements *(continued)*

12 Intangible assets *(continued)*

The goodwill arose on acquisition of the following:

Acquisition	Date	2020 £000
Trade and assets of Lemsew Limited	8 May 2006	33,609
Trade and assets of INS Innovation Limited	28 June 2008	36,418
Nuclear business of Strachan and Henshaw Limited	30 January 2009	23,468
UK trade and assets of Babcock Nuclear Limited	1 April 2012	25,279
		118,774

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 the Regulations.

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 £5.9 million (2019: £5.9 million) against operating profit, and a reduction of £35.5 million (2019: £29.6 million) in the carrying value of goodwill in the balance sheet.

The Company has capitalised £43,000 (2019: £Nil) of development costs. This has been capitalised on the basis that the expenditure relates to clearly defined and separately identifiable projects which are commercially viable and technically feasible. Once the products under development come into use, these amounts will be written off over the period during which the Company is expected to benefit from them. To the extent that these conditions for capitalisation become doubtful, the capitalised costs will be written off in full.

Intangible assets amortisation is recorded in administrative expenses in the income statement.

13 Tangible fixed assets

	Freehold land and buildings £'000	Leasehold improve-ments £'000	Vehicles, plant and machinery £'000	Office equipment £'000	Total £'000
Cost					
At 1 April 2019	2,140	8,832	1,645	2,769	**15,386**
Additions	79	37	255	183	**554**
At 31 March 2020	**2,219**	**8,869**	**1,900**	**2,952**	**15,940**
Accumulated depreciation and impairment					
At 1 April 2019	381	1,968	1,084	2,448	**5,881**
Charge for the year	95	680	129	214	**1,118**
Impairment of fixed assets	-	104	-	-	**104**
At 31 March 2020	**476**	**2,752**	**1,213**	**2,662**	**7,103**
Net book value					
At 31 March 2020	**1,743**	**6,117**	**687**	**290**	**8,837**
At 31 March 2019	1,759	6,864	561	321	9,505

14 Right-of-use-assets

	Property £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 April 2019	-	-	-
Transition to IFRS 16	16,101	563	**16,664**
Additions	1,291	410	**1,701**
Modifications	(37)	-	**(37)**
Terminations	(1,227)	-	**(1,227)**
At 31 March 2020	**16,128**	**973**	**17,101**
Accumulated depreciation and impairment			
At 1 April 2019	-	-	**-**
Transition to IFRS 16	4,423	-	**4,423**
Charge for the year	1,964	361	**2,325**
Impairment of right of use assets	710	-	**710**
Terminations	(433)	-	**(433)**
At 31 March 2020	**6,664**	**361**	**7,025**
Net book value			
At 31 March 2020	**9,464**	**612**	**10,076**
At 31 March 2019	-	-	-

15 Investments

	Shares in group undertakings 2020 £'000	Shares in group undertakings 2019 £'000
Carrying amount at 31 March	**2,000**	2,000

16 Inventories

	2020 £'000	2019 £'000
Raw materials	**744**	1,190
Work-in-progress	**2,228**	1,867
	2,972	3,057

Notes to the financial statements *(continued)*

17 Trade and other receivables

	2020 £'000	2019 £'000
Amounts falling due within one year:		
Trade receivables	**10,490**	11,273
Amounts due from customers for contract work	**25,223**	25,025
Amounts due by group undertakings	**62,987**	69,901
UK corporation tax receivable	**6,305**	247
Other receivables	**2,803**	3,326
Prepayments and accrued income	**1,166**	1,742
	108,974	111,514
Amounts due after more than one year:		
Other receivables	**2,419**	1,557
	111,393	113,071

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

Four (2019: four) loans totalling £57,596,000 (2019: £64,800,000) are repayable on demand, with no interest charge.

	Amounts due for contract work £'000	Capitalised contract costs £'000	Total £'000
At 31 March 2019	25,025	2,132	**27,157**
Transfers from contract assets recognised at the beginning of the year to receivables	(24,776)	-	**(24,776)**
Increase due to work done not transferred from contract assets	24,410	165	**24,575**
Amounts capitalised	-	7	**7**
Amortisation of contract assets	-	(893)	**(893)**
Impairment of contract assets	-	(147)	**(147)**
At 31 March 2020	**24,659**	**1,264**	**25,923**

Notes to the financial statements *(continued)*

17 Trade and other receivables *(continued)*

	Amounts due for contract work £'000	Capitalised contract costs £'000	Total £'000
At 31 March 2018	24,208	3,051	**27,259**
Transfers from contract assets recognised at the beginning of the year to receivables	(23,138)	(75)	**(23,213)**
Increase due to work done not transferred from contract assets	23,955	-	**23,955**
Amounts capitalised	-	806	**806**
Amortisation of contract assets	-	(1,650)	**(1,650)**
At 31 March 2019	**25,025**	**2,132**	**27,157**

18 Trade and other payables – amounts falling due within one year

	2020 £'000	2019 £'000
Amounts falling due within one year:		
Trade payables	**15,973**	17,584
Amounts due to parent and group undertakings	**97,744**	98,579
Taxation and social security	**8,109**	8,302
UK corporation tax payable	**-**	-
Deferred tax (Note 22)	**13,810**	4,268
Payments received on account	**4,915**	5,268
Other payables	**4,179**	4,369
Accruals and deferred income	**16,324**	15,278
	161,054	153,648

Amounts due to parent and group undertakings are unsecured, interest free, and repayable on demand.

The Company has access to the Babcock International Group PLC overdraft facility. The Company along with fellow group undertakings has provided cross-guarantees in relation to this facility (note 29).

Notes to the financial statements *(continued)*

18 Trade and other payables – amounts falling due within one year *(continued)*

	Contract cost accrual £'000	**Advance payments £'000**	**Deferred income £'000**	**Total £'000**
At 31 March 2019	12,076	5,268	26	**17,370**
Revenue recognised that was included in contract liabilities at the beginning of the year	-	(4,662)	(26)	**(4,688)**
Increase due to cash received, excluding amounts recognised as revenue	-	4,129	169	**4,298**
Amounts accrued	11,765	180	-	**11,945**
Amounts utilised	(11,962)	-	-	**(11,962)**
At 31 March 2020	**11,879**	**4,915**	**169**	**16,963**

	Contract cost accrual £'000	Advance payments £'000	Deferred income £'000	Total £'000
At 31 March 2018	14,915	5,268	-	**20,183**
Revenue recognised that was included in contract liabilities at the beginning of the year	-	(4,515)	-	**(4,515)**
Increase due to cash received, excluding amounts recognised as revenue	-	4,515	26	**4,541**
Amounts accrued	11,924	-	-	**11,924**
Amounts utilised	(14,763)	-	-	**(14,763)**
At 31 March 2019	**12,076**	**5,268**	**26**	**17,370**

19 Lease liabilities

The entity leases various offices and buildings under non-cancellable operating lease agreements. The leases have various terms, escalation clauses and renewal rights. The entity also leases vehicles under non-cancellable operating leases.

Discounted future minimum lease payments are as follows:

	2020 £'000	2019 £'000 On transition
Within one year	**1,802**	2,042
In more than one year, but not more than five years	**6,152**	7,122
After five years	**3,449**	4,641
Carrying value of liability	**11,403**	13,805

19 Lease liabilities *(continued)*

The weighted average incremental borrowing rate applied to the lease liabilities at the date of transition was 4.732%.

The table below explains the difference between the total operating lease commitments recognised under IAS 17 as at 31 March 2019 and the total lease liability recognised on transition to IFRS 16 as at 1 April 2019.

	Total
	£'000
Operating lease commitments at 31 March 2019	15,159
Effect of discounting	(2,690)
Change in assessment of lease term	948
Increase in annual lease rental	388
IFRS 16 lease liability at 1 April 2019	**13,805**

20 Provisions for liabilities

	Continuing Annual Payments	**Dilapid-ations**	**Contract/ Warranties**	**Reorg-anisation**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
At 1 April 2019	1,518	1,611	692	-	**3,821**
Charged to the income statement	-	679	577	12,463	**13,719**
Released to the income statement	-	(404)	-	-	**(404)**
Unwinding of discount	136	-	-	-	**136**
Utilised in the year	(117)	(479)	-	-	**(596)**
At 31 March 2020	**1,537**	**1,407**	**1,269**	**12,463**	**16,676**

Continuing Annual Payments provision

On being made redundant, certain staff are entitled to receive their annual pension immediately and the amounts payable include a contribution from the Company. The continuing annual payments provision comprises the Company's contribution to the annual pensions payable.

Dilapidations provision

The provision is for the cost of returning leasehold buildings to their original pre-lease state.

Contract provisions

The contract warranties provision includes amounts provided in respect of contractual warranty periods of completed contracts, and provisions for costs on existing contracts.

Notes to the financial statements *(continued)*

20 Provisions for liabilities *(continued)*

Reorganisation provision

The provision relates primarily to severance costs relating to a restructure. The balance is expected to be utilised during the year ending 31 March 2021.

21 Other financial assets

Included in derivative financial instruments at fair value:

	2020		2019	
	Assets £'000	**Liabilities £'000**	Assets £'000	Liabilities £'000
Forward FX contracts – cash flow hedges	**42**	**-**	-	-

Cavendish Nuclear Limited revalued Euro Forward Purchase contracts held with maturity dates beyond 31st March 2020 totalling EUR 1,626,105. The movement in exchange rates resulted in a £41,600 reserve.

22 Deferred taxation

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

Deferred tax liabilities	**Accelerated capital allowance £'000**	**Other £'000**	**Total £'000**
At 1 April 2018:	**321**	**(4,589)**	**(4,268)**
- (Credited) / charged to the income statement	**(160)**	**216**	**56**
- Credited directly to other comprehensive income	**-**	**(56)**	**(56)**
At 31 March 2019:	**161**	**(4,429)**	**(4,268)**
- Charged / (credited) to the income statement	**185**	**(2,400)**	**(2,215)**
- Charged / (credited) to other comprehensive income	**-**	**(7,327)**	**(7,327)**
At 31 March 2020:	**346**	**(14,156)**	**(13,810)**

Notes to the financial statements *(continued)*

23 Called up share capital

	2020	2019
	£'000	£'000
Authorised		
20 Ordinary shares of £1 each (2019: 20)	**20**	20
50,000 Preference shares of £1 each (2019: 50,000)	**50,000**	50,000
	50,020	50,020

	2020	2019
	£'000	£'000
Allotted and fully paid		
15 Ordinary shares of £1 each (2019: 15)	**15**	15
50,000 Preference shares of £1 each (2019: 50,000)	**50,000**	50,000
	50,015	50,015

24 Dividends paid

No dividends were declared and paid in the year (2019: £47,000,000), this is equivalent to £Nil per share (2019: £3,133,333). There are no plans for a final dividend.

25 Guarantees and financial commitments

At 31 March 2020 the Company had capital commitments of £24,000 (2019: £56,000) for the purchase of a mass spectrometer and bicycle sheds.

26 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.

During the year the Company also entered into transactions in the ordinary course of business with Cavendish Boccard Nuclear Limited, Cavendish Dounreay Partnership Limited and Cavendish Fluor Partnership Limited, companies which are 51%, 50% and 65% owned by Cavendish Nuclear Limited respectively.

Notes to the financial statements *(continued)*

26 Related party disclosures *(continued)*

Transactions entered into and trading balances outstanding at 31 March 2020 are as follows:

Related party	**Sales to related party £'000**	**Purchases from related party £'000**	**Amounts owed by related party £'000**	**Amounts owed to related party £'000**
Cavendish Boccard Nuclear Limited	1,627	-	-	-
Cavendish Dounreay Partnership Limited	122	-	92	-
Dounreay Site Restoration Limited	6,131	31	43	-
Cavendish Fluor Partnership Limited	46	-	-	-
Magnox Limited	8,028	-	-	-

Transactions entered into and trading balances outstanding at 31 March 2019 are as follows:

Related party	Sales to related party £'000	Purchases from related party £'000	Amounts owed by related party £'000	Amounts owed to related party £'000
Cavendish Boccard Nuclear Limited	3,375	-	-	-
Cavendish Dounreay Partnership Limited	126	-	17	-
Dounreay Site Restoration Limited	4,545	76	56	6
Cavendish Fluor Partnership Limited	117	-	20	-
Magnox Limited	29,997	111	204	-

All dealings with related parties noted above arise in the normal course of business and are subject to normal terms and conditions.

27 Retirement benefit assets

Defined Benefit Schemes

Balance Sheet assets and liabilities recognised are as follows:

	2020 £'000	2019 £'000
Babcock International Group Pension Scheme		
Retirement benefits – funds in surplus	**732,568**	655,979
Retirement benefits – funds in deficit	**(674,177)**	(632,827)
	58,391	23,152
Electricity Supply Pension Scheme		
Retirement benefits – funds in surplus	**77,243**	69,097
Retirement benefits – funds in deficit	**(58,519)**	(63,656)
	18,724	5,441
Retirement benefit assets	**77,115**	28,593

Movements in amounts recognised in defined benefits schemes in the year were as follows:

	BIG pension scheme £'000	**Electricity Supply Pension Scheme £'000**	**Total retirement benefit assets £'000**
At 1 April 2019	23,152	5,441	28,593
Service cost and incurred expenses	(4,574)	(1,452)	(6,026)
Net interest income	686	129	815
Employer contributions	16,830	1,350	18,180
Actuarial gain recognised in the SOCI	22,297	13,256	35,553
	58,391	**18,724**	**77,115**

The Company accounts for pension costs in accordance with IAS 19. The Company contributes to defined contribution schemes in the UK in respect of a number of its employees. The Company is also a contributing employer to defined benefit schemes (the "Babcock International Group Pension Scheme" and the "Electricity Supply Pension Scheme). 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 which 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.

Notes to the financial statements

27 Retirement benefit assets *(continued)*

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.

BIG Pension Scheme

The IAS 19 valuation has been updated at 31 March 2020 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	**2020 %**	**2019 %**
Rate of increase in salaries	**2.0**	2.3
Rate of increase in pension payment	**2.6**	3.0
Discount rate	**2.4**	2.4
Inflation	**1.7**	2.1

The expected total employer contributions to be made by participating employers to the scheme in 2020/21 are £24.6m. 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 £24.6m is £12.5m 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:

	2020 Years	**2019 Years**
Life expectancy from age 65 (male age 65)	**22.1**	21.7
Life expectancy from age 65 (male age 45)	**22.7**	22.7

Notes to the financial statements

27 Retirement benefit assets *(continued)*

The changes to the Babcock International Group Plc balance sheet at 31 March 2020 and the changes to the Babcock International Group Plc income statement for the year to 31 March 2020, if the assumptions were sensitised by the amounts below, would be:

	Defined benefit obligations 2020 £'000	Income statement 2020 £'000
Initial assumptions	**1,276,793**	**4,113**
Discount rate assumptions increased by 0.5%	(86,694)	(3,655)
Discount rate assumptions decreased by 0.5%	86,694	2,770
Inflation rate assumptions increased by 0.5%	51,838	1,745
Inflation rate assumptions decreased by 0.5%	(46,497)	(1,585)
Total life expectancy increased by half a year	29,494	787
Total life expectancy decreased by half a year	(29,494)	(787)
Salary increase assumptions increased by 0.5%	6,895	392
Salary increase assumptions decreased by 0.5%	(6,895)	(393)

The weighted average duration of cashflows (years) was 15.

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 2020 were:

Fair value of plan of assets	**2020 £'000**	2019 £'000
Equities	**17,851**	444,412
Property	**136,091**	136,657
Absolute return and multi strategy funds	**87,564**	16,135
Bonds	**588,848**	326,937
Matching assets	**622,665**	544,834
Scheme assets	**1,453,019**	1,468,975
Active position on longevity swaps	**(65,642)**	(60,111)
Total assets	**1,387,377**	1,408,864
Present market value of liabilities - funded	**(1,276,793)**	(1,359,139)
Gross pension surplus	**110,584**	49,725

All the assets of the scheme are quoted except for the longevity swaps.

The scheme does not invest directly in assets or share of Babcock International Group Plc.

The longevity swaps have been valued, in 2020, in line with assumptions that are consistent with the requirements of IFRS 13.

Notes to the financial statements

27 Retirement benefit assets *(continued)*

Analysis of amount charged to the income statement in Babcock International Group Plc	2020 £'000	2019 £'000
Current service cost	**6,693**	9,615
Incurred expenses	**1,970**	1,965
Past service cost	**-**	13,646
Settlement	**-**	221
Total included within operating profit	**8,663**	25,447
Net interest income	**(1,300)**	(1,524)
Total charged to the income statement	**7,363**	23,923

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 £3,534,000 for service cost (2019: £4,477,000), £1,040,000 for incurred expenses (2019: £915,000), and net interest income of (£686,000) (2019: (£710,000)).

Analysis of amount included in Babcock International Group Plc statement of comprehensive income ("SOCI")	2020 £'000	2019 £'000
Actuarial loss recognised in the SOCI	**56,807**	(4,077)
Experience (losses) / gains	**(6,371)**	3,181
Other losses	**(4,088)**	(8,666)
	46,348	(9,562)

The actuarial gain recognised in the SOCI in these financial statements, based on the Company's allocation of the total Babcock International Group Plc movement, was £22,297,000 (2019: loss of (£1,234,000)).

The equity investments and bonds are valued at bid price.

Reconciliation of present value of scheme assets in Babcock International Group Plc	2020 £'000	2019 £'000
At 1 April	**1,468,975**	1,490,978
Interest	**34,345**	37,789
Employee contributions	**141**	272
Employer contributions	**21,874**	23,010
Benefits paid	**(80,602)**	(102,320)
Settlement	**-**	(2,761)
Actuarial gain	**8,286**	22,007
At 31 March	**1,453,019**	1,468,975

27 Retirement benefit assets *(continued)*

Reconciliation of present value of scheme liabilities	2020 £000	2019 £000
At 1 April	**1,359,139**	1,380,628
Service cost	**6,693**	9,615
Incurred expenses	**1,971**	1,965
Interest on liabilities	**31,602**	34,972
Employee contributions	**140**	272
Actuarial (gain) / loss – demographics	**6,350**	(21,380)
Actuarial (gain) / loss – financial	**(54,871)**	47,464
Experience (gain) / losses	**6,371**	(3,181)
Benefits paid	**(80,602)**	(102,320)
Past Service cost	**-**	13,646
Settlement	**-**	(2,542)
At 31 March	**1,276,793**	1,359,139

The surplus 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 £58,391,000 (2019: £23,152,000).

Electricity Supply Pension Scheme

The Company also operates a defined benefit pension scheme (the "Electricity Supply Pension Scheme") for the benefit of its employees. The full details of this scheme are disclosed below.

For this defined benefit scheme, the IAS 19 valuation has been updated at 31 March 2020 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	2020 %	2019 %
Rate of increase in salaries	**2.00**	2.30
Rate of increase in pension payment	**2.78**	3.31
Discount rate	**2.40**	2.40
Inflation	**2.00**	2.30

The future service rate is 64.2%. The above level of funding is expected to continue until the next actuarial valuation, with valuations carried out every 3 years. The Company's share of this is allocated based on the percentage of active members of the scheme that it employs.

Notes to the financial statements

27 Pension commitments *(continued)*

The mortality assumptions used were:

	2020 Years	2019 Years
Life expectancy from age 65 (male age 65)	**22.6**	22.0
Life expectancy from age 65 (male age 45)	**23.5**	23.0

The changes to the Babcock International Group Plc balance sheet at 31 March 2020 and the changes to the Babcock International Group Plc income statement for the year to 31 March 2020, if the assumptions were sensitised by the amounts below, would be:

	Defined benefit obligations 2020 £000	Income statement 2020 £000
Initial assumptions		
Discount rate assumptions increased by 0.5%	6,483	411
Discount rate assumptions decreased by 0.5%	(6,484)	(342)
Inflation rate assumptions increased by 0.5%	(4,776)	(203)
Inflation rate assumptions decreased by 0.5%	4,587	199
Total life expectancy increased by half a year	(727)	(33)
Total life expectancy decreased by half a year	726	34
Salary increase assumptions increased by 0.5%	(1,888)	(123)
Salary increase assumptions decreased by 0.5%	1,887	124

The weighted average duration of cashflows (years) was 17.

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 2020 were:

Fair value of plan of assets	**2020**	2019
	£'000	£'000
Equities	**8,173**	8,662
Absolute return and multi strategy funds	**9,495**	3,929
Bonds	**58,789**	52,376
Matching assets	**786**	4,130
Total assets	**77,243**	69,097
Present market value of liabilities – funded	**(58,519)**	(63,656)
Gross pension surplus	**18,724**	5,441

Notes to the financial statements

27 Retirement benefit assets *(continued)*

Analysis of amount charged to the income statement	**2020 £'000**	2019 £'000
Current service cost	**1,452**	1,356
Past service cost	**-**	312
Total included within operating profit	**1,452**	1,668
Net interest income	**(129)**	(105)
Total charged to the income statement	**1,323**	1,563

Analysis of amount included in Babcock International Group Plc statement of comprehensive income ("SOCI")	**2020 £'000**	2019 £'000
Actuarial gain recognised in the SOCI	**7,137**	1,768
Experience losses	**-**	(317)
Gain on assets	**2,588**	-
Other gains	**-**	3
	9,725	1,454

The equity investments and bonds are valued at bid price.

Reconciliation of present value of scheme assets in Babcock International Group Plc	**2020 £'000**	**2019 £'000**
At 1 April	**69,097**	63,702
Interest	**1,659**	1,652
Employee contributions	**-**	-
Employer contributions	**1,350**	1,325
Benefits paid	**(982)**	(1,453)
Actuarial gain recognised in the SOCI	**6,119**	3,871
At 31 March	**77,243**	69,097

27 Retirement benefit assets *(continued)*

Reconciliation of present value of scheme liabilities	2020 £'000	2019 £'000
At 1 April	**63,656**	59,477
Service cost	**1,452**	1,356
Incurred expenses	**-**	-
Interest on liabilities	**1,530**	1,544
Employee contributions	**-**	-
Actuarial (gain) / loss – demographics	**(802)**	(1,227)
Actuarial (gain) / loss – financial	**(6,334)**	3,330
Experience (gain) / losses	**-**	317
Benefits paid	**(983)**	(1,453)
Past Service cost	**-**	312
Settlement	**-**	-
At 31 March	**58,519**	63,656

28 Subsidiary, and associate and Joint Venture undertakings

All related undertakings for the Company are as listed below:

Company Name	Country	Address	Interest	Direct %
Cavendish Boccard Nuclear Limited	United Kingdom	33 Wigmore Street, London, W1U 1QX	51 Ordinary shares	51.0%
Cavendish Dounreay Partnership Limited	United Kingdom	33 Wigmore Street, London, W1U 1QX	50 Ordinary shares	50.0%
BIL Solutions Limited[1]	United Kingdom	1 New Street Square, London, EC4 3HQ	2,000,000 Ordinary shares	100%
Cavendish Fluor Partnership Limited	United Kingdom	33 Wigmore Street, London, W1U 1QX	65 Ordinary shares	65%
Cavendish Nuclear Japan KK	Japan	GYB Akihabra Room 405, Kandasuda-cho-2-25, Chiyoda-ku, Tokyo	2 Ordinary shares	100%
Cavendish Nuclear Manufacturing Limited[2]	United Kingdom	Wigmore Street, London, W1U 1QX	1,000,000 Ordinary shares	100%

[1] Entered liquidation in January 2020
[2] Sold on 18 September 2020

29 Contingent liabilities

At the year end date the Company had joint and several liabilities for the drawn bank overdraft facilities of other Group companies of £nil (2019: £nil).

Notes to the financial statements *(continued)*

30 Post balance sheet events

On 18 September 2020, a subsidiary company, Cavendish Nuclear Manufacturing Limited, was sold as a going concern to QML Holdings Limited, a Company outside of the Babcock Group. On 29 September 2020, this Company changed its name to Deva Manufacturing Limited.

On 10 July 2020, the Nuclear Decommissioning Authority (the “NDA”) announced that Dounreay Site Restoration Limited (DSRL) will transfer ownership from the Cavendish Dounreay Partnership to the NDA at the end of March 2021, as part of the strategic plan to build an NDA group. The NDA recognised the important contribution that the Company has delivered as part of the Cavendish Dounreay Partnership in the clean-up and decommissioning of the Dounreay site.

31 Immediate and ultimate parent undertakings

The Company‘s immediate parent company is Babcock Services Group Limited, a Company registered in England and Wales. The Company’s ultimate parent undertaking and controlling party is Babcock International Group PLC, a company registered in England and Wales. The only Group in which the results of the Company are consolidated is that headed by Babcock International Group PLC.

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

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