Babcock Marine (Clyde) Limited

Annual report and financial statements

for the year ended 31 March 2022

Registered number: **SC220243**

Babcock Marine (Clyde) Limited

Company Information

Directors

L Brown
K Douglas
D Kieran
M D Lawton
S Doherty

Company secretary

Babcock Corporate Secretaries Limited

Registered office

Rosyth Business Park
Rosyth
Dunfermline
Fife
KY11 2YD

Independent auditors

Deloitte LLP
1 New Street Square
London
EC4A 4HQ

Contents

Strategic report for the year ended 31 March 2022

The Directors present their Strategic report on the Company for the year ended 31 March 2022.

Principal activities

The principal activity of the Company is the provision of services to the Ministry of Defence (MoD) in its operation of Her Majesty's Naval Base Clyde (HMNB Clyde). HMNB Clyde is the Home of the UK Submarine Service and is the Submarine Centre of Specialisation (SMCoS) in the UK.

Business review

	2022	2021 Restated*
	£000	£000
Revenue	**157,690**	198,306
Operating profit	**6,507**	10,279
Net Assets	**24,910**	13,630

* In the year ended 31 March 2021, the Company restated the prior year financial information. Details of the restatement are contained in note 19.

Turnover decreased in the year from £198m to £158m (-20%) following transition to a new operative contract in March 2021 (see paragraph below). This led to a scope reduction (loss of Soft Facilities Management contract) and a lower volume of discretionary work. As a consequence of lower trading volumes operating profit in 2022 of £6.5m (4.1%) reduced compared to £10.3m (5.2%) in 2021. Net assets increased £11.3m to £24.9m in 2022 due to £6.4m profit for the financial year and a gain on re-measurement of the net defined benefit pension obligation.

The Company is part of the Nuclear Sector of Babcock International Group PLC ("Babcock") and continues to participate in a wide range of initiatives that are intended to deliver key elements of the MoD's maritime change programme. This programme seeks to deliver improvements in both cost effectiveness and performance across the joint industrial-MoD enterprise, whilst ensuring that important naval design, build and support capabilities are retained. The MoD programme is operated under a contractual framework set out in the 15 year Terms of Business Agreement ("ToBA") which commenced in April 2010, and has continued to operate successfully. The financial year covered two operative contracts under the TOBA agreement, the winding down of some aspects of the Maritime Support Delivery Framework ("MSDF"), and the replacement contract Future Maritime Support Programme ("FMSP") which commenced in March 2021. Both contracts covered collectively Facilities Management on Base, Warship Upkeep, Ships and Submarine fleet time support, along with elements of Engineering Services design activities. Principal activities at Clyde cover Hard Facilities Management, Submarine Fleet time and Ships fleet time. The FMSP contract provides continuity of these activities for a further 5 year period plus options to extend up to a further 2 years at the end of the core term. FMSP is being contracted as four separate Qualifying Defence Contracts ("QDCs") under the Defence Reform Act and is subject to the Single Source Contracting regulations and was signed on 30 September 2021.

The Strategic Weapons Support (SWS) Alliance with Lockheed and AWE, which was set up as a result of transferring specialist activities from MoD to industry (operating out of Coulport), has completed its eighth full year of operation successfully with committed cost reductions being delivered whilst maintaining the contracted level of service.

In respect of our health and safety performance in the year to March 2022, the Company continued maintaining delivery of key operational outputs at Clyde. During the period we introduced a Safety Improvement Plan (SIP) to support improving our overall health and safety performance across the business, this resulted in seeing a significant decrease in our overall injury rate during the period, including the number of RIDDOR reportable injury incidents at HMNB Clyde which reduced from the previous year's figure of 11 to 2. Overall the number of Loss Time Injuries (LTI) also reduced during the period to a total of 11 (19% decrease). Whilst we continue to see reductions in both Loss Time Injuries (LTI) and Non Loss Time Injuries (Non LTI) we are

Strategic report for the year ended 31 March 2022 (Continued)

Business review (continued)

maintaining our focus to ensure we reduce all types of injury related events so we send all our people "Home Safe Every Day". The Company continues to proactively engage with the workforce in improving our overall safety performance through our Incident & Injury Free Programme.

Principal risks and uncertainties

The Company's ultimate controlling parent is Babcock International Group Plc. Risks are managed at a group level in accordance with the risk management framework of Babcock International Group Plc. The principal risks and uncertainties of Babcock International Group Plc are discussed in its Annual Report for the year ended 31 March 2022.

The key risks and uncertainties affecting the Company are considered to be related to contractual performance and the political and regulatory environment. Contractual performance is reviewed on a monthly basis to ensure that risks are mitigated. The regulatory environment is monitored with changes evaluated to understand the potential impact on the business. Political environment is monitored as part of the overall Group process. The Directors manage these risks by meeting on a regular basis to discuss these risks.

Further discussion of these risks and uncertainties, in the context of the Group as a whole, is provided on pages 74 to 87 of the annual report of Babcock International Group PLC, which does not form part of this report.

Key performance indicators

The Company's activities are managed on a divisional basis. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the Company. The growth and performance of the Company, a division of Babcock International Group PLC, which includes the Company, is discussed on pages 44 and 45 of the annual report of Babcock International Group PLC, which does not form part of this report.

We have identified the following financial and non-financial key performance indicators (KPI) that reflect the internal benchmarks we use to measure the success of our business and strategy:

	2022	2021	
Revenue (Decrease) /Increase	**(20.4%)**	11.4%	Decrease in revenue when compared to that of the previous year.
Operating Return on Revenue (ORR)	**4.0%**	5.2%	Decrease in operating profit when expressed as a percentage of revenue.
Order Book	**£554.2m**	£23.7m	Increase in total value of signed contracts and estimate of value of framework contracts following start of FMSP.
Total injuries rate per 100,000 hours worked	**1.5**	2.2	Health and Safety is a core value for the Company. The data includes all reported injuries.

Strategic report for the year ended 31 March 2022 (continued)

S172(1) Statement and stakeholder engagement

This statement contains an overview of how the Directors have performed their duty to promote the success of the Company as set out in Section 172(1) of the Companies Act 2006. That section requires a director of a company to activity in the way they consider, in good faith, would most like promote the success of the company for the benefit of the shareholders. In doing this, the director must have regard, amongst other matters, to:

a) the likely consequences of any decision in the long term,

b) the interests of the company's employees,

c) the need to foster the company's business relationships with suppliers, customers and others,

d) the impact of the company's operations on the community and the environment,

e) the desirability of the company maintaining a reputation for high standards of business conduct, and

f) the need to act fairly as between members of the company.

Stakeholder engagement is managed in accordance with Group policies and procedures which are discussed on pages 52, 53, and 101 of the annual report of Babcock International group PLC, which does not form part of this report.

Employees

Our success is led by our employees. We continue to strengthen our employee value proposition by enhancing our engagement and promoting an agile global workplace. We are committed to creating an inclusive and diverse organisation where employees can develop their full potential. We focus on developing and supporting a truly engaged workforce, living our principles and working on shared goals, united by our common Purpose. In the year, the Babcock Group launched employee-focussed principles. The principles aim to unite working and create a foundation for how employees work as individuals and in a team.

In 2022, the Global People Survey was launched and received a response rate of 59% across the company. The company aims to act on these results to continuously improve employees working environment.

These engagement activities form part of the Group-wide People Strategy as described on pages 19 and 63 – 66 of the annual report of Babcock International group PLC.

Business relationships

We are committed to conducting business honestly, transparently and with integrity. Understanding the needs and challenges of our customers allows us to help them to succeed. We work in partnership with public and private customers across the globe, enabling them to deliver critical programmes and services, adding value to their operations. We seek to solve their challenges through excellent operational performance and the introduction of innovative solutions and technology to support their longer-term needs.

We build and maintain long-term relationships with our customers to promote the future success of the Company. This is evident by the long-standing relation we have with the Ministry of Defence. No significant business decisions are expected before the expiry of the current FMSP contract with the MoD.

Strategic report for the year ended 31 March 2022 (continued)

Business relationships (continued)

To support our global business operations and strategy we require an efficient and highly effective supply chain. This means we need to foster trusted and collaborative relationships with suppliers who share our appetite to drive improvement through innovation and best practice. Our external supply chains are an important part of our performance and by working collaboratively with suppliers we can ensure continuity of supply, minimise risk and bring innovative solutions to our customers. These engagement activities form part of the Group-wide Procurement Strategy as described on pages 21 and 69 – 72 of the annual report of Babcock International group PLC.

The community and environment

Sustainability is an integral part of our corporate strategy and how we do business and it underpins our corporate Purpose: to create a safe and secure world, together. We have done a lot in the past year to drive our sustainability programme across the Group, ensure progress towards our corporate commitments and deliver our five ESG priorities shown below.

1. We will reduce emissions and set science-based targets to get to net zero across our estate, assets and operations by 2040.

2. We will integrate environmental sustainability into programme design to minimise waste and optimise resources.

3. We will ensure the safety and wellbeing of all our people.

4. We will make a positive difference to the communities we're proud to be part of and provide high-quality jobs that support local economies.

5. We will be a collaborative, trusted partner across the supply chain, helping to tackle common challenges.

These activities form part of the Group-wide ESG Strategy as described on pages 54 – 75 of the annual report of Babcock International group PLC.

This report was approved by the board on 11 September 2023 and signed on its behalf

M Lawton
Director

Directors' report for the year ended 31 March 2022

The Directors present their report and the audited financial statements of the Company for the year ended 31 March 2022.

Dividends

A dividend of £nil representing £nil per ordinary share was declared and paid in the year (2021: £nil). No final dividend for the year ended 31 March 2022 has been provided by the Directors (2021: £nil).

Directors and their interests

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

S Bowen (terminated 12 November 2021)
L Brown
K Douglas
I S Urquhart (terminated 31 May 2022)
D Kieran (appointed 12 November 2021)
M D Lawton (appointed 12 November 2021)
S Doherty (appointed 31 May 2022)

The Board is not aware of any contract of significance in relation to the Company in which any Director has, or has had, a material interest.

Future developments

The Company continues to explore business growth in other areas of activity at HMNB Clyde within the ToBA contractual framework..

As at 31 March 2023, the director's transferred the trade and assets of Babcock Marine (Clyde) Limited to Devonport Royal Dockyard Limited, a fellow subsidiary within the Babcock group. The operations and contracts at HMNB Clyde will continue under Devonport Royal Dockyard Limited. The director's intend to keep Babcock Marine (Clyde) Limited as a dormant company.

Going concern

The financial statements are prepared on a basis other than going concern as following a Babcock Group simplification initiative the Company transferred its trade and net assets to Devonport Royal Dockyard Limited, a fellow subsidiary of the Babcock group on 31 March 2023. The directors therefore do not consider the going concern basis to be appropriate. No adjustments arose as a result of ceasing to apply the going concern basis.

Directors' report for the year ended 31 March 2022 (continued)

Financial risk management

The applicable financial risk management policies and exposure to financial risks including price, credit, liquidity and cash flows are discussed in detail with the annual report for Babcock International Group Plc on page 211.

Employment of disabled persons

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

Employee involvement

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

Safety policy

The Company recognises the promotion of health and safety at work as an important objective. It is Company policy to take steps to ensure, as far as reasonably practical, the health, safety and welfare of the employees of the Company.

Energy and carbon reporting

The Company has taken advantage of the exemption granted under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 as this information is disclosed on page 54 in the annual report for the year ended 31 March 2022 of its ultimate parent, Babcock International Group Plc.

Engagement with suppliers and customers

Engagement with suppliers and customers has been considered in the Strategic Report on page 5.

Directors' report for the year ended 31 March 2022 (continued)

Employees

The Company is committed to equal opportunities and will not discriminate on the basis of disability, age, race, colour, ethnic origin, gender, marital status, religious or political beliefs or sexual orientation.

We believe that only by encouraging applicants from the widest pool of talent possible, and then selecting the best candidate based on their ability to do the job, can we ensure we continue to deliver our best for our customers and safeguard the future of Babcock. For more information about our inclusion and diversity policy, please see pages 64 and 107 of the annual report for Babcock International Group Plc.

Engagement with UK employees has been considered on page 5 of the Strategic Report.

Environment

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

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

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 31 March 2023, the trade and assets of the Company transferred to Devonport Royal Dockyard Limited (DRDL), a fellow subsidiary within the Babcock group. The operations and contracts of His Majesty's Naval Base Clyde will continue under DRDL. As a result of this, the financial statements have been prepared on a basis other than going concern.

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.

This confirmation is given and should be interpreted in accordance with the provisions of the s418 of the Companies Act 2006.

Directors' report for the year ended 31 March 2022 (continued)

Appointment of auditors

At the 2022 Annual General meeting of Babcock International Group plc, the Company's ultimate parent company, Deloitte LLP were reappointed as external auditor to the group. Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed to the Company and Deloitte LLP will, therefore, continue in office.
This report was approved by the board on 11 September 2023 and signed on its behalf

M Lawton
Director
SC220243

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". 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 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditors' report to the directors of Babcock Marine (Clyde) Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Babcock Marine (Clyde) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – financial statements prepared other than on a going concern basis

We draw attention to note 2 in the financial statements, which indicates that the financial statements have been prepared on a basis other than that of going concern. Our opinion is not modified in respect of this matter.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 auditor's 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 auditor's report.

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

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

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act and relevant pensions and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team and relevant internal specialists, including pensions and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud or non-compliance with laws and regulations in the following areas, and our specific procedures performed to address them are described below:

Revenue and margin recognition on key long-term contracts with significant management judgment

- Obtaining an understanding of relevant manual and IT controls and project accounting processes which management have established to ensure that contracts are appropriately forecast, managed, challenged and accounted for;
- Making inquiries of contract project teams and other personnel to obtain an understanding of the performance of the project throughout the year and at year-end;
- Analysing historical contract performance and understanding the reason for in-year movements or changes;
- Testing the underlying calculations used in the contract assessments for accuracy and completeness, including the estimated costs to complete the contract and associated contingencies. We considered historical forecasting accuracy of costs, compared to similar programmes, and challenged future cost expectations with reference to those data points;
- Obtaining evidence and challenging management on the assumptions used to calculate future transformational savings;
- Examining external correspondence to assess the timeframe for delivery of the product or service and any judgements made in respect of these;
- Examining external evidence to assess contract status and estimation of variable consideration (including associated recoverability of contract balances), such as customer correspondence and for certain contracts meeting with the customer directly;
- Enquiring with in-house and external legal counsel regarding contract related litigation and claims; and
- Considering whether there were any indicators of management override of controls or bias in arriving at their reported position.

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

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

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

Use of this report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Makhan Chahal FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
11 September 2023

Income statement
for the year ended 31 March 2022

	Note	**2022**	2021 Restated*
		£000	£000
Revenue	4	**157,690**	198,306
Cost of sales		**(146,495)**	(184,550)
Gross profit		**11,195**	13,756
Administration expenses		**(4,688)**	(3,477)
Operating profit	6	**6,507**	10,279
Finance income	5	**47**	58
Finance costs	5	**(1)**	(3)
Other finance costs - pensions	18	**5**	100
Profit before taxation		**6,558**	10,434
Income tax expense	10	**(149)**	(9)
Profit for the financial year		**6,409**	10,425

Statement of comprehensive Income
for the year ended 31 March 2022

	Note	**2022**	2021 Restated*
		£000	£000
Profit for the financial year		**6,409**	10,425
Other comprehensive income/(expense):			
Items that will not be subsequently reclassified to income statement:			
Gain/(loss) on re-measurement of net defined benefit obligation	18	**6,557**	(4,367)
Tax (expense)/benefit on net defined benefit obligation		**(1,686)**	830
Total comprehensive income for the year		**11,280**	6,888

All of the above results derive from discontinued operations.

The notes on pages 20 to 50 are an integral part of these financial statements.

* In the year ended 31 March 2022, the company restated the prior year financial information. Details of the restatement are contained in note 19.

Statement of financial position

as at 31 March 2022

	Note	**2022 £000**	2021 Restated* £000
Non-current assets			
Trade and other receivables	12	**62,363**	45,933
Retirement benefit surpluses	18	**7,354**	13
		69,717	45,946
Current assets			
Inventories	11	**-**	112
Trade and other receivables	12	**10,532**	15,862
Cash and cash equivalents		**17,486**	20,875
		28,018	36,849
Current liabilities			
Trade and other payables	13	**(72,824)**	(69,165)
Net current liabilities		**(44,806)**	(32,316)
Net assets		**24,910**	13,630
Capital and reserves			
Called up share capital	14	**-**	-
Retained earnings		**24,910**	13,630
Total shareholders' funds		**24,910**	13,630

The notes on pages 20 to 50 are an integral part of these financial statements.

* In the year ended 31 March 2022, the company restated the prior year financial information. Details of the restatement are contained in note 19.

The financial statements on pages 17 to 50 were approved by the board of Directors on 11 September 2023 and signed on its behalf by:

M Lawton
Director
SC220243

Statement of changes in equity
for the year ended 31 March 2022

	Note	Called up share capital £000	Retained earnings £000	Total shareholders' funds £000
Balance at 1 April 2020		**-**	**6,742**	**6,742**
Profit for the financial year (restated*)		-	10,425	10,425
Other comprehensive (loss) (restated*)		-	(3,537)	(3,537)
Total comprehensive income		-	**6,888**	**6,888**
Balance at 31 March 2021 (restated)		**-**	**13,630**	**13,630**
Balance at 1 April 2021		**-**	13,630	**13,630**
Profit for the financial year		-	6,409	6,409
Other comprehensive income		-	4,871	4,871
Total comprehensive income		**-**	**11,280**	**11,280**
Balance at 31 March 2022		**-**	**24,910**	**24,910**

The notes on pages 20 to 50 are an integral part of these financial statements.

* In the year ended 31 March 2022, the company restated the prior year financial information. Details of the restatement are contained in note 19.

Notes to the financial statements

1 General information

Babcock Marine (Clyde) Limited is a private company limited by shares which is incorporated and domiciled in the UK. The address of the registered Office is Rosyth Business Park, Rosyth, Dunfermline, Fife, KY11 2YD.

Its ultimate controlling party is disclosed in note 22. The principal activity of the Company is set out in the Strategic Report on page 3. These financial statements, which have been prepared in accordance with the Companies Act 2006, are presented in pounds sterling and, unless stated otherwise, rounded to the nearest thousand.

2 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

These financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework (FRS 101)'.

The Company applies the recognition, measurement and disclosure requirements in accordance with the international accounting standards and FRS 101 but makes amendments where necessary in order to comply with the Companies Act 2006.

The company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council. Accordingly, these financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). In preparing these financial statements, the company applies the recognition and measurement requirements of International Financial Reporting Standards (IFRS) as adopted by the UK, but makes amendments where necessary in order to comply with the Companies Act 2006 and sets out below where advantage of the FRS 101 disclosure exemptions has been taken:

a) Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share based payments'
b) 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;
c) 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.
d) Paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements.
e) IAS 7, 'Statement of cash flows'
f) Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors'
g) Paragraph 17 of IAS 24, 'Related party transactions' in respect of key management compensation
h) The requirements of IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The Company intends to continue to prepare its financial statements in accordance with FRS 101.

Notes to the financial statements *(continued)*

2 Accounting policies *(continued)*

Basis of preparation *(continued)*

The Company is exempt under Section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent, Babcock International Group Plc, a company registered in England and Wales. Accordingly, these financial statements present information about the Company as an individual and not as a group.

The financial statements have been prepared under the historical cost convention.

Going concern

The financial statements are prepared on a basis other than going concern as following a Babcock Group simplification initiative the Company transferred its trade and net assets to Devonport Royal Dockyard Limited, a fellow subsidiary of the Babcock group on 31 March 2023. The directors therefore do not consider the going concern basis to be appropriate. No adjustments arose as a result of ceasing to apply the going concern basis.

Adoption of new and revised standards

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 March 2022 that have a material impact on the company's financial statements.

Revenue

Revenue recognised represents income derived from contracts with customers for the provision of goods and services in the ordinary course of the Company's activities. The Company recognises revenue 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.

In assessing whether the performance obligations are separately identifiable, the services are reviewed to determine the extent to which the goods or services within a contract are interrelated and whether they modify other goods or services within a contract. The Company also considers whether the goods and/or services are integrated and represent a combined output for which the customer has contracted.

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

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

Revenue *(continued)*

(b) Determination of contract price

The contract price represents the amount of consideration which the Company expects to be entitled in exchange for delivering the promised goods or services to the customer. Contracts can include both fixed and variable consideration.

Inclusion of variable consideration in the contract price requires the exercise of judgement in relation to the amount to be received through unpriced contract variations and claims (see section (e) below for further details) and variable elements of existing contracts, such as performance-based penalties and incentives, and gain/pain share arrangements where cost under/over spends are shared with the customer. Elements of variable consideration are estimated at contract inception and at the end of each reporting period. Any required adjustment is made against the contract price in the period in which the adjustment occurs.

Variable consideration is estimated using either the expected value or the most likely amount only to the extent that it is highly probable that there will not be a reversal in the amount of cumulative revenue recognised. This judgement is made by suitably qualified and experienced personnel based on the contract terms, status of negotiations with customers and historical experience with customers and with similar contracts. Variable consideration may be included in the total transaction price or, in certain circumstances, may be allocated to a specific time period. Where variable consideration is allocated to a specific time period this will typically be in relation to performance related deductions.

As part of this judgement, variable consideration may be constrained. The Company recognises variable consideration only to the extent that it is highly probable that there will not be a significant reversal in the amount of cumulative revenue recognised when the uncertainty associated with the variable consideration is subsequently resolved.

(c) Allocation of contract price to performance obligations

Given the bespoke nature of many of the goods and services the Company provides, standalone selling prices are generally not observable and, in these circumstances, the Company allocates the contract price to performance obligations based on cost plus margin. This amount would be the standalone selling price of each performance obligation if contracted with a customer separately.

(d) 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.

Revenue recognised over 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.

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

Revenue *(continued)*

Typical performance obligations in the Company's contracts that are recognised over time include the delivery of services (such as maintenance, engineering and training), as the customer simultaneously receives and consumes the benefits of the Company's performance as it performs the services. Revenue from the design, manufacture and enhancement of bespoke assets is also recognised over time, as 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 performance completed to date, being recovery of costs incurred in satisfying the performance obligation plus a reasonable profit margin.

Where the Company satisfies performance obligations over time, the Company primarily uses an input method to measure satisfaction of each performance obligation based on costs incurred compared to total estimated contract costs. For the majority of the Company's contracts, this is deemed to be the most appropriate method to measure Babcock's effort in satisfying the applicable performance obligations. Costs are included in the measurement of progress towards satisfying the performance obligation to the extent that there is a direct relationship between the input and satisfaction of the performance obligation. For contracts where costs incurred is not deemed to be the most appropriate measure, the Company uses time elapsed to measure satisfaction of the performance obligation.

Under most of the Company's contracts, the customer pays in accordance with a pre-arranged payment schedule or once milestones have been met. If the value of the goods or services rendered by the Company exceed payments, a contract asset is recognised. If payments exceed the value of the goods or services rendered, a contract liability is recognised. See section (h) for further details on how contract assets and liabilities are recognised.

Revenue recognised at a point in time

If control of the goods or services is not transferred to the customer 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 receive payment by the Company.

Assessment of contract profitability

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.

Estimating contract revenues can involve judgements around whether the Company will meet performance targets and earn incentives, as well as consideration as to whether it is necessary to constrain variable revenues to meet the highly probable not to significantly reverse test set out in paragraph 56 of IFRS 15. When considering variations, claims and contingencies, the Company analyses various factors including the contractual terms, status of negotiations with the customer and historical experience with that customer and with similar contracts. Estimates of costs include assessment of contract contingencies arising out of technical, commercial, operational and other risks. The assessments of all significant contract outturns are subject to review and challenge and estimation uncertainty is resolved on a contract-by-contract basis as contracts near the end of the project lifecycle.

If a contract is deemed to be loss making the present obligation is recognised and measured as provisions. Further detail is included in the Provisions accounting policy.

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

Revenue *(continued)*

(e) Contract modifications

Claims and variations

The Company's contracts are often amended for changes in the customers' requirements. Contract modifications can relate to changes in both contract scope and price arising in the ordinary course of delivering contracts, which are referred to as contract variations. Such variations may arise as a result of customer requests or instructions or from requests from the Company in response to matters arising during the delivery of contracts. For example, some contracts include the requirement to conduct surveys and to report on or to recommend additional work as required. Some contracts may require the Company to proceed with variations and to agree pricing subsequently. See further detail on accounting for contract modifications below.

Contract modifications can also refer to changes in price only, with no change in scope, where there is a difference of view or dispute in relation to interpretation of contracts.

These contract claims and variations are considered to be modifications as referred to in paragraph 18 of IFRS 15.

Accounting for contract modifications

The Company accounts for contract modifications in one of three ways, based on the facts and circumstances of the contract modification:

1. Prospectively, as an additional, separate contract;
2. Prospectively, as a termination of the existing contract and creation of a new contract; or
3. As part of the original contract using a cumulative catch-up.

The Company recognises contract variations, which impact both scope and price, when they are approved in accordance with IFRS 15. The Company's preferred approach is to approve contract modifications by formal contract amendment. However, the approval of contract modifications often requires to be carried out at pace and other mechanisms, informed by established customer relationships and local working arrangements, can be used to achieve approval of contract modifications. In approving contract modifications in these circumstances, the Company considers the scope of the contract modification in the context of the contract scope and contract terms. Contract variations where the formal contract amendment has not been received but which are, in management's judgement, approved are accounted for as a contract modification in accordance with IFRS 15 paragraph 18. Revenue from these contract variations is treated as variable consideration and subject to constraint as outlined in section (b) above, until the pricing is agreed.

Contract claims are also considered to be contract modifications in accordance with IFRS 15, and revenue is subject to constraint as outlined in section (b).

Claims and variations which are not deemed to be contract modifications

Claims can also be raised by Babcock against third-party sub-contractors or suppliers to the Company. As these do not relate to contracts with customers, but rather relate to contracts with suppliers, they are not accounted for under IFRS 15. The Company's accounting policy is to account for such claims in accordance with the contingent asset guidance per IAS 37. Income in relation to these claims will only be recognised once it is virtually certain.

(f) Costs of obtaining a contract

Costs to obtain a contract that would have been incurred regardless of whether the contract was won or lost are recognised as an expense when incurred.

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

Revenue *(continued)*

Directly attributable costs to obtain a contract with a customer that the Company would not have incurred if the contract had not been won are recognised as an asset. These costs are capitalised as an asset after the point that it can be reliably expected that a contract will be obtained. The costs are capitalised as an asset in capitalised contract costs and amortised to cost of revenue on a typically straight-line basis consistent with the transfer to the customer of the goods and services to which the asset relates, provided that the contract is expected to result in future net cash inflows.

(g) Costs to fulfil a contract

Post contract award but pre contract operational start-up costs which satisfy the criteria for capitalisation under another standard, such as property, plant and equipment (IAS 16) or intangible assets (IAS 38), are accounted for in accordance with those standards. Costs to fulfil a contract which do not fall within the scope of another standard are recognised under IFRS 15 as an asset in capitalised contract costs where they meet all of the following criteria:

i. the costs relate directly to a contract or to an anticipated contract that can be specifically identified;
ii. the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
iii. the costs are expected to be recovered.

Costs of recruiting or training staff are expensed as incurred.

Capitalised contract costs are amortised to cost of revenue on a straight-line basis consistent with the transfer to the customer of the goods and services to which the asset relates.

(h) Contract assets and liabilities

Contract assets represent amounts for which the Company has a conditional right to consideration in exchange for goods or services that the Company has transferred to the customer. Contract liabilities represent the obligation to transfer goods or services to a customer for which consideration has been received, or consideration is due, from the customer.

Payment terms are set out in the contract and reflect the timing and performance of service delivery. For substantially all contracts the payment terms are broadly in line with satisfaction of performance obligations, and therefore recognition of revenue, such that each contract has either a contract asset or contract liability, however these are not overly material in the context of the contract.

Inventory and work in progress

Inventory is valued at the lower of cost and net realisable value, being the estimated selling price of the assets in the ordinary course of business less estimated costs of completion and costs of sale. In the case of finished goods and work in progress, cost comprises direct material and labour and an appropriate proportion of overheads.

Contingent liabilities

A contingent liability is a possible obligation arising from past events whose existence will be confirmed only on the occurrence or non-occurrence of uncertain future events outside the Company's control, or a present obligation that is not recognised because it is not probable that an outflow of economic benefits will occur or the value of such outflow cannot be measured reliably. A provision is recognised for any amounts that the Directors consider may become payable. See note 16 for details of contingent liabilities.

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

Cash and cash equivalents

Company cash and cash equivalents consist of cash at bank and cash in hand, together with short-term deposits with an original maturity of three months or less and money market funds.

Taxation

(a) Current income tax

Current tax, including corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Company measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(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 substantively enacted by the reporting 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. Deferred tax assets are recognised where deferred tax liabilities exist and are expected to reverse in the same period as the deferred tax asset or in periods into which a loss arising from a deferred tax asset can be carried forward or back. In the absence of sufficient deferred tax liabilities, deferred tax assets are recognised where it is probable that there will be future taxable profits from other sources against which a loss arising from the deferred tax asset can be offset. In assessing the availability of future profits, the Company uses profit forecasts consistent with those used for goodwill impairment testing. Profits forecast beyond the Company's five-year budget cycle are risk-weighted to reflect commercial uncertainties.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority.

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.

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

Trade and other receivables

Trade and other receivables are stated at their cost less provision for bad debts. A provision for bad debts is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

The Company writes off a trade receivable when there is objective evidence that the debtor is in significant financial difficulty and there is no realistic prospect of recovery.

Finance costs

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

Finance income

Finance income is recognised in the period to which it relates using the effective interest rate method.

Employee benefits

a) Pension obligations

Defined benefit schemes

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

The cost of providing benefits is determined using the projected unit credit actuarial valuation method. The total service cost and associated administration costs of the pension scheme are charged to operating profit. In addition, a retirement benefit interest charge on the net pension deficit is charged to the income statement as a finance cost. Actuarial gains and losses are recognised directly in equity through the statement of comprehensive income so that the Company's statement of financial position reflects the IAS 19 measurement of the schemes' surpluses or deficits at the statement of financial position date.

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

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

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

Defined contribution schemes

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

b) Share-based compensation

The Babcock International 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.

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

Employee benefits *(continued)*

c) Holiday pay

Paid holidays are regarded as an employee benefit and as such are charged to the income statement as the benefits are earned.

Financial instruments

a) Financial assets and liabilities at amortised cost

Cash and cash equivalents, trade receivables, amounts due from related parties and other receivables are classified as financial assets held at amortised cost as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. Trade receivables, contract assets and lease receivables include a provision for expected credit losses. The Company measures the provision at an amount equal to lifetime expected credit losses, estimated by reference to past experience and relevant forward-looking factors. For all other financial assets carried at amortised cost, including loans to joint ventures and associates and other receivables, the Company measures the provision at an amount equal to 12-month expected credit losses.

Trade and other payables, amounts due to related parties, other payables, accruals and bank loans and overdrafts are classified as financial liabilities held at amortised cost.

b) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative is entered into and are subsequently remeasured at 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, fair value gains or losses are deferred in equity until the underlying transaction is recognised.

Dividends

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

Identification of prior year restatements

The results of the Company have been restated where practicable by retrospectively restating the Company's prior period results for the affected periods. Any restatements identified relating to reporting periods before 1 April 2020 have been corrected by cumulatively restating the impacted balance sheet line item, including retained earnings, at 1 April 2020.

Foreign currencies

a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Sterling, which is the Company's functional and presentation currency.

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

Foreign currencies *(continued)*

b) Transactions and balances

Foreign currency transactions are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional 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 reporting date of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

3 Critical accounting judgements and key sources of estimation uncertainty

In the course of preparation of the financial statements judgements and estimates have been made in applying the Company's accounting policies 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 certain forward-looking estimates may result in a material adjustment to the carrying amounts of assets and liabilities in the next financial year. Critical accounting judgements 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 and judgements in relation to these financial statements are considered below.

Critical accounting judgements

Critical accounting judgements, apart from those involving estimations, that are applied in the preparation of the consolidated financial statements are discussed below. Detail of the company's key judgements involving estimates are included in the Key sources of estimation uncertainty section

Revenue and profit recognition

A number of the Company's contracts include promises in relation to procurement activity undertaken on behalf of customers at low or nil margin, sub-contractor arrangements, and other pass-through costs. Management is required to exercise judgement on these revenue streams in considering whether the Company is acting as principal or agent. This is based on an assessment as to whether the Company controls the relevant goods or services under the performance obligations prior to transfer to customers. Factors that influence this judgement include the level of responsibility the Company has under the contract for the provision of the goods or services, the extent to which the Company is incentivised to fulfil orders on time and within budget, either through gain share arrangements or KPI deductions in relation to the other performance obligations within the contract, and the extent to which the Company exercises responsibility in determining the selling price of the goods and services. Taking all factors into consideration, the Company then comes to a judgement as to whether it acts as principal or agent on a performance obligation-by-performance obligation basis. Note that any changes in this judgement would not have a material impact on profit, although there may be a material impact to revenue and cost of revenue.

Key sources of estimation uncertainty

The key sources of estimation uncertainty at the reporting period end that may result in significant risk of material adjustment to the carrying amount of assets and liabilities within the next financial year are set out below:

Notes to the financial statements *(continued)*

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

Revenue and profit recognition

The Company's revenue recognition policies require management to make an estimate of the cost to complete for long-term contracts. Management estimates outturn costs on a contract-by-contract basis and estimates are carried out by suitably qualified and experienced personnel. Estimates of cost to complete include assessment of contract contingencies arising out of technical, commercial, operational and other risks. The assessments of all significant contract outturns are subject to review and challenge, and judgements and estimates are reviewed regularly throughout the contract life based on latest available information and adjustments are made where necessary. As contracts near completion, often less judgement is required to determine the expected outturn.

Defined benefit pension schemes obligations

The Company's defined benefit pension schemes are assessed annually in accordance with IAS 19 and the valuation of the defined benefit pension obligations is sensitive to the inflation and discount rate actuarial assumptions used. There is a range of possible values for the assumptions and small changes to the assumptions may have a significant impact on the valuation of the defined benefit pension obligations. In addition to the inflation and discount rate estimates, management is required to make an accounting judgement relating to the expected availability of future accounting surpluses under IFRIC 14. Further information on the key assumptions and sensitivities is included in note 18.

Inflation

The level to which the Company's revenue and cost for each contract will be impacted by inflation is a key accounting estimate, as this could cause the cost of contract delivery to be greater than was expected at the time of contracting. The Company's contracts are exposed to inflation due to rising employment costs.

Notes to the financial statements *(continued)*

4 Revenue

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

	2022 **£000**	2021 £000
By area of activity:		
Provision of services – transferred over time	**155,996**	195,844
Sale of goods – transferred at a point in time	**1,694**	2,462
	157,690	198,306

All the revenue in the year ended 31 March 2022 originated in the United Kingdom.

5 Finance income and costs

	2022 **£000**	2021 £000
Finance income:		
Loan interest receivable from group undertakings	**47**	58
	47	58
Finance costs:		
Bank and other interest	**1**	3
	1	3

6 Operating profit

Operating profit is stated after charging:

	2022 **£000**	2021 £000
Audit fees payable to the Company's auditors	**134**	54

The auditors' remuneration for the current and prior year has been borne by a fellow group company. Fees paid to the company's auditors, Deloitte LLP and its associates (2022), PricewaterhouseCoopers LLP and its associates (2021) are disclosed on a consolidated basis in the financial statements of the ultimate parent undertaking, Babcock International Group Plc.

Notes to the financial statements *(continued)*

7 Staff costs

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

	2022 Number	2021 Number
By activity:		
Operations	**873**	887
Management and administration	**827**	841
	1,700	1,728

Their aggregate remuneration comprised:

	2022 £000	2021 Restated £000
Wages and salaries	**71,614**	75,860
Social security costs	**7,654**	7,823
Pension costs – defined contribution plans (note 18)	**4,732**	7,735
Pension costs – defined benefit plans (note 18)	**2,167**	1,038
Share based payments (note 9)	**-**	-
	86,167	92,456

Pension cost has been reclassified in the prior year from other pension costs to report defined contribution plans and defined benefit plans separately.

8 Directors' remuneration

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

	2022 £000	2021 £000
Remuneration (including benefits in-kind)	**543**	461
Defined contribution pension scheme	**10**	10
	553	471

During the year two (2021: two) directors remunerated by Babcock Marine (Clyde) Limited were entitled to receive share options under long term incentive plans.

Retirement benefits are accruing for five directors (2021: four) under Group pension schemes.

Notes to the financial statements *(continued)*

8 Directors' remuneration *(continued)*

Except for two (2021: two) directors, all of the directors of the Company are remunerated by other Babcock Group companies. It is not possible to make an accurate apportionment of these directors' emoluments relating to services provided to the Company and as such no disclosure of emoluments received by these directors has been made in these financial statements. No recharge is made for costs borne by the Company in relation to services performed by the directors in relation to other Babcock Group companies.

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

	2022	2021
	£000	£000
Remuneration (including benefits in-kind)	**357**	280

No share options exercised in the year.

9 Share based payments

The charge to the income statement is based on the amount charged from Babcock International Group PLC. This charge represents an allocation of the total charge based on the proportion which relates to Babcock Marine (Clyde) Limited. The total charge 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 in the Babcock International Group PLC Annual Report and Accounts.

During the year the total charge relating to employee share-based payment plans was £nil (2021: £nil) all of which related to equity-settled share-based payment transactions. After tax, the income statement charge was £nil (2021: £nil).

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

Deferred Bonus Matching Plan (DBMP), Performance Share Plan (PSP) and Deferred Bonus Plan (DBP)

	Options awarded Number	Share price at grant or modification date Pence	Expected volatility %	Option life Years	Expectations of meeting performance criteria – non-market conditions %	Fair value per option – TSR Pence	Fair value per option – non-market conditions Pence	Correlation %	Grant or modification date
2021 PSP	769,165	371.6	19.0%	6.0	100.0%	148.6	315.9	55.0%	24/08/21
2021 PSP	626,704	380.2	19.0%	6.0	100.0%	–	325.0	55.0%	24/09/21
2021 PSP	1,780,84	380.2	19.0%	4.0	100.0%	–	380.2	55.0%	24/09/21
2021 DBP	45,312	380.2	19.0%	4.0	100.0%	–	380.2	55.0%	24/09/21
2020 PSP	695,458	350.0	19.0%	6.0	100.0%	–	305.2	55.0%	01/12/20
2020 PSP	2,091,24	350.0	19.0%	4.0	100.0%	–	350.0	55.0%	01/12/20
2020 PSP	1,341,47	350.0	19.0%	6.0	100.0%	137.9	305.2	55.0%	01/12/20
2020 DBP	118,320	289.0	19.0%	4.0	100.0%	–	289.0	55.0%	03/08/20
2020 DBP	146,306	289.0	19.0%	3.0	100.0%	–	289.0	55.0%	03/08/20
2020 DBP	192,096	284.2	19.0%	4.0	100.0%	–	284.2	55.0%	13/08/20
2020 DBP	8,474	284.2	19.0%	3.0	100.0%	–	284.2	55.0%	13/08/20
2019 PSP	1,370,67	472.8	11.0%	6.0	–	70.9	472.8	45.0%	13/06/19
2019 PSP	3,019,03	472.8	11.0%	4.0	–	70.9	472.8	45.0%	13/06/19
2019 DBP	313,909	472.8	11.0%	4.0	100.0%	–	472.8	45.0%	13/06/19
2019 DBP	93,430	472.8	11.0%	3.0	100.0%	–	472.8	45.0%	13/06/19
2018 PSP	860,157	856.0	14.0%	6.0	–	370.9	856.0	56.0%	13/06/18

Notes to the financial statements *(continued)*

9 Share based payments (continued)

2018 PSP	1,699,32	856.0	14.0%	4.0	–	370.9	856.0	56.0%	13/06/18
2018 DBP	187,433	856.0	14.0%	4.0	100.0%	–	856.0	56.0%	13/06/18
2018 DBP	90,777	856.0	14.0%	3.0	100.0%	–	856.0	56.0%	13/06/18
2017 PSP	902,424	905.5	15.0%	6.0	–	131.2	905.5	46.0%	14/06/17
2017 PSP	1,769,33	905.5	15.0%	4.0	–	131.2	905.5	46.0%	14/06/17
2017 DBP	186,949	905.5	15.0%	4.0	100.0%	–	905.5	46.0%	14/06/17

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

PSP awards for 2017 to 2019 are split evenly between the performance criteria of TSR, EPS and ROCE.

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

PSP awards made in August 2021 of 769,165 shares include performance criteria weighted to 50% against free cash flow targets and 50% against TSR performance.

PSP awards made in September 2021 of 2,407,553 shares were made via the use of restricted shares with a three-year vesting period. There are no performance conditions attached.

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 159,494 matching shares (2021: 180,175 matching shares) at a cost of £0.5 million (2021: £0.5 million).

The Group also operates the Babcock Employee Share Plan International which reflects the structure of the UK Plan. During the year 4,784 matching shares were purchased on the open market (2021: 5,000 matching shares) and 2,823 matching shares vested (2021: 1,193 matching shares) leaving a balance of 6,973 matching shares (2021: 5,012 matching shares).

10 Income tax expense

	2022 £000	2021 Restated £000
Analysis of tax expense in the year		
Current tax:	-	-
Deferred tax:		
Origination and reversal of temporary differences	**149**	22
Prior year adjustments	**-**	(13)
Total deferred tax expense	**149**	9
Total income tax expense	**149**	9

Notes to the financial statements *(continued)*

10 Income tax expense *(continued)*

In 2020 budget, it was announced that the decrease in the UK rate of corporation tax from 19% to 17% was cancelled. On 24 May 2021, the Finance Act 2021 was substantively enacted, increasing the main rate of UK corporation tax from 19% to 25% with effect from 1 April 2023. Deferred tax balances as at 31 March 2022 that are expected to reverse after 1 April 2023 have been calculated at 25%.

Tax expense for the year is lower (2021: lower) than the standard effective rate of corporation tax in the UK for the year ended 31 March 2022 of 19% (2021: 19%). The differences are explained below:

	2022 £000	2021 Restated £000
Profit before taxation	**6,558**	10,434
Profit before taxation multiplied by standard UK corporation tax rate of 19% (2021: 19%)	**1,246**	1,982
Effects of:		
Group relief (claimed) for nil consideration	**(1,097)**	(1,960)
Adjustments in respect of deferred tax for prior years	**-**	(13)
Total income tax expense	**149**	9

Deferred tax

The movements in deferred tax assets and liabilities during the year are shown below.

Deferred tax assets/(liabilities)	**Accelerated capital allowances**	**Retirement benefit obligations**	**Total**
	£000	**£000**	**£000**
At 1 April 2021	1	(2)	(1)
- Charged to the income statement	**-**	(149)	(149)
- Credited to other comprehensive income	**-**	(1,686)	(1,686)
At 31 March 2022	**1**	**(1,837)**	**(1,836)**

In the year ended 31 March 2022, the company restated the prior year financial information. Details of the restatement are contained in note 19.

11 Inventories

	2022 £000	2021 £000
Finished goods and goods for resale	**-**	112

Notes to the financial statements *(continued)*

12 Trade and other receivables

	2022 £000	2021 Restated £000
Amounts due after more than one year:		
Amounts due from group undertakings	**62,363**	45,933
	62,363	45,933
Amounts falling due within one year:		
Trade receivables	**6,513**	294
Contract assets	**881**	12,855
Amounts owed by group undertakings	**1,104**	195
Other receivables	**1,461**	2,066
Prepayments and accrued income	**573**	452
	10,532	15,862

Amounts due from Group undertakings comprises the following:

- An unsecured loan of £60,325k (2021: £43,895k) is repayable on demand. Interest, which is a fixed and variable with a blended rate of 0.85% (2021: 1.05%), is only payable on £5,500k.
- All other amounts due from group undertakings are unsecured and repayable on demand.

Trade receivables are stated after provisions for impairment of £nil (2021: £nil).

Current intercompany receivables are expected to be settled in the company's usual operating cycle of 12 months or less.

In the year ended 31 March 2022, the company restated the prior year financial information. Details of the restatement are contained in note 19.

13 Trade and other payables

	2022 £000	2021 Restated £000
Amounts falling due within one year:		
Trade creditors	**8,718**	12,542
Amounts owed to group undertakings	**28,212**	27,769
Taxation and social security	**1,912**	2,114
UK corporation tax payable**	**-**	-
Deferred tax (Note 10)	**1,836**	2
Contract liabilities	**15,306**	842
Other payables	**2,154**	2,452
Accruals	**14,686**	23,444
	72,824	69,165

** UK corporation tax payable for the prior year been restated from £13,533,000 to £nil with a corresponding adjustment of amounts due to group undertakings, to reflect that another group company receives and makes payment to HMRC under the Group Payment Arrangement (GPA).

Notes to the financial statements *(continued)*

13 Trade and other payables *(continued)*

Amounts due to Group undertakings comprises the following:

- A loan of £10,824k (2021: £10,824k) is repayable on demand.
- All other amounts due from group undertakings are unsecured 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 20).

In the year ended 31 March 2022, the company restated the prior year financial information. Details of the restatement are contained in note 19.

14 Called up Share capital

	2022	2021
	£	£
Allotted and fully paid		
1 (2021: 1) ordinary shares of £1 each	1	1

15 Dividends

Dividends declared and paid were £nil (2021: £nil), this is equivalent to £nil per share (2021: £nil). There are no plans for a final dividend.

16 Contingent liabilities

At the year-end date the Company has guaranteed or has joint and several liability for bank overdraft facilities that are shared across multiple Group companies with utilisation of £383.6m at 31 March 2022 (31 March 2021: £371.3m).

17 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. In the year ended 31 March 2022, the Company had no transactions or balances outstanding with related parties that fall outside the FRS 101 exemption criteria.

18 Pension commitments

Pension costs for defined contribution schemes are as follows:

	2022	2021 Restated
	£'000	£'000
Defined contribution schemes	**4,732**	7,394

Statement of financial position assets and liabilities recognised are as follows

	2022	2021 Restated
	£'000	£'000
Retirement benefits – funds in surplus	**7,500**	698

Notes to the financial statements *(continued)*

18 Pension commitments *(continued)*

Retirement benefits – funds in deficit	**(146)**	(685)
	7,354	13

The Company accounts for pension costs in accordance with IAS 19. The Company contributes to a defined contribution scheme in the UK in respect of a number of its employees. The Company contributes to a defined benefit scheme in the UK in respect of a number of its employees (the "Citrus Clyde Pension scheme"). The Company is also a contributing employer to defined benefit schemes (the "Babcock International Group Pension Scheme" and "Rosyth Royal Dockyard Pension Scheme"). The Company is severally liable, along with the other participating employers, for the assets and liabilities of these schemes. The allocation of the assets and liabilities of the schemes which have been recognised in these financial statements are detailed in this note.

The nature of the defined benefit schemes are 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 actuaries.

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. These schemes have mitigated some of these risks by taking out longevity swaps in respect of pensioners and their spouses, and through investment committees have significantly hedged the interest rate and inflation risk through 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 schemes are funded by payments to legally separate Trustee-administered funds. The Trustees of the schemes 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 schemes have an independent Trustee and member nominated Trustees. The schemes are subject to regulation under the funding regime set out in Part III of the Pensions Act 2004.

BIG Pension Scheme

The IAS 19 valuation has been updated at 31 March 2022 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	**2022 %**	**2021 %**
Rate of increase in salaries	3.4	2.9
Rate of increase in pension payment	3.5	3.1
Discount rate	2.7	2.0
Inflation	3.3	2.9
Weighted average duration of cash flows (years)	14	17
Total life expectancy for current pensioners aged 65 (years)	21.8	22.1
Total life expectancy for future pensioners currently aged 45 (years)	22.4	22.7

Notes to the financial statements *(continued)*

18 Pension commitments *(continued)*

The future service rate is 51.1%. Included in employer contributions of £9.3m is £nil 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 changes to the Babcock International Group Plc balance sheet at March 2022 and the changes to the Babcock International Group Plc income statement for the year to March 2022, if the assumptions were sensitised by the amounts below, would be:

	Defined benefit obligations 2022 £000	**Income statement 2022 £000**
Initial assumptions	**1,283,066**	**2,927**
Discount rate assumptions increased by 0.5%	(87,120)	(4,212)
Discount rate assumptions decreased by 0.5%	98,026	3,646
Inflation rate assumptions increased by 0.5%	52,092	1,910
Inflation rate assumptions decreased by 0.5%	(47,730)	(1,736)
Total life expectancy increased by half a year	31,307	938
Total life expectancy decreased by half a year	(28,741)	(861)
Salary increase assumptions increased by 0.5%	6,929	415
Salary increase assumptions decreased by 0.5%	(6,544)	(392)

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 2022 were:

Fair value of plan of assets	**2022 £'000**	2021 Restated £'000
Equities	**7,701**	(79)
Property	**121,945**	138,681
High yield bonds/emerging market debt	**19,785**	138,160
Absolute return and multi strategy funds	**-**	77,583
Bonds	**662,075**	586,837
Matching assets	**652,608**	497,988
Active position on longevity swaps	**58,918**	53,800
Total assets	**1,523,032**	1,492,970
Fair value of reimbursement rights	**(65,800)**	(67,060)
Present market value of liabilities - funded	**(1,283,066)**	(1,408,078)
Gross pension surplus	**174,166**	17,832

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 2022, in line with assumptions that are consistent with the requirements of IFRS 13.

Notes to the financial statements *(continued)*

18 Pension commitments *(continued)*

Analysis of amount charged to the income statement in Babcock International Group Plc	**2022 £000**	2021 Restated £000
Current service cost	**5,873**	5,741
Incurred expenses	**2,506**	2,596
Past service cost	**-**	999
Total included within operating profit	**8,379**	9,336
Net interest income	**(537)**	(2,776)
Total charged to the income statement	**7,842**	6,560

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 £253k for service cost (2021: £225k), £108k for incurred expenses (2021: £102k), and net interest credit of £23k (2021: £109k).

Analysis of amount included in Babcock International Group Plc statement of comprehensive income ("SOCI")	**2022 £000**	2021 Restated £000
Actual return less interest on pension scheme assets	**17,706**	59,551
Experience (losses)/gains arising on scheme liabilities	**(16,961)**	4,590
Changes in assumptions on scheme liabilities	**102,022**	(177,539)
Other gains	**2,601**	3,023
	105,368	(110,375)

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 £5,600k (2021: £4520k, loss).

The equity investments and bonds are valued at bid price.

Reconciliation of present value of scheme assets in Babcock International Group Plc	**2022 £000**	2021 £000
At 1 April	**1,492,970**	1,453,019
Interest cost	**29,358**	34,244
Employee contributions	**71**	99
Employer contributions	**58,808**	26,981
Benefits paid	**(75,881)**	(80,924)
Actuarial gain	**17,706**	59,551
At 31 March	**1,523,032**	**1,492,970**
Total Fair value of reimbursement rights	**(65,800)**	**(67,060)**

Notes to the financial statements *(continued)*

18 Pension commitments *(continued)*

Reconciliation of present value of scheme liabilities	2022 £000	2021 Restated £000
At 1 April	**1,408,078**	1,276,793
Service cost	**5,873**	5,741
Incurred expenses	**2,506**	2,596
Interest on liabilities	**27,480**	29,825
Employee contributions	**71**	99
Actuarial (gain) / loss – demographics	**(22,776)**	11,371
Actuarial (gain) / loss – financial	**(79,246)**	166,168
Experience losses / (gains)	**16,961**	(4,590)
Benefits paid	**(75,881)**	(80,924)
Past service cost	**-**	999
At 31 March	**1,283,066**	1,408,078

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 £7,500k (2021: £698k).

Rosyth Pension scheme

The IAS 19 valuation has been updated at 31 March 2022 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 2021. The major assumptions used for the IAS 19 valuation were:

Major assumptions	2022 %	2021 %
Rate of increase in salaries	3.4	2.9
Rate of increase in pension payment	3.7	3.2
Discount rate	2.7	2.0
Inflation	3.7	3.2
Weighted average duration of cash flows (years)	16	17
Total life expectancy for current pensioners aged 65 (years)	20.0	19.8
Total life expectancy for future pensioners currently aged 45 (years)	20.9	20.9

Notes to the financial statements *(continued)*

18 Pension commitments *(continued)*

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

	Defined benefit obligations 2022 £000	**Income statement 2022 £000**
Initial assumptions	**898,505**	**1,876**
Discount rate assumptions increased by 0.5%	(72,689)	(2,254)
Discount rate assumptions decreased by 0.5%	82,932	1,752
Inflation rate assumptions increased by 0.5%	64,333	1,737
Inflation rate assumptions decreased by 0.5%	(59,840)	(1,616)
Total life expectancy increased by half a year	21,295	575
Total life expectancy decreased by half a year	(19,767)	(534)

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 2022 were:

Fair value of plan assets	**2022 £'000**	2021 Restated £'000
Equities	**10,186**	22,105
Property	**63,022**	80,568
High yield bonds / emerging market debt	**24,300**	68,885
Absolute return and multi strategy funds	**44,489**	117,385
Bonds	**398,240**	238,122
Matching assets	**324,402**	284,740
Active position on longevity swaps	**75,327**	66,162
Total assets	**939,966**	877,967
Fair value of reimbursement rights	**(91,700)**	(76,280)
Present market value of liabilities - funded	**(898,505)**	(1,004,528)
Gross pension (deficit)	**(50,239)**	(202,841)

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

The longevity swaps have been valued, in 2022, in line with assumptions that are consistent with the requirements of IFRS 13.

Notes to the financial statements *(continued)*

18 Pension commitments *(continued)*

Analysis of amount charged to the income statement in Babcock International Group Plc	2022 £000	2021 Restated £000
Current service cost	-	1,946
Incurred expenses	**1,544**	1,486
Net interest cost	**2,659**	3,427
Past service cost	-	206
Curtailment	-	7,500
Total charged to the income statement	**4,203**	14,565

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 £nil for service cost (2021: £5k), incurred expenses of £4k (2021: £4k) and net interest cost of £7k (2021: £9k).

Analysis of amount included in Babcock International Group Plc statement of comprehensive income ("SOCI")	2022 £000	2021 Restated £000
Actuarial (loss) / gain recognised in the SOCI	**71,986**	(137,133)
Experience losses	**(10,967)**	(2,194)
Gain on assets	**34,214**	52,694
Other (losses) / gains	**(13,894)**	3,244
	81,339	(83,389)

The actuarial loss recognised in the SOCI in these financial statements, based on the Company's allocation of the total Babcock International Group Plc movement, was £425k (2021: £160k gain).

The equity investments and bonds are valued at bid price.

Reconciliation of present value of scheme assets in Babcock International Group Plc	2022 £000	2021 Restated £000
At 1 April	**877,967**	850,784
Interest on assets	**18,279**	17,367
Employer contributions	**75,466**	26,962
Employee contributions	-	4
Benefits paid	**(65,960)**	(69,844)
Actuarial gain / (loss)	**34,214**	52,694
At 31 March	**939,966**	877,967

Notes to the financial statements *(continued)*

18 Pension commitments *(continued)*

Reconciliation of present value of scheme liabilities	2022 £000	2021 Restated £000
At 1 April	**1,004,528**	904,973
Service cost	**-**	1,946
Incurred expenses	**1,544**	1,486
Interest on liabilities	**19,412**	18,930
Employee contributions	**-**	4
Actuarial (gain) – demographics	**(22,630)**	(1,366)
Actuarial (gain) / loss – financial	**(49,356)**	138,499
Experience losses	**10,967**	2,194
Benefits paid	**(65,960)**	(69,844)
Past service cost	**-**	206
Curtailment	**-**	7,500
At 31 March	**898,505**	1,004,528

The deficit recognised in these financial statements, based on the Company's allocation of the total Babcock International Group Plc assets and liabilities for this scheme, was £136k (2021: £550k).

Clyde Citrus pension scheme

The IAS 19 valuation has been updated at 31 March 2022 by an independent qualified actuary using revised assumptions that are consistent with the requirements of IAS 19. The major assumptions used for the IAS 19 valuation were:

Major assumptions	2022 %	2021 %
Rate of increase in pensionable salaries	3.3	2.9
Rate of increase in pension payment	2.4	3.2
Discount rate	2.7	2.1
Inflation	3.6	3.2
Weighted average duration of cash flows (years)	17	17
Total life expectancy for current pensioners aged 65 (years)	19.5	22.7
Total life expectancy for future pensioners currently aged 45 (years)	20.5	23.7

The expected total employer contributions to be made by participating employers to the scheme in year end 2023 are £5.0m. The future service rate is 24.2%.

Notes to the financial statements *(continued)*

18 Pension commitments *(continued)*

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

	Defined benefit obligations 2022 £000	**Income statement 2022 £000**
Initial assumptions	**1,711**	**1,280**
Discount rate assumptions increased by 0.5%	(212)	(164)
Discount rate assumptions decreased by 0.5%	212	155
Inflation rate assumptions increased by 0.5%	93	68
Inflation rate assumptions decreased by 0.5%	(92)	(68)
Total life expectancy increased by half a year	17	12
Total life expectancy decreased by half a year	(16)	(12)
Salary increase assumptions increased by 0.5%	143	105
Salary increase assumptions decreased by 0.5%	(142)	(105)

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 2022 were:

Fair value of plan assets	**2022 £'000**	2021 £'000
Equities	**135**	102
Property	**134**	33
Absolute return and multi strategy funds	**393**	32
Bonds	**336**	64
Matching assets	**723**	221
Total assets	**1,721**	452
Present market value of liabilities - funded	**(1,711)**	(587)
Gross pension (deficit)	**(10)**	(135)

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

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

The longevity swaps have been valued, in 2022, in line with assumptions that are consistent with the requirements of IFRS 13.

Analysis of amount charged to the income statement	**2022 £000**	2021 £000
Current service cost	**1,690**	641
Incurred expenses	**112**	22
Net interest cost	**10**	-
Total included within operating profit	**1,812**	663
Total charged to the income statement	**1,812**	663

Notes to the financial statements *(continued)*

18 Pension commitments *(continued)*

Analysis of amount included in statement of comprehensive income ("SOCI")	**2022 £000**	2021 £000
Actuarial gain recognised in the SOCI	**598**	54
Experience gain/(loss) on liabilities	**56**	(15)
(Loss)/gain on assets	**(122)**	4
	532	43

The equity investments and bonds are valued at bid price.

Analysis of movement in the financial statement:

Reconciliation of present value of scheme assets	**2022 £000**	2021 £000
At 1 April	**452**	-
Interest on assets	**22**	-
Employer contributions	**1,425**	485
Benefits paid	**(56)**	(37)
Actuarial (losses)/gains	**(122)**	4
At 31 March	**1,721**	452

Reconciliation of present value of scheme liabilities	**2022 £000**	2021 £000
At 1 April	**587**	-
Service cost	**1,690**	641
Incurred expenses	**112**	22
Interest on liabilities	**32**	-
Actuarial (gain) – demographics	**(428)**	(1)
Actuarial (gain) – financial	**(170)**	(53)
Experience (gains)/losses	**(56)**	15
Benefits paid	**(56)**	(37)
At 31 March	**1,711**	587

The deficit recognised in these financial statements was £10k (2021: £135k).

In the year ended 31 March 2022, the company restated the prior year financial information. Details of the restatement are contained in note 19.

Notes to the financial statements *(continued)*

19 Prior year restatements

In the year ended 31 March 2022, the Company restated the prior year financial information. The restatements are summarised below:

Impact on the income statement for the year ended 31 March 2021 (extract)

	Year ended 31 March 2021 (previously published)	(i) BIG Pension	(ii) Rosyth Pension	Year ended 31 March 2021 (restated)
Income statement				
Cost of sales	(184,169)	(321)	(60)	(184,550)
Other finance income - pensions	123	(22)	(1)	100
Profit before tax	**10,838**	**(343)**	**(61)**	**10,434**
Income tax benefit	(85)	75	1	(9)
Profit for the period	**10,753**	**(268)**	**(60)**	**10,334**

Impact on the other comprehensive income for the year ended 31 March 2021 (extract)

The table below shows the impact of the prior year restatements on the statement of other comprehensive income.

	Year ended 31 March 2021 (previously published)	(i) BIG Pension	(ii) Rosyth Pension	Year ended 31 March 2021 (restated)
Other comprehensive income				
(Loss) / gain on remeasurement of net defined benefit obligations	(4,683)	233	83	(4,367)
Tax on net defined benefit obligations	890	(60)	-	830

Notes to the financial statements *(continued)*

19 Prior year restatements *(continued)*

Impact on the statement of financial position for the year ended 31 March 2021 (extract)

	31 March 2021 (previously published)	(i) BIG Pension	(ii) Rosyth Pension	(iii) Receivables Reclassification	31 March 2021 (restated)
Assets					
Non-current assets					
Retirement benefit surpluses	101	(110)	22	-	13
Trade & other receivables	-	-	-	45,933	45,933
Current assets					
Trade & other receivables	61,795	-	-	(45,933)	15,862
Current liabilities					
Trade & other payables	(69,181)	15	1	-	(69,165)
Net assets	13,702	(95)	23	-	13,630
Equity					
Retained earnings	13,702	(95)	23	-	13,630
Total equity*	13,702	(95)	23	-	13,630

* The table above includes only those financial statement line items which have been restated. The total non-current assets, current assets, non-current liabilities, and equity do not therefore represent the sum of the line items presented above.

(i) BIG Pension

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Longevity swap valuation

The longevity swap related to the Babcock International Group pension scheme was previously valued in line with the collateral posted by the scheme with the intermediary. This was deemed a proxy for fair value in line with IAS 19. Having considered valuations of a notional replacement swap, or exit, we now believe the previous approach no longer accurately reflects fair value and so we have changed our valuation approach accordingly. In the year ended 31 March 2021 there was a reduction in the retirement benefit surplus on the Statement of financial position of £7.5 million, and a loss through the statement of other comprehensive income due to the remeasurement of retirement benefit obligations of £5.9 million. This change does not affect the technical provisions assessed for the scheme during triennial valuations, the funding requirements, or the deficit recovery cash contributions agreed with the scheme.

Change to Membership Data

Furthermore, a change to membership data, and a refinement in the calculation of the value of the defined benefit obligation for the scheme which now allows for the inclusion of the actual known rate of the next pension increase, rather than using the longer-term assumed inflation rate of pension increases, has been reflected in the prior year. This approach was not appropriately followed in the year ended 31 March 2021. Correction of this error results in an increase to the defined benefit surplus of £7.3 million and a gain through the statement of other comprehensive income of £6.1 million.

Notes to the financial statements *(continued)*

19 Prior year restatements *(continued)*

(ii) Rosyth Pension

Longevity swap valuation
The longevity swap related to the scheme was previously valued in line with the collateral posted by the scheme with the intermediary. This was deemed a proxy for fair value in line with IAS 19. Having considered valuations of a notional replacement swap, or exit, we now believe the previous approach no longer accurately reflects fair value and so we have changed our valuation approach accordingly. In the year ended 31 March 2021 there was an increase in the retirement benefit surplus on the Statement of financial position of £27.3k, and a loss through the statement of other comprehensive income due to the remeasurement of retirement benefit obligations of £27.9k. This change does not affect the technical provision assessed for the scheme during triennial valuations, their funder requirements, or the deficit recovery cash contributions agreed with the scheme.

Change to Membership Data
Furthermore, a change to membership data, and a refinement in the calculation of the value of the defined benefit obligation for the scheme which now allows for the inclusion of the actual known rate of the next pension increase, rather than using the longer-term assumed inflation rate of pension increases, has been reflected in the prior year. This approach was not appropriately followed in the year ended 31 March 2021. Correction of this error results in a reduction to the defined benefit surplus of £5.3k and a gain through the statement of other comprehensive income of £109.9k.

(iii) Receivables Reclassification

In the prior year, amounts owed by fellow subsidiary undertakings were presented as falling due within one year and classified within current assets. Based on the underlying terms of the agreement and considering the fact that these assets are not expected to be settled within the next 12 months the classification has been reassessed, and the amounts owed by fellow subsidiary undertakings presented within non-current assets. The balance sheet and applicable note in the comparative period have been restated accordingly, resulting in a reclassification of receivables totalling £45,933k from non-current to current.

20 Subsidiary, and associates and joint venture undertakings

All related undertakings for the Company are as listed below:

Company Name	Country	Interest %
BNS Pensions Limited	United Kingdom	100% Ordinary share

The subsidiary is directly owned and has been dormant since incorporation. Registered address is c/o Babcock International, Rosyth Business Park, Rosyth, Dunfermline, Fife, KY11 2YD.

21 Post balance sheet events

On 31 March 2023, the trade and assets of the Company transferred to Devonport Royal Dockyard Limited (DRDL), a fellow subsidiary within the Babcock group. The operations and contracts of His Majesty's Naval Base Clyde will continue under DRDL. As a result of this, the financial statements have been prepared on a basis other than going concern.

Notes to the financial statements *(continued)*

22 Ultimate parent undertaking

The Company‘s immediate parent company is Babcock Marine & Technology Holdings 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