Cavendish Nuclear Limited

Annual Report

For the year ended 31 March 2021

Company registration number:

3975999

Directors and advisors

Current directors
P L Edwards
M R Gornall
D Kieran
I S Urquhart

Company secretary
Babcock Corporate Secretaries Limited

Registered office
33 Wigmore Street
London
W1U 1QX

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

Strategic report for the year ended 31 March 2021

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

Principal activities

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

Review of the business

	2021	2020 As restated
	£'000	£'000
Revenue	**193,794**	202,045
Profit before taxation including income from joint ventures	**13,861**	21,758
Profit/ (loss) before taxation excluding income from joint ventures	**12,788**	(2,344)

Cavendish Nuclear Limited operates across the nuclear industry. Services offered encompass consultancy, design, support to reactor outages and plant operations, decommissioning, and involvement in the UK's nuclear new build programmes.

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

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

The Company continued to provide critical services to its customers during the COVID19 pandemic with a significant proportion of the Company's employees working from home. The financial impact on the company was therefore limited. There has been no ongoing impact to existing contracts from COVID 19, whilst the long-term forecasts are broadly unchanged as a result of the pandemic.

Operational and financial review

Revenue for the year was £193,794,000 (2020: £202,045,000), whilst profit before taxation was £13,861,000 (2020: profit: £21,758,000). The decrease in profit before tax was largely due to a reduction in dividends on the cessation of the Magnox Joint Venture (JV) contract; and no profit recognition on the Dounreay JV contract due to the uncertainty concerning commercial close out; together with a reduction in non-JV revenue with some long term major contracts drawing to a conclusion in the year. The operating profit for the year includes a true-up adjustment for prior years in relation to research and development tax credits which is one-off in nature.

On 31 March 2021, the ownership of Dounreay Site Restoration Limited (DSRL) transferred from the Cavendish Dounreay Partnership Limited, a subsidiary of the Company, to the NDA. The NDA recognised the important contribution that the Company has delivered as part of the Cavendish Dounreay Partnership Limited to the clean-up and decommissioning of the Dounreay site.

The Company secured places on a number of long-term frameworks in the previous financial years and flow through opportunities have been secured notably at Dounreay. The company continued to deliver projects across the Magnox estate with the Berkeley vaults projects nearing completion.

Strategic report for the year ended 31 March 2021 *(continued)*

Operational and financial review *(continued)*

The strong performance on the design frameworks at Sellafield continues, with additional new scope secured, along with continued strong delivery on PFCS (Pile Fuel Cladding Silo).

The Company continues to provide services to EDF's generating fleet, including critical reactor core analysis, maintenance and outage support; and continues to be part of the MEH (Mechanical, Electrical and HVAC Heating, Ventilation and Air Conditioning) Alliance delivering for the EDF/NNB new nuclear power station at Hinkley Point C.

During the year, the Company significantly increased the support it is providing to the Devonport Royal Dockyard, whilst securing a place on the NTSP framework at Clyde.

The restructuring of the Company disclosed in the prior year's financial statements (following the end of the Magnox contract and recognising the profile of other key contracts) was completed by September 2020.

On 18 September 2020, a subsidiary company, Cavendish Nuclear Manufacturing Limited, was sold as a going concern to QML Holdings Limited, a Company outside of the Babcock Group. At the date of sale, Cavendish Nuclear Limited assumed the responsibility for the pension liabilities from Cavendish Nuclear Manufacturing Limited pre-sale.

Long-term business sustainability is a key priority for Cavendish Nuclear and the company focuses on three key themes of safety, people and performance. The Company continues to actively recruit into the graduate and apprenticeship schemes.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks and uncertainties. These are managed through the operational review process supplemented at Babcock International Group ("Group") level by independent challenge and review by the Group Risk Manager and the Audit and Risk Committee.

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

Key current risks are:

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

Risk mitigation and control process:

- i) Health, safety and environmental performance is an absolute priority for the business and receives continuous attention and oversight at all levels in the business
- ii) Health, safety and environmental professionals are employed across the business
- iii) All staff are rigorously trained to minimise risk of mistakes and accidents

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

Risk mitigation and control process:

- i) The business is responsive, and innovative, to ensure it is meeting customer needs
- ii) The business has extensive dialogue with customers to ensure that we have a clear understanding of their changing requirements and priorities

Strategic report for the year ended 31 March 2021 *(continued)*

Principal risks and uncertainties *(continued)*

iii) Projects are reviewed and monitored on a frequent basis to ensure we are delivering to customer agreed targets
iv) The resource base includes a high level of agency staff enabling the business to flex its resources to meet project demands

c) Dependency on attracting, developing and retaining skilled staff

Risk mitigation and control process:

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

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

Future developments

The directors are confident about the future trading prospects of the Company due to its current order book and market opportunities.

Key performance indicators

The Group's activities are managed on a sector 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 Nuclear sector is discussed on pages 52 and 53 of the annual report of Babcock International Group PLC, which does not form part of this report.

S172(1) Statement and Stakeholder engagement

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

On behalf of the Board

P L Edwards

Director

19 November 2021

Directors' report for the year ended 31 March 2021

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

Dividends

No dividends were declared or paid in the year (2020: Nil).

Future developments

The directors are confident about the future trading prospects of the company due to its current order book and market opportunities.

The Company continued to provide critical services to all its customers throughout the COVID19 pandemic and this will continue into the new financial year. The Company is currently reviewing its longer term working arrangements with a view to implementing more flexible working practices where these benefit both the Company and employees. There has been no ongoing impact to existing contracts from COVID19, whilst the long-term forecasts are broadly unchanged as a result of the pandemic.

Going concern

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

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

Financial risk management

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

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

All treasury transactions are carried out only with prime rated counter-parties. Financial Risk is managed in accordance with Group policies and procedures which are discussed on pages 47 to 49 and Note 2 of the annual report of Babcock International Group PLC, which does not form part of this report.

Directors' report for the year ended 31 March 2021 *(continued)*

Directors

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

S C Bowen (resigned 1 September 2021)
P L Edwards
M R Gornall (appointed 1 September 2021)
D Kieran (appointed 24 June 2020)
I S Urquhart

Employment of disabled persons

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

Employee involvement

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests 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 digital media 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.

Research and development

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

Environment

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

Directors' report for the year ended 31 March 2021 *(continued)*

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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 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.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is 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 that information.

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.

Directors' report for the year ended 31 March 2021 *(continued)*

Statement of disclosure of information to auditors

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

Reappointment of auditors

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

.

On behalf of the Board

P L Edwards

Director

19 November 2021

Independent auditors' report to the members of Cavendish Nuclear Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: Statement of financial position as at 31 March 2021; Income statement, Statement of comprehensive income and Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

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

With respect to the Strategic report and Directors' Report for the year ended 31 March 2021, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report for the year ended 31 March 2021

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 March 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report for the year ended 31 March 2021.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to tax legislation, employment laws and regulations and health and safety legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting unusual journal entries to increase revenue and profits and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Enquiry of management over compliance with employment legislation, health and safety legislation and taxation legislation, including consideration of actual or potential litigation and claims.
- Consideration of any changes to the control environment as a result of Covid-19.
- Auditing the risk of management override of controls or risk of fraud in revenue recognition through testing journal entries which may appear to have unusual accounting entries.

- Challenging assumptions and judgements made by management on their significant accounting estimates, in particular in relation to impairment of goodwill, allowance for doubtful accounts, assumptions associated with the pension surplus and the disclosures included on these balances within the financial statements.
- Reviewing minutes of meetings of those charged with governance.
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

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

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

Use of this report

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

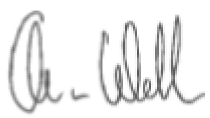
Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Alan Walsh (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
19 November 2021

Income statement
for the year ended 31 March 2021

	Note	2021 £'000	2020 As restated £'000
Revenue	4	**193,794**	202,045
Cost of sales		**(158,383)**	(185,233)
Gross profit		**35,411**	16,812
Administrative expenses		**(24,255)**	(19,166)
Operating profit/ (loss)		**11,156**	(2,354)
Income from shares in group undertakings	7	**1,073**	24,102
Profit before interest and taxation		**12,229**	21,748
Finance income	5	**46**	20
Finance costs	5	**(641)**	(825)
Finance income – pensions	27	**2,227**	815
Profit before income tax		**13,861**	21,758
Income tax expense	11	**(4,224)**	(4,556)
Profit for the financial year		**9,637**	17,202

All of the above results derive from continuing operations.

Statement of comprehensive Income
for the year ended 31 March 2021

	Note	2021 £'000	2020 £'000
Profit for the financial year		**9,637**	17,202
Other comprehensive (loss)/ income:			
Items that may be subsequently reclassified to income statement:			
Fair value adjustment of interest rate and foreign exchange hedges	21	**(111)**	42
Items that will not be subsequently reclassified to income statement:			
(Loss)/ gain on remeasurement of net defined benefit obligation	27	**(76,767)**	35,553
Tax on net defined benefit obligation	22	**14,913**	(6,755)
Impact of change in tax rate	11	**-**	(572)
Total comprehensive (loss)/ income for the year		**(52,328)**	45,470

Statement of financial position

as at 31 March 2021

	Note	2021 £'000	2020 As restated £'000
Non-current assets			
Intangible assets	12	**93,645**	93,762
Tangible fixed assets	13	**6,406**	8,837
Right-of-use assets	14	**7,157**	10,076
Investments	15	**2,000**	2,000
Retirement benefit assets	27	**21,802**	77,115
		131,010	191,790
Current assets			
Inventories	16	**676**	2,972
Trade and other receivables	17	**138,790**	108,830
Other financial assets	21	**1,330**	42
Cash and cash equivalents		**7,502**	23,093
		148,298	134,937
Current Liabilities			
Trade and other payables – amounts falling due within one year	18	**(170,563)**	(158,491)
Lease liabilities	19	**(1,950)**	(1,802)
Other financial liabilities	21	**(474)**	-
Net current liabilities		**(24,689)**	(25,356)
Total assets less current liabilities		**106,321**	166,434
Lease liabilities – amounts falling due in more than one year	19	**(7,698)**	(9,601)
Other financial liabilities – amounts falling due in more than one year	21	**(925)**	-
Provision for liabilities	20	**(9,869)**	(16,676)
Net assets		**87,829**	140,157
Equity			
Called up share capital	23	**50**	50
Share premium account		**50,000**	50,000
Other reserves		**(69)**	42
Retained earnings		**37,848**	90,065
Total shareholders' funds		**87,829**	140,157

The notes on pages 15 to 49 are an integral part of these financial statements. The financial statements on pages 12 to 49 were approved by the board of directors and signed on its behalf by:

P L Edwards
Director
19 November 2021

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

	Called up share capital £'000	Share premium account £'000	Hedging reserve £'000	Retained earnings £'000	Total share-holders' funds £'000
Balance at 1 April 2019	50	50,000	-	45,144	95,194
Profit for the year	-	-	-	17,202	17,202
Other comprehensive income	-	-	42	28,226	28,268
Transition to IFRS1 16	-	-	-	(507)	(507)
Balance at 31 March 2020	**50**	**50,000**	**42**	**90,065**	**140,157**
Profit for the year	**-**	**-**	**-**	**9,637**	**9,637**
Other comprehensive expense	**-**	**-**	**(111)**	**(61,854)**	**(61,965)**
Balance at 31 March 2021	**50**	**50,000**	**(69)**	**37,848**	**87,829**

Notes to the financial statements

1 General information

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

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

Basis of preparation

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

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of land and buildings and certain financial assets and liabilities measured at fair value through profit and loss in accordance with the Companies Act 2006. The financial statements are prepared in sterling which is the functional currency of the Company and rounded to the nearest £'000.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

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

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

a) Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share based payments'
b) IFRS 7, 'Financial instruments: Disclosures'
c) Paragraphs 91 to 99 of IFRS 13 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
d) Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information in respect of:
- paragraph 79(a) (iv) of IAS 1 Share capital and reserves;
- paragraph 73(e) of IAS 16 Property, plant and equipment; and
- paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period)

e) The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.
f) The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases.
g) The following paragraphs of IAS 1, 'Presentation of financial statements':
- 10(d), 10(f), 16, 38, 40, 40A – 40D, 111, and 134-136

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

h) IAS 7, 'Statement of cash flows'
i) Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors'
j) Paragraph 17 of IAS 24, 'Related party transactions' in respect of key management compensation
k) The requirements of IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.
l) The IFRS 7 exemption not to disclose a third balance sheet on restatement of prior year balances.

Going concern

At 31 March 2021, the company had net current liabilities of £24,689,000 (2020: £25,356,000). The Company is dependent upon the continued support of a fellow group undertaking, Babcock Management Limited, which has expressed its willingness to support the Company for at least 12 months from the signing of these financial statements. On this basis the directors consider it appropriate that these financial statements have been prepared on a going concern basis.

Adoption of new and revised standards

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

Revenue

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

(a) Performance obligations

Contracts are assessed to identify each promise to transfer either a distinct good or service or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer. Goods and services are distinct and accounted for as separate performance obligations if the customer can benefit from them either on their own or together with other resources readily available to the customer and they are separately identifiable in the contract. The integrated output nature of many of the goods and services provided by the Company can result in contracts with one performance obligation.

(b) Allocation of contract price to performance obligations

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

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

Revenue *(continued)*

(c) Revenue and profit recognition

Performance obligations are satisfied, and revenue recognised, as control of goods and services is transferred to the customer. Control can be transferred at a point in time or over time and the Company determines, for each performance obligation, whether it is satisfied over time or at a point in time. Performance obligations are satisfied over time if any of the following criteria are satisfied:

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

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

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

If a performance obligation is not satisfied over time, then revenue is recognised at the point in time that control is transferred to the customer. Point in time recognition mainly applies to sale of goods. Control typically transfers to the customer when the customer has legal title to the goods and this is usually coincident with delivery of the goods to the customer and right to payment by the Company.

Profit is recognised to the extent that the final outcome on contracts can be reliably assessed. Contract outturn assessments are carried out on a contract-by-contract basis, including consideration of technical and other risks, by suitably qualified and experienced personnel and the assessments of all significant contracts are subject to review and challenge. Assessment of outcomes is in relation to separate performance obligations and includes variable consideration, which can include judgements on variations and claims, measured using the most likely outcome approach, to the extent that it is highly probable that there will not be a reversal in the amount of cumulative revenue recognised. Judgements on contract variations and claims may consider, amongst other matters, the contract terms and conditions, previous experience with customers and the status of negotiations at the time judgements are made. Any expected loss on a contract is recognised immediately in the income statement.

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

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

Revenue *(continued)*

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

(e) Contract mobilisation costs

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

Intangible assets

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

a) Goodwill

Goodwill relating to acquisitions prior to transition date is maintained at its net book value on the date of transition to FRS 101.

Annual impairment reviews are performed as outlined in note 12.

b) Research and development

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

c) Computer software

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

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

Property, plant and equipment

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

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

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

Investments

Fixed asset investments are stated at cost less accumulated impairment losses.

Inventory and work in progress

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

Financial assets and liabilities at amortised cost

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

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

Share based payments

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

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

Taxation

(a) Current income tax

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

(b) Deferred income tax

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

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

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

Pensions costs and other post-retirement benefits

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

The cost of providing benefits is determined using the projected unit credit actuarial valuation method. The total service cost and associated administration costs of the pension schemes are charged to operating profit in the entities which participate in the scheme. In addition, a retirement benefit interest charge on the net pension deficit is charged to the income statement as a finance cost. Actuarial gains and losses are recognised directly in equity through the statement of comprehensive income.

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

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

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

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

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

Foreign currencies

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

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

Lessee Accounting

For all leases in which the Company is a lessee (other than those meeting the criteria detailed below), the present value of future lease payments are capitalised to the statement of financial position in accordance with IFRS 16 ‘Leases’, with a corresponding right of use asset recognised.

Lease payments are discounted using the interest rate implicit in the lease or the incremental borrowing rate where the interest rate implicit in the lease is not available.

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

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

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

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

As a lessor, the Company recognises assets held under a lease in the statement of financial position as a financial asset. The lease payment receivable is treated as finance income and a repayment of principal including initial direct costs. Finance income is allocated over the lease term, with the gross receivable being reviewed for impairment on a regular basis.

Provisions for liabilities

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

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

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

Provisions for liabilities *(continued)*

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

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

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

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

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

Derivative financial instruments

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

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

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

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

Dividend distribution

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

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.

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

Exceptional items

The Company classifies certain one-off charges or credits that have a material impact on the group's financial results as 'exceptional items'. These are disclosed separately in note 6 to provide further understanding of the financial performance of the Company.

Restatement

A prior year restatement has been identified relating to a pain/gain share agreement, which resulted in variable revenues being incorrectly recognised as a Contract cost accrual and included within Cost of sales in the Income statement. The variable revenues should have been recognised through Revenue and held within Amounts due from customers for contract work. The restatement results in a reduction of £1,542,000 in both Revenue and Cost of sales for the year ended 31 March 2020, with no impact on gross profit. The restatement also results in a £1,021,000 reduction of both Amounts due from customers for contract work and Contract cost accruals as at 1 April 2019, and a cumulative reduction of £2,563,000 to both Amounts due from customers for contract work and Contract cost accruals as at 31 March 2020. There is no impact on net current liabilities or net assets.

3 Critical accounting estimates and judgements

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

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

Revenue and profit recognition

Revenue and profit recognition on contracts is based on estimates of outturn revenues and costs on a contract-by-contract basis. Both of these estimates can involve significant levels of estimation uncertainty. Estimating contract revenues can involve judgements around whether the Company will meet performance targets, earn incentives and the pricing of any scope changes, variations or claims under the contract. When considering variations to contracts, the Company must make a judgement as to whether the variation should be accounted for as a separate, distinct contract or be considered, and accounted for, as part of the original contract. This judgement will depend on the scope of the variation, its pricing and the contractual terms.

Contract outturn assessments are carried out by suitably qualified and experienced personnel and include assessments of variable consideration and contract contingencies arising out of technical, commercial, operational and other risks. When considering variations, claims and contingencies, the Company analyses various factors including the contractual terms, status of negotiations with the customer and historic experience with that customer and similar contracts. The assessment of all significant contracts are subject to review and challenge. As contracts near completion, often less judgement is needed to determine the size of the expected outturn.

Notes to the financial statements *(continued)*

Defined benefit pension scheme

The Company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including: life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 27 for the disclosures of the defined benefit pension scheme.

4 Revenue

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

	2021 **£'000**	2020 As restated £'000
By area of activity:		
Sale of goods – transferred at a point in time	**5,530**	3,556
Sale of goods – transferred over time	**2,082**	2,212
Provision of services – transferred over time	**186,182**	196,277
	193,794	202,045

	2021 **£'000**	2020 As restated £'000
By geographical area:		
United Kingdom	**192,330**	201,470
Rest of world	**1,464**	575
	193,794	202,045

5 Finance income and costs

	2021 **£'000**	2020 £'000
Finance income:		
Bank interest income	**2**	20
Finance lease income	**44**	-
	46	20
Finance costs:		
Bank interest	**(13)**	(140)
IFRS 16 interest	**(490)**	(593)
Finance lease interest	**(44)**	-
Other charges	**(94)**	(92)
	(641)	(825)

Notes to the financial statements *(continued)*

6 Operating profit/ loss

Operating profit is stated after charging / (crediting):

	2021 £'000	2020 £'000
Depreciation and amortisation	**3,189**	3,625
Impairment	**2,843**	814
Research and development expenditure credit (RDEC)	**(14,170)**	(8,400)
Exceptional costs relating to organisational restructure	**(678)**	17,013
Subleasing income	**(74)**	-
Profit on sale of subsidiary undertaking	**(392)**	-
Foreign exchange losses	**36**	2
Audit fees payable to the Company's auditor	**77**	61

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

The increase in administrative expenses year on year is due largely to a change in allocation of IT costs from cost of sales into administrative expenses.

Included within the research and development credit is £10,370,000 relating to the true up of prior years.

7 Income from shares in group undertakings

	2020 £'000	2019 £'000
Dividends received from joint ventures	**1,073**	24,102

The decrease in dividend income reflects the impact of the termination of the Magnox joint venture contract and nil dividend income from the Dounreay joint venture.

8 Staff costs

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

	2021 Number	2020 Number
By activity:		
Operations	**1,139**	1,092
Management and administration	**189**	197
	1,328	1,289

Notes to the financial statements *(continued)*

8 Staff costs *(continued)*

Their aggregate remuneration comprised:

	2021 £'000	2020 £'000
Wages and salaries	**63,701**	62,093
Social security costs	**7,126**	6,946
Other pension costs	**12,996**	11,754
	83,823	80,793

Included in other pension costs are £6,563,000 (2020: £6,175,000) in respect of the defined benefit schemes and £6,434,000 (2020: £5,579,000) in respect of the defined contribution scheme.

The employment costs above include those of employees providing management services to other group companies, as well as staff seconded to other group companies. These are recharged to those business entities. A surplus of £7,829,000 on the Babcock International Group defined benefit pension scheme was transferred to the Company on the sale of Cavendish Nuclear Manufacturing Limited (see note 27).

9 Directors' remuneration

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

The remuneration of the directors which was paid by the Company was as follows:	2021 £'000	2020 £'000
Emoluments (including benefits in-kind)	**901**	777
Defined contribution pension scheme	**57**	20

During the year one (2020: two) director remunerated by Cavendish Nuclear Limited exercised share options under long-term incentive plans and three (2020: three) directors were entitled to receive share options under long term incentive plans.

Retirement benefits are accruing to no directors (2020: None) under defined pension scheme schemes.

One (2020: one) director of the Company was remunerated by other Babcock Group companies. It is not possible to make an accurate apportionment of these director's emoluments relating to services provided to the Company and as such no disclosure of emoluments received by this director has been made in these financial statements. No recharge is made for costs borne by the Company in relation to services performed by the director in relation to other Babcock Group companies.

Notes to the financial statements *(continued)*

9 Directors' remuneration *(continued)*

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

	2021	2020
	£'000	£'000
Emoluments (excluding pension contributions)	**412**	511
Company pension contributions (in place of accrued benefit entitlement under the group's defined contribution scheme)	**80**	79

The highest paid director exercised shares under long term incentive plans (2020: the highest paid director exercised shares under long term incentive plans).

10 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 Cavendish Nuclear 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 £296,000 (2020: £250,000) all of which related to equity-settled share-based payment transactions. After tax, the income statement charge was £246,000 (2020: £200,000).

Notes to the financial statements *(continued)*

10 Share based payments *(continued)*

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

DBMP, PSPs and DBP[1]

	Options awarded Number	Share price at grant or modification date Pence	Expected volatility %	Option life Years	Expectations of meeting performance criteria – non-market conditions %	Fair value per option – TSR Pence	Fair value per option – non-market conditions Pence	Correlation %	Grant or modification date
2020 PSP	695,458	350.0	19.0%	6.0	100.0%	–	305.2	55.0%	01/12/20
2020 PSP	2,091,24	350.0	19.0%	4.0	100.0%	–	350.0	55.0%	01/12/20
2020 PSP	1,341,477	350.0	19.0%	6.0	100.0%	137.9	305.2	55.0%	01/12/20
2020 DBP	118,320	289.0	19.0%	4.0	100.0%	–	289.0	55.0%	03/08/2
2020 DBP	146,306	289.0	19.0%	3.0	100.0%	–	289.0	55.0%	03/08/2
2020 DBP	192,096	284.2	19.0%	4.0	100.0%	–	284.2	55.0%	13/08/20
2020 DBP	8,474	284.2	19.0%	3.0	100.0%	–	284.2	55.0%	13/08/20
2019 PSP	1,370,671	472.8	11.0%	6.0	–	70.9	472.8	45.0%	13/06/19
2019 PSP	3,019,03	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
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	1,769,338	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
2017 DBP	103,246	905.5	15.0%	3.0	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 Executive Directors 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.

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.

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

Notes to the financial statements *(continued)*

10 Share based payments *(continued)*

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

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

11 Income tax expense

Tax expense included in income statement

	2021 **£'000**	2020 £'000
Current tax:		
UK Corporation tax on profits for the year	**-**	2,341
Adjustment in respect of prior year	**-**	-
Current tax charge for the year	**-**	2,341
Deferred tax:		
Origination and reversal of temporary differences	**4,084**	2,471
Adjustment in respect of prior years	**140**	(167)
Impact of change in UK tax rate	**-**	(89)
Total deferred tax charge (Note 22)	**4,224**	2,215
Tax on profit	**4,224**	4,556

Tax (income)/ expense included in other comprehensive income

Current tax		
Deferred tax:		
- Tax impact of actuarial gains/ losses on pension schemes	**(14,913)**	6,755
- Impact of change in tax rates	**-**	572
Tax (income)/ expense included in other comprehensive income	**(14,913)**	7,327

Notes to the financial statements *(continued)*

11 Income tax expense *(continued)*

Tax expense for the year is higher (2020: higher) than the standard effective rate of corporation tax in the UK for the year ended 31 March 2021 of 19% (2020: 19%). The differences are explained below:

	2021 £'000	2020 £'000
Profit before taxation	**13,861**	**21,758**
Profit multiplied by standard UK corporation tax rate of 19% (2020: 19%)	**2,634**	**4,134**
Effects of:		
Expenses not deductible for tax purposes	**694**	**678**
Group relief surrendered for nil consideration	**756**	**-**
Adjustments in respect of deferred tax for prior years	**140**	**(167)**
Impact of change in UK tax rate	**-**	**(89)**
Tax charge for the year	**4,224**	**4,556**

In the 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. As the increase of the rate to 25% had not been substantively enacted at the Balance Sheet date, its effects are not included in these financial statements.

12 Intangible assets

	Development costs £'000	Software £'000	Goodwill £'000	Total £'000
Cost				
At 1 April 2020	43	2,767	118,774	**121,584**
Additions	-	172	-	**172**
Disposals	(21)	-	-	**(21)**
At 31 March 2021	**22**	**2,939**	**118,774**	**121,735**
Accumulated amortisation and impairment				
At 1 April 2020	-	1,396	26,426	**27,822**
Amortisation	-	268	-	**268**
At 31 March 2021	**-**	**1,664**	**26,426**	**28,090**
Net book value				
At 31 March 2021	**22**	**1,275**	**92,348**	**93,645**
At 31 March 2020	43	1,371	92,348	93,762

Notes to the financial statements *(continued)*

12 Intangible assets *(continued)*

The goodwill arose on acquisition of the following:

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

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

It is not possible to quantify the effect of the departure from the Companies Act, because a finite life for the goodwill has not been identified. However, the effect of amortising over a useful life of 20 years would be a charge of £5.9 million (2020: £5.9 million) against operating profit, and a reduction of £41.4 million (2020: £35.5 million) in the carrying value of goodwill in the balance sheet.

The Company has written off £21,000 (2020: capitalised £43,000) of development costs. Development costs are capitalised on the basis that the expenditure relates to clearly defined and separately identifiable projects which are commercially viable and technically feasible. Once the products under development come into use, these amounts will be written off over the period during which the Company is expected to benefit from them. To the extent that these conditions for capitalisation become doubtful, the capitalised costs will be written off in full.

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

Notes to the financial statements *(continued)*

13 Tangible fixed assets

	Freehold land and buildings £'000	Leasehold improve-ments £'000	Vehicles, plant and machinery £'000	Office equipment £'000	Total £'000
Cost					
At 1 April 2020	2,219	8,869	1,900	2,952	15,940
Additions	34	91	220	-	345
Disposals	-	(35)	-	-	(35)
At 31 March 2021	**2,253**	**8,925**	**2,120**	**2,952**	**16,250**
Accumulated					
At 1 April 2020	476	2,752	1,213	2,662	7,103
Charge for the year	95	679	163	185	1,122
Impairment	-	1,651	-	-	1,651
Disposals	-	(32)	-	-	(32)
At 31 March 2021	**571**	**5,050**	**1,376**	**2,847**	**9,844**
Net book value					
At 31 March 2021	**1,682**	**3,875**	**744**	**105**	**6,406**
At 31 March 2020	1,743	6,117	687	290	8,837

Notes to the financial statements *(continued)*

14 Right of use assets

	Property £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 April 2020	16,128	973	17,101
Additions	-	126	126
Modifications	-	54	54
Terminations	(34)	(277)	(311)
At 31 March 2021	**16,094**	**876**	**16,970**
Accumulated depreciation			
At 1 April 2020	6,664	361	7,025
Charge for the year	1,471	328	1,799
Impairment	1,193	-	1,193
Terminations	(10)	(194)	(204)
At 31 March 2021	**9,318**	**495**	**9,813**
Net book value			
At 31 March 2021	**6,776**	**381**	**7,157**
At 31 March 2020	9,464	612	10,076

15 Investments

	Shares in group undertakings 2021 £'000	Shares in group undertakings 2020 £'000
Carrying amount at 31 March	**2,000**	2,000

16 Inventories

	2021 £'000	2020 £'000
Raw materials	**676**	744
Work-in-progress	**-**	2,228
	676	2,972

The amount of provision for obsolescence of inventories recognised as an expense was £200,000 (2020: £21,000).

Notes to the financial statements *(continued)*

17 Trade and other receivables

	2021 £'000	2020 As restated £'000
Amounts falling due within one year:		
Trade receivables	**19,852**	10,490
Amounts due from customers for contract work	**19,553**	22,660
Amounts due by group undertakings	**91,445**	62,987
UK corporation tax receivable	**3,436**	6,305
Other receivables	**1,464**	2,803
Prepayments and accrued income	**515**	1,166
	136,265	106,411
Amounts due after more than one year:		
Other receivables	**2,525**	2,419
	138,790	108,830

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

Seven (2020: four) loans totalling £81,017,000 (2020: £57,596,000) are repayable on demand, with no interest charge.

	Amounts due for contract work £'000	Capitalised contract costs £'000	Total £'000
At 1 April 2020 as restated	22,660	1,264	23,924
Transfers from contract assets recognised at the beginning of the year to receivables	(22,721)	-	(22,721)
Increase due to work done not transferred from contract assets	19,614	-	19,614
Amounts capitalised	-	64	64
Amortisation of contract assets	-	(1,133)	(1,133)
Impairment of contract assets			
At 31 March 2021	**19,553**	**195**	**19,748**

Notes to the financial statements *(continued)*

17 Trade and other receivables *(continued)*

	Amounts due for contract work As restated £'000	Capitalised contract costs £'000	Total As restated £'000
At 1 April 2019 as restated	24,004	2,132	**26,136**
Transfers from contract assets recognised at the beginning of the year to receivables	(24,776)	-	**(24,776)**
Increase due to work done not transferred from contract assets	23,432	165	**23,597**
Amounts capitalised	-	7	**7**
Amortisation of contract assets	-	(893)	**(893)**
Impairment of contract assets	-	(147)	**(147)**
At 31 March 2020 as restated	**22,660**	**1,264**	**23,924**

18 Trade and other payables

	2021 £'000	2020 As restated £'000
Amounts falling due within one year:		
Trade payables	**11,229**	15,973
Amounts due to parent and group undertakings	**102,334**	97,744
Accruals and deferred income	**21,015**	13,761
Deferred tax (Note 22)	**4,609**	13,810
Payments received on account	**13,286**	4,915
Other taxation and social security	**14,410**	8,109
Other payables	**3,680**	4,179
	170,563	158,491

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

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

Notes to the financial statements *(continued)*

18 Trade and other payables *(continued)*

	Contract cost accrual	Advance payments	Deferred income	Total
	£'000	£'000	£'000	£'000
At 1 April 2020 as restated	9,316	4,915	2,732	16,963
Revenue recognised that was included in contract liabilities at the beginning of the year	-	(4,528)	-	(4,528)
Increase due to cash received, excluding amounts recognised as revenue	-	12,703	19	12,722
Amounts accrued	6,095	-	10	6,105
Amounts utilised	(1,424)	-	(2,565)	(3,989)
At 31 March 2021	**13,987**	**13,090**	**196**	**27,273**

	Contract cost accrual	Advance payments	Deferred income	Total
	£'000	£'000	£'000	£'000
At 1 April 2019 as restated	11,055	5,268	26	**16,349**
Revenue recognised that was included in contract liabilities at the beginning of the year	-	(4,662)	(26)	**(4,688)**
Increase due to cash received, excluding amounts recognised as revenue	-	4,129	169	**4,298**
Amounts accrued	10,223	180	-	**10,403**
Amounts utilised	(11,962)	-	-	**(11,962)**
At 31 March 2020 as restated	**9,316**	**4,915**	**169**	**14,400**

Notes to the financial statements *(continued)*

19 Lease liabilities

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

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

	2021 **£'000**	2020 on transition £'000
At 1 April	**11,403**	14,358
Additions	**184**	98
Disposals	**(76)**	(1,136)
Interest charged	**490**	593
Payments	**(2,353)**	(2,510)
At 31 March	**9,648**	11,403

Discounted future minimum lease payments are as follows:

	2021 **£'000**	2020 £'000
Within one year	**1,950**	1,802
In more than one year, but not more than five years	**5,532**	6,152
After five years	**2,166**	3,449
Carrying value of liability	**9,648**	11,403

The Company had total cash outflows for leases of £2,353,000 for the year ended 31 March 2021 (2020: £2,510,000).

Notes to the financial statements *(continued)*

20 Provisions for liabilities

The company had the following provisions during the year:

	Continuing Annual Payments	**Property**	**Contract/ Warranties**	**Reorg-anisation**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
At 1 April 2020	1,537	1,407	1,269	12,463	**16,676**
Transferred on sale of subsidiary	70	655	-	1,053	**1,778**
Charged to the income statement	-	492	1,092	141	**1,725**
Released to the income statement	-	-	(209)	(678)	**(887)**
Unwinding of discount	94	-	-	-	**94**
Utilised in the year	(114)	(261)	(9)	(9,133)	**(9,517)**
At 31 March 2021	**1,587**	**2,293**	**2,143**	**3,846**	**9,869**

Continuing Annual Payments provision

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

Property provision

The provision is for the cost of returning leasehold buildings to their original pre-lease state, and for onerous contracts relating to two leasehold properties.

Contract provisions

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

Reorganisation provision

The provision relates primarily to severance costs relating to a restructure.

21 Other financial assets and liabilities

Included in derivative financial instruments at fair value:

	2021		2020	
	Assets £'000	**Liabilities £'000**	Assets £'000	Liabilities £'000
Forward FX contracts – cash flow hedges	**147**	**(216)**	42	-
Finance leases	**1,183**	**(1,183)**	-	-
	1,330	**(1,399)**	42	-

Notes to the financial statements *(continued)*

21 Other financial assets and liabilities *(continued)*

Cavendish Nuclear Limited revalued Euro Forward Purchase contracts held with maturity dates beyond 31st March 2020 totalling EUR 4,203,415 and YEN 141,716,250 (2020: EUR 1,626,105). The movement in exchange rates resulted in a (£68,671) reserve (2020: £41,600).

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

	Assets £'000	Liabilities £'000	Total £'000
At 1 April 2019:	42	-	**42**
(Charged)/ credited to other comprehensive income	105	(216)	**(111)**
At 31 March 2021:	**147**	**(216)**	**(69)**

The Company has taken advantage of the exemptions within FRS 101 not to disclose all IFRS 7 and IFRS 13 requirements, on the grounds that the Company itself is a wholly owned subsidiary of Babcock International Group PLC, for which the consolidated financial statements are publicly available with compliance to IFRS.

Finance lease

The Company also subleases a property. The Company has classified the sublease as a finance lease because the sublease is for the whole of the remaining term of the head lease.

Discounted future minimum lease payments are as follows:

	2021 £'000	2020 £'000
Within one year	**258**	-
In more than one year, but not more than five years	**925**	-
After five years	**-**	-
Carrying value of liability	**1,183**	-

Lease income from lease contracts in which the Company acts as a lessor is disclosed in note 6.

Notes to the financial statements *(continued)*

22 Deferred taxation

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

Deferred tax liabilities	Accelerated capital allowances £'000	Other £'000	Total £'000
At 1 April 2019:	161	(4,429)	(4,268)
- (Credited)/ charged to the income statement	185	(2,400)	(2,215)
- Charged directly to other comprehensive income	-	(7,327)	(7,327)
At 31 March 2020:	346	(14,156)	(13,810)
- Charged to the income statement	(98)	(4,126)	(4,224)
- Credited to other comprehensive income	-	14,913	14,913
- Balance transferred from associated companies	-	(1,488)	(1,488)
At 31 March 2021:	248	(4,857)	(4,609)

23 Called up share capital

	2021 £'000	2020 £'000
Authorised		
20 Ordinary shares of £1 each (2020: 20)	**20**	20
50,000 Preference shares of £1 each (2020: 50,000)	**50,000**	50,000
	50,020	50,020

	2021	2020
Allotted and fully paid		
15 Ordinary shares of £1 each (2020: 15)	**15**	15
50,000 Preference shares of £1 each (2020: 50,000)	**50,000**	50,000
	50,015	50,015

24 Dividends

No dividends were declared and paid in the year (2020: £Nil). There are no plans for a final dividend.

25 Guarantees and financial commitments

At 31 March 2021 the Company had capital commitments of £256,000 (2020: £24,000) for the purchase of equipment and machinery, kitchen, shower rooms and bicycle sheds.

Notes to the financial statements *(continued)*

26 Related party disclosures

Transactions entered into and trading balances outstanding at 31 March 2021 are as follows:

Related party	**Sales to related party £'000**	**Purchases from related party £'000**	**Amounts owed by related party £'000**	**Amounts owed to related party £'000**
Cavendish Dounreay Partnership Limited	122	-	190	-
Nuclear Technical Services Provider	553	-	448	-

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

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

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

27 Pension commitments

Defined Benefit Schemes

Balance Sheet assets and liabilities recognised are as follows:

	2021 £'000	2020 £'000
Babcock International Group Pension Scheme		
Retirement benefits – funds in surplus	**943,321**	732,568
Retirement benefits – funds in deficit	**(931,863)**	(674,177)
	11,458	58,391
Electricity Supply Pension Scheme		
Retirement benefits – funds in surplus	**81,673**	77,243
Retirement benefits – funds in deficit	**(71,329)**	(58,519)
	10,344	18,724
Retirement benefit assets	**21,802**	77,115

Notes to the financial statements *(continued)*

27 Pension commitments *(continued)*

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

	BIG pension scheme £'000	Electricity Supply Pension Scheme £'000	Total retirement benefit assets £'000
At 1 April 2020	58,391	18,724	77,115
Surplus transferred on sale of subsidiary undertaking	7,829	-	7,829
Service cost and incurred expenses	(6,119)	(1,225)	(7,344)
Net interest income	1,863	364	2,227
Employer contributions	17,205	1,537	18,742
Actuarial loss recognised in the SOCI	(67,711)	(9,056)	(76,767)
At 31 March 2021	**11,458**	**10,344**	**21,802**

The Company accounts for pension costs in accordance with IAS 19. The Company contributes to defined contribution schemes in the UK in respect of a number of its employees. The Company is also a contributing employer to defined benefit schemes (the "Babcock International Group Pension Scheme" and the "Electricity Supply Pension Scheme). The Company is severally liable, along with the other participating employers, for the assets and liabilities of the Babcock International Pension scheme. The allocation of the assets and liabilities of the scheme and 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 actuary.

The key risks relate primarily to longevity, the expected inflation rate in the future which impacts on pension increases and indirectly salary increases and the discount rate used to value the liabilities. The schemes have mitigated some of these risks by taking out longevity swaps in respect of pensioners and their spouses, and hedging the interest rate and inflation risks though derivative instruments and made benefit changes impacting future service benefits which included capping of pensionable salaries, capping pension increases, increasing normal retirement age in line with state pension ages and increasing 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 schemes' 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 scheme is subject to regulation under the funding regime set out in Part III of the Pensions Act 2004.

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

Notes to the financial statements *(continued)*

27 Pension commitments *(continued)*

BIG Pension Scheme

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

	2021	2020
	%	%
Major assumptions		
Rate of increase in salaries	**2.9**	2
Rate of increase in pension payment	**3.1**	2.6
Discount rate	**2.0**	2.4
Inflation rate	**2.7**	1.8

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

The mortality assumptions used were:

	2021	2020
	Years	Years
Life expectancy from age 65 (male age 65)	**22.1**	22.1
Life expectancy from age 65 (male age 45)	**22.7**	22.7

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

	Defined benefit obligations 2021	**Income statement 2021**
	£'000	**£'000**
Initial assumptions	**1,421,689**	**8,841**
Discount rate assumptions increased by 0.5%	(96,533)	(3,265)
Discount rate assumptions decreased by 0.5%	96,533	2,289
Inflation rate assumptions increased by 0.5%	57,721	1,819
Inflation rate assumptions decreased by 0.5%	(52,887)	(1,648)
Total life expectancy increased by half a year	32,841	762
Total life expectancy decreased by half a year	(32,841)	(762)
Salary increase assumptions increased by 0.5%	7,677	455
Salary increase assumptions decreased by 0.5%	(7,677)	(455)

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

Notes to the financial statements *(continued)*

27 Pension commitments *(continued)*

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

Fair value of plan of assets	**2021**	2020
	£'000	£'000
Equities	**(79)**	17,851
Property	**138,681**	136,091
Absolute return and multi strategy funds	**77,583**	87,564
Bonds	**724,997**	588,848
Matching assets	**551,788**	622,665
Scheme assets	**1,492,970**	1,453,019
Active position on longevity swaps	**(53,800)**	(65,642)
Total assets	**1,439,170**	1,387,377
Present market value of liabilities - funded	**(1,421,689)**	(1,276,793)
Gross pension surplus	**17,481**	110,584

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 2021, in line with assumptions that are consistent with the requirements of IFRS 13.

Analysis of amount charged to the income statement in Babcock International Group Plc	**2021** **£'000**	2020 £'000
Current service cost	**5,741**	6,693
Incurred expenses	**2,596**	1,970
Past service cost	**999**	-
Settlement	**-**	-
Total included within operating profit	**9,336**	8,663
Net interest income	**(2,843)**	(1,300)
Total charged to the income statement	**6,493**	7,363

The amounts charged to the income statement in these financial statements, based on the Company's allocation of the total Babcock International Group Plc charge, included £3,763,000 for service cost (2020: £3,534,000), £1,702,000 for incurred expenses (2020: £1,040,000), £655,000 for past service cost (2020: nil), £Nil for settlement (2020: nil), and net interest income of £1,863,000 (2020: (£686,000)).

Notes to the financial statements *(continued)*

27 Pension commitments *(continued)*

Analysis of amount included in Babcock International Group Plc statement of comprehensive income ("SOCI")	**2021 £'000**	2020 £'000
Actuarial (loss)/ gain recognised in the SOCI	**(117,988)**	56,807
Experience losses	**(9,021)**	(6,371)
Other gains/ (losses)	**13,418**	(4,088)
	(113,591)	46,348

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 £67,711,000 (2020: £22,297,000).

The equity investments and bonds are valued at bid price.

Reconciliation of present value of scheme assets in Babcock International Group Plc	**2021 £'000**	**2020 £'000**
At 1 April	**1,453,019**	1,468,975
Interest cost	**34,244**	34,345
Employee contributions	**99**	141
Employer contributions	**26,981**	21,874
Benefits paid	**(80,924)**	(80,602)
Actuarial gain	**59,551**	8,286
At 31 March	**1,492,970**	1,453,019

Reconciliation of present value of scheme liabilities	**2021 £'000**	**2020 £'000**
At 1 April	**1,276,793**	1,359,139
Service cost	**5,741**	6,693
Incurred expenses	**2,596**	1,971
Interest on liabilities	**29,825**	31,602
Employee contributions	**99**	140
Actuarial (gain) / loss – demographics	**11,371**	6,350
Actuarial (gain) / loss – financial	**166,168**	(54,871)
Experience (gain) / losses	**9,021**	6,371
Benefits paid	**(80,924)**	(80,602)
Past service cost	**999**	-
At 31 March	**1,421,689**	1,276,793

Notes to the financial statements *(continued)*

27 Pension commitments *(continued)*

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 £11,458,000 (2020: £58,391,000).

Electricity Supply Pension Scheme

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

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

Major assumptions	2021 %	2020 %
Rate of increase in salaries	**2.90**	2.00
Rate of increase in pension payment	**3.23**	2.78
Discount rate	**2.00**	2.40
Inflation	**2.90**	2.00

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

The mortality assumptions used were:

	2021 Years	2020 Years
Life expectancy from age 65 (male age 65)	**22.6**	22.6
Life expectancy from age 65 (male age 45)	**23.5**	23.5

Notes to the financial statements *(continued)*

27 Pension commitments *(continued)*

The changes to the Babcock International Group Plc balance sheet at 31 March 2021 and the changes to the Babcock International Group Plc income statement for the year to 31 March 2021, if the assumptions were sensitised by the amounts below, would be:

	Defined benefit obligations 2021 £000	**Income statement 2021 £000**
Initial assumptions		
Discount rate assumptions increased by 0.5%	(9,030)	(531)
Discount rate assumptions decreased by 0.5%	9,030	432
Inflation rate assumptions increased by 0.5%	8,627	408
Inflation rate assumptions decreased by 0.5%	(8,627)	(409)
Total life expectancy increased by half a year	1,169	53
Total life expectancy decreased by half a year	(1,169)	(54)
Salary increase assumptions increased by 0.5%	1,176	87
Salary increase assumptions decreased by 0.5%	(1,176)	(88)

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

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

Fair value plan of assets

	2021 £'000	2020 £'000
Equities	**9,437**	8,173
Absolute return and multi strategy funds	**8,722**	9,495
Bonds	**62,620**	58,789
Matching assets	**894**	786
Total assets	**81,673**	77,243
Present market value of liabilities – funded	**(71,329)**	(58,519)
Gross pension surplus	**10,344**	18,724

Analysis of amount charged to the income statement	**2021 £'000**	2020 £'000
Current service cost	**1,214**	1,452
Past service cost	**10**	-
Total included within operating profit	**1,224**	1,452
Net interest income	**(364)**	(129)
Total charged to the income statement	**860**	1,323

Notes to the financial statements *(continued)*

27 Pension commitments *(continued)*

Analysis of amount included in statement of comprehensive income (“SOCI”)	2021 £’000	2020 £’000
Actuarial (loss)/ gain recognised in the SOCI	**(13,429)**	7,137
Experience gains	**1,729**	-
Gain on assets	**2,644**	6,119
	(9,056)	13,256

The equity investments and bonds are valued at bid price.

Reconciliation of present value of scheme assets	2021 £’000	2020 £’000
At 1 April	**77,243**	69,097
Interest	**1,772**	1,659
Employee contributions	**-**	-
Employer contributions	**1,537**	1,350
Benefits paid	**(1,523)**	(982)
Actuarial gain recognised in the SOCI	**2,644**	6,119
At 31 March	**81,673**	77,243

Reconciliation of present value of scheme liabilities	2021 £’000	2020 £’000
At 1 April	**58,519**	63,656
Service cost	**1,212**	1,452
Incurred expenses	**2**	-
Interest on liabilities	**1,409**	1,530
Employee contributions	**-**	-
Actuarial gain– demographics	**(107)**	(802)
Actuarial loss/ (gain) – financial	**13,536**	(6,334)
Experience gain	**(1,729)**	-
Benefits paid	**(1,523)**	(983)
Past Service cost	**10**	-
Settlement	**-**	-
At 31 March	**71,329**	58,519

Notes to the financial statements *(continued)*

28 Subsidiary, and associate and Joint Venture undertakings

All related undertakings for the Company are as listed below:

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

[1] Entered liquidation in January 2020

Cavendish Nuclear Manufacturing Limited was sold on 18 September 2020.

29 Contingent liabilities

At the year-end date the Company had joint and several liabilities for the drawn bank overdraft facilities of other Group companies of £Nil (2020 £Nil).

30 Immediate and ultimate parent undertakings

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

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

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