Babcock Marine (Rosyth) Limited

Annual report and financial statements

for the year ended 31 March 2023

Registered number: SC333105

COMPANY INFORMATION

Directors	S Doherty D M Jones W R Watson
Company secretary	J M Wood Babcock Corporate Secretaries Limited
Registered Number	SC333105
Registered office	Rosyth Business Park Rosyth Dunfermline FIFE KY11 2YD
Independent auditor	Deloitte LLP 1 New Street Square London EC4A 4HQ

CONTENTS

Strategic report for the year ended 31 March 2023

The Directors present their Strategic report on the Company for the year ended 31 March 2023.

Principal activities
The principal activities of the Company are the design, construction and repair of ships and the provision of specialised design and manufacturing services for the energy and defence sectors.

Business review	**2023**	**2022**
	£'000	£'000
Revenue	**6,298**	47,382
Profit for the financial year	**5,491**	3,694

Over the course of the year, the UK Dreadnought and US Columbia class submarines contract were novated to the Company's subsidiary, Rosyth Royal Dockyard Limited (RRDL). All other contracts will continue to trade within Babcock Marine (Rosyth) Limited (BMRL) until contract completion estimated to be in financial year 2025. Following this the company will act as a holding company.

Statement of financial position has continued year on year in a healthy position with net assets of £148.0m (2022 £142.5m), a 3.4% movement year on year. Due to the UK Dreadnought and US Columbia class submarines having been novated to the Company's subsidiary, Rosyth Royal Dockyard Limited this has caused a reduction in the current assets and liabilities offset by increase in the creation of intercompany sweep loans to reflect the cash sweeping.

Principal risks and uncertainties
The Company's ultimate controlling parent is Babcock International Group PLC. Risks are managed at a group level in accordance with the risk management framework of Babcock International Group PLC. The principal risks and uncertainties of Babcock International Group PLC are discussed in its Annual Report for the year ended 31 March 2023, which does not form part of this report.

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

The key risks and uncertainties affecting the Company are considered to relate to contractual performance, and the political and regulatory environment. The directors manage this risk by meeting on a regular basis to gain assurance from the executive team that risks are being addressed in accordance with the strategic plan and site obligations.

Further discussion of these risks and uncertainties, in the context of the Group as a whole, is provided on pages 87 to 103 of the annual report of Babcock International Group PLC, which does not form part of this report.

Strategic report for the year ended 31 March 2023 *(continued)*

Key performance indicators
The Company's activities are managed on a divisional basis. The following financial performance indicators (KPIs) have been identified. These reflect the internal benchmarks that are used to measure the success of the business and strategy.

	2023	2022	
Revenue reduction from continuing operations	**-86.71%**	161.17%	Decrease in FY23 is due to the UK Dreadnought and US Columbia class submarines being novated to the Company's subsidiary, Rosyth Royal Dockyard Limited.
Operating Return on Turnover from continuing operations	**46.00%**	15.38%	Operating profit expressed as a percentage of turnover. Increase in FY23 is mainly due to the UK Dreadnought and US Columbia class submarines contract..

The growth and performance of the Company, a division of Babcock International Group PLC, which includes the Company, is discussed on pages 40 to 43 of the annual report of Babcock International Group PLC, which does not form part of this report.

S172(1) Statement and Stakeholder engagement
This statement contains an overview of how the Directors have performed their duty to promote the success of the Company as set out in Section 172(1) of the Companies Act 2006. That section requires a director of a company to act in the way they consider, in good faith, would most likely promote the success of the company for the benefit of the shareholders. In doing this, the director must have regard, amongst other matters, to:

a) the likely consequences of any decision in the long term,
b) the interests of the company's employees,
c) the need to foster the company's business relationships with suppliers, customers and others,
d) the impact of the company's operations on the community and the environment,
e) the desirability of the company maintaining a reputation for high standards of business conduct, and
f) the need to act fairly as between members of the company.

Stakeholder engagement is managed in accordance with Group policies and procedures which are discussed on pages 56, 57, and 115 of the annual report of Babcock International group PLC, which does not form part of this report. Depending on the matter under consideration the relevance of the different factors set out in s172(1) will vary. The Board does seek to balance the interests of its different stakeholders, but, where there are competing interests, not every decision the Board has made will result in a positive outcome for all our stakeholders. However, by considering key stakeholder groups and aligning our activities with our strategic plan, as well as the Company's culture and values, we aim to act fairly, transparently and in the best interests of the Company over the long term. Stakeholder engagement in relation to key stakeholder groups includes the following:

Strategic report for the year ended 31 March 2023 *(continued)*

Employees
Babcock Marine (Rosyth) Limited utilise employee resource through Rosyth Royal Dockyard Limited therefore no employee costs notes are within these statutory accounts. Our success is led by our employees. We continue to strengthen our employee value proposition by enhancing our engagement and promoting an agile global workplace. We are committed to creating an inclusive and diverse organisation where employees can develop their full potential. We focus on developing and supporting a truly engaged workforce, living our principles, and working on shared goals, united by our common Purpose.

These engagement activities form part of the Group-wide People Strategy as described on pages 20-21 and 74 to 78 of the annual report of Babcock International group PLC, which does not form part of this report.

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

To support our global business operations and strategy we require an efficient and highly effective supply chain. This means we need to foster trusted and collaborative relationships with suppliers who share our appetite to drive improvement through innovation and best practice. Our external supply chains are an important part of our performance and by working collaboratively with suppliers we can ensure continuity of supply, minimise risk and bring innovative solutions to our customers. These engagement activities form part of the Group-wide Procurement Strategy as described on pages 20-21 and 83 to 85 of the annual report of Babcock International group PLC, which does not form part of this report.

The community and environment
The Directors recognise that sustainability is an integral part of our corporate strategy and how we do business, and it underpins our corporate Purpose: to create a safe and secure world, together. The Company has done a lot in the past year as part of the Group-wide sustainability programme, ensuring progress towards our Group corporate commitments and deliver our five ESG priorities shown below.

1. We will reduce emissions and set science-based targets to get to net zero across our estate, assets and operations by 2040.
2. We will integrate environmental sustainability into programme design to minimise waste and optimise resources.
3. We will ensure the safety and wellbeing of all our people.
4. We will make a positive difference to the communities we're proud to be part of and provide high-quality jobs that support local economies.
5. We will be a collaborative, trusted partner across the supply chain, helping to tackle common challenges.

Climate action is a key focus: we are continuing to progress our Group-wide decarbonisation programme (Plan Zero 40). Aligned with the Plan Zero 40 pathway announced last year, we commenced baselining our carbon footprint and are on track to submit carbon reduction targets to the Science-Based Targets initiative by April 2023. These are to be achieved by 2030 and will set us on course for decarbonising our estate, assets and operations to reach our overarching goal of net zero emissions by 2040. Further information on climate, including climate related risks and uncertainties in the context of the Group as a whole, and other ESG items is included on pages 58 to 86 of the annual report of Babcock International Group PLC. The information provided in the Babcock International Group PLC annual report which does not form part of this report.

These activities form part of the Group-wide ESG Strategy as described on pages 58 to 86 of the annual report of Babcock International group PLC which does not form part of this report.

This report was approved by the board 28 August 2024 and signed on its behalf.

S Doherty
Director

Directors' report for the year ended 31 March 2023

The Directors' present their report and the audited financial statements of the Company for the year ended 31 March 2023.

Dividends
No dividend was declared and paid in the year (2022: £Nil).

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

S Doherty	appointed 31st May 2022
D M Jones	
A Coyle	resigned 29th March 2024
W R Watson	
J A Donaldson	resigned 29th July 2024
I S Urquhart	resigned 31st May 2022

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

Future developments
The contract for provision of support to the build of the UK Dreadnought and US Columbia class submarines was novated to the Company's subsidiary, Rosyth Royal Dockyard Limited, in the financial year 2023. All other contracts will continue to trade within BMRL until contract completion estimated to be in financial year 2025 Following this the company will act as a holding company.

Going concern
The Company's business activities, together with the factors likely to affect it future development and financial position are set out within the Strategic Report. In the financial year 2023 some of the contracts were novated to Rosyth Royal Dockyard Limited. All other contracts will continue to trade within BMRL until contract completion estimated to be in financial year2025. Following this the company will act as a holding company. In addition, within the Directors' Report there are details of the financial risks that the Directors have highlighted as significant to the business. The Directors are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

As the Company is part of a larger group it participates in the group's centralised treasury arrangements and so shares banking arrangements with it parents and fellow subsidiaries. The Company is in a net current liabilities position of £242.2m but is expected to be in a position to obtain finance via intercompany loans to continue to operate for at least twelve months from when the financial statements are authorised for issue and the Company has received a letter of support from Babcock International Group PLC confirming this position. In completing this analysis, the Directors have considered the ability of Babcock International Group PLC to provide such finance.

Financial risk management
The applicable financial risk management policies and exposure to financial risks including price, credit, liquidity, and cash flows are discussed in detail within the annual report of Babcock International Group PLC, which does not form part of this 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.

Directors' report for the year ended 31 March 2023 *(continued)*

Energy and carbon reporting

The Company has taken advantage of the exemption granted under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 as this information is disclosed in the annual report for the year ended 31 March 2023 of its ultimate parent, Babcock International Group PLC, which does not form part of this report.

Environment

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

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

Qualifying third party indemnity provisions

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

Post balance sheet events

From 5th June 2024 the Company's immediate parent company changed from Babcock Marine & Technology Holdings Limited to Babcock Investments (number four) Limited.

Statement of disclosure of information to auditors

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

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

Appointment of auditors

At the 2023 Annual General meeting of Babcock International Group PLC, the Company's ultimate parent company, Deloitte LLP were reappointed as external auditor to the group. Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed to the Company and Deloitte LLP will, therefore, continue in office.

This report was approved by the board on 28 August 2024 and signed on its behalf:

S Doherty
Director

Statement of Directors' responsibilities

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

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

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

Independent auditors’ report to the members of Babcock Marine (Rosyth) Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion the financial statements of Babcock Marine (Rosyth) Limited (the ‘company’):

- give a true and fair view of the state of the company’s affairs as at 31 March 2023 and of its profit for the year then ended.
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 “Reduced Disclosure Framework”; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement.
- the statement of comprehensive income.
- the statement of financial position.
- the statement of changes in equity.
- the related notes 1 to 20.

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

BASIS FOR OPINION

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

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

Conclusions relating to going concern

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.

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.

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

Independent auditors’ report to the members of Babcock Marine (Rosyth) Limited

OTHER INFORMATION

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS

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

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

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

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

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

EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD (CONTINUED)

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

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

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

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

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

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

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

Independent auditors’ report to the members of Babcock Marine (Rosyth) Limited

EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD (CONTINUED)

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

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

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

We have nothing to report in respect of these matters.

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

USE OF OUR REPORT

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

Makhan Chahal FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
28 August 2024

Babcock Marine (Rosyth) Limited

Income statement for the year ended 31 March 2023

	Note	2023 £'000	2022 £'000
Revenue	4	**6,298**	47,382
Cost of revenue		**(3,401)**	(39,754)
Gross profit		**2,897**	7,628
Operating profit	5	**2,897**	7,628
(Release/(provision)for expected credit loss on amounts due from group		**2,708**	(2,763)
Finance costs	6	**(327)**	(873)
Profit before taxation		**5,278**	3,992
Income tax benefit /(expense)	7	**213**	(298)
Profit for the financial year		**5,491**	3,694

The notes on pages 18 to 34 form part of these financial statements.

All of the above results derive from continuing operations.

Statement of comprehensive income for the year ended 31 March 2023

	Note	**2023 £'000**	2022 £'000
Profit for the financial year		**5,491**	3,694
Other comprehensive income/(expense):			
Items that may be subsequently reclassified to income statement:			
Fair value adjustment of interest rate and foreign exchange hedges	12	-	(3,771)
Tax impact of movement in derivatives	7	-	717
Total comprehensive income for the year		**5,491**	640

Statement of financial position as at 31 March 2023

	Note	**2023 £'000**	2022 £'000
Non-current assets			
Property, plant and equipment	8	**-**	7,512
Investments in subsidiaries	9	**145,768**	145,768
Trade and other receivables	10	**244,427**	349,509
		390,195	502,789
Current assets			
Trade and other receivables	10	**60,860**	7,613
Other financial assets	12	**-**	2,017
		60,860	9,630
Current Liabilities			
Bank overdraft		**(2,007)**	(113,120)
Trade and other payables	11	**(301,008)**	(253,279)
Other financial liabilities	12	**-**	(2,890)
		(303,015)	(369,289)
Net current liabilities		**(242,155)**	(359,659)
Total assets less current liabilities		**148,040**	143,130
Non-current liabilities			
Deferred tax liability	7	**-**	(581)
Net assets		**148,040**	142,549
Equity			
Called up share capital	13	**101**	101
Share premium account		**139,900**	139,900
Retained earnings		**8,039**	2,548
Total shareholders' funds		**148,040**	142,549

The notes on pages 18 to 34 are an integral part of these financial statements.

The financial statements on pages 14 to 34 were approved by the board of Directors on 28 August 2024 and signed on its behalf by:

S Doherty
Director

Statement of changes in equity as at 31 March 2023

	Note	Called up share capital £'000	Share premium account £'000	Hedging reserve £'000	Retained earnings £'000	Total shareholders' funds £'000
Balance at 1 April 2021		**101**	**139,900**	**3,054**	**(1,146)**	**141,909**
Profit for the year		-	-	-	3,694	**3,694**
Other comprehensive loss		-	-	(3,054)	-	**(3,054)**
Balance at 31 March 2022		**101**	**139,900**	**-**	**2,548**	**142,549**
Profit and other comprehensive income for the year		-	-	-	5,491	**5,491**
Balance at 31 March 2023		**101**	**139,900**	**-**	**8,039**	**148,040**

Notes to the financial statements

1 General information

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

The ultimate controlling party is disclosed in note 20. The principal activity of the Company is set out in the Strategic Report on page 3. These financial statements, which have been prepared in accordance with the Companies Act 2006, are presented in pounds sterling and, unless stated otherwise, rounded to the nearest thousand.

2 Accounting policies

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

Basis of preparation
These financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework (FRS 101)'. The Company applies the recognition, measurement, and disclosure requirements in accordance with the international accounting standards and FRS 101 but makes amendments where necessary in order to comply with the Companies Act 2006.

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

a) IFRS 7, 'Financial instruments: Disclosures'.
b) 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).
c) The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.
d) 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
e) Paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements.
f) IAS 7, 'Statement of cash flows'
g) Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors'.
h) Paragraph 17 of IAS 24, 'Related party transactions' in respect of key management compensation.
i) The requirements of IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

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

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

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

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

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of relevant financial assets and financial liabilities (including derivative instruments).

Adoption of new and revised standards
The following standards and amendments to IFRS became effective for the annual reporting period beginning on 1 April 2022 and did not have a material impact on the consolidated financial statements:

- Amendments to IAS 37, *'Provisions, contingent liabilities and contingent assets'*. The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract.
- Amendments to IAS 16, *'Property, plant and equipment'*. The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced before that asset is available for use and clarifies the meaning of 'testing whether an asset is functioning properly'.
- Amendments to IFRS 3, *'Business Combinations'*. The amendment relates to the identification of liabilities assumed and contingent assets acquired in a business combination.
- Annual improvements to IFRS 2018 – 2020 cycle

The Company has not early adopted any other amendment, standard or interpretation that has been issued but is not yet effective. It is expected that these standards and amendments will be adopted on the applicable effective date. The following new or amended IFRS accounting standards, amendments and interpretations not yet adopted are not expected to have a significant impact on the Company:

- IFRS 17, *'Insurance Contracts'*
- Amendments to IAS 1, *'Presentation of Financial Statements'*
- Amendments to IFRS 3, *'Business Combinations'*
- Amendments to IAS 8, *'Accounting Policies, Changes in Accounting Estimates and Errors'*
- Amendments to IAS 12, *'Income Taxes'*

All new standards and amendments are effective for accounting periods beginning on or after 1 January 2023.

Going concern
The Company's business activities, together with the factors likely to affect it future development and financial position are set out within the Strategic Report. In the financial year 2023 some of the contracts were novated to Rosyth Royal Dockyard Limited. All other contracts will continue to trade within BMRL until contract completion estimated to be in financial year 2025. . Following this the company will act as a holding company. In addition, within the Directors' Report there are details of the financial risks that the Directors have highlighted as significant to the business. The Directors are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

As the Company is part of a larger group it participates in the group's centralised treasury arrangements and so shares banking arrangements with it parents and fellow subsidiaries. The Company is in a net current liabilities position of £242.2m but is expected to be in a position to obtain finance via intercompany loans to continue to operate for at least twelve months from when the financial statements are authorised for issue and the Company has received a letter of support from Babcock International Group PLC confirming this position. In completing this analysis, the Directors have considered the ability of Babcock International Group PLC to provide such finance.

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

Revenue

Revenue recognised represents income derived from contracts with customers for the provision of goods and services in the ordinary course of the Company's activities. The Company recognises revenue in line with IFRS 15, Revenue from Contracts with Customers. IFRS 15 requires the identification of performance obligations in contracts, determination of contract price, 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 if the customer can benefit from them either on their own or together with other resources readily available to the customer and they are separately identifiable in the contract.

In assessing whether the performance obligations are separately identifiable, the services are reviewed to determine the extent to which the goods or services within a contract are interrelated and whether they modify other goods or services within a contract. The Company also considers whether the goods and/or services are integrated and represent a combined output for which the customer has contracted. The integrated output nature of many of the services provided by the Company results in some contracts only having one performance obligation.

(b) Determination of contract price

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

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

Variable consideration is estimated using either the expected value or the most likely amount only to the extent that it is highly probable that there will not be a reversal in the amount of cumulative revenue recognised once the underlying uncertainty is resolved. This judgement is made by suitably qualified and experienced personnel based on the contract terms, status of negotiations with customers and historical experience with customers and with similar contracts. As part of this judgement, variable consideration may be constrained until the uncertainty is resolved. In the case of unpriced variations, these will be constrained to the extent that such variable consideration is not considered highly probable.

Variable consideration may be included in the total transaction price or, in certain circumstances, may be allocated to a specific time period. Where variable consideration is allocated to a specific time period this will typically be in relation to performance related deductions

(c) Allocation of contract price to performance obligations

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

(d) Revenue and profit recognition

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

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

Revenue *(continued)*

Revenue recognised over time
Performance obligations are satisfied over time if any of the following criteria are satisfied:

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

Typical performance obligations in the Company's contracts that are recognised over time include the delivery of services (such as maintenance, engineering, and training), as the customer simultaneously receives and consumes the benefits of the Company's performance as it performs the services. Revenue from the design, manufacture and enhancement of bespoke assets is also recognised over time, as the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date, being recovery of costs incurred in satisfying the performance obligation plus a reasonable profit margin.

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

Under most of the Company's contracts, the customer pays in accordance with a pre-arranged payment schedule or once milestones have been met. If the amount of revenue recognised by the Company (as measured by the methods described above) exceed the amount of cash received from the customer, then the difference will be held on the statement of financial position. This will typically be comprised of a mixture of contract assets and trade receivables. If the amount of cash collected, together with amounts due under the contract but uncollected exceeds the amount of revenue recognised, then the difference is also held on the statement of financial position as a contract liability. See section (h) for further details on how contract assets and liabilities are recognised.

Assessment of contract profitability
Profit is recognised to the extent that the final outcome on contracts can be reliably assessed. Contract outturn assessments are carried out on a contract-by-contract basis, including consideration of technical and other risks, by suitably qualified and experienced personnel and the assessments of all significant contracts are subject to review and challenge.

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

Revenue *(continued)*

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

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

(e) Contract Modifications

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

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

These contract claims and variations are modifications as described in paragraph 18 of IFRS 15.

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

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

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

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

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

Revenue *(continued)*

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

(f) Costs of obtaining a contract
Directly attributable costs to obtain a contract with a customer that the Company would not have incurred if the contract had not been won are recognised as an asset and amortised on a straight-line basis. Costs to obtain a contract that would have been incurred regardless of whether the contract was won or lost are recognised as an expense when incurred.

(g) Costs to fulfil a contract
Costs to fulfil a contract which do not fall within the scope of another standard are recognised under IFRS 15 as an asset in capitalised contract costs where they meet all of the following criteria:

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

Costs of recruiting or training staff are expensed as incurred.

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

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

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

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

Impairment of non-current assets
Goodwill and indefinite life intangibles are reviewed for impairment at least annually. For all other non-financial non-current assets (including acquired intangible assets, capitalised development costs, software assets, property, plant and equipment and right of use assets) the Company performs impairment testing where indicators of impairment are identified. Impairment testing is performed at the individual asset level. Where an asset does not generate cash flows that are separately identifiable from other assets, the Company estimates the recoverable amount of the CGU to which the asset belongs.

The recoverable amount is the higher of fair value less costs of disposal, and value-in-use. When the recoverable amount is less than the carrying amount, an impairment loss is recognised immediately in the Company income statement.

Where an impairment loss on other non-financial non-current assets subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised in prior years. Goodwill impairments are not subsequently reversed.

Contingent liabilities
A contingent liability is a possible obligation arising from past events whose existence will be confirmed only on the occurrence or non-occurrence of uncertain future events outside the Company's control, or a present obligation that is not recognised because it is not probable that an outflow of economic benefits will occur, or the value of such outflow cannot be measured reliably. A provision is recognised for any amounts that the Directors consider may become payable. See note 18 for details of contingent liabilities.

At the year-end date the Company has guaranteed or has joint and several liability for bank overdraft facilities that are shared across multiple Group companies with utilization of £21.0m at 31 March 2023 (31 March 2022: £383.6m).

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

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

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

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

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

Taxation *(continued)*

b) Deferred income tax

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

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

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

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

Trade and other receivables

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

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

Finance costs

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

Financial instruments

a) Financial assets and liabilities at amortised cost

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

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

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

Financial Instruments *(continued)*

b) Derivative financial instruments

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

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. For derivatives that qualify as cash flow hedges, fair value gains or losses are deferred in equity until the underlying transaction is recognised.

Fair value measurement

The fair value of an asset or liability is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the year-end date. Fair value measurements are used on a recurring basis except where used in the acquisition of assets and liabilities through a business combination.

The fair values of derivative financial instruments are determined by the use of valuation techniques based on assumptions that are supported by observable market prices or rates. The fair values of non-financial assets and liabilities are based on observable market prices or rates.

The carrying values of financial assets and liabilities which are not held at fair value in the Company balance sheet are assumed to approximate to fair value due to their short-term nature, with the exception of fixed rate bonds.

There have been no changes to the valuation techniques used during the year.

Dividends

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

Foreign currencies

a) Functional and presentation currency

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

b) Transactions and balances

Foreign currency transactions are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the year-end exchange rates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at exchange rates ruling at the reporting date of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Notes to the financial statements *(continued)*

3 Critical accounting estimates and judgements

In the course of preparation of the financial statements judgements and estimates have been made in applying the Company's accounting policies that have had a material effect on the amounts recognised in the financial statements. The application of the Company's accounting policies requires the use of estimates and the inherent uncertainty in certain forward-looking estimates may result in a material adjustment to the carrying amounts of assets and liabilities in the next financial year. Critical accounting 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 and judgements in relation to these financial statements are considered below.

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

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

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

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

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

Notes to the financial statements *(continued)*

4 Revenue

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

	2023 £'000 Maritime Design & Commercial	2022 £'000 Maritime Design & Commercial
By area of activity:		
Sale of goods – transferred over time	**6,298**	47,382
	6,298	47,382

5 Operating Profit

Fees paid to the Company's auditors, Deloitte 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. Auditor fees of £13,132 (2022: £13,132) were borne by a fellow group company.

6 Finance costs

	2023 £'000	2022 £'000
Finance costs:		
Fair value movement on derivatives	**(327)**	(873)
	(327)	(873)

7 Tax

Income tax expense

	31 March 2023 £'000	31 March 2022 £'000
Analysis of tax expense/(benefit) in the year		
Current tax		
• UK current year expense/(benefit)	**-**	-
	-	-
Deferred tax		
• Origination and reversal of timing differences	**-**	158
• Impact of change in UK tax rate	**(116)**	-
• Adjustments in respect of deferred tax for prior years	**(97)**	140
Total income tax (benefit)/expense	**(213)**	298

Notes to the financial statements *(continued)*

7 Tax *(continued)*

Income tax expense *(continued)*

Tax (benefit)/expense to the statement of comprehensive income

	31 March 2023 £m	31 March 2022 £m
• Deferred tax charged on revaluation of cash flow hedges	**-**	717
Total tax (benefit)/expense to other comprehensive income	**-**	717

The tax for the year is higher (2022: higher) than the standard rate of corporation tax in the UK. The differences are explained below:

	31 March 2023 £,000	31 March 2022 £'000
Profit before tax	**5,278**	3,992
Loss on ordinary activities multiplied by rate of corporation tax in the UK of 19% (2022: 19%)	**1,003**	758
Effects of:		
(Income not taxable)/Expenses not deductible for tax purposes	**(585)**	525
Impact of change in UK tax rate	**(97)**	140
Adjustments in respect of deferred tax for prior years	**(116)**	-
Group relief claimedfor nil consideration	**(418)**	(1,125)
Total income tax (benefit)/expense	**(213)**	298

Deferred tax

Deferred tax assets and deferred tax liabilities have been offset if, and only if, there is a legally enforceable right in that jurisdiction to set off corporation tax assets and corporation tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same Taxation Authorities:

	31 March 2023 £'000	31 March 2022 £'000
Deferred tax liability	**-**	(581)
	-	(581)

Notes to the financial statements *(continued)*

7 Tax *(continued)*

Deferred Tax *(continued)*

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

	Tangible assets £'000	Total £'000m
At 1 April 2022	(581)	(581)
Income statement	213	213
Transfer of business**	368	368
At 1 April 2023	-	-

8 Property, plant and equipment

	Plant & machinery £'000	Total £'000
Cost		
At 1 April 2022	11,740	11,740
Transfer of business**	(11,740)	(11,740)
At 31 March 2023	**-**	**-**
Accumulated depreciation		
At 1 April 2022	4,228	4,228
Transfer of business**	(4,228)	(4,228)
At 31 March 2023	**-**	**-**
Net book value		
At 31 March 2023	**-**	**-**
At 31 March 2022	7,512	7,512

** Transferred to Royal Rosyth Dockyard Limited as part of the novation of the UK Dreadnought and US Columbia class submarines contract during the current financial year.

Notes to the financial statements *(continued)*

9 Investments in Subsidiaries

	2023 Shares in group undertakings £'000	2022 Shares in group undertakings £'000
Cost		
At 1 April 2022	**145,768**	145,768
Carrying amount at 31 March 2023	**145,768**	145,768

The Directors believe that the carrying value of the investments is supported by their underlying net assets. Details of Subsidiary undertakings can be found in Note 17.

10 Trade and other receivables

	31 March 2023 £'000	31 March 2022 £'000
Amounts due after more than one year:		
Amounts due from group undertakings	**244,427**	349,509
	244,427	349,509

	31 March 2023 £'000	31 March 2022 £'000
Amounts falling due within one year:		
Trade receivables	**135**	2,843
Contract assets	**767**	3,525
Amounts due from group undertakings	**59,958**	-
Other receivables	**-**	1,245
	60,860	7,613

Amounts due from group undertakings after more than one year are unsecured and repayable on demand:

- A loan of £10,000,000 (2022: £10,000,000) is repayable on demand, the interest rate is 0.1%.
- Seven loans totalling £51,736,000 (2022: £68,768,000) are repayable on demand.
- Amounts due from group undertakings after more than one year are stated after provisions for expected credit losses.
- Amounts due from group undertakings falling within one year are unsecured and repayable on demand.

The Group recognises that there is an inherent element of estimation uncertainty and judgement involved in assessing contract profitability, as disclosed in note 3. Management have taken a best estimate view of contract outcomes based on the information currently available, after allowing for contingencies, and have applied a constraint to the variable consideration within revenue resulting in a revenue estimate that is suitably cautious under IFRS 15.

Notes to the financial statements *(continued)*

10 Trade and other receivables *(continued)*

Significant changes in contract assets during the year are as follows:

Contract assets	**2023**
	£'000
31 March 2022	**3,525**
Transfers from contract assets recognised at the beginning of the year to trade receivables	**(3,525)**
Increase due to work done not transferred from contract assets	**767**
31 March 2023	**767**

	2022
	£'000
31 March 2021	2,197
Transfers from contract assets recognised at the beginning of the year to trade receivables	(2.197)
Increase due to work done not transferred from contract assets	3,525
31 March 2022	3,525

Trade receivables due within one year are stated after provisions for impairment of £nil (2022: £61,683). Current intercompany receivables are expected to be settled in the company's usual operating cycle of 12 months or less.

11 Trade and other payables

	2023	2022
	£'000	£'000
Amounts falling due within one year:		
Contract liabilities	**94**	32,462
Amounts due to parent and group undertakings	**300,787**	219,417
Accruals	**127**	1,400
	301,008	253,279

Amounts due to parent and group undertakings within one year are unsecured and repayable on demand:

- Three loans totalling £132,043,000 (2022: £132,043,000) are repayable on demand, with no interest charge.

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 18).

	Contract cost accrual £000	**Advance payments £000**	**Total £000**
At 1 April 2022	1,400	32,462	**33,862**
Revenue recognised that was included in contract liabilities at the beginning of the year	(1,400)	(32,462)	(33,862)
Increase due to cash received, excluding amounts recognised as revenue	127	94	221
At 31 March 2023	**127**	**94**	**221**

Notes to the financial statements *(continued)*

12 Other financial assets and liabilities

Included in derivative financial instruments at fair value:

	31 March 2023		31 March 2022	
	Assets £'000	**Liabilities £'000**	Assets £'000	Liabilities £'000
Non-current:				
Forward FX contracts – cash flow hedges	**-**	**-**	-	-
	-	**-**	-	-
Current:				
Forward FX contracts – cash flow hedges	**-**	**-**	2,017	2,890
	-	**-**	2,017	2,890

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.

13 Share capital

	31 March 2023	31 March 2022
	£'000	£'000
Allotted, called up and fully paid		
101,000 ordinary shares of £1 each (2022: 101,000)	101	101

14 Dividends

Dividends declared and received in the year were £nil (2022: £nil), this is equivalent to £nil per share (2022: £nil).

15 Guarantees and financial commitments

a) Capital Commitments

At 31 March 2023 the Company had capital commitments of £nil (2022: £nil).

b) Lease Commitments

At 31 March 2023 the Company had lease commitments of £nil for leases not yet commenced (2022: £nil).

16 Related party disclosures

The Company has taken advantage of the exemptions within FRS 101 not to disclose transactions and balances with Babcock International Group PLC and its wholly owned subsidiaries, on the grounds that the Company itself is a wholly owned subsidiary of Babcock International Group PLC, for which the consolidated financial statements are publicly available.

In the year ended 31 March 2023, the Company had no transactions or balances outstanding with related parties that fall outside the FRS 101 exemption criteria / include details on the related party transactions.

Notes to the financial statements *(continued)*

17 Subsidiary and Associate undertakings

All related undertakings for the Company are as listed below:

Ownership	Company Name	Country	Interest	Interest %
Direct				
	Rosyth Royal Dockyard Limited [1]	United Kingdom	250,020 Ordinary shares	100.0%
	Babcock Design & Technology Limited [1]	United Kingdom	2 Ordinary shares	100.0%
	Port Babcock Rosyth Limited [1]	United Kingdom	10,000 Ordinary shares	100.0%
	Marine Engineering & Fabrications (Holdings) Limited[2]	United Kingdom	60 Ordinary shares	100.0%
	Babcock Integration LLP[2]	United Kingdom	Member	4.1%
Indirect				
	Rosyth Royal Dockyard Pension Trustees Limited [1]	United Kingdom	-	100.0%
	Marine Engineering & Fabrications Limited [2]	United Kingdom	-	100.0%
	Babcock IP Management (Number One) Limited[2]	United Kingdom	-	4.1%
	Babcock IP Management (Number Two) Limited[2]	United Kingdom	-	4.1%

[1] The registered address is c/o Babcock International, Rosyth Business Park, Rosyth, Dunfermline, Fife, KY11 2YD[2] The registered address is c/o Babcock International Group, 33 Wigmore Street, London W1U 1QX

18 Contingent liabilities

The Company has guaranteed or has joint and several liability for bank overdraft facilities that are shared across multiple Group companies with utilisation of £21.0m at 31 March 2023 (31 March 2022: £383.6m).

19 Post balance sheet events

From 5th June 2024 the Company's immediate parent company changed from Babcock Marine & Technology Holdings Limited to Babcock Investments (number four) Limited.

20 Immediate and ultimate parent undertakings

The Company's immediate parent company is Babcock Investments (number four) 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