COMPANY REGISTRATION NUMBER: 06251034

SD Marine Services Limited

Annual Report and Financial Statements

31 December 2022

SD Marine Services Limited

Annual Report and Financial Statements

Year Ended 31 December 2022

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SD Marine Services Limited

Officers and Professional Advisers

The board of directors	John Cavill Peter Sheldrake
Company secretary	Infrastructure Managers Limited
Registered office	Cannon Place 78 Cannon Street London EC4N 6AF
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants & Statutory Auditors Level 4 Atria One 144 Morrison Street Edinburgh EH3 8EX
Bankers	Lloyds Bank Corporate Markets New Uberior House Edinburgh EH3 9BN
Solicitors	Dentons UKMEA LLP 1 George Square Glasgow G2 1AL

SD Marine Services Limited

Strategic Report

Year Ended 31 December 2022

The directors present their Strategic Report on the Company for the year ended 31 December 2022.

Principal Objectives and Strategies

The Company's principal activity is the management of the provision of marine vessels, moorings and associated services to the Royal Navy, under the Government's Private Finance Initiative Scheme. The contract held with the Ministry of Defense reached completion on 16 December 2022. All remaining marine vessels were sold to Ministry of Defense in December 2022 for £45,479,106.

Review of Business

The Company ceased trading on 16 December 2022. From a financial and operational perspective the company has performed well and has complied with the covenants laid out in the group loan agreement.

The Company has performed in line with directors' expectations and the forecasting model.

Future Developments

The Company ceased trading in December 2022 as the contract with Ministry of Defence reached completion and the intention is for the company to be wound up some time in the future.

Key Performance Indicators

The performance of the Company from a cash perspective is assessed six monthly by the testing of the covenants of the senior debt provider, the key indicator being the debt service cover ratio. The Company has performed well and has complied with the covenants laid out in the Group loan agreement.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. The principal risk and uncertainties facing the Company are: price, credit, cash flow and liquidity, and interest rate risk, as detailed below:

Price risk
The Company's price risk is managed through a long term contract with the Ministry of Defence providing for payments that are fixed subject to performance, inflation and earnings indices and through sub-contracts with suppliers that largely mirror the provisions of the project agreement with the Ministry of Defence.

Credit, cash flow and liquidity risk
Many of the cash flows are addressed by means of contractual provisions. Cash flows are generated on the availability of marine assets to successfully complete tasks and from the operational management and maintenance of the marine assets. The project concession cash-flows were secured under contract from the Ministry of Defence, a government body.

Interest rate risk
The financial risk management objectives of the Company are to ensure that financial risks are mitigated by the use of financial instruments. The Company uses interest rate swaps to reduce its exposure to interest rate movements. Financial instruments are not used for speculative purposes.

SD Marine Services Limited

Strategic Report *(continued)*

Year Ended 31 December 2022

This report was approved by the board of directors on 30 March 2023 and signed on behalf of the board by:

Peter Sheldrake
Director

SD Marine Services Limited

Directors' Report

Year Ended 31 December 2022

The directors present their report and the audited Annual Report and Financial Statements of SD Marine Services Limited ("the Company") for the year ended 31 December 2022.

Principal activities

The Company's principal activity is the management of provision of marine vessels, moorings and associated services to the Royal Navy, under the Government's Private Finance Initiative Scheme. The contract held with the Ministry of Defense reached completion on 16 December 2022. All remaining marine vessels were sold to Ministry of Defense in December 2022 for £45,479,106.

Performance Review

The profit for the financial year, after taxation, amounted to £679,858 (2021: a profit of £954,006).

The profit for the financial year will be transferred to reserves.

The directors are satisfied with the overall performance of the Company and the intetion is for the company to be wound up some time in the future.

Going Concern

The Company ceased trading on 16 December 2022 as the contract with the Ministry of Defense (MoD) reached completion and it is the intention of the directors to wind up the Company sometime in the future. The Company is therefore not expected to remain in operation for a period longer than 12 months from the date of this report. As a result, the financial statements are prepared on a basis other than going concern.

Directors

The directors who served the Company during the year and up to the date of this report were as follows:

John Cavill
Peter Sheldrake

Dividends

The Directors have not proposed a dividend in the year.

Qualifying third party indemnity provisions

During the year, and at the date of this report, the Company has in place qualifying third party indemnity provisions for the benefit of its directors.

SD Marine Services Limited

Directors' Report *(continued)*

Year Ended 31 December 2022

Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- 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 steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

The independent auditors, PricewaterhouseCoopers LLP, are deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

This report was approved by the board of directors on 30 March 2023 and signed by order of the board by:

J Cornock

James Cornock on behalf of Infrastructure Managers Limited
Company Secretary

SD Marine Services Limited

Directors' Responsibilities Statement

Year Ended 31 December 2022

The directors are responsible for preparing the Strategic Report, Directors' Report and the Annual Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare the Annual Report and Financial Statements for each financial year. Under that law the directors have prepared the Annual Report and Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland ("FRS 102"), and applicable law).

Under company law the directors must not approve the Annual Report and Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period.

In preparing the Annual Report and Financial Statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the Annual Report and Financial Statements; and
- prepare the Annual Report and 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.

Report on the audit of the financial statements

Opinion

In our opinion, SD Marine Services Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2022; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

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

In forming our opinion on the financial statements, which is not modified, we draw attention to note 3 to the financial statements which describes the directors' reasons why the financial statements have been prepared on a basis other than going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditor's 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, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

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

Strategic report and directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

Enquiries of management around known or suspected instances of non-compliance with laws and regulations, claims and litigation, and instances of fraud;

- Understanding of management's controls designed to prevent and detect irregularities;
- Review of board minutes;
- Challenging management on assumptions and judgements made in their significant accounting estimates; and
- Identifying and testing journal entries to assess whether any of the journals appeared unusual, for example impacting revenue and distributable reserves.

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.

Paul Cheshire (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants & Statutory Auditors
Edinburgh

30 March 2023

SD Marine Services Limited

Statement of Comprehensive Income

Year Ended 31 December 2022

	Note	2022 £	2021 £
Turnover	4	**58,889,995**	59,154,930
Cost of sales		**(57,912,301)**	(57,690,413)
Gross profit		**977,694**	1,464,517
Administrative expenses		**(517,784)**	(361,679)
Operating profit	5	**459,910**	1,102,838
Interest receivable and similar income	7	**3,002,233**	3,502,162
Other income	8	**434,785**	–
Interest payable and similar expenses	9	**(2,724,668)**	(3,409,742)
Profit before taxation		**1,172,260**	1,195,258
Tax on profit	10	**(492,402)**	(241,252)
Profit for the financial year		**679,858**	954,006
Fair value movements on cash flow hedging instruments, net of tax		**1,460,522**	2,353,877
Total comprehensive income for the year		**2,140,380**	3,307,883

All the activities of the Company are from discontinued operations.

The notes on pages 14 to 22 form part of these Financial Statements.

SD Marine Services Limited

Statement of Financial Position

As at 31 December 2022

	Note	2022 £	2021 £
Current assets			
Debtors: amounts falling due within one year	**11**	**3,076,125**	51,066,758
Debtors: amounts falling due after more than one year	**11**	**–**	342,592
Cash at bank and in hand		**10,169,633**	9,945,855
		13,245,758	61,355,205
Creditors: amounts falling due within one year	**12**	**(5,125,068)**	(52,219,464)
Net current assets		**8,120,690**	9,135,741
Total assets less current liabilities		**8,120,690**	9,135,741
Provisions for liabilities			
Taxation including deferred taxation	**13**	**–**	(3,155,431)
Net assets		**8,120,690**	5,980,310
Capital and reserves			
Called up share capital	**15**	**100**	100
Share premium account	**16**	**999,900**	999,900
Hedging reserve	**16**	**–**	(1,460,522)
Retained earnings	**16**	**7,120,690**	6,440,832
Total shareholders' funds		**8,120,690**	5,980,310

The Financial Statements were approved by the board of directors and authorised for issue on 30 March 2023, and are signed on behalf of the board by:

Peter Sheldrake
Director

Company registration number: 06251034

The notes on pages 14 to 22 form part of these Financial Statements.

SD Marine Services Limited

Statement of Changes in Equity

Year Ended 31 December 2022

	Called up share capital	Share premium account	Hedging reserve	Retained earnings	**Total**
	£	£	£	£	**£**
At 1 January 2021	100	999,900	(3,814,399)	5,486,826	2,672,427
Profit for the financial year				954,006	954,006
Other comprehensive income for the year:					
Fair value movements on cash flow hedging instruments, net of tax	–	–	2,353,877	–	2,353,877
Total comprehensive income for the year	–	–	2,353,877	954,006	3,307,883
At 31 December 2021	100	999,900	(1,460,522)	6,440,832	**5,980,310**
Profit for the financial year				679,858	**679,858**
Other comprehensive income for the year:					
Fair value movements on cash flow hedging instruments, net of tax	–	–	1,460,522	–	**1,460,522**
Total comprehensive income for the year	–	–	1,460,522	679,858	**2,140,380**
At 31 December 2022	100	999,900	–	7,120,690	**8,120,690**

Included in the fair value movement on cash flow hedging instruments is £1,617,808 (2021: £2,532,272) that was recycled through Interest Payable in the Statement of Comprehensive Income.

The notes on pages 14 to 22 form part of these Financial Statements.

1. General Information

SD Marine Services Limited ("the Company") is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is Cannon Place, 78 Cannon Street, London, EC4N 6AF.

The Company's principal activity is the management of provision of marine vessels, moorings and associated services to the Royal Navy, under the Government's Private Finance Initiative Scheme. The contract held with the Ministry of Defense reached completion on 16 December 2022. All remaining marine vessels were sold to Ministry of Defense in December 2022 for £45,479,106.

The Company's functional and presentation currency is the pound sterling.

2. Statement of Compliance

The individual financial statements of SD Marine Services Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ("FRS 102") and the Companies Act 2006.

3. Accounting Policies

(a) Basis of preparation

As disclosed in the Directors' Report on pages 4 to 5, these financial statements are prepared on a basis other than going concern. This basis entails that;

(a) fixed assets and creditors: amounts falling due after more than one year are reclassified as current assets and liabilities;
(b) assets are written down to their recoverable value (that is, lower of cost or recoverable value); and
(c) provisions are made for liabilities arising as a result of the decision to cease trading where an obligation exists at the statement of financial position date.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed further in the accounting policies.

(b) Going concern

The Company ceased trading on 16 December 2022 as the contract with the Ministry of Defense (MoD) reached completion and it is the intention of the directors to wind up the Company sometime in the future. The Company is therefore not expected to remain in operation for a period longer than 12 months from the date of this report. As a result, the financial statements are prepared on a basis other than going concern.

3. Accounting Policies *(continued)*

(c) Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of BIIF Holdco Limited which can be obtained from the Company Secretary at Cannon Place, 78 Cannon Street, London, EC4N 6AF. As such, advantage has been taken of the following disclosure exemptions available under FRS 102:

(a) No cash flow statement has been presented for the Company.
(b) Certain disclosures required by Sections 11 and 12 of FRS 102 (Basic Financial Instruments and Other Financial Instruments Issues respectively)

The Company is wholly owned by BIIF Holdco Limited and has taken advantage of the exemption in section 33 of FRS 102 'Related Party Disclosures', that allows it not to disclose transactions with wholly owned members of a group.

(d) Judgments and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported. These estimates and judgments are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty are as follows:

i) Service concession contract

Accounting for the service concession contract and finance debtor requires estimation of service margin, finance debtor interest rates and associated amortisation profile which is based on projected trading results to the end of the contract.

(e) Revenue recognition

Turnover represents the services' share of the management services income received by the Company for the provision of a PFI (Private Finance Initiative) asset to the customer. This income is received over the life of the concession period. Management service income is allocated between turnover, finance debtor interest and reimbursement of finance debtor so as to generate a constant rate of return in respect of the finance debtor over the life of the contract.

3. Accounting Policies *(continued)*

(f) Income tax

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

i) Current Tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is also recognised on the revaluations of derivative financial instruments, with the movements going through the Statement of Comprehensive Income.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the deferred tax asset or liability.

(g) Finance debtor

The Company has taken the transition exemption in FRS 102 Section 35.10(i) that allows the Company to continue the service concession arrangement accounting policies from previous UK GAAP.

The Company is accounting for the concession asset based on the ability to substantially transfer all the risks and rewards of ownership to the customer, with this arrangement the costs incurred by the Company on the design and construction of the assets have been treated as a finance debtor within these financial statements.

3. Accounting Policies ***(continued)***

(h) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of six months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

The Company is obligated to keep cash reserves as at the balance sheet date in respect of requirements in the company's funding agreements. This restricted cash balance, which is shown within the "cash at bank and in hand" balance amounts to £nil (2021: 8,842,404).

(i) Borrowings

Borrowings are recognised at amortised cost using the effective interest rate method. Under the effective interest rate method, any transaction fees, costs, discounts and premiums directly related to the borrowings are recognised in the Statement of Comprehensive Income over the life of the borrowings. Borrowings with maturities greater than twelve months after the reporting date are classified as non-current liabilities.

(j) Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense. Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset.

(k) Financial instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price and subsequently at amortised cost, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Other financial instruments are subsequently measured at fair value, with any changes recognised in the Statement of Comprehensive Income, with the exception of hedging instruments in a designated hedging relationship.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income immediately.

3. Accounting Policies *(continued)*

Financial instruments *(continued)*

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in the Statement of Comprehensive Income immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the Statement of Financial Position. Finance costs and gains or losses relating to financial liabilities are included in the Statement of Comprehensive Income. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

(l) Hedge accounting

To qualify for hedge accounting, documentation is prepared specifying the hedging strategy, the component transactions and methodology used for effectiveness measurement. Changes in the carrying value of financial instruments that are designated and effective as hedges of future cash flows ("cash flow hedges") are recognised directly in a hedging reserve in equity and any ineffective portion is recognised immediately in the Statement of Comprehensive Income. Amounts deferred in equity in respect of cash flow hedges are subsequently recognised in the Statement of Comprehensive Income in the same period in which the hedged item affects net profit or loss or the hedging relationship is terminated and the underlying position being hedged has been extinguished.

The UK Financial regulator (the FCA) legislated that sterling LIBOR would cease to be published after 31 December 2021, however, has confirmed it will allow the temporary use of 'synthetic' sterling LIBOR rates in all legacy LIBOR contracts that had not been changed at or ahead of 31 December 2021. As described at Note 12, the Company's borrowings and hedge agreements are linked to LIBOR.

As the Company stopped trading on 16 December 2022 and the loan was prepaid and cleared, the LIBOR transition had not been adopted. The company used "the synthetic LIBOR" up to the end of the concession.

4. Turnover

Turnover arises from:

	2022 £	2021 £
Rendering of services	**58,889,995**	59,154,930

4. Turnover *(continued)*

The whole of the turnover is attributable to the principal activity of the Company wholly undertaken in the United Kingdom.

5. Operating Profit

Operating profit or loss is stated after charging:

	2022	2021
	£	£
Fees payable for the audit of the annual report and financial statements	**9,760**	11,130

Included in the fee above is £nil (2021: £2,260) for the audit of the immediate parent entity SD Marine Services Holdings Limited.

6. Particulars of Employees and Directors

The average number of persons employed by the Company during the financial year amounted to nil (2021: nil). The directors are not employed by the Company and did not receive any remuneration from the Company during the year (2021: £nil).

7. Interest Receivable and Similar Income

	2022	2021
	£	£
Interest on cash and cash equivalents	**21,802**	1,157
Interest receivable on finance debtor	**2,980,431**	3,501,005
	3,002,233	3,502,162

8. Other Income

	2022	2021
	£	£
Residual value upside	**434,785**	–

The disposal of the finance debtor resulted in a gain of £434,785 (2021: nil) being recognised.

9. Interest Payable and Similar Expenses

	2022	2021
	£	£
Interest on bank loans and overdrafts	**2,530,193**	3,055,275
Interest due to Group undertakings	**166,890**	326,477
Other interest payable and similar expenses	**27,585**	27,990
	2,724,668	3,409,742

10. Tax on Profit

Major components of tax expense

	2022 £	2021 £
Current tax:		
UK current tax expense	**3,647,833**	461,516
Deferred tax:		
Origination and reversal of timing differences	**(3,155,431)**	(220,264)
Tax on profit	**492,402**	241,252

Reconciliation of tax expense

The tax assessed on the profit for the year is higher than (2021: higher than) the standard rate of corporation tax in the UK of 19% (2021: 19%).

	2022 £	2021 £
Profit before taxation	**1,172,260**	1,195,258
Profit before taxation by rate of tax	**222,729**	227,099
Effect of expenses not deductible for tax purposes	**269,103**	14,153
Effect of different UK tax rates on some earnings	**570**	–
Total tax charge	**492,402**	241,252

11. Debtors

Debtors amounts falling due within one year are as follows:

	2022 £	2021 £
Trade debtors	**139,115**	105,883
Prepayments and accrued income	**2,937,010**	5,744,132
Finance debtor	**–**	45,181,654
Other debtors	**–**	35,089
	3,076,125	51,066,758

Debtors amounts falling due after more than one year are as follows:

	2022 £	2021 £
Deferred tax asset	**–**	342,592

The movement in the finance debtor is analysed as follows:

	2022 £	2021 £
At beginning of year	**45,181,654**	53,363,308
Amortisation	**(8,181,654)**	(8,181,654)
Disposal	**(37,000,000)**	–
At end of year	**–**	45,181,654

12. Creditors: amounts falling due within one year

	2022	2021
	£	£
Bank loans	–	43,365,195
Trade creditors	**2,559,419**	118,906
Amounts owed to Group undertakings	**2,010,312**	2,010,312
Accruals and deferred income	**305,128**	4,631,826
Corporation tax	**236,834**	273,457
Taxation and social security	**13,375**	–
Derivative financial liability	–	1,803,114
Other creditors	–	16,654
	5,125,068	52,219,464

a) The bank loan was repaid in full on 19 December 2022.

The Company no longer has an undrawn bank facility (2021: £1,550,000). No amounts were drawn in the current year (2021: £nil).

b) Amounts owed to group undertakings - In 2011 subordinated loans of £14,100,000 were issued to its parent company, SD Marine Services (Holdings) Limited, which bear interest at a rate of 10%. The principal is repayable in six monthly instalments, each June and December with the final repayment due on 30 June 2023. The loan notes will rank pari passu equally and rateably with any other unsecured indebtedness of the company.

13. Provisions for Liabilities

	Deferred tax (note 14)
	£
At 1 January 2022	**3,155,431**
Deferred tax	**(3,155,431)**
At 31 December 2022	**–**

14. Deferred Tax

The deferred tax included in the Statement of Financial Position is as follows:

	2022	2021
	£	£
Included in debtors (note 11)	–	342,592
Included in provisions for liabilities (note 13)	–	(3,155,431)
	–	(2,812,839)

The deferred tax account consists of the tax effect of timing differences in respect of:

	2022	2021
	£	£
Accelerated capital allowances	–	3,510,277
Unused tax losses	–	(336,349)
Short term timing differences	–	(18,497)
Derivative financial instruments	–	(342,592)
	–	2,812,839

14. Deferred Tax *(continued)*

	2022
	£
Opening balance	2,812,839
Movement through the profit or loss	(3,155,431)
Movement through other comprehensive income	342,592
Closing balance	**–**

15. Called Up Share Capital

Issued, called up and fully paid

	2022		2021	
	No.	**£**	No.	£
Ordinary shares of £1 each	**100**	**100**	100	100

There is a single class of ordinary share. There are no restrictions on the distribution of dividends and the repayment of capital.

16. Reserves

The hedging reserve records fair value movements on cash flow hedging instruments.

Retained earnings records retained earnings and accumulated losses.

The share premium account records the amount above the nominal value received for shares sold, less transaction costs.

17. Controlling Party

The immediate parent undertaking is SD Marine Services (Holdings) Limited.

The intermediate parent undertaking is BIIF Holdco Limited, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of BIIF Holdco Limited consolidated financial statements can be obtained from the Company Secretary at Cannon Place, 78 Cannon Street, London, EC4N 6AF.

The ultimate parent and controlling party is BIIF L.P. BIIF L.P. is owned by a number of investors with no one investor having individual control.