

SC101959

## Rosyth Royal Dockyard Limited

Annual report and financial statements for the year ended 31 March 2009

Registered Number: SC101959

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# **Rosyth Royal Dockyard Limited**

## **Directors and advisers**

### **Directors**

I S Urquhart

A A Bethel

S A R Billiald

F Martinelli

W Tame (resigned 5 January 2009)

P L Rogers (resigned 5 January 2009)

J W Howie

D M Jones (appointed 5 January 2009)

J A Donaldson (appointed 5 January 2009)

### **Company secretary**

J D T Greig

### **Registered office**

Rosyth Business Park

Rosyth

Dunfermline

Fife

KY11 2YD

### **Independent Auditors**

PricewaterhouseCoopers LLP

Kintyre House

209 West George Street

Glasgow

G2 2LW

### **Bankers**

The Royal Bank of Scotland plc

Dunfermline Branch

52-54 East Port

Dunfermline

Fife

KY12 7HB

# **Rosyth Royal Dockyard Limited**

## **Directors' report for the year ended 31 March 2009**

The directors present their Annual Report on the affairs of the company, together with the financial statements and auditors' report, for the year ended 31 March 2009.

### **Principal activities**

The company continued to make its employees and assets available to other Babcock group companies and is also engaged in leasing land and buildings to commercial tenants. The company is undertaking the decommissioning of legacy infrastructure associated with submarine refitting at Rosyth on behalf of the Ministry of Defence.

### **Review of business**

The decommissioning of the legacy submarine refitting infrastructure has continued in line with both the Ministry of Defence and Babcock's plans.

The leasing of surplus buildings and land to commercial tenants continues to meet expectations with high occupancy levels and rental fees in line with current market pricing.

The port business continues to attract new customers and deliveries of aggregate and timber have been in line with our plans.

### **Future developments**

The company plans to continue with the leasing of land and buildings to commercial tenants and to develop additional business opportunities related to the exploitation of the Rosyth site.

As part of the Scottish Parliament review of key national infrastructure projects, Rosyth has been included in the National Planning Framework 2 to develop an International Container Terminal at the west end of the site.

The directors consider that the development of the additional business does not present any significant risks to the company.

### **Principle Risks & Uncertainties**

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

The key business risks and uncertainties affecting the company are considered to relate to contractual performance, the political and regulatory environment and exposure to defined benefit pension schemes. Further discussion of these risks and uncertainties, in the context of the group as a whole, is provided on pages 26 & 27 of the annual report of Babcock International Group PLC, which does not form part of this report.

Regular reviews of contractual performance are undertaken by each of the businesses and these are independently challenged by a system of reviews undertaken by Babcock International Group Finance and a regime of internal audit conducted by Ernst and Young which reports to the Group Audit and Risk Committee.

## **Rosyth Royal Dockyard Limited**

### **Directors' report for the year ended 31 March 2009 (continued)**

#### **Key Performance Indicators**

The marine activities of the group are managed on a divisional basis. For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the company. The growth and performance of Babcock Marine, the Marine division of Babcock International Group PLC, which includes the company, is discussed on pages 12 and 13 of the Group's report, which does not form part of this report.

Non financial key performance indicators that have been monitored at a company level are related to our continued effort to improve our good record in Health & Safety. For the 12 months to March 2009 there has been a 30% reduction in all accidents and a 76% reduction in reportable accidents. The accident frequency rate per 100,000 hours stands at 0.26 for 2008/09, remaining constant from 2007/08.

#### **Financial risk management**

Financial risk is managed in accordance with Group policies and procedures which are discussed on page 29 of the annual report of Babcock International Group PLC and note 2 to the group financial statements, which does not form part of this report.

#### **Financial Review**

The audited Financial Statements for the year ended 31 March 2009 are set out on pages 8 to 28. The profit for the year after taxation was £5,718,000 (2008 Restated: £3,076,000).

The Directors recommend that no final dividend is paid (2008: £nil).

#### **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.

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.

#### **Employment of disabled persons**

We give full consideration to disabled applicants for employment, having regards to their particular aptitudes and abilities, and they share in the opportunities for training, career development and promotion. If an employee becomes disabled, our objective is the continued provision of suitable employment either in the same or an alternative position, appropriate training being given if necessary.

# **Rosyth Royal Dockyard Limited**

## **Directors' report for the year ended 31 March 2009 (continued)**

### **Employee involvement**

The company communicates regularly with its employees in briefings and discussions, by written communications on specific topics and on more general issues through the bulletin "Newslines". The company routinely discusses issues affecting its employees with the employees' trade unions' representatives. A joint trade union and management forum called "Spirit" has been set up to help facilitate better communications and to encourage employee participation.

### **Environment**

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

### **Qualifying third party indemnity provisions**

Under the Articles of Association of the Company and subject to the provisions of the Companies Act 2006, each director and officer of the Company is, and was during the period to 31 March 2009, entitled to be indemnified by the Company against any loss or liability incurred by him in defending any proceedings in which judgment is given in his favour or in which he is acquitted or in connection with any application in which relief is granted to him by the court from any liability.

### **Supplier Payment Policy**

It is the company's policy to abide by terms of payment agreed with suppliers. All purchases in the year to 31 March 2009 were made by the company's immediate parent and therefore there were no amounts due to suppliers at 31 March 2009.

### **Charitable and political donations**

There were no political or charitable contributions during the period.

### **Directors and their interests**

The Directors who served during the year are outlined on page 1.

### **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year which 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 those financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;

## **Rosyth Royal Dockyard Limited**

### **Directors' report for the year ended 31 March 2009 (continued)**

- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

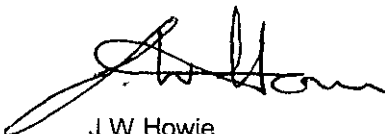
The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Auditors and disclosure of information to auditors**

Each director, as at the date of this report, has confirmed that insofar as they are aware there is no relevant audit information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware, and they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The company has elected, pursuant to s386 of the Companies Act 1985, to dispense with the obligation to appoint auditors annually. In the absence of a notice proposing that the appointment be terminated PricewaterhouseCoopers LLP will be deemed to be re-appointed for the next financial year.

By order of the Board



J W Howie  
Director

29 June 2009

# **Rosyth Royal Dockyard Limited**

## **Independent auditors' report**

### **Independent auditors' report to the members of Rosyth Royal Dockyard Limited**

We have audited the financial statements of Rosyth Royal Dockyard Limited for the year ended 31 March 2009 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it. This other information comprises only the Directors' Report and all of the other information listed on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in

## **Rosyth Royal Dockyard Limited**

### **Independent auditors' report (continued)**

the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2009 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Glasgow

29 June 2009



# Rosyth Royal Dockyard Limited

## Profit and Loss Account

For the year ended 31 March 2009

		2009	Restated 2008
	Notes	£'000	£'000
Turnover	2	55,638	45,015
Cost of sales		(51,248)	(43,514)
<b>Gross Profit</b>		<b>4,390</b>	<b>1,501</b>
Loss on disposal of fixed asset		(41)	-
<b>Operating profit</b>		<b>4,349</b>	<b>1,501</b>
Net interest receivable and similar income	3	704	1,726
<b>Profit on ordinary activities before tax</b>	4	<b>5,053</b>	<b>3,227</b>
Tax on profit on ordinary activities	7	665	(151)
<b>Retained profit for the year</b>	14	<b>5,718</b>	<b>3,076</b>

All the profit and loss items relate to continuing operations.

The accompanying notes are an integral part of this profit and loss account.

# Rosyth Royal Dockyard Limited

## Statement of Total Recognised Gains and Losses

For the year ended 31 March 2009

		2009	Restated 2008
	Notes	£'000	£'000
Profit for the year		5,718	3,076
Net actuarial gains in respect of pensions	17	(56,400)	5,200
Total gains and losses recognised for the year		<u>50,682</u>	<u>8,276</u>
Prior year adjustment for the revaluation of tangible fixed assets	9	42,977	
<b>Total gains and losses recognised since the last annual report</b>		<u>(7,705)</u>	

## Note of Historical Cost Profits and Losses

For the year ended 31 March 2009

	2009	Restated 2008
	£'000	£'000
Reported profit on ordinary activities before taxation	5,053	3,076
Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	2,629	2,629
Historical cost profit on ordinary activities before taxation	<u>7,682</u>	<u>5,705</u>
<b>Historical cost profit for the year after taxation and dividends</b>	<u>8,347</u>	<u>5,554</u>

# Rosyth Royal Dockyard Limited

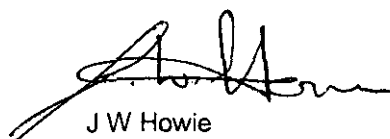
## Balance Sheet

As at 31 March 2009

		2009	Restated 2008
	Notes	£'000	£'000
<b>Fixed assets</b>			
Intangible fixed assets	8	10	13
Tangible fixed assets	9	42,783	45,836
		<u>42,793</u>	<u>45,849</u>
<b>Current assets</b>			
Debtors	11	50,126	34,904
Cash at bank		602	20,150
		<u>50,728</u>	<u>55,054</u>
<b>Net current assets</b>		<u>50,728</u>	<u>55,054</u>
<b>Net assets excluding pension (liability) / asset</b>		<u>93,521</u>	<u>100,903</u>
Defined benefit pension (liability) / asset	17	(39,039)	4,261
<b>Net assets including pension (liability) / asset</b>		<u>54,482</u>	<u>105,164</u>
<b>Capital and reserves</b>			
Called-up equity share capital	13	250	250
Share premium account	14	32,300	32,300
Profit and loss account	14	(18,416)	29,637
Revaluation reserve	14	40,348	42,977
<b>Equity shareholders' funds</b>	15	<u>54,482</u>	<u>105,164</u>

The accompanying notes are an integral part of this balance sheet.

The financial statements on pages 8 to 29 were approved by the board of directors on 29 June 2009 and were signed on its behalf by:



J W Howie

Director

**Rosyth Royal Dockyard Limited**  
**Notes to the financial statements**  
**For the year ended 31 March 2009**

**1 Accounting policies**

The principal accounting policies are summarised below.

*a) Basis of accounting*

The Financial Statements have been prepared on the going concern basis under the historical cost convention as modified by the revaluation of certain tangible fixed assets and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom.

*b) Tangible fixed assets*

- (i) Tangible fixed (with the exception of those revalued as at 1 April 2008, see (ii) below) are stated at cost less depreciation and any provision for impairment in value. This includes assets held and leased to third parties under operating lease arrangements. Depreciation is provided on a straight line basis to write off the cost of these tangible fixed assets over the course of their estimated useful lives, or for assets leased on operating leases over their contract period if shorter, to their estimated residual values as follows :

Land & buildings	10 to 20 years
Plant & machinery	3 to 8 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

*(ii) Change in accounting policy*

A revaluation of assets comprising the specialised marine facilities at Rosyth Royal Dockyard was carried out during the year. This class of assets has been revalued accordingly as at 1 April 2008, see note 9. Recognising the specialist nature of these assets a Depreciated Replacement Cost approach has been adopted to the valuation of these assets, with the associated land assessed at Existing Use Value. Depreciation has been provided on the revalued amounts (excluding the associated land) on a straight line basis in accordance with the estimated remaining economic lives of the assets. The estimated remaining economic lives of such assets are between 10 to 15 years. The effect of this change is that the cost of tangible fixed assets as at 1 April 2007 has been restated from £4,030k to £42,868k. This has increased the current and prior year loss by £2,629k due to a higher depreciation charge on the revalued opening cost amount.

# **Rosyth Royal Dockyard Limited**

## **Notes to the financial statements (continued)**

### **For the year ended 31 March 2009**

#### *c) Intangible fixed assets*

Intangible fixed assets represent intellectual property rights acquired from the Ministry of Defence. Initially, amortisation was provided in line with the allocated programme of work from the Ministry of Defence, amortisation of the remaining value is taking place over an 8 year period.

#### *d) Investments*

Fixed asset investments are stated at cost less provisions for impairment in value.

#### *e) Taxation*

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 substantially enacted by the balance sheet date. The taxation liabilities of certain group companies may be reduced, wholly or in part, by the surrender of losses by fellow group companies. The decision to charge group relief is made on a case by case basis.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

# **Rosyth Royal Dockyard Limited**

## **Notes to the financial statements (continued)**

**For the year ended 31 March 2009**

*f) Turnover*

Turnover comprises of operating lease income and the value of sales, excluding VAT, for the use of fixed assets and labour supplied in the normal course of business.

*g) Pensions*

The company operates a defined benefit pension scheme for the benefit of its employees and for employees of other Babcock companies. The scheme is funded through payments to a trustee-administered fund, as determined by periodic actuarial calculations.

The cost of providing benefits is determined using the projected unit credit actuarial method. The company's current and past service cost are charged to operating profit within the income statement. Interest on defined benefit scheme obligations and expected return on scheme assets are charged to net interest payable. Actuarial gains and losses are recognised directly in equity through the Statement of Total Recognised Gains and Losses so that the company's balance sheet reflects the fair value of the scheme's surplus or deficit at the balance sheet date.

*h) Leases*

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Rentals paid under operating leases are charged to the profit and loss account on a straight-line basis. Where the company acts as a lessor income received under operating leases is recognised in accordance with the terms of the lease agreements.

*i) Group financial statements*

The company has taken advantage of the exemption from preparing consolidated financial statements afforded by section 228 of the Companies Act 1985 because it is a wholly owned subsidiary of Babcock International Group PLC which prepares consolidated financial statements which are publicly available.

*j) Cash flow statement and related party disclosures*

The company is a wholly-owned subsidiary of Babcock International Group plc and is included in the consolidated financial statements of Babcock International Group plc, which are publicly available. Consequently, the company has taken advantage of the exemptions from preparing a cashflow statement under the terms of FRS 1. The company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of Babcock International Group plc.

# Rosyth Royal Dockyard Limited

## Notes to the financial statements (continued)

For the year ended 31 March 2009

### 2 Turnover

Turnover is entirely attributable to the United Kingdom market and the sole activity described in the directors' report.

### 3 Net interest receivable and similar income

	2009	2008
	£'000	£'000
FRS17 pension scheme interest income	500	6,200
FRS17 pension scheme interest charge	(387)	(4,641)
Bank interest receivable	591	167
	<u>704</u>	<u>1,726</u>

The FRS 17 Pension Scheme interest charge represents a proportion of the FRS 17 pension scheme interest income that is passed to other group companies. This proportion is in respect of employees of the company whose services are provided to other group companies.

### 4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging / (crediting):

		Restated
	2009	2008
	£'000	£'000
Depreciation - owned fixed assets	3,129	3,073
Amortisation - intangible assets	3	3
Operating lease rentals		
- land and buildings	17	17
Rents received in relation to operating leases	(2,242)	(2,233)

The auditors' remuneration in both the current and prior year was borne by the immediate parent company.

# Rosyth Royal Dockyard Limited

## Notes to the financial statements (continued)

For the year ended 31 March 2009

### 5 Staff costs

Employee costs during the year amounted to:

	2009	2008
	£'000	£'000
Wages and salaries	34,023	29,073
Social security costs	2,643	2,235
Other pension costs	3,251	(2,073)
	<u>39,917</u>	<u>29,235</u>

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

	2009	2008
	Number	Number
Production	824	829
Administration	246	115
	<u>1,070</u>	<u>944</u>

### 6 Directors' remuneration

The remuneration of directors which was paid by the company was as follows:

	2009	2008
	£'000	£'000
Emoluments (including benefits in-kind)	<u>301</u>	<u>-</u>

During the year 4 directors exercised options over 60p shares of Babcock International Group Plc.



# Rosyth Royal Dockyard Limited

## Notes to the financial statements (continued)

For the year ended 31 March 2009

### 6 Directors' remuneration (continued)

During the year 7 directors were awarded shares under the Babcock International Group Plc LTIP scheme.

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

	2009	2008
	£'000	£'000
Emoluments (excluding pension and pension contributions)	149	-
Accrued benefit entitlement under the group's defined benefit scheme	35	-

Retirement benefits are accruing to 8 directors (2008:7) under defined benefit pension schemes.

The remuneration of W Tame, P L Rogers, S A R Billiald and F Martinelli was incurred by other group companies. No part of their remuneration could be attributed to their services in respect of Rosyth Royal Dockyard Ltd. The remuneration of I S Urquhart, A A Bethell and J W Howie was incurred by and disclosed in the financial statements of the company's immediate parent, Babcock Marine (Rosyth) Ltd.

### 7 Tax on profit on ordinary activities

	2009	2008
	£'000	£'000
<b>Current</b>		
Tax charge for the year	-	-
<b>Deferred tax</b>		
Current	(665)	66
Adjustment in respect of prior years	-	(9)
Impact of change in UK tax rate	-	94
Tax (credit) / charge	(665)	151

# Rosyth Royal Dockyard Limited

## Notes to the financial statements (continued)

For the year ended 31 March 2009

### 7 Tax on profit on ordinary activities (continued)

The differences between the total current year tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

		Restated
	2009	2008
	£'000	£'000
<b>Profit on ordinary activities before tax</b>	<b>5,053</b>	<b>3,227</b>
 Tax on profit on ordinary activities at standard UK corporation tax rate of 28% (2008: 30%)	 <b>1,415</b>	 <b>968</b>
Effects of:		
Timing differences	<b>665</b>	<b>723</b>
Deferred tax unprovided	<b>(770)</b>	<b>(2,340)</b>
Expenses not deductible for tax purposes	<b>42</b>	<b>36</b>
Group relief (claimed) / surrendered for no consideration	<b>(1,352)</b>	<b>613</b>
	<hr/>	<hr/>
	<b>-</b>	<b>-</b>
	<hr/>	<hr/>

### 8 Intangible fixed assets

	Intellectual property
Cost	£'000
At 1 April 2008 and 31 March 2009	<hr/> <b>300</b>
<b>Amortisation</b>	
At 1 April 2008	<b>287</b>
Charge for the year	<b>3</b>
At 31 March 2009	<hr/> <b>290</b>
<b>Net book value</b>	
At 31 March 2009	<hr/> <b>10</b>
At 1 April 2008	<hr/> <b>13</b>

# Rosyth Royal Dockyard Limited

## Notes to the financial statements (continued)

For the year ended 31 March 2009

### 9 Tangible Fixed Assets

	Buildings related to operating leases	Land & Other Buildings	Specialised Marine Facilities (including associated land)	Plant & machinery	Total
Cost or valuation	£'000	£'000	£'000	£'000	£'000
At 1 April 2008 - restated	3,000	10,001	45,868	13,311	72,180
Revaluations	-	-	(2,689)	-	(2,689)
Additions	-	296	-	69	365
Disposals	-	(512)	-	-	(512)
At 31 March 2009	<u>3,000</u>	<u>9,785</u>	<u>43,179</u>	<u>13,380</u>	<u>69,344</u>
<b>Depreciation</b>					
At 1 April 2008 - restated	2,274	8,366	2,689	13,015	26,344
Revaluations	-	-	(2,689)	-	(2,689)
Charge for the year	143	105	2,689	192	3,129
Disposals	-	(223)	-	-	(223)
At 31 March 2009	<u>2,417</u>	<u>8,248</u>	<u>2,689</u>	<u>13,207</u>	<u>26,561</u>
<b>Net book value</b>					
At 31 March 2009	<u>583</u>	<u>1,537</u>	<u>40,490</u>	<u>173</u>	<u>42,783</u>
At 31 March 2008	<u>726</u>	<u>1,635</u>	<u>43,179</u>	<u>296</u>	<u>45,836</u>

Land and buildings disclosed above relate to freehold land and buildings only.

A revaluation of a class of assets comprising the marine facilities at Rosyth Royal Dockyard was carried out during the year. The valuation was carried out by James Barr Ltd, chartered surveyors, qualified independent valuers as defined within the RICS Valuation Standards. The effective date of the valuation was 1 April 2008.

The valuation is related to the Company's marine facilities within the Rosyth Royal Dockyard property. In general, this relates to the specialised facilities directly associated with the

# Rosyth Royal Dockyard Limited

## Notes to the financial statements (continued)

### For the year ended 31 March 2009

marine operations undertaken by the Company and comprising dry docks, berthing quays and the basin facility.

The valuation was prepared having regard to the contents of the RICS valuation standards (6<sup>th</sup> edition). Recognising the specialist nature of assets under consideration, a Depreciated Replacement Cost approach has been adopted, with the land element held in support of the assets assessed at Existing Use Value. The Depreciated Replacement Cost valuations are inclusive of an allowance for professional fees which might reasonably be expected to be incurred in providing the asset, and include provision for the potential cost of finance which may be incurred through a building programme. The total value of the revalued class of assets at 1 April 2008 arrived at in accordance with the above is £43,178,500. Of this value £39,813,500 relates to the Marine Facilities valued at Depreciated Replacement cost, and £3,365,000 to the associated land, valued at Existing Use Value.

Historical cost values for the revalued class of assets are shown below:

	<b>Specialised Marine Facilities (including associated land)</b>
	<b>£'000</b>
<b>Cost</b>	
At 1 April 2008 and 31 March 2009	4,030
<b>Depreciation</b>	
At 1 April 2008	3,828
Charge for the year	60
At 31 March 2009	3,888
<b>Net Book Value</b>	
At 31 March 2009	142
At 1 April 2008	202

An amount of £2,629,000, representing the excess of the depreciation charge on the revalued assets over the amount charged on a historical cost basis has been transferred

# Rosyth Royal Dockyard Limited

## Notes to the financial statements (continued)

For the year ended 31 March 2009

from the revaluation reserve to the profit and loss account reserve, see note 14.

### 10 Fixed asset investment

The company owns 100% of the allotted ordinary share capital of Rosyth Royal Dockyard Pension Trustees Limited, a company registered in Scotland. This subsidiary undertaking is the trustee of the Rosyth Royal Dockyard Pension Scheme. The carrying value of the investment is £100 (2008: £100).

### 11 Debtors

Amounts falling due within one year:

	Notes	2009 £'000	2008 £'000
Amounts owed by other group undertakings		48,140	33,583
Deferred Tax	12	1,986	1,321
		<u>50,126</u>	<u>34,904</u>

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

### 12 Deferred tax

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

	2009 Provided £'000	2008 Provided £'000	2009 Potential £'000	2008 Potential £'000
Accelerated capital allowances	1,986	1,321	1,986	1,321
Defined benefit pension liability / (asset)	-	-	10,931	(1,193)
	<u>1,986</u>	<u>1,321</u>	<u>12,917</u>	<u>128</u>
Less defined benefit pension asset / (liability)	-	-	(10,931)	1,193
Excluding defined benefit pension asset / liability	<u>1,986</u>	<u>1,321</u>	<u>1,986</u>	<u>1,321</u>

# Rosyth Royal Dockyard Limited

## Notes to the financial statements (continued)

For the year ended 31 March 2009

### 12 Deferred tax (continued)

The potential deferred tax liability of £10,931,000 on the defined benefit pension asset has not been recognised by the company as it has been recognised by the company's immediate parent.

The movement on the deferred tax asset / (liability) is as follows:

	£'000
At 1 April 2008	1,321
Current year credit	665
At 31 March 2009	<u>1,986</u>

### 13 Called-up equity share capital

	Authorised		Allotted, called-up and fully paid	
	2009	2008	2009	2008
	Number	Number	£	£
£1 ordinary shares	200,101	200,101	200,022	200,022
£1 "A" ordinary shares	49,998	49,998	49,998	49,998
£1 special share	1	1	1	1
	<u>250,100</u>	<u>250,100</u>	<u>250,021</u>	<u>250,021</u>

Share capital consists entirely of equity shares.

The Secretary of State for Defence retains a special share in the company, which empowers him to take control of the company under certain circumstances, particularly to safeguard national security. The "A" ordinary shares are non-voting, have no dividend rights and have a deferred right to the return of capital.

# Rosyth Royal Dockyard Limited

## Notes to the financial statements (continued)

For the year ended 31 March 2009

### 14 Reserves

	Notes	Share Premium £'000	Revaluation Reserve £'000	Profit and Loss Reserve £'000
At 1 April 2008 - restated		32,300	42,977	29,637
Retained profit for the year		-	-	5,718
Actuarial loss on pension scheme		-	-	(56,400)
Transfer of excess depreciation on revalued assets	9	-	(2,629)	2,629
<b>At 31 March 2009</b>		<b>32,300</b>	<b>40,348</b>	<b>(18,416)</b>
Defined benefit pension liability				39,039
<b>Profit and loss reserve excluding defined benefit pension liability</b>				<b>20,623</b>

### 15 Reconciliation of movements in shareholders' funds

	Notes	2009 £'000	Restated 2008 £'000
Profit for the financial year - restated		5,718	3,076
Actuarial (loss) / gain on pension scheme	17	(56,400)	5,200
Movement on deferred tax relating to the pension scheme	12	-	-
Share capital / premium issued during the period	13	-	20,000
Net additions to shareholders' funds		(50,682)	28,276
Opening shareholders' funds		105,164	76,888
Closing shareholders' funds		54,482	105,164

# Rosyth Royal Dockyard Limited

## Notes to the financial statements (continued)

For the year ended 31 March 2009

### 16 Guarantees and financial commitments

#### a) Capital commitments

There were no capital commitments at the end of the year (2008: £nil).

#### b) Contingent liabilities

- i. The company at the period end had guaranteed or had joint and several liability for drawn Babcock International Group PLC bank facilities of £355m provided to certain group companies.

In addition, the company at the period end had joint and several liability for drawn bank overdraft facilities of other group companies for the value of £3.8 million.

- ii. Pursuant to the agreement for the acquisition of Rosyth Royal Dockyard, the following charge and security interest has been granted in favour of the Ministry of Defence ("MoD"):

##### Development clawback

The MoD will share in the net proceeds of sale or development of the Dockyard following planning enhancement, on terms set out in the asset purchase agreement between the company and the MoD. By way of security for the MoD's rights to such share, the company has granted a fixed charge over the Dockyard in favour of the MoD.

#### c) Operating lease commitments

At 31 March the company had annual commitments under non cancellable operating leases expiring as follows:

	Land and buildings	
	2009	2008
	£'000	£'000
- between two and five years	17	17



# Rosyth Royal Dockyard Limited

## Notes to the financial statements (continued)

For the year ended 31 March 2009

### 17 Pension commitments

The company operates a pension scheme for the benefit of its employees and for employees of other Babcock group companies. The defined benefit scheme is funded in advance by contributions from the members at rates set out in the scheme rules, and from the employer to meet the balance of the costs, at a rate assessed by the actuaries of the scheme in regular funding reviews. Contributions have been made at 22.4% of pensionable pay, including the employer and employee elements. A salary sacrifice scheme is in place under which the employee element of contributions is classified as an employer contribution. During March 2009 the company made an advance payment of contributions of £10 million. Contribution rates are expected to remain at current levels for the foreseeable future, however, cash payments will not be made until the £10m advance payment has been utilised.

For defined benefit schemes the fair values of pension scheme assets at 31 March 2009 are compared with the pension liabilities calculated under the projected unit method. A full actuarial valuation was carried out at 31 March 2006. The latest full actuarial valuation of the Scheme has been updated to 31 March 2009 by qualified independent actuaries using the following assumptions:

	2009	2008	2007
Rate of increase of future earnings	3.2%	4.0%	3.0-3.5%
Discount rate	7.1%	6.9%	5.43%
Expected pension increases	2.7%	3.5%	3.0%
Inflation rate	2.7%	3.5%	3.0%

The mortality assumptions used were as follows:

	2009	2008
Life expectancy from age 60 (male age 60)	22.1	22.1
Life expectancy from age 60 (male age 40)	24.0	23.9

# Rosyth Royal Dockyard Limited

## Notes to the financial statements (continued)

For the year ended 31 March 2009

### 17 Pension Commitments (continued)

#### Analysis of the amount charged to operating profit :

	2009	2008
	£'000	£'000
Current service cost	(4,700)	(5,000)
Curtailments	-	1,500
Total Operating Charge	<u>(4,700)</u>	<u>(3,500)</u>

#### Analysis of the amount credited to other finance income :

	2009	2008
	£'000	£'000
Expected return on pension scheme assets	28,900	31,100
Interest on pension scheme liabilities	(28,400)	(24,900)
Net Return	<u>500</u>	<u>6,200</u>

#### Analysis of amount recognised in Statement of Recognised Gains and Losses

	2009	2008
	£'000	£'000
Actual return less expected return on pension scheme assets	(104,500)	(49,000)
Experience losses arising on scheme liabilities	(7,000)	(5,100)
Changes in assumptions underlying the present value of the scheme liabilities	55,100	59,300
Actuarial (loss) / gain recognised in the statement of recognised gains and losses	<u>(56,400)</u>	<u>5,200</u>

# Rosyth Royal Dockyard Limited

## Notes to the financial statements (continued)

For the year ended 31 March 2009

### 17 Pension Commitments (continued)

<b>Movements in deficit during the year :</b>	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Surplus / (deficit) at the beginning of the year	<b>4,261</b>	<b>(8,739)</b>
Movement in the year:		
Current service cost	<b>(4,700)</b>	<b>(5,000)</b>
Other finance income	<b>500</b>	<b>6,200</b>
Actuarial (loss) / gain	<b>(56,400)</b>	<b>5,200</b>
Contributions	<b>17,300</b>	<b>5,100</b>
Curtailments	<b>-</b>	<b>1,500</b>
(Deficit) / Surplus at the end of the year	<b>(39,039)</b>	<b>4,261</b>

<b>Reconciliation of present value of scheme liabilities :</b>	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
At 1 April	<b>417,939</b>	<b>469,607</b>
Current service cost	<b>4,700</b>	<b>5,000</b>
Employee contributions	<b>-</b>	<b>500</b>
Interest cost	<b>28,400</b>	<b>24,900</b>
Gains on settlements	<b>-</b>	<b>(10,968)</b>
Benefits paid	<b>(17,700)</b>	<b>(16,900)</b>
Actuarial gain	<b>(48,100)</b>	<b>(54,200)</b>
At 31 March	<b>385,239</b>	<b>417,939</b>

# Rosyth Royal Dockyard Limited

## Notes to the financial statements (continued)

For the year ended 31 March 2009

### 17 Pension Commitments (continued)

Reconciliation of present value of scheme assets :	2009	2008
	£'000	£'000
At 1 April	422,200	460,900
Expected return on scheme assets	28,900	31,100
Actuarial losses	(104,500)	(49,000)
Employer contributions	17,300	5,100
Employee contributions	-	500
Settlements	-	(9,500)
Benefits paid	(17,700)	(16,900)
At 31 March	<u>346,200</u>	<u>422,200</u>

### History of experience gains and losses :

	2009	2008
	£'000	£'000
Difference between the expected and actual return on scheme assets :		
Amount	(104,500)	(49,000)
Percentage of scheme assets	(30.2)%	(11.6)%
Experience gains and losses on scheme liabilities :		
Amount	(7,000)	(5,100)
Percentage of the present value	(2.0)%	(1.2)%
Total amount recognised in the statement of total recognised gains and losses :		
Amount	55,100	59,300
Percentage of the present value of scheme liabilities	15.9%	14%

# Rosyth Royal Dockyard Limited

## Notes to the financial statements (continued)

For the year ended 31 March 2009

### 17 Pension Commitments (continued)

Amounts for the current and previous four periods are as follows:

	2009	2008	2007	2006	2005
	£'000	£'000	£'000	£'000	£'000
Defined benefit obligation	(385,239)	(417,939)	(469,607)	(473,532)	(428,230)
Plan Assets	346,200	422,200	460,868	443,338	375,645
Surplus / deficit	(39,039)	(4,261)	(8,739)	(30,194)	(52,585)
Experience adjustments on plan assets	(104,500)	(49,000)	2,109	54,899	19,648
Experience adjustments on plan liabilities	(7,000)	(5,100)	(2,239)	(13,198)	(7,383)
Total amount recognised in the statement of total recognised gains and losses	(56,400)	5,200	18,130	20,898	(1,467)

### 18 Related party disclosures

The company, as a wholly owned subsidiary, has taken advantage of the exemption, granted under Financial Reporting Standard 8, Related Party Disclosures, by not disclosing details of related party transactions with other members of the group headed up by Babcock International Group PLC.

### 19 Ultimate parent undertaking

The company's immediate parent company is Babcock Marine (Rosyth) Limited, a company registered in Scotland. The company's ultimate parent company 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 to the public from the following address:

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