

# Rosyth Royal Dockyard Limited

Directors' report and financial statements for the year  
ended 31 March 2013

Registered number: SC101959

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# Rosyth Royal Dockyard Limited

## Directors' report and financial statements for the year ended 31 March 2013

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# **Rosyth Royal Dockyard Limited**

## **Company information**

### **Directors**

I S Urquhart  
A A Bethel CBE  
F Martinelli  
D M Jones  
J A Donaldson  
T M R Pettigrew  
J Reilly  
J W Howie

### **Company secretary**

J D T Greig

### **Registered office**

Rosyth Business Park  
Rosyth  
Dunfermline  
Fife  
KY11 2YD

### **Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
141 Bothwell Street  
Glasgow  
G2 7EQ

### **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 2013**

The directors present their report on the affairs of the company, together with the audited financial statements of the company and independent auditors' report, for the year ended 31 March 2013.

### **Principal activities**

The company continued to make its employees and assets available to other Babcock International Group PLC 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. The company continues to grow its port business with both bulk and specialist project cargoes.

### **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 first phase of decommissioning under the RD83 contract is now complete and the Submarine Disposal Project (SDP) will determine future phases of decommissioning at the site. In October 2011 the Ministry of Defence (MOD) launched a public consultation on the strategic options for dismantling redundant nuclear submarines. The Submarine Dismantling Consultation ran for 16 weeks from 28 October 2011 to 17 February 2012, seeking the views of local people in the areas around candidate sites for submarine dismantling. The MOD published their response to the consultation in March 2013. The first submarine will be dismantled at Rosyth as a demonstration of the radioactive waste removal process. The rate and order of dismantling the remaining submarines, at both Rosyth and Devonport, will then be optimised. Priority will be given to clearing the seven submarines currently at Rosyth. We are working with the MOD to determine the programme for the first submarine and expect to undertake some preliminary study contracts over the next years.

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.

The strategic focus on health and safety performance and culture continued throughout the financial year, managed by a joint team drawn from across the business with regular performance feedback to all employees. The rate of reportable accidents per 100,000 hours of work remains at low levels and during the financial year was 0.18 (2012: 0.08).

### **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 was included in the National Planning Framework 2 to develop an International Container Terminal at the west end of the site. Application for planning permission was submitted during 2010/11 and the Scottish Government conducted a public local inquiry (PLI) between December 2011 and June 2012. In March 2013, the Transport Minister announced he was mindful to grant the Harbour Revision Order subject to recommendations contained within the Public Local Inquiry Report. This marks another significant milestone in this project, which we believe will have a positive economic impact. We will now continue to engage with key stakeholders, including Mariner Ports – our partner, the Scottish Government and the local community to fully understand the actions required to satisfy these requirements.

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

### **Principal risks and uncertainties**

The management of the business and the execution of the Company's strategy are subject to a number of risks and uncertainties. These are managed through the operational review process

# **Rosyth Royal Dockyard Limited**

## **Directors' report for the year ended 31 March 2013 (continued)**

supplemented at group level by independent challenge and review by the group risk manager and the Audit and 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 50 to 55 of the annual report of Babcock International Group PLC, which does not form part of this report.

### **Key performance indicators**

The marine activities of the group are managed on a divisional basis. For this reason, the company's directors consider 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 and Technology, the division of Babcock International Group PLC of which the company forms part, is discussed on pages 14 to 19 of the group's annual report, which does not form part of this report.

### **Financial risk management**

Financial risk is managed in accordance with group policies and procedures which are discussed on pages 50 to 55 and note 2 of the annual report of Babcock International Group PLC.

### **Management of capital**

The Group's objectives, policies and processes for managing capital are discussed on page 112 of the annual report of Babcock International Group PLC.

### **Results and dividends**

The company's profit for the financial year was £4,265,000 (2012: £4,932,000).

No dividends were proposed or paid during the financial year (2012: £nil).

### **Going concern statement**

The company had net liabilities at 31 March 2013, primarily due to the pension scheme deficit. The directors believe that, having regard to the company's prospects for future business, and having agreed a recovery plan for the pension scheme deficit with the scheme's trustees, the company remains a going concern. Further, Babcock International Group PLC, the company's ultimate parent undertaking, has confirmed its intention to ensure that the company is able to meet its liabilities as they fall due.

### **Directors**

The directors of the company who were in office during the financial year and up to the date of signing the financial statements were:

I S Urquhart  
A A Bethel CBE  
F Martinelli  
D M Jones  
J A Donaldson  
T M R Pettigrew  
J Reilly  
J W Howie (appointed 30 May 2012)

### **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.

### **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

# **Rosyth Royal Dockyard Limited**

## **Directors' report for the year ended 31 March 2013 (continued)**

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.

### **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 "InSite". The company routinely discusses issues affecting its employees with the employees' trade unions' representatives. This interaction has been further enhanced with the launch of an Employee Engagement Excellence programme. During the year the company issued and communicated through employee engagement sessions the 'Our Challenge 2012' document which described the company's achievements in the past year and the plans and challenges for the year ahead. Employees can share in the fortunes of the group by electing to join the Babcock All Employee Share Option Plan (AESOP).

### **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 their respective Articles of Association, the directors of the company are, and were during the financial year to 31 March 2013, entitled to be indemnified by the company against liabilities and costs incurred in connection with the execution of their duties or the exercise of the powers, to the extent permitted by the Companies Act 2006.

Babcock International Group PLC also 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 directors 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.

### **Supplier payment policy**

It is the Company's policy to abide by terms of payment agreed with suppliers, and through Babcock International Group PLC, the Company is committed to the principles of the Prompt Payment Code; which encourages and promotes best practice between organisations and their suppliers. All purchases in the year to 31 March 2013 were made by the company's immediate parent and therefore there were no amounts due to suppliers at 31 March 2013 (2012: £nil).

### **Charitable and political donations**

There were no political or charitable contributions during the financial year (2012: £nil).

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

The directors are responsible for preparing 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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;

# **Rosyth Royal Dockyard Limited**

## **Directors' report for the year ended 31 March 2013 (continued)**

- state whether applicable UK Accounting Standards 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.

### **Disclosure of information to auditors**

In the case of each of the persons who are directors at the time when the report is approved, under Section 418 of the Companies Act 2006 the following applies:

- a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit.

On behalf of the Board



D M Jones  
**Director**

26 June 2013

# **Rosyth Royal Dockyard Limited**

## **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 2013 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Note of Historical Cost Profits and Losses, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

As explained more fully in the Statement of Directors' Responsibilities set out on page 4 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 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.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the directors' report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.



## **Rosyth Royal Dockyard Limited**

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

#### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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.

*Kenneth Wilson*

Kenneth Wilson (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Glasgow  
26 June 2013

## Rosyth Royal Dockyard Limited

### Profit and loss account for the year ended 31 March 2013

|  | Note | 2013<br>£'000   | 2012<br>£'000 |
|--|------|-----------------|---------------|
| <b>Turnover</b>                                      | 2    | <b>66,869</b>   | 62,036        |
| Cost of sales  |      | <b>(62,964)</b> | (57,165)      |
| <b>Operating profit</b>                              |      | <b>3,905</b>    | 4,871         |
| Interest payable and similar charges                 | 3    | <b>(2,197)</b>  | (931)         |
| Other finance income/(cost)                          | 17   | <b>2,800</b>    | 1,200         |
| <b>Profit on ordinary activities before taxation</b> | 4    | <b>4,508</b>    | 5,140         |
| Tax on profit on ordinary activities                 | 7    | <b>(243)</b>    | (208)         |
| <b>Profit for the financial year</b>                 | 14   | <b>4,265</b>    | 4,932         |

All the profit and loss items relate to continuing operations.

## Rosyth Royal Dockyard Limited

### Statement of total recognised gains and losses for the year ended 31 March 2013

|   | Note | 2013<br>£'000 | 2012<br>£'000 |
|---|------|---------------|---------------|
| Profit for the financial year                                 |      | <b>4,265</b>  | 4,932         |
| Actuarial gains / (losses) on pension scheme                  | 17   | <b>11,055</b> | (45,100)      |
| <b>Total recognised gains and losses relating to the year</b> |      | <b>15,320</b> | (40,168)      |

### Note of historical cost profits and losses for the year ended 31 March 2013

|  | 2013<br>£'000 | 2012<br>£'000 |
|--|---------------|---------------|
| Profit on ordinary activities before taxation  | <b>4,508</b>  | 5,140         |
| Difference between historical cost depreciation charge and the actual depreciation charge for the financial year calculated on the revalued amount | <b>3,100</b>  | 3,100         |
| <b>Historical cost profit on ordinary activities before taxation</b>   | <b>7,608</b>  | 8,240         |
| <b>Historical cost profit for the financial year</b>   | <b>7,365</b>  | 8,032         |

# Rosyth Royal Dockyard Limited

Registered number: SC101959

## Balance sheet as at 31 March 2013

|  | Note | 2013<br>£'000   | 2012<br>£'000 |
|--|------|-----------------|---------------|
| <b>Fixed assets</b>                                |      |                 |               |
| Intangible assets                                  | 8    | -               | 1             |
| Tangible assets                                    | 9    | 52,475          | 47,662        |
|  |      | <b>52,475</b>   | 47,663        |
| <b>Current assets</b>                              |      |                 |               |
| Debtors  | 11   | 56,092          | 59,433        |
| Cash at bank and in hand                           |      | 602             | 602           |
| <b>Net current assets</b>                          |      | <b>56,694</b>   | 60,035        |
| <b>Total assets less current liabilities</b>       |      | <b>109,169</b>  | 107,698       |
| <b>Net assets excluding pension liability</b>      |      | <b>109,169</b>  | 107,698       |
| Defined benefit pension liability                  | 17   | (150,739)       | (172,039)     |
| <b>Net liabilities including pension liability</b> |      | <b>(41,570)</b> | (64,341)      |
| <b>Capital and reserves</b>                        |      |                 |               |
| Called up share capital                            | 13   | 250             | 250           |
| Share premium account                              | 14   | 32,300          | 32,300        |
| Revaluation reserve                                | 14   | 50,498          | 46,147        |
| Profit and loss account                            | 14   | (124,618)       | (143,038)     |
| <b>Total shareholders' deficit</b>                 | 15   | <b>(41,570)</b> | (64,341)      |

The financial statements on pages 8 to 30 were approved by the Board of directors on 26 June 2013 and were signed on its behalf by:



D M Jones  
Director

# Rosyth Royal Dockyard Limited

## Notes to the financial statements for the year ended 31 March 2013

### 1 Accounting policies

The principal accounting policies are summarised below.

#### 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 2006 and applicable accounting standards in the United Kingdom. A summary of the key accounting policies, which have been applied consistently, is set out below.

#### Tangible fixed assets

- (i) Tangible fixed assets (with the exception of those revalued as at 1 April 2008, see (ii) below) are stated at cost less accumulated depreciation and any provision for impairment in value. This includes assets held and leased to third parties under operating lease arrangements. The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition. 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:

|   |                |
|---|----------------|
| Buildings related to operating leases                                     | 10 to 15 years |
| Land and other buildings  | 10 to 20 years |
| Specialised marine facilities (including associated land), see (ii) below | 15 years       |
| Plant and 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) Revalued assets: A class of assets comprising the specialised marine facilities at Rosyth Royal Dockyard was first revalued as at 1 April 2008 (and subsequently updated at 31 March 2011 and at 31 March 2013), 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 life of such assets is 15 years.

#### 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.

#### Fixed asset investments

Fixed asset investments are stated at cost less provisions for impairment in value. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

#### 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

# **Rosyth Royal Dockyard Limited**

## **Notes to the financial statements for the year ended 31 March 2013 (continued)**

### **1 Accounting policies (continued)**

#### **Taxation (continued)**

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 on an undiscounted basis 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.

#### **Turnover**

Turnover includes operating lease income and the sale of fixed assets and labour supplied in the normal course of business. Operating lease income is recognised in the period to which it relates as defined by the lease agreements. Revenue in respect of fixed assets is recognised in line with the depreciation of the assets. Revenue in respect of labour is recognised in line with the costs incurred. All turnover is stated net of value added tax.

#### **Pensions**

The company operates a defined benefit pension scheme for the benefit of the majority of its employees, the assets of which are held separately from those of the company in independently administered funds.

Pension scheme assets are measured using market value. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability. The increase in the present value of the liabilities of the Group's defined benefit pension schemes expected to arise from employee service in the period is charged to operating profit. The expected return on the schemes' assets and the increase during the year in the present value of the schemes' liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the consolidated statement of total recognised gains and losses.

Pension schemes' surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet net of the related deferred tax.

The company is also a contributing employer to the Babcock International Group Pension Scheme, a defined benefit scheme, in respect of a small number of its employees. This scheme is multi-employer and as such the company is unable to identify its share of the underlying assets and liabilities in the scheme. The company therefore does not believe that the accounting treatment for a defined benefit scheme is appropriate and is accounting for it in line with that required for a defined contribution scheme. The cost of employer contributions is charged to the profit and loss account.

Contributions are also made to the personal plans of certain employees who are not members of defined benefit pension schemes. The expenditure is charged to the profit and loss account in the period to which it relates.

# Rosyth Royal Dockyard Limited

## Notes to the financial statements for the year ended 31 March 2013 (continued)

### 1 Accounting policies (continued)

#### 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.

#### Group financial statements

The company has taken advantage of the exemption from preparing consolidated financial statements afforded by section 400 of the Companies Act 2006 because it is a wholly owned subsidiary of Babcock International Group PLC which prepares consolidated financial statements which are publicly available.

#### 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 (revised 1996) 'Cash flow statements'. The company is also exempt under the terms of FRS 8 'Related party disclosures' from disclosing related party transactions with entities that are part of Babcock International Group PLC.

### 2 Turnover

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

### 3 Interest payable and similar charges

|   | 2013<br>£'000 | 2012<br>£'000 |
|---|---------------|---------------|
| <b>Interest payable and similar charges</b> |               |               |
| FRS 17 pension scheme interest charge       | (2,197)       | (931)         |

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

# Rosyth Royal Dockyard Limited

## Notes to the financial statements for the year ended 31 March 2013 (continued)

### 4 Profit on ordinary activities before taxation

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

|  | 2013<br>£'000 | 2012<br>£'000 |
|--|---------------|---------------|
| Depreciation - owned tangible fixed assets     | 3,477         | 3,290         |
| Amortisation - intangible fixed assets         | 1             | 3             |
| Operating lease rentals                        |               |               |
| - other  | 6             | 15            |
| Rents received in relation to operating leases | (1,701)       | (2,175)       |

The auditors' remuneration in both the current and prior financial year was borne by the immediate parent company. The amount of such auditors' remuneration was £18,000 (2012: £14,000).

### 5 Staff costs

Employee costs during the financial year amounted to:

|                       | 2013<br>£'000 | 2012<br>£'000 |
|-----------------------|---------------|---------------|
| Wages and salaries    | 46,389        | 41,443        |
| Social security costs | 4,313         | 3,737         |
| Other pension costs   | 4,934         | 5,312         |
|                       | 55,636        | 50,492        |

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

|                | 2013<br>Number | 2012<br>Number |
|----------------|----------------|----------------|
| Production     | 1,079          | 940            |
| Administration | 254            | 309            |
|                | 1,333          | 1,249          |



## Rosyth Royal Dockyard Limited

### Notes to the financial statements for the year ended 31 March 2013 (continued)

#### 6 Directors' remuneration

|  | 2013<br>£'000 | 2012<br>£'000 |
|--|---------------|---------------|
| Aggregate emoluments   | 821           | 689           |
| Aggregate amounts receivable under long-term incentive schemes | 244           | 129           |
| Aggregate gains received on exercise of share options          | 96            | -             |
|  | 1,161         | 818           |

| Highest Paid Director  | 2013<br>£'000 | 2012<br>£'000 |
|--|---------------|---------------|
| Aggregate emoluments and benefits (excluding shares) under long-term incentive schemes | 240           | 237           |
| Defined benefit pension scheme: Accrued pension at the end of year (per annum)         | 24            | 21            |

Share options were exercised in the year to 31 March 2013 (2012: nil) by the highest paid director.

The remuneration of the executive directors includes a performance related bonus which depends upon pre-set targets. Performance related bonuses are normally paid in the period after that in which they are earned.

Four directors (2012: four) participate in any long term incentive schemes and shares were received or receivable in the year.

Two directors (2012: nil) exercised share options in respect of qualifying services under any long term incentive schemes.

Retirement benefits are accruing to three directors (2012: three) under defined benefit schemes.

Retirement benefits are accruing to one director (2012: one) under defined contribution schemes.

The above disclosures relate to four directors (2012: four) actually paid by the company. The remaining four directors (2012: three) are also directors of the holding company or fellow subsidiaries. Recharges are made by the holding company or fellow subsidiaries to cover central and shared services, including an element of directors' emoluments.

# Rosyth Royal Dockyard Limited

## Notes to the financial statements for the year ended 31 March 2013 (continued)

### 7 Tax on profit on ordinary activities

|  | 2013<br>£'000 | 2012<br>£'000 |
|--|---------------|---------------|
| <b>Current tax</b>                             |               |               |
| UK Corporation tax                             | -             | -             |
| <b>Deferred tax (note 12)</b>                  |               |               |
| Origination and reversal of timing differences | 68            | 140           |
| Impact of change in UK tax rate                | 21            | 62            |
| Adjustment in respect of prior years           | 154           | 6             |
| <b>Tax on profit on ordinary activities</b>    | <b>243</b>    | <b>208</b>    |

The tax assessed for the financial year is lower (2012: lower) than the standard rate of corporation tax in the UK of 24% (2012: 26%).

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

|   | 2013<br>£'000 | 2012<br>£'000 |
|---|---------------|---------------|
| <b>Profit on ordinary activities before taxation</b>  | <b>4,508</b>  | <b>5,140</b>  |
| Tax on profit on ordinary activities at standard UK corporation tax rate of 24% (2012: 26%) | <b>1,082</b>  | <b>1,336</b>  |
| Effects of:   |               |               |
| Capital allowances in excess of depreciation  | (68)          | (140)         |
| Deferred tax unprovided   | (2,459)       | (1,898)       |
| Expenses not deductible for tax purposes  | 762           | 825           |
| Group relief surrendered / (claimed) for nil consideration                                  | 683           | (123)         |
|   | -             | -             |

A number of changes to the UK Corporation tax system were announced in the March 2013 Budget Statement. Legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 is included in the Finance Act 2013. Further reductions to the main rate are proposed to reduce the

# Rosyth Royal Dockyard Limited

## Notes to the financial statements for the year ended 31 March 2013 (continued)

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

rate to 21% by 1 April 2014. These further changes had not been substantively enacted at the balance sheet date and, therefore the impact is not included in these financial statements.

The effect of the changes expected to be enacted in the Finance Act 2013 would be to reduce the deferred tax asset provided at the balance sheet date by £43,000. This £43,000 decrease in the deferred tax asset would decrease the profit by £43,000. This decrease in the deferred tax asset is due to the reduction in the corporation tax rate from 23% to 21% with effect from 1 April 2014.

### 8 Intangible fixed assets

|                                   | Intellectual<br>property |
|-----------------------------------|--------------------------|
| <b>Cost</b>                       | <b>£'000</b>             |
| At 1 April 2012 and 31 March 2013 | 300                      |
| <b>Accumulated amortisation</b>   |                          |
| At 1 April 2012                   | 299                      |
| Charge for the year               | 1                        |
| <b>At 31 March 2013</b>           | <b>300</b>               |
| <b>Net book value</b>             |                          |
| <b>At 31 March 2013</b>           | -                        |
| At 31 March 2012                  | 1                        |

# Rosyth Royal Dockyard Limited

## Notes to the financial statements for the year ended 31 March 2013 (continued)

### 9 Tangible fixed assets

|                                 | Buildings<br>related to<br>operating<br>leases | Land and<br>Other<br>Buildings | Specialised<br>Marine<br>Facilities<br>(including<br>associated<br>land) | Plant and<br>machinery | Total         |
|---------------------------------|--|--------------------------------|--|------------------------|---------------|
| <b>Cost or valuation</b>        | <b>£'000</b>                                   | <b>£'000</b>                   | <b>£'000</b>   | <b>£'000</b>           | <b>£'000</b>  |
| At 1 April 2012                 | 2,954  | 8,257                          | 49,346   | 14,492                 | 75,049        |
| Revaluation gain                | -  | -                              | 1,251  | -                      | 1,251         |
| Additions                       | -  | -                              | -  | 839                    | 839           |
| Disposals                       | -  | (15)                           | -  | -                      | (15)          |
| <b>At 31 March 2013</b>         | <b>2,954</b>                                   | <b>8,242</b>                   | <b>50,597</b>  | <b>15,331</b>          | <b>77,124</b> |
| <b>Accumulated depreciation</b> |  |                                |  |                        |               |
| At 1 April 2012                 | 2,693  | 8,068                          | 3,100  | 13,526                 | 27,387        |
| Charge for the year             | 75   | -                              | 3,100  | 302                    | 3,477         |
| On revaluation                  | -  | -                              | (6,200)  | -                      | (6,200)       |
| Disposals                       | -  | (15)                           | -  | -                      | (15)          |
| <b>At 31 March 2013</b>         | <b>2,768</b>                                   | <b>8,053</b>                   | <b>-</b>   | <b>13,828</b>          | <b>24,649</b> |
| <b>Net book value</b>           |  |                                |  |                        |               |
| <b>At 31 March 2013</b>         | <b>186</b>                                     | <b>189</b>                     | <b>50,597</b>  | <b>1,503</b>           | <b>52,475</b> |
| At 31 March 2012                | 261  | 189                            | 46,246   | 966                    | 47,662        |

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

A full revaluation of a class of assets comprising the marine facilities at Rosyth Royal Dockyard was carried out by James Barr Limited, chartered surveyors, qualified independent valuers as defined within the RICS Valuation Standards. The effective date of the valuation was 1 April 2013. The results of this revaluation are reflected in the table above.

# Rosyth Royal Dockyard Limited

## Notes to the financial statements for the year ended 31 March 2013 (continued)

### 9 Tangible fixed assets (continued)

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

#### Specialised marine facilities (including associated land)

|                                    | £'000        |
|------------------------------------|--------------|
| <b>Cost</b>                        |              |
| At 1 April 2012 and 31 March 2013  | <b>4,030</b> |
| <b>Accumulated depreciation</b>    |              |
| At 1 April 2012 and 31 March 2013  | <b>3,931</b> |
| <b>Net book value</b>              |              |
| At 31 March 2012 and 31 March 2013 | <b>99</b>    |

An amount of £3,100,000, (2012: £3,100,000) representing the excess of the depreciation charge on the revalued assets over the amount charged on a historical cost basis has been transferred from the revaluation reserve to the profit and loss account, see note 14.

### 10 Fixed asset investments

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 cost and net book value of the investment is £100 (2012: £100).

The directors believe that the carrying value of the investment is supported by the underlying net assets.

### 11 Debtors

Amounts falling due within one year:

|                                    | Note | 2013<br>£'000 | 2012<br>£'000 |
|------------------------------------|------|---------------|---------------|
| Amounts owed by group undertakings |      | <b>55,600</b> | 58,698        |
| Deferred tax                       | 12   | <b>492</b>    | 735           |
|                                    |      | <b>56,092</b> | 59,433        |

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

# Rosyth Royal Dockyard Limited

## Notes to the financial statements for the year ended 31 March 2013 (continued)

### 12 Deferred tax

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

|   | <b>2013</b>     | <b>2012</b>     | <b>2013</b>      | <b>2012</b>      |
|---|-----------------|-----------------|------------------|------------------|
|   | <b>Provided</b> | <b>Provided</b> | <b>Potential</b> | <b>Potential</b> |
|   | <b>£'000</b>    | <b>£'000</b>    | <b>£'000</b>     | <b>£'000</b>     |
| Accelerated capital allowances              | <b>492</b>      | 735             | <b>492</b>       | 735              |
| Defined benefit pension liability           | -               | -               | <b>34,670</b>    | 41,289           |
| Capital tax losses                          | -               | -               | <b>104</b>       | 81               |
|   | <b>492</b>      | 735             | <b>35,266</b>    | 42,105           |
| Less defined benefit pension (liability)    | -               | -               | <b>(34,670)</b>  | (41,289)         |
| Excluding defined benefit pension liability | <b>492</b>      | 735             | <b>596</b>       | 816              |

The potential deferred tax asset of £34,670,000 (2012: £41,289,000) on the defined benefit pension liability has not been recognised by the company as it has been recognised by the company's immediate parent.

A deferred tax asset has not been recognised in respect of capital tax losses carried forward as, in the opinion of the Directors, there is insufficient evidence that the asset will be recovered in the foreseeable future. The amount of the total tax asset not recognised is £104,000 (2012: £81,000).

The movement on the deferred tax asset is as follows:

|   | <b>£'000</b> |
|---|--------------|
| At 1 April 2012                                       | 735          |
| Origination and reversal of timing differences        | (68)         |
| Adjustments to deferred tax in respect of prior years | (154)        |
| Impact of change in UK tax rate                       | (21)         |
| <b>At 31 March 2013</b>                               | <b>492</b>   |

# Rosyth Royal Dockyard Limited

## Notes to the financial statements for the year ended 31 March 2013 (continued)

### 13 Called up share capital

|                                       | 2013<br>£      | 2012<br>£      |
|---------------------------------------|----------------|----------------|
| <b>Authorised</b>                     |                |                |
| 200,101 ordinary shares of £1 each    | 200,101        | 200,101        |
| 49,998 "A" ordinary shares of £1 each | 49,998         | 49,998         |
| Special share of £1                   | 1              | 1              |
|                                       | <b>250,100</b> | <b>250,100</b> |
| <b>Allotted and fully paid</b>        |                |                |
| 200,022 ordinary shares of £1 each    | 200,022        | 200,022        |
| 49,998 "A" ordinary shares of £1 each | 49,998         | 49,998         |
| Special share of £1                   | 1              | 1              |
|                                       | <b>250,021</b> | <b>250,021</b> |

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.

### 14 Reserves

|  | Note | Share<br>premium<br>account<br>£'000 | Revaluation<br>reserve<br>£'000 | Profit and<br>loss account<br>£'000 |
|--|------|--------------------------------------|---------------------------------|-------------------------------------|
| At 1 April 2012  |      | 32,300                               | 46,147                          | (143,038)                           |
| Profit for the financial year  |      | -                                    | -                               | 4,265                               |
| Actuarial gain on pension scheme   |      | -                                    | -                               | 11,055                              |
| Gain on revaluation of tangible fixed assets                             |      | -                                    | 7,451                           | -                                   |
| Transfer of excess depreciation on revalued assets                       | 9    | -                                    | (3,100)                         | 3,100                               |
| <b>At 31 March 2013</b>  |      | <b>32,300</b>                        | <b>50,498</b>                   | <b>(124,618)</b>                    |
| Defined benefit pension deficit  |      |                                      |                                 | 150,739                             |
| <b>Profit and loss account excluding defined benefit pension deficit</b> |      |                                      |                                 | <b>26,121</b>                       |

# Rosyth Royal Dockyard Limited

## Notes to the financial statements for the year ended 31 March 2013 (continued)

### 15 Reconciliation of movements in total shareholders' deficit

|   | Note | 2013<br>£'000   | 2012<br>£'000   |
|---|------|-----------------|-----------------|
| Profit for the financial year                       |      | 4,265           | 4,932           |
| Actuarial gain / (loss) on pension scheme           | 17   | 11,055          | (45,100)        |
| Gain on revaluation of tangible fixed assets        | 9    | 7,451           | -               |
| Net addition / (deduction) to shareholders' deficit |      | 22,771          | (40,168)        |
| Opening shareholders' deficit                       |      | (64,341)        | (24,173)        |
| <b>Closing shareholders' deficit</b>                |      | <b>(41,570)</b> | <b>(64,341)</b> |

### 16 Guarantees and financial commitments

#### Capital commitments

There were capital commitments of £829,000 (2012: £632,000) at the end of the financial year.

#### Contingent liabilities

- At the year end the company had guaranteed or had joint and several liability for drawn Babcock International Group PLC bank facilities of £658,600,000 (2012: £731,800,000) provided to certain group companies. In addition, the company at the year end had joint and several liabilities for the drawn bank overdraft facilities of other group companies of £nil (2012: £nil).
- 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.

#### Operating lease commitments

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

|                            | Land and buildings |               |
|----------------------------|--------------------|---------------|
|                            | 2013<br>£'000      | 2012<br>£'000 |
| - within two to five years | 6                  | 6             |



## Rosyth Royal Dockyard Limited

### Notes to the financial statements for the year ended 31 March 2013 (continued)

#### 17 Pension commitments

The pension cost included as a charge in arriving at the profit for the financial year was as follows:

|  | 2013  | 2012  |
|--|-------|-------|
|  | £'000 | £'000 |
| Rosyth Royal Dockyard Pension Scheme       | 3,126 | 3,876 |
| Babcock International Group Pension Scheme | 381   | 383   |
| BIG Defined Contribution Scheme            | 1,427 | 1,053 |
|  | 4,934 | 5,312 |

No amounts were prepaid or outstanding at the year end in relation to defined contribution schemes (2012: £nil).

The company operates a defined benefit pension scheme (the "Rosyth Royal Dockyard Pension Scheme") for the benefit of its employees and for employees of other Babcock group companies. The full details of this scheme are disclosed below.

The company is also a contributing employer to another defined benefit scheme (the "Babcock International Group Pension Scheme"). The Babcock International Group Pension Scheme is a multi-employer scheme, the full details of which are disclosed in the financial statements of Babcock International Group Plc. The company is accounting for this scheme as if it was a defined contribution scheme as the company is unable to identify its share of the underlying assets and liabilities in the scheme. Any surplus or deficit in the scheme will affect the contributions made by the company. During the year a payment of £192,000 (2012: £194,000) was made in respect of the deficit pertaining to that scheme.

The company also contributes to a defined contribution scheme (the "Babcock International Group Defined Contribution Scheme") in respect of a number of its employees.

The Rosyth Royal Dockyard Pension Scheme is a multi-employer defined benefit scheme, funded in advance by contributions from the members at rates set out in the scheme rules, and from the employers to meet the balance of the costs, at a rate assessed by the actuaries of the scheme in regular funding reviews.

During the year ended 31 March 2013 contributions were made at 21.0% of pensionable pay. These contribution rates include the employer and employee elements. A salary sacrifice scheme is in place for most employees under which the employee element of contributions is classified as an employer contribution. Ordinary contributions are expected to rise to 22.6% from 1 July 2013.

An additional contribution of £7,844,000 was made in March 2013 in order to address the scheme's deficit. Under the latest recovery plan further payments of £8,700,000 on are anticipated in each of the next eleven years.

The company also makes periodic payments in order to meet the funding gap arising from a longevity swap arrangement entered into with Credit Suisse with effect from 1 September 2009. No such payments were made in the year ending 31 March 2013. Payments equating to an annualised value of £1,760,000 are anticipated for each of the next sixteen years.

## **Rosyth Royal Dockyard Limited**

### **Notes to the financial statements for the year ended 31 March 2013 (continued)**

#### **17 Pension commitments (continued)**

For defined benefit schemes the fair values of pension scheme assets at 31 March 2013 are compared with the pension liabilities calculated under the projected unit method. A full actuarial valuation was carried out at 31 March 2012.

The latest full actuarial valuation of the scheme has been updated to 31 March 2013 by qualified independent actuaries using the following assumptions:

|  | <b>2013</b>  | <b>2012</b> |
|--|--------------|-------------|
| Rate of increase of future salaries (past service)   | <b>2.60%</b> | 2.45%       |
| Rate of increase of future salaries (future service) | <b>2.70%</b> | 2.45%       |
| Discount rate (past service)                         | <b>4.40%</b> | 4.85%       |
| Discount rate (future service)                       | <b>4.70%</b> | 4.85%       |
| Expected pension increases (past service)            | <b>3.40%</b> | 3.15%       |
| Expected pension increases (future service)          | <b>2.29%</b> | 3.15%       |
| Inflation rate (past service)                        | <b>3.30%</b> | 3.15%       |
| Inflation rate (future service)                      | <b>3.40%</b> | 3.15%       |

The mortality assumptions used were as follows:

|   | <b>2013</b> | <b>2012</b> |
|---|-------------|-------------|
| Life expectancy from age 65 (male age 65) | <b>17.7</b> | 17.7        |
| Life expectancy from age 65 (male age 45) | <b>19.4</b> | 19.4        |

# Rosyth Royal Dockyard Limited

## Notes to the financial statements for the year ended 31 March 2013 (continued)

### 17 Pension commitments (continued)

The fair value of the assets, the present value of the liabilities and the expected rates of return of the scheme at 31 March 2013 and 2012 were as follows:

|                                     | 2013                          |                  | 2012                          |                  |
|-------------------------------------|-------------------------------|------------------|-------------------------------|------------------|
|                                     | Expected<br>rate of<br>return | Fair value       | Expected<br>rate of<br>return | Fair value       |
|                                     | %                             | £'000            | %                             | £'000            |
| Equities / private equity / GTAA    | 8.4                           | 169,931          | 8.4                           | 260,100          |
| Property                            | 7.7                           | 22,378           | 7.7                           | 19,700           |
| Corporate bonds / credit / EMD      | 4.34                          | 200,316          | 4.85                          | 169,900          |
| Government                          | 2.80                          | 546,607          | 3.15                          | 56,400           |
| Repurchase agreement obligations    | 2.80                          | (400,727)        | -                             | -                |
| Collateral                          | -                             | 23,197           | -                             | -                |
| Cash (funds awaiting investment)    | -                             | 24,344           | 6.6                           | (1,800)          |
| Active position of longevity swap   | -                             | (50,545)         | -                             | (47,700)         |
| Fair value of assets                |                               | 535,501          |                               | 456,600          |
| Present value of scheme liabilities |                               | (686,240)        |                               | (628,639)        |
| <b>Recognised pension liability</b> |                               | <b>(150,739)</b> |                               | <b>(172,039)</b> |

# Rosyth Royal Dockyard Limited

## Notes to the financial statements for the year ended 31 March 2013 (continued)

### 17 Pension commitments (continued)

|  | 2013      | 2012      |
|--|-----------|-----------|
|  | £'000     | £'000     |
| <b>Analysis of the amount charged to operating profit:</b>   |           |           |
| Current service cost   | (6,786)   | (6,200)   |
| <b>Analysis of the amount credited/(charged) to other finance income/(cost):</b>                       |           |           |
|  | 2013      | 2012      |
|  | £'000     | £'000     |
| Expected return on pension scheme assets   | 32,900    | 31,700    |
| Interest on pension scheme liabilities   | (30,100)  | (30,500)  |
|  | 2,800     | 1,200     |
| <b>Analysis of amount recognised in statement of recognised gains and losses</b>                       |           |           |
|  | 2013      | 2012      |
|  | £'000     | £'000     |
| Actual return less expected return on pension scheme assets  | 57,374    | 18,200    |
| Experience losses arising on scheme liabilities  | 18,968    | (18,900)  |
| Changes in assumptions underlying the present value of the scheme liabilities                          | (62,442)  | (44,200)  |
| Reimbursement right  | (2,845)   | (200)     |
| Actuarial loss recognised in the statement of recognised gains and losses                              | 11,055    | (45,100)  |
| Cumulative actuarial gains / (losses) recognised in the statement of total recognised gains and losses | (150,284) | (161,339) |

# Rosyth Royal Dockyard Limited

## Notes to the financial statements for the year ended 31 March 2013 (continued)

### 17 Pension Commitments (continued)

| <b>Movements in deficit during the financial year:</b> | <b>2013</b>      | <b>2012</b>      |
|--|------------------|------------------|
|  | <b>£'000</b>     | <b>£'000</b>     |
| At 1 April   | <b>(172,039)</b> | <b>(134,239)</b> |
| Movement in the year:                                  |                  |                  |
| Current service cost                                   | <b>(6,786)</b>   | <b>(6,200)</b>   |
| Other financial income                                 | <b>2,800</b>     | <b>1,200</b>     |
| Actuarial gain / (loss)                                | <b>11,055</b>    | <b>(45,100)</b>  |
| Employer contributions                                 | <b>14,231</b>    | <b>12,300</b>    |
| At 31 March  | <b>(150,739)</b> | <b>(172,039)</b> |

| <b>Reconciliation of present value of scheme liabilities:</b> | <b>2013</b>     | <b>2012</b>     |
|---|-----------------|-----------------|
|   | <b>£'000</b>    | <b>£'000</b>    |
| At 1 April  | <b>628,639</b>  | <b>550,939</b>  |
| Current service cost  | <b>6,786</b>    | <b>6,200</b>    |
| Employee contributions  | <b>33</b>       | <b>800</b>      |
| Interest cost   | <b>30,100</b>   | <b>30,500</b>   |
| Benefits paid   | <b>(22,792)</b> | <b>(22,900)</b> |
| Actuarial loss  | <b>43,474</b>   | <b>63,100</b>   |
| At 31 March   | <b>686,240</b>  | <b>628,639</b>  |

# Rosyth Royal Dockyard Limited

## Notes to the financial statements for the year ended 31 March 2013 (continued)

### 17 Pension Commitments (continued)

| Reconciliation of present value of scheme assets:                              | 2013<br>£'000 | 2012<br>£'000 |
|--|---------------|---------------|
| At 1 April   | 456,600       | 416,700       |
| Expected return on scheme assets   | 32,900        | 31,700        |
| Actuarial gains  | 57,374        | 18,200        |
| Employer contributions   | 14,231        | 12,300        |
| Employee contributions   | 33            | 800           |
| Reimbursement right  | (2,845)       | (200)         |
| Benefits paid  | (22,792)      | (22,900)      |
| At 31 March  | 535,501       | 456,600       |
| Actual return on scheme assets   | 90,274        | 49,900        |
| History of experience gains and losses:  | 2013<br>£'000 | 2012<br>£'000 |
| Difference between the expected and actual return on scheme assets:            |               |               |
| Amount   | 57,374        | 18,200        |
| Percentage of scheme assets  | 10.7%         | 4.0%          |
| Experience gains and losses on scheme liabilities:                             |               |               |
| Amount   | 18,968        | (18,900)      |
| Percentage of the present value of scheme liabilities                          | 2.8%          | (3.0)%        |
| Changes in assumptions underlying the present value of the scheme liabilities: |               |               |
| Amount   | (62,442)      | (44,200)      |
| Percentage of the present value of scheme liabilities                          | (9.1)%        | (7.0)%        |

# Rosyth Royal Dockyard Limited

## Notes to the financial statements for the year ended 31 March 2013 (continued)

### 17 Pension commitments (continued)

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

|   | 2013      | 2012      | 2011      | 2010      | 2009      |
|---|-----------|-----------|-----------|-----------|-----------|
|   | £'000     | £'000     | £'000     | £'000     | £'000     |
| Defined benefit obligation  | (686,240) | (628,639) | (550,939) | (537,439) | (385,239) |
| Scheme assets   | 535,501   | 456,600   | 416,700   | 401,100   | 346,200   |
| Deficit   | (150,739) | (172,039) | (134,239) | (136,339) | (39,039)  |
| Experience adjustments on scheme assets                                       | 57,374    | 18,200    | (12,800)  | 94,300    | (104,500) |
| Experience adjustments on scheme liabilities                                  | 18,968    | (18,900)  | -         | (3,900)   | (7,000)   |
| Reimbursement right   | (2,845)   | (200)     | (3,200)   | (44,300)  | -         |
| Total amount recognised in the statement of total recognised gains and losses | 11,055    | (45,100)  | (12,100)  | (90,500)  | (56,400)  |

### Sensitivity analysis

The changes to the balance sheet at 31 March 2013 and the charges to the profit and loss account for the year ended 31 March 2014, if the assumptions were sensitised by the amounts below, would be:

|   | Balance sheet<br>2013<br>£'000 | Profit and loss<br>account<br>2014<br>£'000 |
|---|--------------------------------|---|
| Initial assumptions                                     | (150,739)                      | 14,484                                      |
| Discount rate moves up or down by 0.1%                  | 9)                             | ±512  |
| Inflation rate moves up or down by 0.1%                 | ±11,509                        | ±461  |
| Total life expectancy changes by half a year up or down | ±9,024                         | ±461  |
| Real salaries move up or down by 0.25%                  | ±8,525                         | ±310  |
|   | ±4,117                         |   |

## **Rosyth Royal Dockyard Limited**

### **Notes to the financial statements for the year ended 31 March 2013 (continued)**

#### **18 Related party disclosures**

The company, as a wholly owned subsidiary, has taken advantage of the exemption, granted under FRS 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 and controlling party**

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. The directors regard Babcock International Group PLC as the ultimate controlling party.

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