Babcock Marine Training Limited

Annual report and financial statements

for the year ended 31 March 2023

Registered number: 03086376

COMPANY INFORMATION

Directors	N Borrett J Parker J Rayson
Company Secretary	Babcock Corporate Secretaries Limited
Registered Number	03086376
Registered Office	33 Wigmore Street London W1U 1QX
Independent Auditor	Deloitte LLP 1 New Street Square London EC4A 4HQ

CONTENTS

Strategic report for the year ended 31 March 2023

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

Principal activities

The Company's principal activities continued to be the provision of training and support services in the UK defence sector and to international customers.

Business review

	2023	2022
	£'000	£'000
Revenue	**12,011**	12,283
Profit before taxation	**4,666**	1,484
Net assets	**50,255**	46,383

The Company has continued to provide training & support services to the Royal Navy and other parties in the year through the delivery of two principal contracts. The Company closed out its delivery on its contract to deliver training to the Royal Saudi Naval Forces (contracted through BAE systems) and successfully mobilised and commenced delivery of a similar follow-on contract. The Astute Class Training Services contract continues to show stable and sustainable delivery.

The increase in profit in 2023 is principally driven by the reduction in central overheads and the increase in finance income driven by the underlying increase in the Bank of England base rate.

The Company is both profitable and has a strong net asset position continuing to deliver training across the Marine sector. The Directors consider the financial position of the Company to be satisfactory.

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

Principal risks and uncertainties

The Company's ultimate controlling parent is Babcock International Group PLC. Risks are managed at a group level in accordance with the risk management framework of Babcock International Group PLC. The principal risks and uncertainties of Babcock International Group PLC are discussed on pages 87 to 103 in its Annual Report for the year ended 31 March 2023.

The key risks and uncertainties affecting the Company are considered to be related to the political and regulatory environment. The Directors manage this risk by meeting on a regular basis to discuss these risks and mitigation procedures.

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

Key performance indicators

The Company's activities 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 the Company, a division of Babcock International Group PLC, which includes the Company, is discussed on pages 48 to 51 of the annual report of Babcock International Group PLC, which does not form part of this report.

S172(1) Statement and Stakeholder engagement

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

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

The Company manages stakeholder engagement in accordance with Group policies and procedures which are discussed on pages 56, 57, and 115 of the annual report for the year ended 31 March 2023 of Babcock International Group PLC, which does not form part of this report.

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

Employees

Employee engagement is a primary focus for the Directors of the company. We continue to strengthen our employee value proposition by enhancing our engagement and promoting an agile global workplace. We are committed to creating an inclusive and diverse organisation where employees can develop their full potential. We focus on developing and supporting a truly engaged workforce, living our principles, and working on shared goals, united by our common Purpose.

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

Business relationships

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

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

The community and environment

The Directors recognise that sustainability is an integral part of our corporate strategy and how we do business and it underpins our corporate Purpose: to create a safe and secure world, together. We have done a lot in the past year to drive our sustainability programme across the Group, ensure progress towards our corporate commitments and deliver our five ESG priorities shown below:

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

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

Climate action is a key focus: we are continuing to progress our Group-wide decarbonisation programme (Plan Zero 40). Aligned with the Plan Zero 40 pathway announced last year, we commenced baselining our carbon footprint and are on track to submit carbon reduction targets to the Science-Based Targets initiative by April 2023. These are to be achieved by 2030 and will set us on course for decarbonising our estate, assets, and operations to reach our overarching goal of net zero emissions by 2040. Further information is included on page 54 of the annual report of Babcock International Group Plc, which does not form part of this report.

These activities form part of the Company's implementation of the Group-wide ESG Strategy as described on pages 58 to 86 of the annual report of Babcock International Group PLC for the year ended 31 March 2023, which does not form part of this report.

This report was approved by the board on 16 August 2024 and signed on its behalf by:

J Parker

Director

Directors' report for the year ended 31 March 2023

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

Dividends

No interim dividend payment has been made for this financial year (2022: £nil). No final dividend for the year ended 31 March 2023 is proposed by the Directors (2022: £nil).

Directors and their interests

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

N Borrett
J Rayson
S Doherty (appointed 18 July 2022 and resigned 31 July 2024)
J Parker (appointed 18 July 2022)

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

Future Developments

We remain confident that the Company will continue to benefit from the strength of its relationships with its existing long-term customers.

The business will continue to operate but at a reduced capacity and is now structured to profitably execute its remaining training contracts.

The Directors are confident about the future trading prospects of the Company due to its ongoing contracts and current order book.

Going concern

The Company's business activities, together with the factors likely to affect it future development and financial position are set out within the Strategic Report. In addition, within the Directors' Report there are details of the financial risks that the Directors have highlighted as significant to the business.

As the Company is part of the larger Babcock International group, it participates in centralised treasury arrangements and so shares banking arrangements with its parents and fellow subsidiaries. The Company is in good financial health and in a net current asset position of £50,807k as at 31 March 2023.

Given the above assessment the Directors are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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

Financial risk management

The applicable financial risk management policies and exposure to financial risks including price, credit, liquidity and cash flows are discussed in detail within the annual report for the year ended 31 March 2023 of Babcock International Group PLC, which does not form part of this report.

Safety policy

The Company recognises the promotion of health and safety at work as an important objective. It is Company policy to take steps to ensure, as far as reasonably practical, the health, safety, and welfare of the employees of the Company.

Energy and carbon reporting

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

Engagement with suppliers and customers

Engagement with suppliers and customers has been considered in the Strategic Report on page 5.

Employees

The Company is committed to equal opportunities and will not discriminate on the basis of disability, age, race, colour, ethnic origin, gender, marital status, religious or political beliefs or sexual orientation.

We believe that only by encouraging applicants from the widest pool of talent possible, and then selecting the best candidate based on their ability to do the job, can we ensure we continue to deliver our best for our customers and safeguard the future of Babcock. For more information about our inclusion and diversity policy, please see pages 20 to 21 and 74 to 78 of the annual report for the year ended 31 March 2023 of Babcock International Group PLC, which does not form part of this report.

Engagement with UK employees has been considered on page 5 of the Strategic Report.

Environment

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

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

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

Political Donations

The Company has made £nil (2022: £nil) contributions to political parties during the year.

Qualifying third party indemnity provisions

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

Post balance sheet events

In July 2023, the Company took part in a loan rationalisation process which involved the netting off of intercompany payables and receivables loan balances. This resulted in an intercompany loan receivable balance of £87.8m for which a new loan agreement was established with Babcock Marine Holdings (UK) Ltd.

Statement of disclosure of information to auditors

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

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

Appointment of auditors

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

This report was approved by the Board on 16 August 2024 and signed on its behalf by:

J Parker
Director

Statement of Directors' responsibilities

The Directors are responsible for preparing the annual 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), including FRS 101 'Reduced Disclosure Framework'. Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards 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 keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Independent auditor's report to the members of Babcock Marine Training Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion the financial statements of Babcock Marine Training Limited (the 'company'):

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

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the related notes 1 to 24.

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

BASIS FOR OPINION

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

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

CONCLUSIONS RELATING TO GOING CONCERN

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

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

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

Independent auditors' report to the members of Babcock Marine Training Limited *(continued)*

OTHER INFORMATION

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

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

We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

Independent auditors' report to the members of Babcock Marine Training Limited *(continued)*

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

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

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

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

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

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

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

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

Independent auditors' report to the members of Babcock Marine Training Limited *(continued)*

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:
- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Independent auditors' report to the members of Babcock Marine Training Limited *(continued)*

USE OF OUR REPORT

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

Makhan Chahal

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

Income statement for the year ended 31 March 2023

	Note	2023 £'000	2022 £'000
Revenue	4	**12,011**	12,283
Cost of revenue		**(8,382)**	(9,235)
Gross profit		**3,629**	3,048
Administration and distribution expenses		**(506)**	(1,579)
Operating profit	5	**3,123**	1,469
Finance income	6	**1,565**	21
Finance costs	6	**(22)**	(6)
Profit before taxation		**4,666**	1,484
Income tax (expense)/income	9	**(52)**	70
Profit for the financial year		**4,614**	1,554

The notes on pages 19 to 51 form an integral part of these financial statements.
All of the above results derive from continuing operations.

Statement of comprehensive income for the year ended 31 March 2023

	2023 £'000	2022 £'000
Profit for the financial year	**4,614**	1,554
Other comprehensive income/(expense):		
Items that will not subsequently be reclassified to the income statement:		
Loss on re-measurement of net defined benefit obligation (Note 19)	**(977)**	(2,520)
Tax impact on post-employment benefits (Note 9)	**235**	429
Total other comprehensive expense	**(742)**	(2,091)
Total comprehensive income/(expense) for the year	**3,872**	(537)

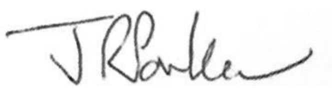
Statement of Financial Position as at 31 March 2023

	Note	**2023** **£'000**	2022 £'000 Restated
Non-current assets			
Right-of-use assets	10	**272**	50
Investments	11	**50**	50
Trade and other receivables	12	**50**	80,975
Deferred tax asset	9	**348**	165
		720	81,240
Current assets			
Post-employment benefits	19	**-**	833
Trade and other receivables	12	**104,628**	6,007
Cash and cash equivalents		**67**	10,715
		104,695	17,555
Current liabilities			
Trade and other payables	13	**(53,710)**	(50,865)
Lease liabilities	10	**(98)**	(21)
Provision for liabilities	14	**(80)**	(229)
Net current assets/(liabilities)		**50,807**	(33,560)
Total assets less current liabilities		**51,527**	47,680
Non-current liabilities			
Lease liabilities	10	**(171)**	(18)
Provision for liabilities	14	**(1,101)**	(1,279)
Net assets		**50,255**	46,383
Equity			
Called up share capital	15	**500**	500
Retained earnings		**49,755**	45,883
Total shareholders' funds		**50,255**	46,383

The notes on pages 19 to 51 are an integral part of these financial statements.

In the year ended 31 March 2023, the Company restated the prior year financial information. Details of the restatement are contained in note 21.

The financial statements on pages 16 to 51 were approved and authorised for issue by the Board of Directors on 16 August 2024 and signed on its behalf by:



J Parker
Director

Company Number 03086376

Statement of changes in equity as at 31 March 2023

	Called up share capital	Retained earnings	Total shareholders' funds
	£'000	£'000 Restated	£'000 Restated
Balance at 1 April 2021	500	49,802	50,302
Prior year restatement to recognise amounts due to group undertakings *	-	(3,382)	(3,382)
Balance at 31 March 2021 as restated *	500	46,420	46,920
Profit for the year	-	1,554	1,554
Other comprehensive expense	-	(2,091)	(2,091)
Total comprehensive expense for the year	-	(537)	(537)
Balance at 31 March 2022 as restated *	500	45,883	46,383
Profit for the year	**-**	**4,614**	**4,614**
Other comprehensive expense	**-**	**(742)**	**(742)**
Total comprehensive income for the year	**-**	**3,872**	**3,872**
Balance at 31 March 2023	**500**	**49,755**	**50,255**

* In the year ended 31 March 2023, the Company restated the prior year financial information. Details of the restatement are contained in note 21.

Notes to the financial statements

1 General information

Babcock Marine Training Limited is a private company limited by shares which is incorporated and domiciled in England and Wales, UK. The address of the registered Office is 33 Wigmore Street, London W1U 1QX.

Its ultimate controlling party is disclosed in note 24. The principal activity of the Company is set out in the Strategic Report on page 3. These financial statements, which have been prepared in accordance with the Companies Act 2006, are presented in pounds sterling and, unless stated otherwise, rounded to the nearest thousand.

2 Summary of significant accounting policies

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

Basis of preparation

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

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

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

e) IAS 7, 'Statement of cash flows'
f) Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors'
g) Paragraph 17 of IAS 24, 'Related party transactions' in respect of key management compensation
h) The requirements of IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group
i) Paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS36, 'impairment of assets'

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

Basis of preparation *(continued)*

j) The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. The company intends to continue to prepare its financial statements in accordance with FRS 101.

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

The financial statements have been prepared under the historical cost convention.

Adoption of new and revised standards

The following standards and amendments to IFRSs became effective for the annual reporting period beginning on 1 April 2022 and did not have a material impact on the financial statements:

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

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

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

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

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

Going concern

The Company's business activities, together with the factors likely to affect its future development and financial position are set out within the Strategic report. In addition, within the Directors' report there are details of the financial risks that the Directors have highlighted as significant to the business.

As the Company is part of the larger Babcock International group, it participates in centralised treasury arrangements and so shares banking arrangements with its parents and fellow subsidiaries. The Company is in good financial health and in a net current asset position of £50,807k as at 31 March 2023.

The Directors are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of signing. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Identification of prior year restatements

The results of the Company have been restated where practicable by retrospectively restating the Company's prior period results for the affected periods. The impact of the prior year adjustment is disclosed in note 21.

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

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

(a) Performance obligations
Contracts are assessed to identify each promise to transfer either a distinct good or service or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer. Goods and services are distinct if the customer can benefit from them either on their own or together with other resources readily available to the customer and they are separately identifiable in the contract.

In assessing whether the performance obligations are separately identifiable, the services are reviewed to determine the extent to which the goods or services within a contract are interrelated and whether they modify other goods or services within a contract. The Company also considers whether the goods and/or services are integrated and represent a combined output for which the customer has contracted.

The integrated output nature of many of the services provided by the Company results in some contracts only having one performance obligation.

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

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

Variable consideration is estimated using either the expected value or the most likely amount only to the extent that it is highly probable that there will not be a reversal in the amount of cumulative revenue recognised. This judgement is made by suitably qualified and experienced personnel based on the contract terms, status of negotiations with customers and historical experience with customers and with similar contracts. Variable consideration may be included in the total transaction price or, in certain circumstances, may be allocated to a specific time period. Where variable consideration is allocated to a specific time period this will typically be in relation to performance related deductions.

As part of this judgement, variable consideration may be constrained. The Company recognises variable consideration only to the extent that it is highly probable that there will not be a significant reversal in the amount of cumulative revenue recognised when the uncertainty associated with the variable consideration is subsequently resolved.

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

Revenue *(continued)*

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

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

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

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

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

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

Under most of the Company's contracts, the customer pays in accordance with a pre-arranged payment schedule or once milestones have been met. If the value of the goods or services rendered by the Company exceed payments, a contract asset is recognised. If payments exceed the value of the goods or services rendered, a contract liability is recognised. See section (h) for further details on how contract assets and liabilities are recognised.

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

Revenue *(continued)*

Revenue recognised at a point in time
If control of the goods or services is not transferred to the customer over time, then revenue is recognised at the point in time that control is transferred to the customer.

Point in time recognition mainly applies to sale of goods. Control typically transfers to the customer when the customer has legal title to the goods and this is usually coincident with delivery of the goods to the customer and right to receive payment by the Company.

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

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

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

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

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

These contract claims and variations are considered to be modifications as referred to in paragraph 18 of IFRS 15.

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

Revenue *(continued)*

Accounting for contract modifications
The Company accounts for contract modifications in one of three ways, based on the facts and circumstances of the contract modification:
1. Prospectively, as an additional, separate contract; or
2. Prospectively, as a termination of the existing contract and creation of a new contract; or
3. As part of the original contract using a cumulative catch-up.

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

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

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

(f) Costs of obtaining a contract
Costs to obtain a contract that would have been incurred regardless of whether the contract was won or lost are recognised as an expense when incurred.

Directly attributable costs to obtain a contract with a customer that the Company would not have incurred if the contract had not been won are recognised as an asset. These costs are capitalised as an asset after the point that it can be reliably expected that a contract will be obtained. The costs are capitalised as an asset in capitalised contract costs and amortised to cost of revenue on a typically straight-line basis consistent with the transfer to the customer of the goods and services to which the asset relates, provided that the contract is expected to result in future net cash inflows.

(g) Costs to fulfil a contract
Post contract award but pre contract operational start-up costs which satisfy the criteria for capitalisation under another standard, such as property, plant, and equipment (IAS 16) or intangible assets (IAS 38), are accounted for in accordance with those standards. Costs to fulfil a contract which do not fall within the scope of another standard are recognised under IFRS 15 as an asset in capitalised contract costs where they meet all the following criteria:

i. the costs relate directly to a contract or to an anticipated contract that can be specifically identified; and

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

Revenue *(continued)*

(g) Costs to fulfil a contract *(continued)*

ii. the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
iii. the costs are expected to be recovered.

Costs of recruiting or training staff are expensed as incurred.

Capitalised contract costs are amortised to cost of revenue on a straight-line basis consistent with the transfer to the customer of the goods and services to which the asset relates.

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

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

(i) Principal versus agent considerations
The Company's contracts include performance obligations in relation to procurement activity undertaken on behalf of customers at low or nil margin, together with other performance obligations. For such procurement activity, management exercises judgement in the consideration of principal versus agent based on an assessment as to whether the Company controls goods or services prior to transfer to customers. Factors that influence this judgement include the level of responsibility the Company has under the contract for the provision of the goods or services, the extent to which the Company is incentivised to fulfil orders on time and within budget, either through gainshare arrangements or KPI deductions in relation to the other performance obligations within the contract, and the extent to which the Company exercises responsibility in determining the selling price of the goods and services. Taking all factors into consideration, the Company then comes to a judgement as to whether it acts as principal or agent on a contract-by-contract basis.

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

Leasehold property	Lease term
Plant and equipment	6.6% to 33.3%

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

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

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

Impairment of non-current assets
The Company performs impairment testing where indicators of impairment are identified. Impairment testing is performed at the individual asset level. Where an asset does not generate cash flows that are separately identifiable from other assets, the Company estimates the recoverable amount of the CGU to which the asset belongs.

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

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

Leases

The Company as lessee
For all leases in which the Company is a lessee (other than those meeting the criteria detailed below), the Company recognises a right of use asset and corresponding lease liability at commencement of the lease.

The lease liability is the present value of future lease payments discounted at the rate implicit in the lease, if available, or the applicable incremental borrowing rate. The incremental borrowing rate is determined at lease inception based on several factors including asset type, lease currency and lease term. Lease payments include fixed payments and variable lease payments dependent on an index or rate, initially measured using the index or rate at the commencement date. The lease term reflects any extension or termination options that the Company is reasonably certain to exercise.

The lease liability is subsequently measured at amortised cost using the effective interest rate method, with interest on the lease liability being recognised as a finance expense in the income statement. The lease liability is remeasured, with a corresponding adjustment to the right of use asset, if there is a change in future lease payments, for example resulting from a rent review, change in a rate/index or change in the Company’s assessment of whether it is reasonably certain to exercise an extension, termination, or purchase option.

The right of use asset is initially recorded at cost, being equal to the lease liability, adjusted for any initial direct costs, lease payments made prior to commencement date, lease incentives received and any dilapidation costs. Depreciation of right of use assets is recognised as an expense in the income statement on a straight-line basis over the shorter of the asset’s useful life or expected term of the lease.

Right of use assets arising from sale and leaseback transactions are measured at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the Company. Gains arising on sale and leaseback transactions are recognised to the extent that they relate to the rights transferred to the buyer-lessor whilst losses arising on sale and leaseback transactions are recognised in full.

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

Leases *(continued)*

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

Payments in respect of short-term leases not exceeding 12 months in duration or low-value leases are expensed straight line to the income statement as permitted by IFRS 16, ‘Leases’.

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

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

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

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

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

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

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

Taxation *(continued)*

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

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

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

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

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

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

Finance income
Finance income is recognised in the period to which it relates using the effective interest rate method.

Employee benefits
a) Pension obligations
The Company participates in a defined benefit scheme that shares risks between entities under common control. The defined benefit scheme defines the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The cost of providing benefits is determined using the projected unit credit actuarial valuation method. The total service cost and associated administration costs of the pension scheme are charged to operating profit. In addition, a retirement benefit interest charge on the net pension deficit is charged to the income statement as a finance cost. Actuarial gains and losses are recognised directly in equity through the statement of comprehensive income so that the Company's statement of financial position reflects the IAS 19 measurement of the schemes' surpluses or deficits at the statement of financial position date.

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

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

Employee benefits *(continued)*

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

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

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

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

c) Holiday pay
Paid holidays are regarded as an employee benefit and as such are charged to the income statement as the benefits are earned.

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

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

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

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

For derivatives that qualify as cash flow hedges, fair value gains or losses are deferred in equity until the underlying transaction is recognised.

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

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

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

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

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

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

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

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

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

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been publicly announced. Future operating costs are not provided for. A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. Onerous contract provisions are recognised after impairment of any assets directly related to the onerous contract. A provision for warranties is recognised on completed contracts and disposals when there is a realistic expectation of the Group incurring further costs.

Notes to the financial statements *(continued)*

2 Summary of significant accounting policies *(continued)*

Provisions *(continued)*

Provisions for onerous revenue contracts are recorded when it becomes probable that total remaining contract fulfilment costs will exceed total remaining revenue not yet recognised. Provisions for losses on contracts are recognised after impairment of any assets directly related to fulfilling the loss-making contract. Losses are determined on the basis of estimated results on completion of contracts and are updated regularly.

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

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

3 Critical accounting estimates and judgements

In the course of preparation of the financial statements judgements and estimates have been made in applying the Company's accounting policies that have had a material effect on the amounts recognised in the financial statements. The application of the Company's accounting policies requires the use of estimates and the inherent uncertainty in certain forward-looking estimates may result in a material adjustment to the carrying amounts of assets and liabilities in the next financial year. Critical accounting estimates are subject to continuing evaluation and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable considering known circumstances. Critical accounting estimates and judgements in relation to these financial statements are considered below.

Critical accounting judgements

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

Revenue and profit recognition

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

Key sources of estimation uncertainty

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

Notes to the financial statements *(continued)*

3 Critical accounting estimates and judgements *(continued)*

Revenue and profit recognition

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

Defined benefit pension schemes obligations

The Company's defined benefit pension schemes are assessed annually in accordance with IAS 19 and the valuation of the defined benefit pension obligations is sensitive to the inflation and discount rate actuarial assumptions used. There is a range of possible values for the assumptions and small changes to the assumptions may have a significant impact on the valuation of the defined benefit pension obligations. In addition to the inflation and discount rate estimates, management is required to make an accounting judgement relating to the expected availability of future accounting surpluses under IFRIC 14. Further information on the key assumptions and sensitivities is included in note 19.

4 Revenue

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

	2023	2022
	£'000	£'000
By area of activity:		
Provision of training and support services – transferred over time	**12,011**	12,283
	12,011	12,283

	2023	2022
	£'000	£'000
By geographical area:		
United Kingdom	**12,011**	11,795
Canada	**-**	488
	12,011	12,283

5 Operating profit

Operating profit is stated after charging:

	2023	2022
	£'000	£'000
Right-of-use assets depreciation (Note 10)	**124**	227
Loss on disposal of right-of-use assets (Note 10)	**3**	-
Foreign exchange losses	**3**	3

Fees paid to the company's auditors, Deloitte LLP and its associates, for services other than statutory audit of the Company, are disclosed on a consolidated basis in the financial statements of the ultimate parent undertaking, Babcock International Group PLC. Auditor fees of £149,000 (2022: £149,000) were borne by a fellow group company.

Notes to the financial statements *(continued)*

6 Finance income and costs

	2023 £'000	2022 £'000
Finance income:		
Loan interest receivable from group undertakings	**1,565**	19
Interest on pension	**-**	2
	1,565	21

	2023 £'000	2022 £'000
Finance costs:		
Lease interest (Note 10)	**(12)**	(6)
Bank interest on overdrafts	**(10)**	-
	(22)	(6)

7 Staff costs

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

	2023 Number	2022 Number
By activity		
Operations	**112**	187
Management and administration	**-**	3
	112	190

Their aggregate remuneration comprised:

	2023 £'000	2022 £'000
Wages and salaries	**4,165**	6,018
Social security costs	**447**	632
Pension costs – defined contribution plans (note 19)	**567**	761
Pension costs – defined benefit plans (note 19)	**2**	35
	5,181	7,446

The employment costs above include those of employees providing management services to other group companies, as well as staff seconded to other group companies. These are recharged to those business entities.

Notes to the financial statements *(continued)*

8 Directors' emoluments

The emoluments of the Directors, including pension contributions, paid in respect of services provided to the Company were £nil (2022: £nil).

No Directors (2022:0) were remunerated by the Company as they were remunerated by other Babcock Group companies. It is not possible to make an accurate apportionment of these Directors' emoluments relating to services provided to the Company and as such no disclosure of emoluments received by these Directors has been made in these financial statements. No recharge is made for costs borne by the Company in relation to services performed by the Directors in relation to other Babcock Group companies.

During the year no (2022: 0) Directors remunerated by Babcock Marine Training Limited exercised share options under long term incentive plans and no (2022: 0) Directors were entitled to receive share options under long term incentive plans. No retirement benefits were accruing to Directors (2022: 0) under SIPS money purchase scheme.

9 Tax

Income tax expense

Analysis of tax expense/(benefit) in the year	**Year ended 31 March 2023 £'000**	Year ended 31 March 2022 £'000
Deferred tax		
• UK current year expense	**65**	16
• UK prior year expense	**(25)**	3
• Impact of changes in tax rates	**12**	(89)
Total deferred tax charge/(credit)	**52**	(70)
Total income tax expense/(income)	**52**	(70)

Tax income included in other comprehensive income

	2023 £'000	2022 £'000
Deferred tax:		
Tax impact of actuarial gains on post-employment benefits	**235**	429
Tax income included in other comprehensive income	**235**	429

Notes to the financial statements *(continued)*

9 Income tax expense *(continued)*

The tax for the year is lower (2022: lower) than the standard rate of corporation tax in the UK.

The differences are explained below:

	2023	2022
	£'000	£'000
Profit before tax	**4,666**	1,484
Profit multiplied by rate of corporation tax in the UK of 19% (2022: 19%)	**887**	282
Effects of:		
Group relief claimed for nil consideration	**(822)**	(266)
Adjustment in respect of deferred tax for prior years	**(25)**	3
Impact of change in UK tax rate	**12**	(89)
Total income tax expense	**52**	(70)

The increase in the UK rate of corporation tax from 19% to 25% with effect from 1 April 2023 was substantively enacted during the year ended 31 March 2022. The effect has been to increase the company's net deferred tax asset by £183,000 (2022: £499,000), comprising a debit to Income Statement of £52,000 (2022: £70,000 credit) and a credit to Other Comprehensive Income of £235,000 (2022: £429,000).

Deferred taxation

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

	Accelerated capital allowances £'000	**Retirement benefit obligations £'000**	**Other £'000**	**Total £'000**
At 1 April 2021	11	567	(244)	334
Charged/(credited) to the income statement	(41)	70	(99)	(70)
Credited to other comprehensive income	-	(429)	-	(429)
At 31 March 2022	(30)	208	(343)	**(165)**
Charged/(credited) to the income statement	(5)	27	30	**52**
Credited to other comprehensive income	-	(235)	-	**(235)**
At 31 March 2023	**(35)**	**-**	**(313)**	**(348)**

Notes to the financial statements *(continued)*

10 Leases

Right-of-use assets

The Company leases under non-cancellable lease arrangements.

	Property £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 April 2022	529	22	551
Additions	349	-	349
Terminations	(529)	(22)	(551)
At 31 March 2023	**349**	**-**	**349**
Accumulated depreciation			
At 1 April 2022	(480)	(21)	(501)
Charge for the year	(124)	-	(124)
Terminations	527	21	548
At 31 March 2023	**(77)**	**-**	**(77)**
Net book value			
At 31 March 2023	**272**	**-**	**272**
At 31 March 2022	49	1	50

Lease liabilities

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

	2023 £'000	2022 £'000
At 1 April 2022	**39**	282
Additions	**349**	-
Terminations	**-**	(1)
Interest charged (Note 6)	**12**	6
Payments	**(131)**	(248)
At 31 March 2023	**269**	39

The entity leases various offices and other properties under lease agreements. The leases have various terms, escalation clauses and renewal rights. The entity also leases plant and machinery. In its calculation of right of use assets and lease liabilities, the Company has assumed it will exercise property lease exit options before the end of the full lease term for several properties.

Notes to the financial statements *(continued)*

10 Leases: Lease liabilities *(continued)*

Discounted future minimum lease payments are as follows:

	31 March 2023 £'000	31 March 2022 £'000
Within one year	**98**	21
In more than one year, but not more than five years	**171**	18
After five years	**-**	-
Carrying value of liability	**269**	39

The Company had total cash outflows for leases of £131,000 for the year ended 31 March 2023 (2022: £248,000).

The following are the amounts recognised in profit or loss:

	31 March 2023 £'000	31 March 2022 £'000
Depreciation expense of right-of-use assets	**124**	227
Interest expense on lease liabilities	**12**	6
Expense relating to short-term leases	**32**	24
	168	257

11 Investments

	2023 Shares in group undertakings	**Total**	2022 Shares in group undertakings	Total
	£'000	**£'000**	£'000	£'000
Cost				
At 1 April 2022 and 31 March 2023	**50**	**50**	50	50
Carrying amount at 1 April 2022 and 31 March 2023	**50**	**50**	50	50

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

Notes to the financial statements *(continued)*

12 Trade and other receivables

	31 March 2023 £'000	31 March 2022 £'000
Amounts due after more than one year:		
Amounts due from group undertakings	**50**	80,975
	50	80,975

	2023 £'000	2022 £'000
Amounts falling due within one year:		
Trade receivables	**1,738**	98
Contract asset	**22**	505
Amounts due from group undertakings	**102,644**	5,182
Other receivables	**64**	13
Prepayments and accrued income	**127**	50
VAT recoverable	**33**	159
	104,628	6,007

Amounts due from Group undertakings are all due from fellow subsidiary companies of the ultimate parent, Babcock International Group PLC. There are four loans (2022: five) and comprise of the following:

- A loan of £7,250,000 (2022: £7,250,000) is repayable on demand, the interest rate is the base rate minus 0.125%; the base rate is set at the prevailing six-month LIBOR rate on each interest payment. The interest payment falls due bi-annually in June and December.
- A loan of £50,000,000 (2022: £50,000,000) is repayable on demand, the interest rate is the base rate minus the relevant margin of 0.125%. The base rate is set at the prevailing six-month LIBOR rate on each interest payment date. The interest payment falls due bi-annually in March and September.
- A loan totalling £33,675,000 (2022: £23,675,000) is repayable on demand, with no interest charge.
- A loan totalling £50,000 (2022: £50,000) is repayable on demand, with no interest charge.

Trade receivables are stated after provisions for impairment of £nil (2022: nil).

Current intercompany receivables are expected to be settled in the Company’s usual operating cycle of 12 months or less.

Significant changes in contract assets during the year are as follows

	Contract asset £’000
At 1 April 2022	505
Transfers from contract assets recognised at the beginning of the year to trade receivables	(483)
At 31 March 2023	**22**

Notes to the financial statements *(continued)*

13 Trade and other payables

	2023 **£'000**	2022 £'000 Restated
Amounts falling due within one year:		
Trade payables	**112**	72
Amounts due to parent and group undertakings	**42,074**	45,431
Other taxation and social security	**111**	-
Contract liabilities	**11,214**	5,296
Accruals	**199**	66
	53,710	50,865

In the year ended 31 March 2023, the Company restated the prior year financial information. Details of the restatement are contained in note 21.

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

Amounts due to Group undertakings are all due to fellow subsidiary companies of the ultimate parent, Babcock International Group PLC and are unsecured, interest free, and repayable on demand.

The Company has access to the Babcock International Group PLC overdraft facility. The Company along with fellow group undertakings has provided cross-guarantees in relation to this facility (note 22).

	Contract liabilities £'000
At 1 April 2022	5,296
Amounts utilised	(1,331)
Amounts accrued	7,249
At 31 March 2023	**11,214**

Contract cost accruals, advanced payments and deferred income are disclosed as Contract liabilities in the Trade and other payables - amounts falling due within one year note.

Notes to the financial statements *(continued)*

14 Provisions for liabilities

	Contract provisions £'000	Other £'000	Total £'000
At 1 April 2022	1,344	164	**1,508**
Credited to the income statement	(66)	-	**(66)**
Utilised in the year	(105)	(156)	**(261)**
At 31 March 2023	**1,173**	**8**	**1,181**

Provisions have been analysed as current and non-current as follows:

	31 March 2023 £'000	31 March 2022 £'000
Current	**80**	229
Non-current	**1,101**	1,279
At 31 March 2023	**1,181**	1,508

The Contract provision includes an Annual Compensation Payment liability of £1.2m (2022: £1.3m) associated with protected rights of ex-civil servants that were TUPE transferred into Babcock Marine Training Limited and subsequently made redundant. The provision is forecast to be utilised over the next 25 years.

15 Share capital

	2023 £'000	2022 £'000
Allotted, called up and fully paid		
250,000 "A" ordinary share of £1 each (2022: 250,000)	**250**	250
250,000 "B" ordinary share of £1 each (2022: 250,000)	**250**	250
	500	500

16 Dividends

Dividends declared and paid were £nil (2022: £nil), equivalent to £nil per share (2022: £nil). There are no plans for a final dividend.

Notes to the financial statements *(continued)*

17 Guarantees and financial commitments

a) Capital Commitments

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

b) Lease Commitments

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

18 Related party disclosures

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

Notes to the financial statements *(continued)*

19 Pension commitments

The Company accounts for pension costs in accordance with IAS 19.

Defined Contribution Schemes

The Company contributes into the Babcock International Group defined contribution pension scheme. The total cost of pension contributions for employees of the Company during the year was £567,000 (2022: £761,000).

Defined Benefit Schemes

The Company also participates in a defined benefit pension scheme for the benefit of its employees. Defined benefit scheme contributions amounted to £144,000 (2022: £408,000). The full detail of the scheme is disclosed below.

BIG Pension Scheme (BPS)

The Company is severally liable, along with the other participating employers, for the assets and liabilities of the scheme. The allocation of the assets and liabilities of the scheme and which has been recognised in these financial statements are detailed in this note.

The nature of the defined benefit scheme is that the employees contribute to the scheme with the employers paying the balance of the cost required. The contributions required and the assessment of the assets and the liabilities that have accrued to members and any deficit recovery payments required are agreed by the Group with the trustees who are advised by an independent, qualified actuary.

The key risks relate primarily to longevity, the expected inflation rate in the future which impacts on pension increases and indirectly salary increases and the discount rate used to value the liabilities. The schemes have mitigated some of these risks by taking out longevity swaps in respect of pensioners and their spouses, through a common investment committee we have significantly hedged the interest rate and inflation risk though derivative instruments and introduced benefit changes impacting future service benefits which included capping of pensionable salaries, capping pension increases, increased normal retirement age in line with state pension ages and increased the level of member contributions.

The defined benefit scheme is prudently funded by payments to legally separate trustee-administered funds. The trustees of the scheme are required by law to act in the best interests of the scheme's members. In addition to determining future contribution requirements (with the agreement of the Group), the trustees are responsible for setting the scheme's investment strategy (subject to consultation with the Group). The scheme has an independent trustee and member nominated trustees. The scheme is subject to regulation under the funding regime set out in Part III of the Pensions Act 2004.

Notes to the financial statements *(continued)*

19 Pension commitments *(continued)*

The IAS 19 valuation has been updated as of 31 March 2023 by an independent qualified actuary using revised assumptions that are consistent with the requirements of IAS 19. The date of the last full actuarial valuation was 31 March 2021. The major assumptions used for the IAS 19 valuation were:

	2023	2022
Major assumptions	**%**	%
Rate of increase in salaries	**3.0**	3.4
Rate of increase in pension payment	**3.15**	3.5
Discount rate	**4.8**	2.7
Inflation rate (RPI) - year 1	**6.9**	3.7
Inflation rate (RPI) – thereafter	**3.3**	3.7
Inflation rate (CPI) - year 1	**4.7**	3.2
Inflation rate (CPI) – thereafter	**2.8**	3.2
Weighted average duration of cash flows (years)	**12**	14

The mortality assumptions used were:

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in the UK. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

	2023	2022
	Years	Years
Life expectancy from age 65 (male aged 65)	**21.3**	21.8
Life expectancy from age 65 (male aged 45)	**21.8**	22.4
Life expectancy from age 65 (female aged 65)	**23.9**	21.8
Life expectancy from age 65 (female aged 45)	**24.4**	22.4

The Group's cash contribution rates payable to the scheme are expected to be as follows:

Future service contribution rate	30.3%
Future service cash contributions	£3.2m
Deficit contributions	£13.7m
Additional longevity swap payments	£3.6m
Expected employer cash costs for 2023/24	£20.5m
Expected salary sacrifice contributions	£0.4m
Expected total employer contributions	£20.9m

Notes to the financial statements *(continued)*

19 Pension commitments *(continued)*

The changes to the Babcock International Group PLC statement of financial position at March 2023 and the changes to the Babcock International Group PLC income statement for the year to March 2023, if the assumptions were sensitised by the amounts below, would be:

	Defined benefit obligations 2023 £'000	**Projected Income Statement 2024 £'000**
Initial assumptions	959,486	3,258
Discount rate assumptions increased by 0.5%	907,786	(177)
Discount rate assumptions decreased by 0.5%	1,016,590	6,448
Inflation rate assumptions increased by 0.5%	989,614	4,955
Inflation rate assumptions decreased by 0.5%	930,318	1,627
Total life expectancy increased by half a year	979,147	4,239
Total life expectancy decreased by half a year	941,281	2,351
Salary increase assumptions increased by 0.5%	961,981	3,491
Salary increase assumptions decreased by 0.5%	957,087	3,036

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

Fair value of plan of assets

	2023 £'000	2022 £'000
Growth assets:		
Equities	**569**	7,701
Property funds	**101,475**	121,945
High yield bonds/emerging market debt	**5**	19,785
Low-risk assets:		
Bonds	**450,971**	662,075
Matching Assets	**525,991**	711,526
Scheme assets	**1,079,011**	1,523,032
Longevity swaps	**(51,400)**	(65,800)
Fair value of assets	**1,027,611**	1,457,232
Total defined benefit obligations	**(959,486)**	(1,283,066)
Net assets recognised in the statement of financial position	**68,125**	174,166

Notes to the financial statements *(continued)*

19 Pension commitments *(continued)*

All the assets of the scheme are quoted except for the longevity swaps.

The longevity swaps have been valued, in 2023, in line with assumptions that are consistent with the requirements of IFRS 13 using Level 3 inputs. The key inputs to the valuation are the discount rate and mortality assumptions.

The equity investments and bonds are valued at bid price.

The scheme does not invest directly in assets or share of Babcock International Group PLC.

The amounts recognised in the Group income statement are as follows:

Analysis of amount charged to the income statement in Babcock International Group PLC

	2023 £'000	2022 £'000
Current service cost	**5,172**	5,873
Incurred expenses	**2,499**	2,506
Past service cost	**-**	-
Total included within operating profit	**7,671**	8,379
Net interest (credit) income	**(4,774)**	(537)
Total charged to the income statement	**2,897**	7,842

The amounts charged to the income statement in these financial statements, based on the Company's allocation of the total Babcock International Group PLC charge, included £nil for service cost (2022: £28,000), £nil for incurred expenses (2022: £12,000), £nil for past service cost (2022: £nil), and net interest income of £nil (2022: £3,000).

Notes to the financial statements *(continued)*

19 Pension commitments *(continued)*

The amounts recorded in the Group statement of comprehensive income are as follows:

Analysis of amount included in statement of comprehensive income ("SOCI") in Babcock International Group PLC

	2023	2022
	£'000	£'000
Assumptions gain/(losses) net of liabilities and assets	**(114,297)**	119,728
Experience losses arising on scheme liabilities	**(18,000)**	(16,961)
Other gains	**16,176**	2,601
SOCI	**(116,121)**	105,368

The actuarial loss recognised in the statement of comprehensive income in these financial statements, based on the Company's allocation of the total Babcock International Group PLC movement, was a loss of £977,000 (2022: £2,520,000).

The amounts recognised in the Group statement of financial position are as follows:

Analysis of movement included in the statement of financial position in Babcock International Group PLC

	2023	2022
	£'000	£'000
Fair value of plan assets		
At 1 April	**1,457,232**	1,425,910
Interest income on assets	**38,613**	28,017
Actuarial (loss)/gain on assets	**(412,923)**	20,307
Employer contributions	**12,977**	58,808
Employee contributions	**71**	71
Benefits paid	**(68,359)**	(75,881)
At 31 March	**1,027,611**	1,457,232

Notes to the financial statements *(continued)*

19 Pension commitments *(continued)*

Reconciliation of present value of scheme liabilities in Babcock International Group PLC

	2023	2022
	£'000	£'000
At 1 April	**1,283,066**	1,408,078
Service cost	**5,172**	5,873
Incurred expenses	**2,499**	2,506
Interest cost on liabilities	**33,839**	27,480
Employee contributions	**71**	71
Actuarial (gain) – demographics	**(8,864)**	(22,776)
Actuarial (gain) – financial	**(305,938)**	(79,246)
Experience loss	**18,000**	16,961
Benefits paid	**(68,359)**	(75,881)
At 31 March	**959,486**	1,283,066
Net surplus at 31 March	**68,125**	174,166

The surplus recognised in these financial statements, based on the Company's allocation of the total Babcock International Group PLC assets and liabilities for this scheme, was £nil (2022: £833,000).

20 Subsidiary undertaking

All related undertakings for the company are as listed below:

Company Name	**Country**	**Interest**	**Direct %**	**Ultimate%**
Flagship Fire Fighting Training Limited	United Kingdom	100 Ordinary shares	100.0%	100.0%

The registered office of Flagship Fire Fighting Training Limited is 33 Wigmore Street, London, W1U 1QX.

21 Prior year restatement

In the year ended 31 March 2023, the Company restated the prior year financial information. The restatements are summarised below:

Notes to the financial statements *(continued)*

21 Prior year restatement *(continued)*

Statement of financial position at 31 March 2022

	Reported	BIL Pension liability	Restated
	£000	**£000**	**£000**
Current Liabilities			
Trade and other payables	(47,712)	(3,382)	(51,094)
Lease Liabilities	(21)	-	(21)
Net current liabilities	(30,178)	(3,382)	(33,560)
Total assets less current liabilities	51,062	(3,382)	47,680
Non-current liabilities			
Lease liabilities	(18)	-	(18)
Provisions for liabilities	(1,279)	-	(1,279)
Net assets	**49,765**	**(3,382)**	**46,383**
Equity			
Called up share capital	500	-	500
Retained earnings	49,265	(3,382)	45,883
Total shareholders' funds	**49,765**	**(3,382)**	**46,383**

* The table above includes only those financial statement line items which have been restated. The total noncurrent assets, total assets less current liabilities, and equity do not therefore represent the sum of the line items presented above.

Notes to the financial statements *(continued)*

21 Prior year restatement *(continued)*

Statement of financial position at 31 March 2021

	Reported	BIL Pension liability	Restated
	£000	£000	£000
Current Liabilities			
Trade and other payables	(55,059)	(3,382)	(58,441)
Lease Liabilities	(219)	-	(219)
Net current liabilities	(34,111)	(3,382)	(37,493)
Total assets less current liabilities	51,980	(3,382)	48,598
Non-current liabilities			
Lease liabilities	(63)	-	(63)
Provisions for liabilities	(1,281)	-	(1,281)
Deferred tax liability	(334)	-	(334)
Net assets	**50,302**	**(3,382)**	**46,920**
Equity			
Called up share capital	500	-	500
Retained earnings	49,802	(3,382)	46,420
Total shareholders' funds	**50,302**	**(3,382)**	**46,920**

* The table above includes only those financial statement line items which have been restated. The total noncurrent assets, total assets less current liabilities, and equity do not therefore represent the sum of the line items presented above.

As outlined in note 19, Babcock Marine Training Limited is a contributing employer to the “Babcock International Group Pension Scheme”, a defined benefit scheme operated centrally by Babcock International Group PLC. Babcock International Limited, a fellow subsidiary, makes payments on behalf of member entities in relation to the Babcock International Group defined benefit pension scheme and recharges those payments to member entities. Babcock International Limited has disclosed intercompany assets equivalent to the amounts to be recharged to member entities. The Company has not recorded an equivalent liability, as such the Company has restated the prior year financial statements to record an intercompany liability at 31 March 2021 of £3.4m and 31 March 2022 of £3.4m in relation to amounts owed to Babcock International Limited. The cumulative impact at 31 March 2022 on the balance sheet is £3.4m.

As a participating employer of the scheme, Babcock Marine Training Limited is severally liable, along with the other participating employers, for the assets and liabilities of the scheme, and as such, these assets, liabilities and obligations are allocated to each participating entity based on active members. Employee contributions, on the other hand, are allocated on the basis of actual contributions paid, with the net gain or loss on remeasurement of the defined benefit obligation reflected in other comprehensive income. Any change in employer contributions therefore directly impacts on other comprehensive income, hence why the recognition of the intercompany liability at 31 March 2021 and 31 March 2022 has also impacted the Statement of Other Comprehensive Income.

Notes to the financial statements *(continued)*

22 Contingent liabilities

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

No securities have been provided by the Company in relation to these contingent liabilities. There is no current expectation that these contingent liabilities will crystalise.

23 Post balance sheet events

In July 2023, the Company took part in a loan rationalisation process which involved the netting off of intercompany payables and receivables loan balances. This resulted in an intercompany loan receivable balance of £87.8m for which a new loan agreement was established with Babcock Marine Holdings (UK) Ltd.

24 Immediate and ultimate parent undertakings

The Company's immediate parent company is Babcock Defence & Security Holdings LLP, a limited liability partnership registered in England and Wales. The Company's ultimate parent undertaking and controlling party is Babcock International Group PLC, a company registered in England and Wales. The only Group in which the results of the Company are consolidated is that headed by Babcock International Group PLC.

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

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