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**Babcock Marine Training Limited**

**Annual Report**

**For the year ended 31 March 2021**

**Company Statement**

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a e c e o f o t e a e n e a c t

The directors present their Strategic report on the Company for the year ended 31 March 2021.

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The principal activities of the Company are the provision of training and support services in the UK defence sector and also to international customgiincis614.0067

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a e c e o f o t e a e n e a c t %

n c a a n u n c e a n e %

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

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

Further discussion of these risks and uncertainties, in the context of the Group as a whole and

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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 Marine, a division of Babcock International Group PLC, which includes the Company, is discussed on pages 50 and 51 of the annual report of Babcock International Group PLC, which does not form part of this report.

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The Directors have acted in a way that they consider, in good faith, to be most likely to promote the long-term success of the Company for the benefit of the Shareholders as a whole while having regard for all stakeholders. Stakeholder engagement is managed in accordance with Group policies and procedures which are discussed on pages 58, 59, 79 and 114 to 116 of the annual report of Babcock International group PLC, which does not form part of this report. The disclosure in the Group annual report considered all relevant factors for the Company, in particular the Company's engagement with its customers and employees.

During the year, the Directors additionally considered the ongoing requirement to ensure the welfare of employees, customers and others stakeholders' in response to COVID-19, while still delivering critical services to its customers. This was done by implementing government guidelines and reviewing operational support priorities. The Directors also committed significant time and resources in respect of the Project Selborne tender, which is described earlier in this report, as well as to the Company's other ongoing customer contracts.

On behalf of the board

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## Directors' report for the year ended 31 March

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2021.

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No interim dividend payment has been made for this financial year. No final dividend for the year ended 31 March 2021 is proposed by the directors. 6% 6%

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Information on the future developments of the Company can be found in the Strategic report.

### a n a a a e e n

The Company's operations expose it to a variety of financial risks that include the effects of changes in price risk, credit risk, liquidity risk and interest rate risk. The Company has in place a risk management programme that seeks to limit adverse effects on the financial performance of the Company by monitoring levels of debt finance and the related finance costs.

Given the size of the Company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors of Babcock International Group PLC are implemented by the Group and Company's finance departments. The department has a policy and procedures manual that sets out specific guidelines to allow it to manage interest rate risk, credit risk and circumstances where it would be appropriate to use financial instruments to manage these.

The Company is exposed to price risk as a result of its operations. This risk is mitigated by specific functions which assess pricing in respect of both selling and procurement activities. The Company has no exposure to equity securities price risks as it holds no listed equity investments.

The Company has implemented policies that require appropriate credit checks on potential customers before sales are made. The Company also monitors existing customer accounts on an on-going basis and takes appropriate action where necessary to minimise any potential credit risk. Cash and bank balances are held with banks that have been assigned satisfactory credit ratings by international credit rating agencies.

The Company retains access to pooled cash resources to ensure it has sufficient available funds for operations. The Company also has access to longer term funding from its ultimate parent undertaking if required.

The Company has both interest-bearing assets and interest-bearing liabilities. The interest-bearing assets earn interest at a fixed rate, with the exception of interest earned on cash balances which accrue interest at a floating rate. Interest-bearing liabilities accrue interest at a floating rate. The Company does not use derivative financial instruments to manage interest rate costs and, as such, no hedge accounting is applied.

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

**Financial Risk Management**

All treasury transactions are carried out only with prime rated counter-parties. Financial Risk is managed in accordance with Group policies and procedures which are discussed on pages 47 to 49 and Note 2 of the annual report of Babcock International Group PLC, which does not form part of this report.

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

**Directors**

N Borrett  
D Jones  
M Graves  
K Stewart  
I Urquhart

**Disability and Equal Opportunities**

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

**Employee Consultation**

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the Company as a whole. Communication with all employees continues through the in-house newspaper and newsletters, briefing groups and the distribution of the Annual report.

**Health and Safety**

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

**Directors' report for the year ended 31 March** %

**Environment**

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

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



Directors' report for the year ended 31 March %

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After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors consider it appropriate to continue to adopt the going concern basis in preparing these financial statements.

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The Directors have regard to the need to foster the Company's business relationship with customers, employees, suppliers and others, and the effect of that regard, including on principal decisions taken by the Company during the financial year. Please refer to the Company's Section 172(1) statement in the Strategic report.

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

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**Independent auditors' report to the members of Babcock Marine Training e**

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**O n o n**

In our opinion, Babcock Marine Training Limited's financial statements:

give a true and fair view of the state of the Company's affairs as at 31 March 2021 and of its profit for the year then ended;  
have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and



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**Independent auditors' report to the members of Babcock Marine Training Limited  
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2020

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54,021

C o s t o f s a l e s

(43,299)

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10,722

A d m i n i s t r a t i v e e x p e n s e s

(5,539)

O e a n o f

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5,183

F i n a n c e i n c o m e

463

F i n a n c e c o s t s

(41)

F i n a n c e i n c o m e - p e n s i o n

199

a a n c e l e e

12 12 12

2020  
£000  
\*Restated

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Investments	50
Tangible Assets	819
	<u>869</u>

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Pension scheme surplus	16,962
Trade and other receivables: amount falling due after more than one year	1,783
Trade and other receivables: amount falling due within one year	95,705
Cash and cash equivalents	6,380
	<u>120,830</u>

Trade and other payables : amount falling due within one year	(55,818)
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Trade and other payables : amounts falling due after more than one year	(406)
Provisions for liabilities	(4,266)
	<u>61,209</u>

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Called up share capital	500
Retained earnings	60,709

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	<u>61,209</u>
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a a nca a A	500	48,294	48,794
Profit for the financial year	-	4,818	4,818
Total other comprehensive income	-	7,597	7,597
Total comprehensive income for the financial year	-	12,415	12,415
Dividends paid	£ -	-	-
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Profit for the financial year	-	6,778	6,778
Total other comprehensive expense	-	(16,384)	(16,384)
Total comprehensive expense for the financial year	-	(9,606)	(9,606)
Dividends paid	£ -	-	-
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Babcock Marine Training Limited is a private company, limited by shares, which is incorporated and domiciled in the UK. The address of the registered Office is 33 Wigmore Street, London W1U 1QX.

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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.

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The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101).



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- 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) The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114,

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u a o f n f a n a c c o u n o c e %

e v e n u e %

(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 and accounted for as separate performance obligations 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. The integrated output nature of many of the goods and services provided by the Company can result in contracts with one performance obligation.

(b) Allocation of contract price to performance obligations

The contract price represents the amount of consideration which the Company expects to receive in exchange for delivering the promised goods or services to the customer. Variable consideration is included in the contract price on the most likely outcome basis but only to the extent that it is highly probable that it will not reverse in the future. Given the bespoke nature of many of the goods and services the Company provides, stand-alone selling prices are generally not available and, in these circumstances, the Company allocates the contract price to performance obligations based on cost plus margin. The Company's contracts typically do not include significant financing components.

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. 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

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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. Assessment of outcomes is in relation to separate performance obligations and includes variable consideration, which can include judgements on variations and claims, measured using the most likely outcome approach, to the extent that it is highly probable that there will not be a reversal in the amount of cumulative revenue recognised. Judgements on contract variations and claims may consider, amongst other matters, the contract terms and conditions, previous experience with customers and

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(f) 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 per

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companies, reduced, as those who transferred from or left the Company on 1 April 2021, as

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o e o t e f a n a a e e n %

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Operating profit is stated after charging / (crediting):

		2020
		£000
Depreciation for fixed assets	Note 10	393
Loss on disposal of fixed assets	Note 10	-
Foreign exchange losses / (gains)		(3)
Audit fees payable to the Company's auditors		54

Fees paid to the Company's auditors, PricewaterhouseCoopers LLP, and its associates, for services

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o e o t e f a n a a e e n %

**Directors' remuneration**

The emoluments of the directors, including pension contributions, paid by any company in respect of services provided to this Company were £nil, 6 %

No directors 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 directors remunerated by Babcock Marine Training Limited exercised share options under long term incentive plans and no directors were entitled to receive share options under long term incentive plans.

No retirement benefits were accruing to directors under SIPS money purchase scheme.

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£000

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UK Corporation tax on profits for the year 738

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Origination and reversal of temporary differences 366

Adjustments in respect of prior years (72)

Impact of change in UK tax rate (46)

ca e f e e a c b e n o e 248

a o n o f 986

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a nco e / e e n e n c u e n o t e c o e t e n v e e e n e / nco e

2020

£000

Deferred Tax:

Actuarial (losses)/gains on pension asset

1,806

Impact of change in UK tax rate

104

a nco e / e e n e n c u e n o t e c o e t e n v e e e n e / nco e

1,910

Tax expense for the year is lower (2020: lower) than the standard effective rate of corporation tax in the UK for the year ended 31 March 2021 of 19% (2020: 19%). The differences are explained below:

2020



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Trade and other receivables: amount falling due within one year

2020  
£000



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All of the group loans, amounts due to parent and group undertakings are unsecured, interest free, and repayable on demand.

**o e o t e f a n a a e e n %**

**a a n o t e a a e a o u n d n u e t n o n e e c o n n u e**

UK corporate tax payable represents the aggregate amount of current tax charges, the balance of which is owed to other group undertakings.

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 23).

	<b>o n a c c o a c c a</b>	<b>A a n c e a e n</b>	<b>e f e e n c o e</b>	<b>a a</b>
<b>A A</b>				
Revenue recognised that was included in contract liabilities at the beginning of the year	-	4,330	-	4,330
Decrease due to cash settlement to customer	-	-	6,043	6,043
Increase due to cash received, excluding amounts recognised as revenue	-	(1,573)	(3,674)	(5,247)
Amounts utilised	1,141	-	-	1,141
Amounts accrued	(106)	-	-	(106)
<b>A a c t</b>				

Advanced payments and Deferred income are disclosed as Payments received on account in the Trade and other payables - amounts falling due within one year note.

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The entity leases various offices and other properties under non-cancellable operating lease agreements. The leases have various terms, escalation clauses and renewal rights. The entity also leases plant and machinery under non-cancellable operating leases. In its calculation of right of use assets (note 10) and lease liabilities, the Company has assumed it will exercise property lease exit options before the end of the full lease term for a number of properties. Included within the below analysis are £265,000 (2020: £597,000) of operating lease commitments which are matched in time to customer contracts and are directly attributable to them.

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

	<b>£'000</b>	<b>2020 £'000</b>
At 1 April		690
Additions		529
Disposals		(5)
Interest charged (see note 5)		40
Registered Number 03086376		Page 32



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Payments	(423)
A a c t	831
o e o t e f a n a a e e n %	

a e a e c o n n u e

Discounted future minimum lease payments are as follows:

	2020
	£'000
Within one year (note 13)	425
In more than one year, but not more than five years	406
After five years	-
Carrying value of liability	

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	2020
	£000
Contract provisions	1,548
Deferred Taxation (see note 16)	2,718
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	4,266
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2020  
£000's

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250,000 "A" ordinary shares of £1 each	%	250
250,000 "B" ordinary shares of £1 each	%	250
		<u>500</u>

v e n

No interim dividend payment has been made for this financial year (2020: £ nil). No final dividend for the year ended 31 March 2021 is proposed by the directors (2020: £nil).

a a n e e a n f a n a c o e n

a) Capital Commitments

At 31 March 2021 the Company had capital commitments of £nil (2020: £nil)

b) Lease Commitments

At 31 March 2021 the Company had lease commitments of £nil (2020: £nil) for leases not yet commenced.

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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

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a o a u o n

Rate of increase in pensionable salaries (past service)	2.0
Rate of increase in pension (past service)	2.6
Discount rate (past service)	2.4
Inflation rate (CPI) (past service)	1.8
Inflation rate (RPI) (past service)	2.6

The expected total employer contributions to be made by participating employers to the scheme in 2021/22 are £33.5m. The future service rate is 51.1%. The above level of funding is expected to continue until the next actuarial valuation, with valuations carried out every 3 years. Included in employer contributions of £33.5m is £22.9m of deficit recovery payments. The Company's share of this is allocated based on the percentage of active members of the scheme that it employs. The Company's share of employer contributions in the year were £3,768,000 (2020: £3,411,000).

The mortality assumptions used were:

	2020
Ye	Years
Life expectancy from age 65 (male age 65)	
Life expectancy from age 65 (male age 45)	

The changes to the Babcock International Group Plc balance sheet at March 2021 and the changes to the Babcock International Group Plc income statement for the year to March 2022, if the assumptions were sensitised by the amounts below, would be:

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n a a u o n		
Discount rate assumptions increased by 0.5%	(96,533)	(3,265)
Discount rate assumptions decreased by 0.5%	96,533	2,289
Inflation rate assumptions increased by 0.5%	57,721	1,819
Inflation rate assumptions decreased by 0.5%	(52,887)	(1,648)
Total life expectancy increased by half a year	32,841	762
Total life expectancy decreased by half a year	(32,841)	(762)
Salary increase assumptions increased by 0.5%	7,677	455
Salary increase assumptions decreased by 0.5%	(7,677)	(455)

The weighted average duration of cashflows (years) was 15 (2020: 15).

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o e o t e f a n a a e en %  
en on co en %

An o f a o u n c h e o t e n c o e a e en n a c o c n e a o a o u c	2020 £000
Current service cost	6,693
Incurred expenses	1,970
Past service cost	-
Settlement	-
Total included within operating profit	<u>8,663</u>
Net interest income	<u>(1,300)</u>
<b>o a c h e o t e n c o e a e en</b>	<b>7,363</b>



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o e o t e f a n a a e e n (continued)  
e n o n c o e n %

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 £367,000 / -46,962,000 %

Retirement benefits and liabilities are discussed in the group financial statements on note 29 of the annual report of Babcock International group PLC, which does not form part of this report.

The Company also operated several defined contribution schemes. The pension charge for the year includes contributions payable by the Company to these funds amounting to £3,132,000 (2020:

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o e o t e f a n a a e e n %

o a a n c e t e e e v e n

The Company was unsuccessful in the tender for the replacement and evolution of the training & support services contract to the Royal Navy and Royal Marines, known as 'Project Selborne' which was due to commence 1 April 2021. As this included a number of training contracts already undertaken by the Company, this loss will significantly reduce the volume of activities and revenue and gross margin of the Company from 1 April 2021. A significant number of employees have also transferred from the Company to the new training providers from 1 April 2021 under the Transfer of Undertakings (Protection of Employment) regulation or left the business. There were no significant contract exit costs to the Company.

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 order book.

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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 smallest and largest 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