Group income statement

For the year ended 31 March

	Note	2024 £m	2023 £m
Revenue	2,3	**4,390.1**	4,438.6
Operating costs		**(4,145.0)**	(4,315.7)
Loss resulting from acquisitions and disposals	27	**(3.5)**	(77.4)
Operating profit	2,3,4	**241.6**	45.5
Results from joint ventures and associates	2,14	**9.2**	9.3
Finance income	5	**22.1**	21.9
Finance costs	5	**(56.2)**	(70.5)
Profit before tax	2	**216.7**	6.2
Income tax expense	7	**(48.5)**	(39.5)
Profit/(Loss) for the year		**168.2**	(33.3)
Attributable to:			
Owners of the parent		**165.7**	(35.0)
Non-controlling interest		**2.5**	1.7
Earnings/(Loss) per share			
Basic	9	**32.9p**	(6.9)p
Diluted	9	**32.2p**	(6.9)p

Group statement of comprehensive income

For the year ended 31 March

	Note	2024 £m	2023 £m
Profit/(loss) for the year		**168.2**	(33.3)
Other comprehensive income			
Items that may be subsequently reclassified to income statement			
Currency translation differences		**(13.4)**	(0.5)
Reclassification of cumulative currency translation reserve on disposal	27	**–**	(1.2)
Fair value adjustment of interest rate and foreign exchange hedges		**(4.0)**	9.4
Tax, including rate change impact, on fair value adjustment of interest rate and foreign exchange hedges		**(0.5)**	(3.1)
Hedging gains/(losses) reclassified to profit or loss		**6.6**	(10.8)
Share of other comprehensive income of joint ventures and associates	14	**0.3**	4.7
Tax, including rate change impact, on share of other comprehensive income of joint ventures and associates	14	**(0.1)**	(1.2)
Items that will not be reclassified to income statement			
Remeasurement of retirement benefit obligations	25	**(155.1)**	(402.4)
Tax on remeasurement of retirement benefit obligations	7	**38.4**	100.8
Other comprehensive loss, net of tax		**(127.8)**	(304.3)
Total comprehensive income/(loss)		**40.4**	(337.6)
Total comprehensive income/(loss) attributable to:			
Owners of the parent		**39.1**	(337.3)
Non-controlling interest		**1.3**	(0.3)
Total comprehensive income/(loss)		**40.4**	(337.6)

Group statement of changes in equity

	Note	Share capital £m	Share premium £m	Other reserve £m	Capital redemption £m	Retained earnings £m	Hedging reserve £m	Translation reserve £m	Total equity attributable to owners of the Company £m	Non-controlling interest £m	Total equity £m
At 1 April 2022		303.4	873.0	768.8	30.6	(1,241.4)	4.0	(56.4)	682.0	19.5	701.5
Loss for the year		–	–	–	–	(35.0)	–	–	(35.0)	1.7	(33.3)
Other comprehensive (loss)/income		–	–	–	–	(301.6)	(1.0)	0.3	(302.3)	(2.0)	(304.3)
Total comprehensive (loss)/income		–	–	–	–	(336.6)	(1.0)	0.3	(337.3)	(0.3)	(337.6)
Dividends		–	–	–	–	–	–	–	–	(2.2)	(2.2)
Share-based payments	24	–	–	–	–	9.4	–	–	9.4	–	9.4
Tax on share-based payments		–	–	–	–	(0.2)	–	–	(0.2)	–	(0.2)
Net movement in equity		–	–	–	–	(327.4)	(1.0)	0.3	(328.1)	(2.5)	(330.6)
At 31 March 2023		**303.4**	**873.0**	**768.8**	**30.6**	**(1,568.8)**	**3.0**	**(56.1)**	**353.9**	**17.0**	**370.9**
At 1 April 2023		**303.4**	**873.0**	**768.8**	**30.6**	**(1,568.8)**	**3.0**	**(56.1)**	**353.9**	**17.0**	**370.9**
Profit for the year		**–**	**–**	**–**	**–**	**165.7**	**–**	**–**	**165.7**	**2.5**	**168.2**
Other comprehensive (loss)/income		**–**	**–**	**–**	**–**	**(116.7)**	**2.3**	**(12.2)**	**(126.6)**	**(1.2)**	**(127.8)**
Total comprehensive income		**–**	**–**	**–**	**–**	**49.0**	**2.3**	**(12.2)**	**39.1**	**1.3**	**40.4**
Dividends	**8**	**–**	**–**	**–**	**–**	**(8.5)**	**–**	**–**	**(8.5)**	**(1.8)**	**(10.3)**
Disposal of subsidiary		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**0.7**	**0.7**
Purchase of own shares		**–**	**–**	**–**	**–**	**(12.5)**	**–**	**–**	**(12.5)**	**–**	**(12.5)**
Share-based payments	**24**	**–**	**–**	**–**	**–**	**12.4**	**–**	**–**	**12.4**	**–**	**12.4**
Tax on share-based payments		**–**	**–**	**–**	**–**	**4.5**	**–**	**–**	**4.5**	**–**	**4.5**
Net movement in equity		**–**	**–**	**–**	**–**	**44.9**	**2.3**	**(12.2)**	**35.0**	**0.2**	**35.2**
At 31 March 2024		**303.4**	**873.0**	**768.8**	**30.6**	**(1,523.9)**	**5.3**	**(68.3)**	**388.9**	**17.2**	**406.1**

The other reserve relates to the rights issue of new ordinary shares on 7 May 2014 and the capital redemption reserve relates to the issue and redemption of redeemable ‘B’ preference shares in 2001.

Group statement of financial position

	Note	31 March 2024 £m	31 March 2023 £m
Assets			
Non-current assets			
Goodwill	10	**780.1**	781.4
Other intangible assets	11	**148.8**	140.8
Property, plant and equipment	12	**517.1**	478.5
Right of use assets	13	**175.6**	159.1
Investment in joint ventures and associates	14	**59.7**	57.4
Loan to joint ventures and associates	14	**3.9**	9.5
Retirement benefits surpluses	25	**107.3**	94.8
Other financial assets		**5.3**	7.3
Lease receivables	13, 21	**22.5**	22.2
Derivatives	21	**2.8**	2.6
Deferred tax asset	7	**132.3**	112.2
Trade and other receivables	16	**13.0**	6.4
		1,968.4	1,872.2
Current assets			
Inventories	15	**187.4**	126.8
Trade and other receivables	16	**487.2**	506.9
Contract assets	16	**337.4**	322.5
Income tax recoverable		**10.6**	7.7
Lease receivables	13, 21	**13.0**	16.4
Other financial assets		**1.1**	1.4
Derivatives	21	**4.4**	4.3
Cash and cash equivalents	17, 26	**570.6**	451.7
		1,611.7	1,437.7
Total assets		**3,580.1**	3,309.9
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	23	**303.4**	303.4
Share premium		**873.0**	873.0
Capital redemption and other reserves		**736.4**	746.3
Retained earnings		**(1,523.9)**	(1,568.8)
		388.9	353.9
Non-controlling interest		**17.2**	17.0
Total equity		**406.1**	370.9
Non-current liabilities			
Bank and other borrowings	19	**747.1**	768.4
Lease liabilities	13, 19	**185.9**	178.9
Trade and other payables	18	**5.4**	0.9
Deferred tax liabilities	7	**6.4**	7.0
Derivatives	21	**51.9**	53.3
Retirement benefit deficits	25	**217.0**	156.2
Provisions for other liabilities, including other employee benefits	20	**79.1**	80.8
		1,292.8	1,245.5
Current liabilities			
Bank and other borrowings	19	**20.4**	19.6
Lease liabilities	13, 19	**44.6**	49.9
Trade and other payables	18	**949.2**	911.1
Contract liabilities	18	**761.8**	616.4
Income tax payable		**16.6**	15.8
Derivatives	21	**9.5**	12.8
Provisions for other liabilities, including other employee benefits	20	**79.1**	67.9
		1,881.2	1,693.5
Total liabilities		**3,174.0**	2,939.0
Total equity and liabilities		**3,580.1**	3,309.9

The notes on pages 181 to 246 are an integral part of the consolidated financial statements. The Group financial statements on pages 177 to 246 were approved by the Board of Directors on 25 July 2024 and are signed on its behalf by:

David Lockwood OBE
Director

David Mellors
Director

Group cash flow statement

For the year ended 31 March

	Note	2024 £m	2023 £m
Cash flows from operating activities			
Profit/(loss) for the year		**168.2**	(33.3)
Results from joint ventures and associates	14	**(9.2)**	(9.3)
Income tax expense	7	**48.5**	39.5
Finance income	5	**(22.1)**	(21.9)
Finance costs	5	**56.2**	70.5
Depreciation and impairment of property, plant and equipment	12	**54.1**	77.0
Depreciation and impairment of right of use assets	13	**39.8**	91.3
Amortisation and impairment of intangible assets	11	**24.0**	37.1
Equity share-based payments	24	**12.4**	9.4
Net derivative fair value and currency movement through profit or loss		**(4.9)**	(7.5)
Fair value movement on assets held at fair value through profit or loss		**(2.0)**	–
Loss on disposal of subsidiaries, businesses and joint ventures and associates	27	**3.5**	77.4
Profit on disposal of property, plant and equipment		**(17.1)**	(2.0)
(Profit)/loss on disposal of right of use assets		**(3.6)**	0.8
Loss on disposal of intangible assets		**0.1**	1.7
Cash generated from operations before movement in working capital and retirement benefit payments		**347.9**	330.7
Increase in inventories		**(67.1)**	(25.7)
Decrease/(increase) in receivables		**6.1**	(71.6)
Increase in contract assets		**(18.3)**	(54.2)
Increase in payables		**56.1**	131.4
Increase in contract liabilities		**149.1**	132.3
Increase in provisions		**8.1**	47.9
Retirement benefit contributions in excess of current period expense		**(107.6)**	(141.9)
Cash generated from operations		**374.3**	348.9
Income tax paid		**(27.4)**	(25.4)
Interest paid		**(54.3)**	(77.0)
Interest received		**22.1**	14.8
Net cash flows from operating activities		**314.7**	261.3
Cash flows from investing activities			
Disposal of subsidiaries and joint ventures and associates, net of cash disposed	27	**(1.3)**	158.6
Dividends received from joint ventures and associates	14	**7.1**	8.7
Proceeds on disposal of property, plant and equipment		**30.6**	38.5
Proceeds on disposal of intangible assets		**–**	0.4
Purchases of property, plant and equipment		**(109.7)**	(104.2)
Purchases of intangible assets		**(32.7)**	(20.9)
Loans repaid by joint ventures and associates	14	**7.5**	2.4
Loans advanced to joint ventures and associates	14	**(2.1)**	–
Net cash flows from investing activities		**(100.6)**	83.5
Cash flows from financing activities			
Dividends paid	8	**(8.5)**	–
Lease payments	26	**(49.6)**	(108.5)
Cash inflow from settlement of derivatives	26	**–**	0.8
Bank loans repaid	26	**(13.1)**	(972.8)
Loans raised and facilities drawn down	26	**–**	416.6
Dividends paid to non-controlling interest		**(1.8)**	(2.2)
Purchase of own shares by Babcock Employee Share Trust		**(12.5)**	–
Net cash flows from financing activities		**(85.5)**	(666.1)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		**128.6**	(321.3)
Cash, cash equivalents and bank overdrafts at beginning of year	26	**429.5**	756.5
Effects of exchange rate fluctuations	26	**(5.5)**	(5.7)
Cash, cash equivalents and bank overdrafts at end of year	26	**552.6**	429.5

Notes to the Group financial statements

1. Basis of preparation and material accounting policy information

Basis of preparation

Babcock International Group PLC (the parent and ultimate parent company) is a public company limited by shares incorporated in the United Kingdom under the Companies Act. Babcock International Group PLC is listed on the London Stock Exchange and is incorporated and domiciled in England, UK. A description of the nature of the Group's operations and principal activities is set out on page 2.

The financial statements have been prepared in accordance with United Kingdom adopted International Accounting Standards, which has not differed from the previously EU-adopted International Financial Reporting Standards (IFRS), and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments that have been measured at fair value.

Going concern

After making enquiries, the Directors, at the time of approving the financial statements, have a reasonable expectation that the Company and the Group have adequate financial resources to continue in operational existence for the foreseeable future. As such, the consolidated financial statements have been prepared on a going concern basis – further detail on the key factors impacting the going concern assessment are set out in the Directors' report on page 107. The Board considered the period from 21 July 2024 to 30 September 2025 in its assessment of going concern.

New and amended standards adopted by the Group

The Group applied the following standards and amendments for the first time for the year beginning on 1 April 2023:

The following standards and amendments to IFRSs became effective for the annual reporting period beginning on 1 April 2023 and did not have a material impact on the consolidated financial statements:

- **IFRS 17, *'Insurance Contracts'*:** IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4.

  IFRS 17 allows an entity a policy choice to instead apply IFRS 15 to contracts which would otherwise meet the definition of an insurance contract providing their primary purpose is to provide a service at a fixed fee and provided certain specific conditions are met. Where these conditions are satisfied, the Group's policy is to apply IFRS 15 in all such instances.

  IFRS 17 also contains a number of scope exclusions – for example, warranties provided by a manufacturer, dealer or retailer in connection with the sale of its goods or services to a customer are outside the scope of IFRS 17.

  Whilst the Group holds a number of long-term support and maintenance contracts, it has been concluded that such contracts are either subject to the above scope exclusions and policy choices, or do not constitute insurance contracts because there is no transfer of significant insurance risk due to pricing structure such that additional costs are recoverable through variable consideration or final pricing adjustment. As such, none of the long-term support and maintenance contracts are accounted for under IFRS 17.

  The Group has assessed that the standard would impact its captive insurance company as it issues insurance contracts, however, since the contracts insure other Group companies, there is no impact on the Consolidated Financial Statements.

  The impact of adopting IFRS 17 is not material for the Group and no restatement of the prior period Income Statement or Statement of Financial Position was required.

- **Amendments to IAS 1, *'Presentation of Financial Statements'*:** The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

  The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

1. Basis of preparation and material accounting policy information continued

- **Amendments to IAS 8, *'Accounting Policies, Changes in Accounting Estimates and Errors'*:** The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

- **Amendments to IAS 12, *'Income Taxes'*:** The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit.

  Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

  The IASB amended the scope of IAS 12 to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top-up taxes described in those rules.

  The amendments introduce a temporary exception to the accounting requirements for deferred taxes in IAS 12, so that an entity would neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

  Following the amendments, the group is required to disclose that it has applied the exception and to disclose separately its current tax expense (income) related to Pillar Two income taxes.

New IFRS accounting standards, amendments and interpretations not yet adopted

The Group 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 Group:

- **Amendments to IFRS 10 and IAS 28:** Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- **Amendments to IAS 1:** Classification of Liabilities as Current or Non-current
- **Amendments to IAS 1:** Non-current Liabilities with Covenants
- **Amendments to IAS 7 and IFRS 7:** Supplier Finance Arrangements
- **Amendments to IFRS 16:** Lease Liability in a Sale and Leaseback

All standards listed above will be adopted with effect from 1 April 2024 with the exception of the Amendments to IFRS 10 and IAS 28 for which the mandatory effective date has not yet been set by the IASB.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary undertakings together with its share of joint ventures' and associates' results. Intra-Group transactions, balances, income and expenses are eliminated on consolidation.

(a) Subsidiaries

A subsidiary is an entity controlled by the Group. An entity is controlled by the Group regardless of the level of the Group's equity interest in the entity, when the Group is exposed or has rights to variable returns from its involvement with the entity and has the ability to impact those returns through its power over the entity.

In determining whether control exists, the Group considers all relevant facts and circumstances to assess its control over an entity such as contractual commitments and potential voting rights held by the Group if they are substantive.

Subsidiaries are fully consolidated from the date control has been transferred to the Group and de-consolidated from the date control ceases. Where control ceases, the results for the year up to the date of relinquishing control or closure are analysed as continuing or discontinued operations.

(b) Joint ventures and associates

Associates are those entities over which the Group exercises its significant influence when it has the power to participate in the financial and operating policy decisions of the entity but it does not have the power to control or jointly control the entity.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

The Group's interests in joint ventures and associates are accounted for by the equity method of accounting and are initially recorded at cost. The Group's investment in joint ventures and associates includes goodwill (net of any accumulated impairment loss) identified on acquisition. The carrying values of associates and joint ventures are reviewed on a regular basis and if there is objective evidence that an impairment in value has occurred as a result of one or more events during the period, the investment is impaired.

1. Basis of preparation and material accounting policy information continued

The Group's share of its joint ventures' and associates' post-acquisition profits or losses after tax is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. If the Group's share of losses in a joint venture or associate equals or exceeds its investment in the joint venture or associate, the Group does not recognise further losses unless it has incurred obligations to do so.

Unrealised gains and losses on transactions between the Group and its joint ventures and associates are eliminated to the extent of the Group's interest in the joint venture and associate. Loans to joint ventures are valued at amortised cost less provision for impairment.

Materiality

Various disclosures make reference to items considered as material or immaterial to the financial statements. The Group considers information to be material if omitting it or misstating it could influence decisions that users make on the basis of the financial information provided. Materiality is considered from both a quantitative and qualitative factor perspective. In addition to subsequent specific references to materiality, and in compliance with IFRS, certain disclosures have not been provided where the information resulting from that disclosure is not material.

Critical accounting estimates and judgements

In the course of preparation of the financial statements, judgements and estimates have been made in applying the Group's accounting policies that have had a material effect on the amounts recognised in the financial statements. The application of the Group'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 in light of known circumstances. Critical accounting estimates and judgements in relation to these financial statements are considered below:

(a) 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 Group's key judgements involving estimates are included in the Key sources of estimation uncertainty section.

(i) Acting as principal or agent

A number of the Group'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 Group is acting as principal or agent. This is based on an assessment as to whether the Group 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 Group has under the contract for the provision of the goods or services, the extent to which the Group 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 Group exercises responsibility in determining the selling price of the goods and services. Taking all factors into consideration, the Group then comes to a judgement as to whether it acts as principal or agent on a performance obligation-by-performance obligation basis. Any changes in this judgement would not have a material impact on profit, although there may be a material impact to revenue and operating costs.

(ii) Determining the groups of cash generating units to which goodwill is allocated

IFRS 8 requires that, for the purpose of subsequent impairment testing, goodwill acquired in business combinations be allocated to cash generating units ('CGUs') or groups of CGUs expected to benefit from the synergies of the combination. Such CGUs or groups of CGUs shall represent the lowest level at which goodwill is monitored for internal management purposes and shall not be larger than an operating segment.

This determination is generally straightforward and factual, however in some cases judgement is required.

The Group has identified four operating segments – Aviation, Land, Marine and Nuclear – and in the case of Aviation, Marine and Nuclear, goodwill is allocated and monitored at the operating segment level (with these three operating segments each also comprising a group of CGUs).

Although Land is considered a single operating segment, goodwill is separately allocated and monitored between the Africa business (as one group of CGUs) and the remainder of Land (as a second group of CGUs). This distinction exists due to historic assessments of the Group's operating segments and the fact that previous Africa business combinations were only anticipated to provide synergies and benefits across the Africa CGUs.

Other territories may represent separate CGUs or groups of CGUs but are neither separate operating segments nor is goodwill separately allocated or monitored at these territory levels.

Over time management reviews the basis upon which goodwill is allocated to ensure it remains appropriate as businesses are acquired and divested and reporting structures change, including how information is reported to the Chief Operating Decision Maker. If there was a change in this judgement this could result in a material adjustment to goodwill. Further detail is included in notes 3 and 10.

1. Basis of preparation and material accounting policy information continued

(iii) Additional work expected under the Type 31 contract

There is judgement in determining whether the Type 31 onerous contract provision should reflect the benefit of the expected continuation of the programme. IAS 37.10 states that “a contract is onerous when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.” Judgement is required in determining whether additional work is treated as a benefit expected to be received under the Type 31 contract, reducing the onerous contract provision. The key factors considered in making this judgement are the additional work expected at contract inception and the economic linkage with the pricing and other terms of the Type 31 contract. Having carefully considered the available evidence against the evidential bar required to recognise future benefits, it was concluded that the expected continuation of the programme should not be treated as a benefit expected under the Type 31 contract.

(b) 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:

(i) Revenue and profit recognition

The following represent the notable assumptions impacting upon revenue and profit recognition as a result of the Group’s contracts with customers:

- **Stage of completion & costs to complete** – The Group’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 with adjustments made where necessary. As contracts near completion, often less judgement is required to determine the expected outturn. The most significant estimate of contract outturn relates to the Type 31 programme as outlined below.
- **Variable consideration** – the Group’s contracts are often subject to variable consideration including performance-based penalties and incentives, gain/pain share arrangements and other items. Variable consideration is added to the transaction price only to the extent that it is highly probable that there will not be a significant reversal in the amount of cumulative revenue recognised once the underlying uncertainty is resolved.
- **Inflation** – The level to which the Group’s revenue and cost for each contract will be impacted by inflation is a key accounting estimate, as this could cause the revenue and cost of contract delivery to be greater than was expected at the time of contracting. The Group’s contracts are exposed to inflation due to rising employment costs, as well as increased costs of raw materials. The Group endeavours to include cost recovery mechanisms or index-linked pricing within its contracts with customers in order to mitigate any inflation risk arising from increasing employment and raw material costs.

Type 31 contract estimates

The contract to produce 5 Type 31 frigates was won under competitive tender in 2019, based on Babcock’s Arrowhead 140 design. The contract is important in providing access to an expected pipeline of Type 31 work and developing our Arrowhead 140 design for opportunities overseas. Although the contract contained certain escalation clauses, it provided limited protection from the macroeconomic changes of recent years relating to Brexit, Covid, raw material prices and UK labour shortages, which have significantly increased our costs. Following the outcome of discussions with the customer over these matters, a £100m charge was recorded in the prior financial year.

This year we launched an operational improvement programme to address all areas of the Type 31 programme. This has included a significant focus on cost drivers and financial modelling, supported by external consultants, and has led to a number of management changes. This has enabled a more detailed reassessment, robustly supported by actual cost data, other empirical evidence and a further year of experience of the programme.

We recorded a £90m charge at the end of the year. Estimated costs over the life of the contract have increased due to the maturing of the design and an increase in the forecast cost of labour. The £90m charge has been recognised as a £66m reduction in revenue (which increases the contract liability within working capital) and £24m increase in the onerous contract provision.

Determining the contract outturn, and therefore revenue and onerous contract provision recognised, requires assumptions and complex judgements to be made about the future performance of the contract. The level of uncertainty in the estimates made in assessing the outturn is linked to the complexity of the underlying contract.

1. Basis of preparation and material accounting policy information continued

The estimates made in assessing the outturn are set out below, along with the related estimation methods, data sources and management actions to offset the increases in the year.

a) **The number of production hours** – which requires estimation of a standard level of hours for manufacturing, structural and outfitting activities, determined with reference to previous experience of comparable programmes and industry data where available. The estimation of the time taken to improve to this standard level is also relevant, based on a detailed enablement plan which is a key output of the operational improvement programme. The volume of activities is based on a detailed assessment of the Bill of Materials, supported by dedicated engineering software

b) **The cost of labour** – which is dependent on our ability to recruit, the mix of the workforce between permanent and contingent workers from the UK and overseas, the utilisation of semi-skilled and apprentice workers and shift patterns and premiums. A detailed resourcing plan is used to support this estimate with actions required to achieve an efficient labour mix

c) **The cost of bought-in parts and services through suppliers and sub-contractors** – which includes the outcome of procurement tenders, finalisation of other areas of unagreed pricing and the agreement of discounts and incentive arrangements

d) **The ability to improve operational performance through process efficiencies, quality and engineering improvements over the five ships** – which requires actions to reduce re-work, optimise the location in which outfitting is performed, deliver specific productivity initiatives and make engineering changes to reduce the cost of manufacture, structural assembly and outfitting

e) **The number of hours required by support functions** – primarily in engineering which is impacted by the timely completion of remaining design activities and effective management of production support and change requests. A detailed engineering scope review has been performed to support this estimate. The maturity of the design and estimation process has allowed us to target improvements in ongoing support and overhead costs

f) **The determination of non-incremental costs which relate directly to fulfilling the contract and are therefore partially allocated to the contract to determine the loss provision** – including facility and overhead costs

g) **The impact of inflation on the contract price and costs to fulfil the contract** – particularly in relation to labour which may be impacted by changes in the local, UK and overseas labour markets, competitor activity and government policy

h) **The achievement of the build schedule to completion and final acceptance** – including the satisfaction of all contractual performance criteria. The schedule analysis is based on detailed modelling and the performance of multiple scenario analysis

The cost estimation process has involved a number of key elements:

- Regular governance at the Group level to monitor progress and enable support as required
- Bottom-up costing at the activity level performed by individual business areas
- Reassessment of risk based on the updated cost estimates, considering ranges of outcomes and probabilities
- Input from functional specialists from across the Group
- Development of financial models based on cost drivers, using actual data and other evidence to inform the forecast outturn
- Detailed documentation of estimates made, including process followed, sources of evidence and basis for conclusions
- Review and challenge at the Programme, Sector and Groups levels, culminating in a number of dedicated reviews with the Audit Committee

1. Basis of preparation and material accounting policy information continued

The range of possible future outcomes in respect of assumptions made to determine the contract outturn could result in a material increase or decrease in revenue and the value of the onerous contract provision, and hence on the Group's profitability, in the next financial year. The estimates described above are by their nature inter-related for this programme and are unlikely to change with everything else constant. However, for illustrative purposes, we have provided sensitivities to certain isolated changes in key estimates on the basis that all other factors remain constant:

- **Production hours** – which are impacted by production norms, rate of improvement, process efficiencies and quality/engineering improvements (see a) and d) above). A 10% increase/decrease in production hours would increase/decrease the loss by £32m
- **Labour rate** – which is impacted by our ability to recruit permanent staff, the mix of the workforce, ancillary costs and inflation (see b) and g) above). A 10% increase/decrease in the average labour rate would increase/decrease the loss by £45m
- **Supply chain costs** (see c) above) – which are impacted by the agreement of remaining pricing, discounts and incentive arrangements. A 10% increase/decrease in supply chain costs would increase/decrease the loss by £31m
- **Schedule** (see e), f) and h) above) – which are impacted by the build schedule. A 6-month delay beyond the current planning assumption would increase/decrease the loss by £24m

Overall, with c£1bn of estimated costs to go over the life of the contract, if actual costs were to differ from those assumed by 10%, the potential impact on the contract outturn could be c£100m.

To mitigate this, comparisons of actual contract performance and previous forecasts used to assess the contract outturn are performed regularly, with consideration given to whether any revisions to assumptions are required. In the next financial year, many of the 'first time' tasks and work to integrate the various elements of the first ship will be substantially complete. This will reduce the uncertainty over the contract outturn but a significant element will remain due to the substantial activity which extends over the remaining years. In a major ship build programme of this nature, it is inherently possible that there may be changes in circumstances which cannot reasonably be foreseen at the present time.

(ii) Defined benefit pension schemes obligations

The Group'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, discount rate, actuarial and life expectancy 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, discount rate and life expectancy 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 25.

(c) Other estimates which are not key sources of estimation uncertainty

(i) The carrying value of goodwill

Goodwill is tested annually for impairment, in accordance with IAS 36, Impairment of Assets ('IAS 36'). The impairment assessment is based on assumptions in relation to future cash flows expected to be generated by the groups of cash generating units to which goodwill is allocated, together with appropriate discounting of the cash flows.

In the prior year, the recoverable amount of goodwill in the Aviation business was identified as a critical accounting estimate given the significance of the remaining carrying value of goodwill, the headroom within the base case and the inherent level of estimation uncertainty required to undertake impairment testing. The assessment of the recoverable value of goodwill elsewhere in the Group was not considered a critical accounting estimate as a result of the headroom within these areas.

In the current year, we have not identified a key source of estimation uncertainty in respect of goodwill. The headroom across all identified groups of CGUs against which goodwill is allocated and monitored is such that no reasonably possible changes in assumptions could result in the complete elimination of the headroom. The key assumptions in estimating the carrying value of goodwill are discount rate, long-term growth rate and growth rate in the short-term cash flows.

Inflation rates are incorporated into the impairment assessment through their inclusion within the growth rates in cash inflows and outflows and through the methodology by which discount rates are determined. Were inflation to impact upon all cash flows equally, an impairment assessment should be neutral to the impact of inflation. The Group has a number of protections and exposures to the impact of inflation across its portfolio of revenue arrangements and supply chain agreements resulting in an indirect impact of inflation on the impairment outturn.

Further information on key assumptions and sensitivity analyses are included in note 10.

1. Basis of preparation and material accounting policy information continued

(ii) Impact of climate change

In preparing the Group financial statements, consideration has been given to the potential impact of climate change. Climate-related matters create risks and opportunities for the Group as set out on pages 76 to 79 of the Strategic Report. Climate-related matters are not considered to have a material impact on the Group's critical accounting judgements or key sources of estimation uncertainty.

Climate-related matters primarily impact the Group through their potential impact on the Group's budgets and forecasts. Budgets and forecasts affect the current year financial statements through their impact on the following areas:

- Going concern and viability of the Group;
- Cash flow forecasts used in impairment assessments of including goodwill, intangible assets and property, plant & equipment;
- Cash flow forecasts used in the Impairment assessments of financial assets; and
- The assessed useful economic lives of the Group's non-current assets

Revised budgets and forecasts, incorporating an estimated financial impact on the climate-related risks and opportunities (described on pages 76 to 79 of the Strategic Report) have been modelled to understand the possible financial impact and the resilience to these sensitivities is the basis for why climate-related matters have been concluded to not have a material impact on the critical accounting judgements or key sources of estimation uncertainty. Whilst there is currently no significant medium-term impact expected from climate change, the Group is aware of the ever-changing risks attached to climate change and will regularly assess these risks against judgements and estimates made in preparing the Group consolidated financial statements.

Material accounting policy information

The material accounting policy information applicable to the Group is set out below. Material accounting policies have been applied consistently throughout the year and the comparative year except as specified below.

(a) Revenue

Revenue recognised represents income derived from contracts with customers for the provision of goods and services in the ordinary course of the Group's activities. The Group 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.

(i) 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 Group 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 Group results in some contracts only having one performance obligation.

(ii) Determination of contract price

The contract price represents the amount of consideration which the Group 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 (v) 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/over spends are shared with the customer.

Given the long-term nature of the Group's contracts with customers, a number of arrangements include clauses to allow for inflation within the transaction price. Such inflation clauses are treated as variable consideration.

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 and is added to the transaction price only to the extent that it is highly probable that there will not be a significant reversal in the amount of cumulative revenue recognised once the underlying uncertainty is resolved. 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. As part of this judgement, variable consideration may be constrained until the uncertainty is resolved. In the case of unpriced variations these will be constrained to the extent that such variable consideration is not considered highly probable.

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.

1. Basis of preparation and material accounting policy information continued

(a) Revenue continued

(iii) Allocation of contract price to performance obligations

Given the bespoke nature of many of the goods and services the Group provides, standalone selling prices are generally not observable and, in these circumstances, the Group 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.

(iv) 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 Group 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 Group's performance as it performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for work done; or
- the Group's performance creates or enhances an asset controlled by the customer.

Typical performance obligations in the Group'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 Group's performance as it performs the services. Revenue from the design, manufacture and enhancement of bespoke assets is also recognised over time, as the Group's performance does not create an asset with an alternative use to the Group and the Group 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 Group satisfies performance obligations over time, the Group 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 Group'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 Group uses time elapsed to measure satisfaction of the performance obligation.

Under most of the Group's contracts, the customer pays in accordance with a pre-arranged payment schedule or once milestones have been met. If the amount of revenue recognised (as measured by the methods described above) exceeds the amount of cash received from the customer then the difference will be held on the statement of financial position. This will typically be comprised of a mixture of contract assets and trade receivables. If the amount of cash collected together with amounts due under the contract but uncollected exceeds the amount of revenue recognised then the difference is also held on the statement of financial position as a contract liability. See section (viii) for further details on how contract assets and liabilities are recognised.

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 Group. As can be seen from note 3, sale of goods at a point in time represents approximately 7% of Group revenues (2023: 8%). These revenues are delivered predominantly by the Aviation and Land sectors and include sales of equipment to commercial customers and procurement of consumables on behalf of the Ministry of Defence (MOD).

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 Group will meet performance targets and/or 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 Group 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 provision. Further detail is included in the Provisions accounting policy.

1. Basis of preparation and material accounting policy information continued

(a) Revenue continued

(v) Contract modifications

Claims and variations

The Group'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 as a result of customer requests or instructions or from requests from the Group 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 Group 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.

Accounting for contract modifications

The Group 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;
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 Group recognises contract variations, which impact both scope and price, when they are approved in accordance with IFRS 15. The Group's preferred approach is to approve contract modifications by formal contract amendment. However, the approval of contract modifications may be required 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 Group 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 (ii).

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 Group. 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 Group'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.

(vi) Costs of obtaining a contract

Directly attributable costs to obtain a contract with a customer that the Group would not have incurred if the contract had not been won are recognised as an asset and amortised on a straight-line basis. 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.

(vii) Costs to fulfil a contract

Costs to fulfil a contract which do not fall within the scope of another standard are recognised under IFRS 15 as an asset and amortised on a straight-line basis when they meet all of the following criteria:

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

(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.

(viii) Contract assets and liabilities

Contract assets represent amounts for which the Group has a conditional right to consideration in exchange for goods or services that the Group 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.

1. Basis of preparation and material accounting policy information continued

(a) Revenue continued

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 expected satisfaction of performance obligations, and therefore recognition of revenue. Contract assets or liabilities arise on short term timing differences or in those more limited instances where payment terms do not reflect timing and performance of service delivery. In such cases, consideration is given to whether the contract includes a significant financing component with appropriate accounting.

(b) Underlying financial information and specific adjusting items

Definitions and a description of the use of the underlying performance measures can be found in note 2.

(c) Transactions with non-controlling interest

The Group's policy is to treat transactions with non-controlling interest as transactions with owners of the Company. These are therefore reflected as movements in reserves.

(d) Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be 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 Group 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 Group 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.

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 the contractual maintenance, overhaul and repair requirements of right of use aircraft and specific associated aircraft components arising from return condition obligations in aircraft lease contracts is recognised as the obligation to perform contractual maintenance arises with each hour flown. Where lease contracts contain contractual penalties in the event that the Group returns leased aircraft in a condition that does not meet the contractual return condition obligation, the associated provision is measured at the lower of the restoration cost and the detriment penalty in the lease. When maintenance of a leased aircraft component is performed, if the component's remaining flying hours are greater than the return condition outlined in the lease contract then a leasehold improvement asset is recognised in proportion to the excess flying hours above the contractual return condition. Maintenance provisions are not recognised in respect of aircraft components which are maintained under Power-by-the-hour maintenance arrangements, instead the associated payments to the maintenance provider are expensed as incurred. Any additional payments made to or received from maintenance providers at the conclusion of Power-by-the-hour maintenance arrangements are recognised as an expense or as income at the time at which they are incurred or received.

(e) Goodwill and intangible assets

(i) Goodwill

When the fair value of the consideration for an acquired undertaking exceeds the fair value of its separable net assets, the difference is treated as purchased goodwill and capitalised. Goodwill is allocated to the cash generating unit (or group of cash generating units) expected to benefit from the business combination's synergies.

Goodwill is predominantly monitored at the operating segment level (Marine, Nuclear and Aviation). Land is a singular operating and reporting segment however goodwill is separately monitored and allocated between the Group's Africa operations and those of the other Land operations. Goodwill is therefore separately tested for impairment between these two groups of cash generating units.

When the fair value of the consideration for an acquired undertaking is less than the fair value of its separable net assets, the difference is taken directly to the income statement.

Goodwill relating to acquisitions prior to 1 April 2004 is maintained at its net book value on the date of transition to IFRS. From that date goodwill is not amortised but is reviewed at least annually for impairment.

Goodwill is reviewed for impairment annually at 31 March by assessing the recoverable amount of cash generating units (or groups of cash generating units) by reference to value-in-use calculations or fair value less cost to dispose if such information exists at the balance sheet date (typically only where the Group is progressed with disposal related activities that allow a fair value less cost to dispose to be readily determinable). Goodwill impairments are not subsequently reversed. See note 10 for further information on goodwill impairment reviews.

1. Basis of preparation and material accounting policy information continued

(e) Goodwill and intangible assets continued

On disposal of a subsidiary, joint venture or associate, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(ii) Acquired intangibles

Acquired intangibles are the estimated fair value of customer relationships and brands which are in part contractual, represented by the value of the acquired order book, and in part non-contractual, represented by the risk-adjusted value of future orders expected to arise from the relationships.

The carrying value of the contractual element is amortised on a straight-line basis over the remaining period of the orders that are in process or the future period in which the orders will be fulfilled, as the case may be. The amortisation periods, reflecting the lengths of the various contracts, are mainly in the range one year to five years, with a minority of contracts and hence amortisation periods, up to 15 years.

The carrying value of the non-contractual element is amortised over the period in which it is estimated that the relationships are likely to bring economic benefit via future orders.

Relationships are valued on a contract-by-contract and customer-by-customer basis and the pattern of amortisation reflects the expected pattern of benefit in each case. The amortisation profile is determined on a case-by-case basis and in all cases results in a front-loaded profile, reflecting the greater certainty of future orders in the near term compared with the longer term. The amortisation period is in the range between one year to twenty years.

Acquired brand names are valued dependent on the characteristics of the market in which they operate and the likely value a third party would place on them. Useful lives are likewise dependent on market characteristics of the acquired business brand. These are amortised on a straight-line basis over a period of up to five years.

(iii) Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and only if the cost can be measured reliably. Other development expenditure is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs that have been capitalised are amortised from the date the product is available for use on a straight-line basis over the period of its expected benefit but not exceeding seven years. Amortisation of development costs is expensed within operating costs in the Group income statement.

(iv) Computer software

Computer software, excluding the Group's Enterprise Resource Planning (ERP) system, includes software licences acquired. Configuration and customisation costs relating to Software-as-a-service agreements are expensed as incurred. Computer software is measured at cost less accumulated amortisation and is amortised on a straight-line basis over its expected useful life of between three and seven years. Amortisation of software costs is expensed within operating costs in the Group income statement.

The Group is implementing an ERP system in phases over several years. The ERP system is amortised over its useful life of 10 years from the date when the asset is available for use, which occurs once the implementation has been completed for each respective business unit.

(f) 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 after the deduction of trade discounts and rebates.

Items of property, plant and equipment are depreciated over their estimated useful lives to any estimated residual value, using the following rates:

Freehold property	2.0% to 8.0%
Leasehold property	Lower of useful economic life or lease term
Plant and equipment	6.6% to 33.3%
Aircraft airframes	2%

Major strategic aircraft spares are classified within property, plant and equipment. Aircraft assets, including spares, are disaggregated into separate components where the components have differing useful lives with the value of each rotable component being measured at the cost of replacement or overhaul of the component and the remaining value of the asset being attributed to the airframe component.

Depreciation is provided on a straight-line basis, or in the case of certain aircraft components on an hours flown basis, to write off the cost of PPE over the estimated useful lives to their estimated residual value (reassessed at each financial year end).

1. Basis of preparation and material accounting policy information continued

(f) Property, plant and equipment continued

Subsequent expenditure on the replacement or overhaul of aircraft components is capitalised with the carrying value of the part replaced being written off. Subsequent expenditure on maintenance which enhances the performance of aircraft airframes is capitalised whilst expenditure on replacing elements of aircraft airframes is expensed. Components of owned aircraft which are maintained under Power-by-the-hour maintenance arrangements are not depreciated with the associated payments to the maintenance provider instead being expensed as incurred, as the residual value of the asset is deemed to be equivalent to the cost of the asset. Any additional payments made to or received from maintenance providers at the conclusion of Power-by-the-hour maintenance arrangements are recognised as an expense or as income at the time at which they are incurred or received.

The useful economic life of aircraft is based on management's estimate of how long the aircraft will continue to be operated in the same manner or a similar manner, typically not exceeding 30 years. Where the Group acquires aircraft which have already been used, and may already exceed the typical useful economic life, an individual assessment of useful economic life is performed.

(g) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Qualifying assets include both internally generated intangible assets and property, plant and equipment.

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognised in Other Comprehensive Income and reclassified to the Income Statement when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.

All other borrowing costs are recognised in the Income Statement in the period in which they are incurred.

(h) Impairment of non-current assets

Goodwill and indefinite life intangibles are reviewed for impairment at least annually. For all other non-financial non-current assets (including acquired intangible assets, capitalised development costs, software assets, property, plant and equipment and right of use assets) the Group 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 Group 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 Group 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.

(i) Net debt

Net debt, including loans to joint ventures and associates and lease receivables is an alternative performance measure of the Group and consists of the total of loans, including the interest rate and foreign exchange derivatives which hedge the loans, bank overdrafts, cash and cash equivalents, loans to joint ventures and associates, lease receivables and lease obligations. The Group's key performance indicators exclude certain lease obligations in order to more closely align with the Group's debt covenants which are prepared on a pre-IFRS 16 basis and the Financial review presents net debt and related performance measures including and excluding certain lease obligations for this purpose.

(j) Leases

The Group as lessee

For all leases in which the Group is a lessee (other than those meeting the criteria detailed below), the Group 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 a number of 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 Group is reasonably certain to exercise.

1. Basis of preparation and material accounting policy information continued

(j) Leases continued

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 Group'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 Group. 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.

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 on a straight-line basis to the income statement as permitted by IFRS 16, 'Leases'.

The Group as lessor

As a lessor, the Group classifies lessor arrangements as finance or operating leases. Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Amounts due from lessees under a finance lease are held on the statement of financial position as a financial asset at an amount equal to the Group's net investment in the lease. The finance lease payments received are treated as finance income and a repayment of principal including initial direct costs. Finance income is allocated over the lease term, with the gross receivable being reviewed for impairment on a regular basis.

(k) Inventory

Inventory is valued at the lower of cost and net realisable value, being the estimated selling price of the assets in the ordinary course of business less estimated costs of completion and costs of sale. In the case of finished goods and work in progress, cost comprises direct material and labour and an appropriate proportion of overheads. Certain purchases of inventories may be subject to cash flow hedges for foreign exchange risk. The initial cost of hedged inventory is adjusted by the associated hedging gain or loss transferred from the cash flow hedge reserve ("basis adjustment"). Inventory is valued using a first-in, first-out ('FIFO') basis.

Spare parts that are consumed in the sale of goods or in the rendering of services are classified as inventory.

(l) 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 Group'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. The Group does not recognise contingent liabilities. See note 29 for details of contingent liabilities.

(m) Cash and cash equivalents

Group 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. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are treated as cash equivalents for the purpose of the cash flow statement. In the statement of financial position such overdrafts are presented as current bank and other borrowings.

(n) Taxation

(i) Current income tax

Current income 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 on the basis of 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 Group 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.

1. Basis of preparation and material accounting policy information continued

(n) Taxation continued

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.

(ii) 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.

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 Group uses profit forecasts consistent with those used for goodwill impairment testing. Profits forecast beyond the Group'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.

(o) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Sterling, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency of subsidiaries of the Group 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.

Exchange differences arising from the translation of the statement of financial positions and income statements of foreign operations into Sterling are recognised as a separate component of equity on consolidation. Results of foreign operations are translated using the average exchange rate for the month of the applicable results, the net assets translated at year-end exchange rates and equity held at historic exchange rates. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at period-end exchange rates.

(p) 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.

(q) Finance income

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

(r) Employee benefits

(i) Pension obligations

The Group operates a number of pension schemes. The schemes are generally funded through payments to trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines an 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. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity.

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

1. Basis of preparation and material accounting policy information continued

(r) Employee benefits continued

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

(ii) Holiday pay

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

(iii) Share-based compensation

The Group 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.

The shares purchased by the Group's Employee Stock Ownership Plan (ESOP) trusts are recognised as a deduction to equity. Dividends paid on these shares are accounted for as a deduction to equity.

(s) Financial instruments

(i) Financial assets and liabilities at amortised cost

Cash and cash equivalents, trade receivables (except trade receivables under factoring arrangements), amounts due from related parties and other debtors 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 under factoring arrangements are measured at fair value through other comprehensive income because they are held within business model held to collect and sell.

Trade receivables, contract assets and lease receivables include a provision for expected credit losses. The Group 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 debtors, the Group measures the provision at an amount equal to 12-month expected credit losses. See note 22 for further information on how the Group assesses credit risk.

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

(ii) 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 Group 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. Changes in the value of derivatives that are carried at fair value through profit or loss are recorded in the income statement.

(t) 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 by the use of 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 Group statement of financial position are assumed to approximate to fair value due to their short-term nature, with the exception of fixed rate bonds.

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

(u) Debt factoring

The Group engages in factoring of trade receivables in relation to certain non-UK operations of its Aviation sector as part of its working capital management arrangements. Under these arrangements, the Group transfers the rights to receive factored receivables to the factor in exchange for cash. The Group does not retain late payment or credit risk, and therefore trade receivables are not recognised under the applicable contracts. Any cash received from customers under these contracts is received as agent and transferred directly to the debt factoring counterparty.

1. Basis of preparation and material accounting policy information continued

(v) Dividends

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

(w) Government grants and contributions

In the course of our business we receive certain grants or contributions from governments. These are deducted from the related expenses in the income statement. These amounts total £40.0 million (FY23: £22.9 million).

2. Adjustments between statutory and underlying information

Definition of underlying measures and specific adjusting items

The Group provides alternative performance measures, including underlying operating profit, to enable users to have a more consistent view of the performance and earnings trends of the Group. These measures are considered to provide a consistent measure of business performance from year to year. They are used by management to assess operating performance and as a basis for forecasting and decision-making, as well as the planning and allocation of capital resources. They are also understood to be used by investors in analysing business performance.

The Group's alternative performance measures are not defined by IFRS and are therefore considered to be non-GAAP measures. The measures may not be comparable to similar measures used by other companies and they are not intended to be a substitute for, or superior to, measures defined under IFRS. The Group's alternative performance measures are consistent with the year ended 31 March 2023.

Underlying operating profit

In any given year the statutory measure of operating profit includes a number of items which the Group considers to either be one-off in nature or otherwise not reflective of underlying performance. Underlying operating profit therefore adjusts statutory operating profit to provide readers with a measure of business performance which the Group considers more consistently analyses the underlying performance of the Group by removing these one-off and other items not reflective of underlying performance that otherwise add volatility to performance.

Underlying operating profit eliminates potential differences in performance caused by purchase price allocations on business combinations in prior periods (amortisation of acquired intangibles), business acquisition, merger and divestment related items, large, infrequent restructuring programmes and fair value movements on derivatives. Transactions such as these may happen regularly and could significantly impact the statutory result in any given year. Adjustments to underlying operating profit may include both income and expenditure items.

Specific adjusting items include:

- Amortisation of acquired intangibles;
- Business acquisition, merger and divestment related items (being amounts related to corporate transactions and gains or losses on disposal of assets or businesses);
- Gains, losses and costs directly arising from the Group's withdrawal from a specific market or geography, including closure costs, severance costs, the disposal of assets and termination of leases;
- The costs of large restructuring programmes that significantly exceed the minor restructuring which occurs in most years as part of normal operations. Restructuring costs incurred as a result of normal operations are included in operating costs and are not excluded from underlying operating profit;
- Profit or loss from amendment, curtailment, settlement or equalisation of Group pension schemes;
- Fair value gain/(loss) on forward rate contracts that are open during the period; and
- Exceptional items that are significant, non-recurring and outside of the normal operating practice. These items are described as exceptional in order to appropriately represent the Group's underlying business performance. No exceptional items have been identified in the current or comparative period.

2. Adjustments between statutory and underlying information continued

Income statement including underlying results

The below table, disclosed as supplementary information, reconciles the non-GAAP measure of underlying operating profit to statutory profit.

		Year ended 31 March 2024			Year ended 31 March 2023		
	Note	Underlying £m	Specific adjusting items £m	Statutory £m	Underlying £m	Specific adjusting items £m	Statutory £m
Revenue	3	**4,390.1**	**–**	**4,390.1**	4,438.6	–	4,438.6
Operating profit/(loss)	3,4	**237.8**	**3.8**	**241.6**	177.9	(132.4)	45.5
Operating margin %		**5.4%**	**–**	**5.5%**	4.0%	–	1.0%
Results from joint ventures and associates	14	**9.2**	**–**	**9.2**	9.3	–	9.3
Net finance costs	5	**(35.9)**	**1.8**	**(34.1)**	(58.3)	9.7	(48.6)
Profit/(loss) before tax		**211.1**	**5.6**	**216.7**	128.9	(122.7)	6.2
Income tax (expense)/benefit	7	**(53.5)**	**5.0**	**(48.5)**	(37.7)	(1.8)	(39.5)
Profit/(loss) after tax for the year		**157.6**	**10.6**	**168.2**	91.2	(124.5)	(33.3)

Earnings per share including underlying measures

	Year ended 31 March 2024			Year ended 31 March 2023		
	Underlying £m	Specific adjusting items £m	Statutory £m	Underlying £m	Specific adjusting items £m	Statutory £m
Profit/(loss) after tax for the year	**157.6**	**10.6**	**168.2**	91.2	(124.5)	(33.3)
Amount attributable to owners of the parent	**155.1**	**10.6**	**165.7**	89.5	(124.5)	(35.0)
Amount attributable to non-controlling interests	**2.5**	**–**	**2.5**	1.7	–	1.7
Weighted average number of shares (m)	**503.5**		**503.5**	505.4		505.4
Effect of dilutive securities (m)	**11.8**		**11.8**	9.5		9.5
Diluted weighted average number of shares (m)	**515.3**		**515.3**	514.9		514.9
Basic EPS	**30.8p**		**32.9p**	17.7p		(6.9)p
Diluted EPS	**30.1p**		**32.2p**	17.4p		(6.9)p

Details of specific adjusting items

The impact of specific adjusting items is set out below:

	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
Amortisation of acquired intangibles	**(10.8)**	(15.8)
Business acquisition, merger and divestment related items (note 27)	**8.2**	(117.7)
Fair value movement on derivatives and related items	**6.4**	1.1
Adjusting items impacting operating profit/(loss)	**3.8**	(132.4)
Fair value movement on derivatives and related items	**1.8**	9.7
Adjusting items impacting loss before tax	**5.6**	(122.7)
Income tax benefit		
Amortisation of acquired intangibles	**3.9**	4.1
Business acquisition, merger and divestment related items	**(1.0)**	(2.1)
Fair value movement on derivatives and related items	**(2.0)**	(2.6)
Exceptional tax on Group reorganisation activities	**4.7**	–
Other tax items including rate change impact	**(0.6)**	(1.2)
Income tax benefit/(expense)	**5.0**	(1.8)

2. Adjustments between statutory and underlying information continued

Reconciliation of statutory to underlying tax rate

	Note	Year ended 31 March 2024 Underlying £m	Year ended 31 March 2024 Specific adjusting items £m	Year ended 31 March 2024 Statutory £m	Year ended 31 March 2023 Underlying £m	Year ended 31 March 2023 Specific adjusting items £m	Year ended 31 March 2023 Statutory £m
Profit/(loss) before tax		**211.1**	**5.6**	**216.7**	128.9	(122.7)	6.2
Share of profit from joint ventures and associates	14	**(10.3)**	**–**	**(10.3)**	(9.3)	–	(9.3)
Profit/(loss) before tax excluding profit from joint ventures and associates		**200.8**	**5.6**	**206.4**	119.6	(122.7)	(3.1)
Income tax (expense)/benefit		**(53.5)**	**5.0**	**(48.5)**	(37.7)	(1.8)	(39.5)
Tax rate		**26.6%**		**23.5%**	31.5%		(1274.2%)

Explanation of specific adjusting items

Amortisation of acquired intangibles

Underlying operating profit excludes the amortisation of acquired intangibles. This item is excluded from underlying results as it arises as a result of purchase price allocations on business combinations and is a non-cash item which does not change each year dependent on the performance of the business. It is therefore not considered to represent the underlying activity of the Group and is removed to aid comparability with peers who have grown organically as opposed to through acquisition. Intangible assets arising as a result of the purchase price allocation on business combinations include customer lists, technology-based assets, order book and trade names. Amortisation of internally generated intangible assets is included within underlying operating profit.

Business acquisition, merger and divestment related items

Transaction related costs and gains or losses on acquisitions, mergers and divestments of businesses are excluded from underlying operating profit as business combinations and divestments are not considered to result from underlying business performance.

The total net profit relating to business acquisition, merger and divestment related items for the year ended 31 March 2024 was £8.2 million (2023: loss of £117.7 million). The prior year balance consisted of a loss on the disposal of the Aerial Emergency Services business in Europe of £116.9 million, a loss on disposal of the Group's Civil Training business of £3.9 million and a gain relating to the disposal of the Oil & Gas business in Aviation of £3.1 million. The current year profit relates to changes in the cash consideration and provision balances following settlement of certain warranties in respect of prior disposals. Further detail is included in note 27.

Fair value movement on derivatives and related items

These are open forward currency contracts, taken out in the ordinary course of business to manage foreign currency exposures, where the transaction will occur in future periods. Hedge accounting under IFRS is not applied, however these do represent economic hedges. On maturity the currency contract will be closed and recognised in full within underlying operating profit at the same time as the hedged sale or purchase. The net result, at that time, will then more appropriately reflect the related sales price or supplier cost being hedged.

Hedge ineffectiveness on debt and debt-related derivatives that are designated in a hedge relationship are also presented as a specific adjusting item in finance costs. This is presented as a specific adjusting item as this ineffectiveness is caused by a historic off-market designation, the transactions are considered by the Group to represent an economic hedge.

The fair value movement on lease-related derivatives and foreign exchange movements on lease liabilities are also presented as a specific adjusting item in finance costs, as hedge accounting under IFRS is also not applied to these transactions but are also considered by the Group to represent an economic hedge.

Tax

Specific adjusting items in respect of tax comprises a charge of £0.6 million (2023: £1.2 million) arising from the impact of the increase in the rate of corporation tax and a credit of £4.7 million (2023: £nil million) arising from the release of uncertain tax positions in respect of historic group reorganisation activities.

3. Segmental information

The Group has four operating and reportable segments, determined by reference to the goods and services they provide and the markets they serve.

Marine – through-life support of naval ships, equipment and marine infrastructure in the UK and internationally.

Nuclear – through-life support of submarines and complex engineering services in support of major decommissioning programmes and projects, training and operation support, new build programme management and design and installation in the UK.

Land – large-scale critical vehicle fleet management, equipment support and training for military and civil customers.

Aviation – critical engineering services to defence and civil customers worldwide, including pilot training, equipment support, airbase management and operation of aviation fleets delivering emergency services.

The Board, the chief operating decision maker as defined by IFRS 8, monitors the results of these operating and reportable segments and makes decisions about the allocation of resources.

The accounting policies of the reportable segments are the same as the group's accounting policies described in Note 1. The table below presents the underlying results for each reportable segment in accordance with the definition of underlying operating profit, as set out in note 2, and reconciles the underlying operating profit/(loss) to the statutory profit/(loss) before tax.

Year ended 31 March 2024	Marine £m	Nuclear £m	Land £m	Aviation £m	Unallocated £m	Total £m
Revenue	**1,429.1**	**1,520.9**	**1,098.6**	**341.5**	**–**	**4,390.1**
Underlying operating profit	**13.1**	**109.2**	**96.3**	**19.2**	**–**	**237.8**
Specific Adjusting Items (note 2)						
Amortisation of acquired intangibles	**(7.5)**	**–**	**–**	**(3.3)**	**–**	**(10.8)**
Business acquisition, merger and divestment related items	**(1.5)**	**–**	**(0.2)**	**9.9**	**–**	**8.2**
Fair value gain/(loss) on forward rate contracts to be settled in future periods	**6.9**	**–**	**–**	**(0.5)**	**–**	**6.4**
Operating profit	**11.0**	**109.2**	**96.1**	**25.3**	**–**	**241.6**
Results from joint ventures and associates	**(2.3)**	**0.2**	**0.3**	**11.0**	**–**	**9.2**
IFRIC 12 investment income	**–**	**–**	**0.5**	**–**	**–**	**0.5**
Other net finance costs*	**–**	**–**	**–**	**–**	**(34.6)**	**(34.6)**
Profit/(loss) before tax	**8.7**	**109.4**	**96.9**	**36.3**	**(34.6)**	**216.7**

Year ended 31 March 2023	Marine £m	Nuclear £m	Land £m	Aviation £m	Unallocated £m	Total £m
Revenue	1,439.6	1,179.2	1,017.1	802.7	–	4,438.6
Underlying operating profit	12.7	63.5	85.9	15.8	–	177.9
Specific Adjusting Items (note 2)						
Amortisation of acquired intangibles	(9.7)	–	(1.1)	(5.0)	–	(15.8)
Business acquisition, merger and divestment related items	–	–	(4.0)	(113.7)	–	(117.7)
Fair value gain/(loss) on forward rate contracts to be settled in future periods	2.8	0.1	0.1	(1.9)	–	1.1
Operating profit/(loss)	5.8	63.6	80.9	(104.8)	–	45.5
Results from joint ventures and associates	(1.2)	1.1	0.4	9.0	–	9.3
IFRIC 12 investment income	–	–	0.7	–	–	0.7
Other net finance costs*	–	–	–	–	(49.3)	(49.3)
Profit/(loss) before tax	4.6	64.7	82.0	(95.8)	(49.3)	6.2

* Other net finance costs are not allocated to a specific sector.

Revenues of £2.5 billion (2023: £2.2 billion) are derived from a single external customer. These revenues are attributable across all reportable segments.

3. Segmental information continued

Segment assets and liabilities

The reportable segment assets and liabilities at 31 March 2024 and 31 March 2023 and capital expenditure and lease principal payments for the years then ended are as follows:

	Assets		Liabilities		Capital expenditure		Lease payments	
	2024 £m	2023 £m	2024 £m	2023 £m	2024 £m	2023 £m	2024 £m	2023 £m
Marine	799.3	793.2	878.0	762.4	31.0	25.2	4.5	5.6
Nuclear	720.9	636.8	322.3	284.8	67.4	37.8	4.3	3.1
Land	704.5	638.2	464.6	379.1	6.4	3.6	12.2	13.9
Aviation	410.9	447.5	191.2	200.0	13.6	44.7	22.8	80.9
Unallocated *	944.5	794.2	1,317.9	1,312.7	24.0	13.8	5.8	5.0
Group total	3,580.1	3,309.9	3,174.0	2,939.0	142.4	125.1	49.6	108.5

* All assets and liabilities are allocated to their appropriate reportable segments except for cash, cash equivalents, borrowings including lease liabilities, income and deferred tax balances and retirement benefit surpluses which are included in the unallocated segment.

Capital expenditure represents additions to property, plant and equipment and intangible assets. Proceeds from the sale of assets totalling £30.6 million (2023: £38.9 million) are not included above, and are predominantly in the Land sector. See note 18 relating to the treatment of amounts payable in respect of capital expenditure.

The segmental analysis of joint ventures and associates is detailed in note 14.

Segmental depreciation and amortisation

The segmental depreciation on property, plant and equipment, right of use assets and amortisation of intangible assets for the years ended 31 March 2024 and 31 March 2023 is as follows:

	Depreciation of property, plant and equipment		Depreciation of right of use assets		Amortisation of intangible assets	
	2024 £m	2023 £m	2024 £m	2023 £m	2024 £m	2023 £m
Marine	11.9	15.9	4.0	5.2	13.3	12.7
Nuclear	23.7	22.8	4.7	2.6	0.2	0.2
Land	3.7	4.4	9.3	10.8	0.7	2.3
Aviation	7.3	23.6	14.8	57.7	3.4	5.5
Unallocated	5.4	5.4	7.0	5.4	6.4	7.4
Group total	52.0	72.1	39.8	81.7	24.0	28.1

Segmental asset impairments

The segmental impairment on property, plant and equipment, right of use assets and intangible assets for the years ended 31 March 2024 and 31 March 2023 is as follows:

	Impairment of property, plant and equipment		Impairment of right of use assets		Impairment of intangible assets	
	2024 £m	2023 £m	2024 £m	2023 £m	2024 £m	2023 £m
Marine	–	–	–	–	–	–
Nuclear	–	–	–	–	–	–
Land	–	–	–	0.9	–	0.9
Aviation	2.1	4.9	–	8.7	–	2.3
Unallocated	–	–	–	–	–	5.8
Group total	2.1	4.9	–	9.6	–	9.0

3. Segmental information continued

Geographic analysis of non-current assets

The geographic analysis for non-current assets by location of those assets for the years ended 31 March 2024 and 31 March 2023 is as follows:

	2024 £m	2023 £m
United Kingdom	**1,464.5**	1,415.7
Rest of Europe	**54.3**	48.7
Africa	**27.5**	32.7
North America	**16.4**	13.6
Australasia	**137.7**	126.3
Rest of World	**3.1**	3.4
Non-current segment assets	**1,703.5**	1,640.4
Retirement benefits	**107.3**	94.8
Lease receivables	**22.5**	22.2
Derivatives	**2.8**	2.6
Deferred tax asset	**132.3**	112.2
Total non-current assets	**1,968.4**	1,872.2

Geographic analysis of revenue

The geographic analysis of revenue by origin of customer for the years ended 31 March 2024 and 31 March 2023 is as follows:

	Revenue	
Geographic analysis	2024 £m	2023 £m
United Kingdom	**3,081.1**	2,693.3
Rest of Europe	**202.0**	601.0
Africa	**331.6**	329.3
North America	**193.2**	188.1
Australasia	**360.1**	349.5
Rest of World	**222.1**	277.4
Group total	**4,390.1**	4,438.6

The analysis of revenue for the years ended 31 March 2024 and 31 March 2023 is as follows:

	2024 £m	2023 £m Restated[1]
Sale of goods – transferred at a point in time	**304.3**	313.9
Sale of goods – transferred over time	**334.8**	262.3
Sale of goods	**639.1**	576.2
Provision of services – transferred over time	**3,743.9**	3,860.7
Rental income	**7.1**	1.7
Revenue	**4,390.1**	4,438.6

[1] Comparatives have been restated to reflect £38.6m of amounts incorrectly classified as sale of goods – transferred at a point in time that should have been presented as provision of services – transferred over time.

4. Operating profit for the year

The following items have been included in arriving at operating profit for the year:

	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
Raw materials, subcontracts and other bought-in items used	**2,053.1**	1,857.1
Change in inventories of finished goods and work-in-progress	**(61.1)**	(2.8)
Operating charges	**482.9**	682.6
Employee costs (note 6)	**1,583.5**	1,567.1
Depreciation of property, plant and equipment (note 12)	**52.0**	72.1
Depreciation of right-of-use assets (note 13)	**39.8**	81.7
Amortisation of intangible assets (note 11)		
• Acquired intangibles	**10.8**	15.8
• Other	**13.2**	12.3
Impairment of intangible assets (note 11)	**–**	9.0
Impairment of property, plant and equipment (note 12)	**2.1**	4.9
Impairment of right of use assets (note 13)	**–**	9.6
Gain on disposal of property, plant and equipment	**(17.1)**	(2.0)
Loss on disposal of intangible assets	**0.1**	1.7
(Gain)/loss on disposal of right-of-use assets	**(3.6)**	0.8
Net foreign exchange (gain)/loss	**(3.0)**	12.7
Loss on disposal of subsidiaries and joint ventures	**3.5**	77.4
Gain on derivative instruments at fair value through profit or loss	**(5.7)**	(6.9)
Gain on trade and other receivables measured at fair value	**(2.0)**	–
Total operating charges	**4,148.5**	4,393.1

Services provided by the Group's auditor and network firms

During the year the Group (including its overseas subsidiaries) obtained the following services from the Group's auditor:

	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
Audit fees:		
Fees payable to the parent auditor and its associates for the audit of the parent company's individual and consolidated financial statements	**2.6**	2.4
Fees payable to the parent auditor and its associates in respect of the audit of the Company's subsidiaries	**10.7**	8.1
Audit related assurance fees	**–**	–
Fees for other services:		
Other non-audit services	**–**	–
Total fees paid to the Group's auditor and network firms	**13.3**	10.5

5. Net finance costs

	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
Finance costs		
Loans, overdrafts and associated interest rate hedges	**38.5**	29.6
Lease interest and foreign exchange movements on lease liabilities	**9.6**	21.7
Amortisation of issue costs of bank loan	**3.0**	3.3
Retirement benefit interest cost	**0.8**	–
Other	**4.3**	15.9
Total finance costs	**56.2**	70.5
Finance income		
Bank deposits, loans and leases	**21.6**	13.7
IFRIC 12 Investment income	**0.5**	0.7
Retirement benefit interest income	**–**	7.5
Total finance income	**22.1**	21.9
Net finance costs	**34.1**	48.6

Net finance costs decreased to £34.1 million (2023: £48.6 million). Included in finance costs are £4.4 million (2023: £12 million) relating to the factoring of receivables for the Mentor contract in France (within other finance costs).

The prior year included a one-off gain of £18 million relating to the valuation of interest rate swaps (within loans, overdrafts and associated interest rate hedges).

6. Employee costs

	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
Wages and salaries	**1,305.2**	1,289.2
Social security costs	**131.3**	141.3
Share-based payments (note 24)	**12.4**	9.4
Pension costs – defined contribution plans (note 25)	**110.7**	94.6
Pension charges – defined benefit plans (note 25)	**23.9**	32.6
	1,583.5	1,567.1

The average monthly number of people employed by the Group was:

	2024 Number	2023 Number (restated)
Marine	**6,801**	6,270
Nuclear	**8,681**	8,172
Land	**6,042**	6,421
Aviation	**2,494**	5,013
Central functions	**1,145**	859
	25,163	26,735

Average monthly number of people employed has been restated following mis-mapping of sectors in the prior year disclosure.

Emoluments of the Executive Directors are included in employee costs above and reported in the Remuneration report.

Key management compensation

Key management is defined as those employees who are directly responsible for the operational management of the operating segments. The employees would typically report to the Chief Executive. The key management figures given below include Directors.

	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
Salaries and other short term employee benefits	**13.5**	11.6
Post-employment benefits	**0.6**	0.2
Termination benefits	**0.5**	–
Share-based payments	**5.9**	4.6
	20.5	16.4

7. Taxation

Income tax expense

	Total Year ended 31 March 2024 £m	Total Year ended 31 March 2023 £m
Analysis of tax expense in the year		
Current tax		
• UK current year expense	–	0.6
• Overseas current year expense	**21.8**	24.5
• Overseas prior year (benefit) / expense	**(0.1)**	2.9
	21.7	28.0
Deferred tax		
• UK current year expense	**26.1**	11.1
• UK prior year expense/(benefit)	**0.5**	(3.3)
• Overseas current year expense	**1.8**	3.6
• Overseas prior year benefit	**(2.2)**	(1.1)
• Impact of changes in tax rates	**0.6**	1.2
	26.8	11.5
Total income tax expense	**48.5**	39.5

The tax for the year is lower (2023: higher) than the standard rate of corporation tax in the UK. The differences are explained below:

	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
Profit before tax	**216.7**	6.2
Profit on ordinary activities multiplied by rate of corporation tax in the UK of 25% (2023: 19%)	**54.2**	1.2
Effects of:		
Expenses not deductible for tax purposes	**3.4**	8.6
Re-measurement of deferred tax in respect of statutory rate changes	**0.6**	1.2
Difference in respect of share of results of joint ventures and associates' results	**(2.6)**	(1.8)
Prior year adjustments	**(1.8)**	(1.5)
Differences in respect of foreign rates	**2.0**	5.8
Unrecognised deferred tax movements	**2.5**	9.0
Deferred tax not previously recognised/derecognised	**(3.1)**	–
Non-taxable profits on disposals and non-deductible losses on disposals	**(2.1)**	22.4
Other	**(4.6)**	(5.4)
Total income tax expense	**48.5**	39.5

Further information on exceptional items and tax on exceptional items is detailed in note 2.

The Group is subject to taxation in several jurisdictions. The complexity of applicable rules may result in legitimate differences of interpretation between the Group and taxing authorities, especially where an economic judgement or valuation is involved. The outcome of tax authority disputes in such areas is not predictable, and to reflect the effect of these uncertain tax positions a provision is recorded which represents management's assessment of the most likely outcome of each issue. At 31 March 2024 the Group held uncertain tax positions of £23.7 million (2023: £20.3 million).

During the prior period the Group made disposals that are expected to be exempt from UK tax due to qualification for the UK substantial shareholding exemption, and from overseas tax as a consequence of local reliefs.

7. Taxation continued

Income tax expense continued

The Organisation for Economic Cooperation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Sharing has published the Pillar Two rules designed to address the tax challenges arising from the digitalisation of the global economy.

It is unclear if the Pillar Two rules create additional temporary differences, whether to remeasure deferred taxes for the Pillar Two model rules and which tax rate to use to measure deferred taxes. In response to this uncertainty, on 23 May 2023 the IASB issued amendments to IAS 12 "Income Taxes", introducing a mandatory temporary exception to the requirements of IAS 12, under which a company does not recognise or disclose information about deferred tax assets and liabilities related to the OECD/G20 Pillar Two model rules. The Group has applied the temporary exception as at 31 March 2024.

Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Group operates, including the UK. The legislation will be effective for the Group's financial year beginning on 1 April 2024. The Group is in scope of the enacted or substantively enacted legislation and has performed an assessment of its potential exposure to Pillar Two income taxes.

The assessment of the potential exposure to Pillar Two income taxes is based on the most recent tax filings, country by country reporting and financial statements for the constituent entities in the Group. Based on this assessment, the Pillar Two effective tax rates in most jurisdictions in which the Group operates are above 15%. There are a limited number of jurisdictions where the transitional safe harbour rules may not apply. However, in these cases the future Pillar Two effective tax rates are expected to be close to or above 15% and the Group does not expect a material exposure to Pillar Two income taxes in those jurisdictions.

Deferred tax

Deferred tax assets and deferred tax liabilities have been offset if, and only if, there is a legally enforceable right in that jurisdiction to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same Taxation Authorities:

	2024 £m	2023 £m
Deferred tax asset	**132.3**	112.2
Deferred tax liability	**(6.4)**	(7.0)
	125.9	105.2

The movements in deferred tax assets and liabilities during the year are shown below.

	Tangible assets £m	Retirement benefit obligations £m	Tax losses £m	Other £m	Total £m
At 1 April 2023	**(40.9)**	**15.3**	**128.0**	**2.8**	**105.2**
Income statement credit/(debit)	**(6.9)**	**(26.7)**	**(2.7)**	**10.1**	**(26.2)**
Tax credit to other comprehensive income/equity	**–**	**38.4**	**–**	**4.0**	**42.4**
Transfer to income tax receivable	**–**	**–**	**5.3**	**–**	**5.3**
Reclassification	**0.6**	**–**	**0.3**	**(0.9)**	**–**
Effect of changes in tax rates					
• Income statement	**1.7**	**–**	**(2.4)**	**0.1**	**(0.6)**
Exchange differences	**0.4**	**–**	**(0.5)**	**(0.1)**	**(0.2)**
At 31 March 2024	**(45.1)**	**27.0**	**128.0**	**16.0**	**125.9**
At 1 April 2022	(32.7)	(48.0)	101.9	16.6	37.8
Income statement credit/(debit)	(6.1)	(28.5)	23.7	0.5	(10.4)
Tax credit/(debit) to other comprehensive income/equity	–	76.6	–	(3.3)	73.3
Transfer from income tax receivable	–	–	–	(5.2)	(5.2)
Disposal of subsidiary	(1.5)	–	(6.3)	(6.5)	(14.3)
Effect of changes in tax rates					
• Income statement	(1.5)	(9.0)	9.5	(0.1)	(1.1)
• Other comprehensive income/equity	–	24.2	–	–	24.2
Exchange differences	0.9	–	(0.8)	0.8	0.9
At 31 March 2023	(40.9)	15.3	128.0	2.8	105.2

7. Taxation continued

Deferred tax continued

The net deferred tax assets of £125.9 million (2023: £105.2 million) include deferred tax assets of £14.0 million (2023: £14.2 million) and deferred tax liabilities of £6.5 million (2023: £7.0 million) in respect of the Group's non-UK operations.

Deferred tax assets have been recognised in respect of tax losses and other temporary differences giving rise to deferred tax assets because the Directors believe that it is probable that these assets will be recovered. The recognition of deferred tax assets in respect of losses can be subjective. The Group's approach to the recognition of deferred tax assets in respect of losses, including how the Group assesses future profitability for recognition purposes, is set out in note 1 to the Accounts.

Net deferred tax assets have been recognised principally in respect of operations in the following jurisdictions: United Kingdom (£118.2 million), Australia (£4.8 million), France (£0.9 million), South Africa (£7.4 million) and New Zealand (£0.8 million). In the prior year net deferred tax assets were recognised principally in the following jurisdictions: United Kingdom (£97.9 million), Australia (£7.4 million), France (£0.5 million), South Africa (£5.3 million) and New Zealand (£0.9 million). The UK was in a net tax loss position for each of the years ended 31 March 2021, 31 March 2022, 31 March 2023 and 31 March 2024. The losses for the years ended 31 March 2021 and 2022 reflected the contract profitability and balance sheet review carried out in 2021 and the restructuring of the business in 2022. The tax losses in the years ended 31 March 2023 and 31 March 2024 were principally attributable to the provision in respect of the Type 31 contract, together with timing differences between the reporting and taxable result. The Directors do not consider that the results for these periods are representative of future trading performance and are satisfied that these net deferred tax assets are recoverable based on future profit forecasts.

No deferred tax has been recognised in respect of temporary differences associated with investments in subsidiaries, branches, associates and interests in joint ventures and joint operations where the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. The aggregate amount of temporary differences associated with such investments in subsidiaries, branches, associates and interests in joint ventures and joint operations is represented by their post acquisition retained earnings and amounted to £137 million (2023: £257 million).

At the statement of financial position date, deferred tax assets of £128.0 million (2023: £128.0 million) have been recognised in respect of unused tax losses available for carry forward. No deferred tax asset has been recognised in respect of further unutilised tax losses carried forward (excluding capital losses) of £110.5 million (2023: £96.4 million). In addition to these amounts, UK capital losses of £190.4 million (2023: £92.0 million) are being carried forward, with no deferred tax asset having been recognised. Where a deferred tax asset has not been recognised in respect of losses, this is because management considers that those jurisdictions are not likely to generate sufficient taxable income of the appropriate type in the foreseeable future (see note 1). The amounts shown can be carried forward indefinitely.

8. Dividends

	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
Final dividend for the year ended 31 March 2023 of nil (2022: nil p) per 60p share	–	–
Interim dividend for the year ended 31 March 2024 of 1.7p (2023: nil p) per 60p share	**8.5**	–
	8.5	–

After the balance sheet date, the directors proposed a final dividend of 3.3p per ordinary share. The dividend proposed amounts to approximately £17m, although the exact final payment will vary depending on the level of shares held by the Babcock Employee Share Trust. The dividend, which is subject to shareholder approval, will be paid on 30 September 2024 to shareholders registered on 23 August 2024. The payment of this dividend will not have any tax expense consequences for the Group

9. Earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the earnings/(loss) attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year excluding those held in the Babcock Employee Share Trust. Where there is a loss arising the effect of potentially dilutive ordinary shares is anti-dilutive.

The calculation of the basic and diluted earnings/(loss) per share is based on the following data:

Number of shares

	2024 Number	2023 Number
Weighted average number of ordinary shares for the purpose of basic EPS	**503,452,989**	505,391,563
Effect of dilutive potential ordinary shares: share options	**11,869,860**	9,528,985
Weighted average number of ordinary shares for the purpose of diluted EPS	**515,322,849**	514,920,548

Earnings per share

	Year ended 31 March 2024			Year ended 31 March 2023		
	Earnings attributable to shareholders £m	Basic per share Pence	Diluted per share Pence	Loss attributable to shareholders £m	Basic per share Pence	Diluted per share Pence
Earnings/(loss) for the year	**165.7**	**32.9**	**32.2**	(35.0)	(6.9)	(6.9)

10. Goodwill

	31 March 2024 £m	31 March 2023 £m
Cost		
At 1 April	**1,823.3**	2,312.7
On disposal of subsidiaries (note 27)	**–**	(488.0)
Exchange adjustments	**(1.3)**	(1.4)
At 31 March	**1,822.0**	1,823.3
Accumulated impairment		
At 1 April	**1,041.9**	1,529.3
On disposal of subsidiaries (note 27)	**–**	(487.4)
At 31 March	**1,041.9**	1,041.9
Net book value at 31 March	**780.1**	781.4

Goodwill was tested for impairment at 31 March 2024 in accordance with IAS 36. This impairment analysis is performed at least annually, as outlined in the Group's accounting policies. As set out in Note 1, the Group monitors goodwill at groups of CGUs aligned to the Group's operating segments for Marine, Aviation and Nuclear. Goodwill is separately allocated and monitored between two groups of CGUs in the Land operating segment – Africa and Land (excluding Africa).

Goodwill is allocated to groups of cash generating units ('CGUs') as set out in the table below:

	31 March 2024 £m	31 March 2023 £m
Marine	**295.5**	296.6
Nuclear	**233.1**	233.1
Land (excluding Africa)	**218.0**	218.0
Aviation	**32.0**	32.0
Africa	**1.5**	1.7
	780.1	781.4

The goodwill allocated to the Africa group of CGUs is immaterial and the Directors do not consider there to be any reasonably possible changes in estimates that would result in impairment of this goodwill. No further disclosures are provided in relation to Africa.

During the prior year the Group disposed of goodwill of £0.6 million through the disposal of part of the Aerial Emergency Services business in Aviation (£nil million) and the Civil Training business in Land (excluding Africa) (£0.6 million).

10. Goodwill continued

Results of goodwill impairment test

The current year impairment test results have not resulted in an impairment for any of the Group's cash generating units. The recoverable amount of the Group's goodwill was assessed by reference to value-in-use calculations. The value-in-use calculations are derived from risk-adjusted cash flows from the Group's five-year plan. Terminal value assessments are included based on year five and an estimated long-term, country-specific growth rate of 2.0 – 4.6% (2023: 1.9 – 4.6%). The process by which the Group's budget is prepared, reviewed and approved benefits from historical experience, visibility of long term work programmes in relation to work undertaken for the UK Government, available government spending information (both UK and overseas), the Group's contract backlog, bid pipeline and the Group's tracking pipeline which monitors opportunities prior to release of tenders. The budget process includes consideration of risks and opportunities at contract and business level, and considered matters such as inflation.

Furthermore, in preparing this assessment we have considered the potential impact of climate change. In particular, we have considered the impact of climate change on the useful economic lives of assets, disruption to key operating sites and supply chain, and potential asset impairments. Our identified climate risks (see pages 76 to 79 for details) predominantly result in adverse cash outflows to the business and have been modelled as such within our sensitivity analysis. We anticipate that a number of these climate risks may result in additional cash inflows as associated climate related costs could be passed onto our customers offsetting the climate risk and a conservative assessment of such cash inflow is also modelled within the sensitivity. These considerations did not have a material impact on the goodwill impairment assessment.

Key assumptions

Key assumptions are based on past experience and expectations of future changes in the market, expected outturn on in-progress significant contracts and pipeline reflecting prevailing economic forecasts, industry specific data, competitor activity and market dynamics.

Pre-tax discount rates derived from the Group's post-tax weighted average cost of capital were used to discount the estimated risk-adjusted cash flows. These pre-tax discount rates reflect the market assessment as at the period end date of the time value of money and the risks specific to the cash-generating units.

Country-specific long-term growth rates are determined based on external analyst assessments of long-term real GDP outlooks in the associated countries. The country-specific real long-term growth rates and discount rates for the Group's operating segments are as follows:

	31 March 2024				31 March 2023			
	Aviation	Land	Marine	Nuclear	Aviation	Land	Marine	Nuclear
Pre-tax discount rate	**13.2**	**12.2**	**12.2**	**12.6**	13.1	13.1	13.1	12.4
Post-tax discount rate	**9.8**	**9.0**	**9.0**	**9.3**	9.8	9.8	9.8	9.3
Long-term real growth rate	**2.0**	**2.2**	**2.1**	**2.0**	2.1	2.1	2.0	1.9

Expected future cash flows used in discounted cash flow models are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, such as demand for the Group's services, together with economic factors such as estimates of costs of revenue and future capital expenditure requirements. Expected future cash flows are also subject to estimation with regard to the impact of inflation – albeit a significant proportion of the Group's longer term revenue contracts include variable consideration in respect of inflation and therefore there is a natural offset on the impact of inflation on both costs and revenue.

Key assumptions in relation to future cash flows included in the value-in-use models are set out below:

Group of CGUs	Key future cash flow assumption
Marine	Continuing delivery of work programmes with the UK Ministry of Defence, including the design and build of Type 31 frigates and the production of vertical missile tubes for the US-UK common missile compartment programme. Future international opportunities in shipbuilding.
Nuclear	Continuing delivery of naval nuclear services to the UK Ministry of Defence, including the FMSP contract. Continuing delivery of opportunities in the UK civil nuclear decommissioning programme together with maintenance of ongoing spend in provision of nuclear engineering services to operational power stations.
Land	Continuing demand for equipment support and training from both military and civil customers, noting that significant elements of equipment support and training are the subject of long-term contracts, not all of which have been assumed to renew.
Aviation	Continuing delivery of long-term contracts with the UK Ministry of Defence. Expansion of activities in key overseas territories.

11. Other intangible assets

	Acquired intangibles – relationships £m	Internally generated software development costs and licences £m	Internally generated development costs and other £m	Assets under construction £m	Total £m
Cost					
At 1 April 2023	**861.0**	**231.3**	**15.0**	**–**	**1,107.3**
Additions	**–**	**6.9**	**10.0**	**16.4**	**33.3**
Reclassification from property, plant and equipment (Note 12)	**–**	**–**	**–**	**1.4**	**1.4**
Reclassification from AUC to in-use assets	**–**	**16.4**	**0.1**	**(16.5)**	**–**
Disposals at cost	**–**	**(1.0)**	**–**	**–**	**(1.0)**
Exchange adjustments	**(10.1)**	**(0.2)**	**(0.1)**	**–**	**(10.4)**
At 31 March 2024	**850.9**	**253.4**	**25.0**	**1.3**	**1,130.6**
Accumulated amortisation and impairment					
At 1 April 2023	**794.4**	**166.5**	**5.6**	**–**	**966.5**
Amortisation charge	**10.8**	**8.6**	**4.6**	**–**	**24.0**
Disposals	**–**	**(0.9)**	**–**	**–**	**(0.9)**
Exchange adjustments	**(7.4)**	**(0.5)**	**0.1**	**–**	**(7.8)**
At 31 March 2024	**797.8**	**173.7**	**10.3**	**–**	**981.8**
Net book value at 31 March 2024	**53.1**	**79.7**	**14.7**	**1.3**	**148.8**
Cost					
At 1 April 2022	1,095.3	222.6	27.6	–	1,345.5
Additions	–	18.1	3.4	–	21.5
Reclassification from property, plant and equipment	–	3.0	0.3	–	3.3
Disposal of subsidiary undertakings (note 27)	(237.0)	(4.9)	(13.9)	–	(255.8)
Disposals at cost	(2.0)	(7.4)	(3.0)	–	(12.4)
Exchange adjustments	4.7	(0.1)	0.6	–	5.2
At 31 March 2023	861.0	231.3	15.0	–	1,107.3
Accumulated amortisation and impairment					
At 1 April 2022	1,005.8	156.8	6.2	–	1,168.8
Amortisation charge	15.8	10.5	1.8	–	28.1
Impairment	–	9.0	–	–	9.0
Disposal of subsidiary undertakings (note 27)	(233.0)	(3.1)	(0.8)	–	(236.9)
Disposals	(2.0)	(6.6)	(1.7)	–	(10.3)
Exchange adjustments	7.8	(0.1)	0.1	–	7.8
At 31 March 2023	794.4	166.5	5.6	–	966.5
Net book value at 31 March 2023	66.6	64.8	9.4	–	140.8

Acquired intangible amortisation charges for the year are recorded in operating costs.

Included in Internally generated software development costs and licences is £36.9 million (2023: £38.6 million) relating to the Group's ERP system, which is amortised over a 10-year period. Included in the acquired intangible balance is £42.8 million (2023: £52.3 million) relating to the acquisition of NSM. This is being amortised over a period of 20 years.

12. Property, plant and equipment

	Freehold property £m	Leasehold property £m	Plant and equipment £m	Aircraft fleet £m	Assets in course of construction £m	Total £m
Cost						
At 1 April 2023	**212.2**	**15.2**	**571.0**	**97.5**	**90.8**	**986.7**
Additions	**2.3**	**0.1**	**22.2**	**5.3**	**77.7**	**107.6**
Reclassfied to other intangible assets (Note 11)	**–**	**–**	**(1.4)**	**–**	**–**	**(1.4)**
Reclassification from AUC to in-use assets	**10.4**	**0.2**	**37.2**	**0.3**	**(48.1)**	**–**
Disposals	**(4.1)**	**–**	**(12.0)**	**(21.0)**	**–**	**(37.1)**
Capitalised borrowing costs	**–**	**–**	**–**	**–**	**3.9**	**3.9**
Exchange adjustments	**(0.2)**	**(0.1)**	**(4.7)**	**(2.2)**	**(0.2)**	**(7.4)**
At 31 March 2024	**220.6**	**15.4**	**612.3**	**79.9**	**124.1**	**1,052.3**
Accumulated depreciation						
At 1 April 2023	**74.4**	**12.1**	**390.6**	**24.9**	**6.2**	**508.2**
Depreciation charge for the year	**7.4**	**1.0**	**39.1**	**4.5**	**–**	**52.0**
Impairment	**–**	**–**	**–**	**2.1**	**–**	**2.1**
Disposals	**(2.2)**	**–**	**(8.7)**	**(12.7)**	**–**	**(23.6)**
Exchange adjustments	**(0.1)**	**(0.1)**	**(2.5)**	**(0.9)**	**0.1**	**(3.5)**
At 31 March 2024	**79.5**	**13.0**	**418.5**	**17.9**	**6.3**	**535.2**
Net book value at 31 March 2024	**141.1**	**2.4**	**193.8**	**62.0**	**117.8**	**517.1**

	Freehold property £m	Leasehold property £m	Plant and equipment £m	Aircraft fleet £m	Assets in course of construction £m	Total £m
Cost						
At 1 April 2022	151.8	24.7	524.9	303.1	213.9	1,218.4
On disposal of subsidiaries (note 27)	(9.4)	(9.0)	(32.1)	(224.1)	(13.9)	(288.5)
Additions	0.4	0.2	33.2	27.8	48.3	109.9
Transfer to intangible assets	–	–	–	–	(3.3)	(3.3)
Reclassification from AUC to in-use assets	70.0	–	66.0	3.0	(139.0)	–
Transfer from Right-of use-assets	–	–	–	19.5	–	19.5
Disposals	(0.8)	–	(13.1)	(40.2)	(18.8)	(72.9)
Capitalised borrowing costs	–	–	–	–	0.6	0.6
Exchange adjustments	0.2	(0.7)	(7.9)	8.4	3.0	3.0
At 31 March 2023	212.2	15.2	571.0	97.5	90.8	986.7
Accumulated depreciation						
At 1 April 2022	70.7	11.1	373.2	52.3	0.5	507.8
On disposal of subsidiaries (note 27)	(2.9)	(0.5)	(14.3)	(33.9)	–	(51.6)
Depreciation charge for the year	7.1	1.5	45.4	18.1	–	72.1
Impairment	–	–	–	(0.8)	5.7	4.9
Transfer from Right-of-use-assets	–	–	–	11.5	–	11.5
Disposals	(0.7)	–	(11.2)	(24.0)	(0.5)	(36.4)
Exchange adjustments	0.2	–	(2.5)	1.7	0.5	(0.1)
At 31 March 2023	74.4	12.1	390.6	24.9	6.2	508.2
Net book value at 31 March 2023	137.8	3.1	180.4	72.6	84.6	478.5

13. Leases

Group as a lessee

Leases represent rentals payable by the Group for certain operational, distribution and office properties and other assets such as aircraft. The leases have varying terms, purchase options, escalation clauses and renewal rights.

Right of use assets

	Leasehold property £m	Plant and equipment £m	Aircraft fleet £m	Total £m
Cost				
At 1 April 2023	**141.6**	**67.7**	**138.0**	**347.3**
Additions	**21.6**	**12.9**	**34.6**	**69.1**
Disposals	**(21.2)**	**(6.3)**	**(14.8)**	**(42.3)**
Exchange adjustments	**(1.9)**	**(0.2)**	**(4.7)**	**(6.8)**
At 31 March 2024	**140.1**	**74.1**	**153.1**	**367.3**
Accumulated depreciation				
At 1 April 2023	**49.5**	**45.7**	**93.0**	**188.2**
Depreciation charge for the year	**18.0**	**8.9**	**12.9**	**39.8**
Disposals	**(12.6)**	**(5.2)**	**(14.0)**	**(31.8)**
Exchange adjustments	**(1.0)**	**(0.1)**	**(3.4)**	**(4.5)**
At 31 March 2024	**53.9**	**49.3**	**88.5**	**191.7**
Net book value at 31 March 2024	**86.2**	**24.8**	**64.6**	**175.6**
At 1 April 2022	127.3	64.7	383.0	575.0
Additions	37.1	9.8	67.7	114.6
Transfer to Property, plant and equipment	–	–	(19.5)	(19.5)
Disposals	(10.0)	(3.7)	(24.5)	(38.2)
Disposal of subsidiaries (note 27)	(11.5)	(3.5)	(269.8)	(284.8)
Exchange adjustments	(1.3)	0.4	1.1	0.2
At 31 March 2023	141.6	67.7	138.0	347.3
Accumulated depreciation				
At 1 April 2022	42.5	40.9	157.3	240.7
Depreciation charge for the year	20.5	9.1	52.1	81.7
Impairment	0.9	–	8.7	9.6
Disposals	(7.0)	(3.3)	(21.7)	(32.0)
Disposal of subsidiaries (note 27)	(6.9)	(1.3)	(94.6)	(102.8)
Transfer to Property, plant and equipment	–	–	(11.5)	(11.5)
Exchange adjustments	(0.5)	0.3	2.7	2.5
At 31 March 2023	49.5	45.7	93.0	188.2
Net book value at 31 March 2023	92.1	22.0	45.0	159.1

13. Leases continued

Lease liabilities

The following tables show the discounted Group lease liabilities and a reconciliation of opening to closing lease liabilities:

	Total £m
At 1 April 2023	**228.8**
Additions	**68.0**
Disposals	**(12.8)**
Exchange adjustments	**(3.9)**
Lease interest	**9.8**
Lease repayments	**(59.4)**
At 31 March 2024	**230.5**
Non-current lease liabilities	**185.9**
Current lease liabilities	**44.6**
At 31 March 2024	**230.5**

At 1 April 2022	434.1
Additions	117.0
Disposals	(5.3)
Disposal of subsidiaries (note 27)	(218.1)
Exchange adjustments	9.6
Lease interest	15.9
Lease repayments	(124.4)
At 31 March 2023	228.8
Non-current lease liabilities	178.9
Current lease liabilities	49.9
At 31 March 2023	228.8

See note 22 for a maturity analysis of the contractual undiscounted lease payments.

Amounts recognised in the Group income statement

	2024 £m	2023 £m
Interest on lease liabilities	**9.8**	15.9
Right-of-use asset depreciation	**39.8**	81.7
Right-of-use asset impairment	**–**	9.6
(Gain)/loss on disposal of right-of-use assets	**(3.6)**	0.9

The total expense for short term and low value leases was £52.0 million (2023 restated: £38.2 million). The expense is deemed approximate to the cash outflow for short term and low value leases.

Amounts recognised in the Group cash flow statement

	2024 £m	2023 £m
Total cash outflow for principal element of leases	**49.6**	108.5
Total cash outflow for interest element of leases	**9.8**	15.9
Total cash outflow for leases	**59.4**	124.4

13. Leases continued

Group as a lessor

The Group is the lessor in an arrangement for the lease of vehicles and sub-lease of leased properties. These are solely finance lease arrangements. There have been no new material lease arrangements as a lessor in the current year (2023: none).

Amounts recognised in the Group income statement

	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
Finance lease – interest income	**4.4**	4.4

Finance lease payments receivable

	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
Within one year	**16.9**	20.3
Greater than one year but less than two years	**13.1**	14.0
Greater than two years but less than three years	**8.8**	9.1
Greater than three years but less than four years	**4.3**	2.4
Greater than four years but less than five years	**0.1**	–
Total undiscounted finance lease payments receivable	**43.2**	45.8
Impact of discounting	**(7.7)**	(7.2)
Finance lease receivable (net investment in the lease)	**35.5**	38.6

There was no material impairment of lease receivables in the year ended 31 March 2024 (2023: £nil).

The Group has minimal residual risk for underlying assets to which it retains the residual rights as all leases for which the Group acts as lessor are finance leases and therefore the asset has been leased for a term equivalent to the asset's useful economic life.

14. Investment in and loans to joint ventures and associates

The Group's material joint ventures and associates are:

	Nature of relationship	Year end	Business activity	% interest held (2024)	% interest held (2023)	Country of incorporation	Principal area of operation
AirTanker Services Limited	Associate	31 Dec	Provision of air-to-air refuelling	23.5%	23.5%	United Kingdom	United Kingdom
Ascent Flight Training (Holdings) Limited	Joint venture	31 Mar	Provision of training services	50.0%	50.0%	United Kingdom	United Kingdom

14. Investment in and loans to joint ventures and associates continued

Summarised financial information for joint ventures and associates

The summarised financial information below reflects the amounts presented in the financial statements of the relevant joint ventures and associates, and not the Group's share of those amounts. These amounts have been adjusted to conform to the Group's accounting policies where required. The summarised financial information has been aggregated to provide useful information to users without excessive detail. Joint ventures that are not considered material to the Group are not shown below.

	31 March 2024		31 March 2023	
Summarised income statement extract (year ended)	Ascent Flight Training (Holdings) Limited	AirTanker Services Limited	Ascent Flight Training (Holdings) Limited	AirTanker Services Limited
Revenue	**168.8**	**254.7**	171.2	181.7
Depreciation and amortisation	**(0.5)**	**(1.7)**	–	(11.5)
Interest income	**3.4**	**1.8**	4.4	0.3
Interest expense	**(2.7)**	**(0.2)**	(5.0)	–
Income tax expense	**(5.7)**	**(5.0)**	(3.5)	(2.3)
Profit from continuing operations	**16.7**	**11.2**	14.5	5.9
Other comprehensive income	**0.4**	**–**	7.0	–
Total comprehensive income	**17.1**	**11.2**	21.5	5.9
Summarised statement of financial position				
Non-current assets	**45.8**	**87.8**	29.2	72.3
Current assets (excluding cash and cash equivalents)	**59.5**	**59.9**	75.5	95.2
Cash and cash equivalents	**55.4**	**86.6**	69.2	71.9
Non-current liabilities	**(94.9)**	**(60.7)**	(109.2)	(63.2)
Current liabilities	**(7.9)**	**(56.0)**	(10.4)	(74.9)
Net assets	**57.9**	**117.6**	54.3	101.3
Ownership	**50%**	**23.5%**	50.0%	23.5%
Carrying value of investment	**29.0**	**27.6**	27.2	23.8

Reconciliation to carrying amounts

	Investment in joint ventures and associates		Loans to joint ventures and associates		Total	
	2024 £m	2023 £m	2024 £m	2023 £m	2024 £m	2023 £m
At 1 April	**57.4**	54.3	**9.5**	12.1	**66.9**	66.4
Share of profits of joint ventures and associates	**10.3**	9.3	**–**	–	**10.3**	9.3
Impairment of joint ventures and associates	**(1.1)**	–	**–**	–	**(1.1)**	–
Results from joint ventures and associates	**9.2**	9.3	**–**	–	**9.2**	9.3
Acquisition and disposal of joint ventures and associates (note 27)	**–**	(1.0)	**–**	–	**–**	(1.0)
Loans repaid by joint ventures and associates	**–**	–	**(7.5)**	(2.4)	**(7.5)**	(2.4)
Increase in loans to joint ventures and associates	**–**	–	**2.1**	–	**2.1**	–
Interest accrued and capitalised	**–**	–	**0.3**	1.0	**0.3**	1.0
Interest received	**–**	–	**(0.5)**	(1.2)	**(0.5)**	(1.2)
Dividends received	**(7.1)**	(8.7)	**–**	–	**(7.1)**	(8.7)
Fair value adjustment of derivatives	**0.3**	4.7	**–**	–	**0.3**	4.7
Tax on fair value adjustment of derivatives	**(0.1)**	(1.2)	**–**	–	**(0.1)**	(1.2)
At 31 March	**59.7**	57.4	**3.9**	9.5	**63.6**	66.9

14. Investment in and loans to joint ventures and associates continued

The total investments in joint ventures and associates is attributable to the following reportable segments:

	2024 £m	2023 £m
Marine	**3.3**	3.7
Nuclear	**1.6**	1.4
Land	**0.2**	0.2
Aviation	**58.5**	61.6
Net book value	**63.6**	66.9

The joint ventures and associates have no significant contingent liabilities to which the Group is exposed. The Group does not have any commitments that have been made to the joint ventures or associates and not recognised at the reporting date.

Joint arrangements are classified as joint ventures where the Group has the right to net assets of the joint arrangement rather than separate rights and obligations to the assets and liabilities of the joint arrangement, respectively. There has been no impairment to loans to joint ventures and associates during the year (2023: £nil). Total cumulative expected credit losses in respect of loans to joint ventures and associates are also £nil (2023: £nil) as the joint ventures and associates are considered to have low credit risk and as such impairment risk is considered minimal.

There are no significant restrictions on the ability of joint ventures and associates to transfer funds to the owners, other than those imposed by the Companies Act 2006 or equivalent local regulations.

15. Inventories

	31 March 2024 £m	31 March 2023 £m
Raw materials and spares	**58.1**	58.6
Work-in-progress	**4.6**	7.2
Finished goods and goods for resale	**124.7**	61.0
Total	**187.4**	126.8

Write-downs of inventories amounted to £13.8 million (2023: £5.4 million). These were recognised as an expense during the year ended 31 March 2024 and included in operating costs in the income statement. Inventory recognised as an expense in the year amounted to £357.2 million (2023: £320.5 million).

16. Trade and other receivables and contract assets

	31 March 2024 £m	31 March 2023 £m
Non-current assets		
Costs to obtain a contract	**0.3**	2.8
Costs to fulfil a contract	**10.2**	1.4
Other debtors	**2.5**	2.2
Non-current trade and other receivables	**13.0**	6.4
Current assets		
Trade receivables	**266.4**	307.3
Less: provision for impairment of receivables	**(8.5)**	(7.3)
Trade receivables – net	**257.9**	300.0
Retentions	**6.1**	6.0
Amounts due from related parties (note 31)	**2.3**	2.1
Other debtors[1]	**25.0**	49.6
Other taxes and social security receivables	**98.1**	79.8
Prepayments	**88.2**	63.7
Costs to obtain a contract	**–**	0.6
Costs to fulfil a contract	**9.6**	5.1
Current trade and other receivables	**487.2**	506.9
Contract assets	**337.4**	322.5
Current trade and other receivables and contract assets	**824.6**	829.4

[1] Included in Other debtors are rebates receivable and other sundry receivables. No individual balance within other debtors is material.

16. Trade and other receivables continued

Trade and other receivables are stated at amortised cost. Details of expected credit losses on trade receivables are provided in note 22, There has been no impairment to either other receivables or contract assets during the year ended 31 March 2024 (2023: £nil).

In the year ended 31 March 2024, amortisation of costs to obtain a contract and costs to fulfil a contract totalled £2.1 million (2023: £5.0 million). An impairment of £nil was recorded in relation to costs to obtain a contract or costs to fulfil a contract (2023: £1.6 million).

The Group recognises that there is an inherent element of estimation uncertainty and judgement involved in assessing contract profitability, as disclosed in note 1. Management have taken a best estimate view of contract outcomes based on the information currently available, after allowing for contingencies, and have applied a constraint to the variable consideration within revenue resulting in a revenue estimate that is suitably cautious under IFRS 15.

Significant changes in contract assets during the year are as follows:

	Contract assets £m
31 March 2023	**322.5**
Transfers from contract assets recognised at the beginning of the year to trade receivables	**(279.2)**
Increase due to work done not transferred from contract assets	**297.6**
Exchange adjustment	**(3.5)**
31 March 2024	**337.4**

31 March 2022	299.3
Disposal of subsidiary undertaking	(34.6)
Transfers from contract assets recognised at the beginning of the year to receivables	(218.9)
Increase due to work done not transferred from contract assets	273.1
Exchange adjustment	3.6
31 March 2023	322.5

During the year, the Group has recognised a reversal of £34.4 million of revenue in respect of performance obligations satisfied or partially satisfied in previous periods (2023: £48.5m reversal).

The current year figure is significantly impacted by the reduction in margin and consequential revenue reversal on the T31 contract as described in Note 1. This has been offset by a number of cumulative catch-ups on a number of other key programmes driven by forecast margin improvements and the impact of variable consideration being unconstrained as the highly probable test under IFRS 15 has been satisfied in the period.

The prior year balance was significantly impacted by reductions in forecast margin on three of the Group's contracts – predominantly the loss on the T31 programme as described in Note 1. The variance resulting from these contracts was a result of movements in forecast cost to complete rather than a reversal of variable consideration previously seen as highly probable.

At 31 March 2024, there is £7.2 billion (2023: £6.7 billion) of transaction price on contracts with customers that has been allocated to unsatisfied or partially satisfied performance obligations (note this metric has been prepared for IFRS 15 disclosure purposes and therefore does not align to the Group’s contract backlog). Contract backlog is based on the full contractual term of the Group’s agreements whilst the IFRS 15 disclosure may be a shorter contractual period in the event that the customer has the ability to exit contracts prior to the full term for non-substantive penalty payments. Management expects that 40.9% (2023: 37.8%) of the transaction price allocated to unsatisfied performance obligations as at 31 March 2024 will be recognised as revenue during the next reporting period. A further 49.4% (2023: 46.3%) of the transaction price allocated to unsatisfied performance obligations is expected to be recognised as revenue in years two to five after 31 March 2024.

Details on the Group’s approach to assess credit risk are included in note 22.

17. Cash and cash equivalents

	31 March 2024 £m	31 March 2023 £m
Cash at bank and in hand	**218.4**	221.7
Short-term bank deposits	**352.2**	230.0
	570.6	451.7

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	31 March 2024		31 March 2023	
Currency	Total £m	Floating rate £m	Total £m	Floating rate £m
Sterling	**341.0**	**341.0**	319.8	319.8
Euro	**35.4**	**35.4**	7.6	7.6
US Dollar	**18.7**	**18.7**	15.7	15.7
South African Rand	**25.9**	**25.9**	45.3	45.3
Canadian Dollar	**64.1**	**64.1**	19.1	19.1
Omani Rial	**3.8**	**3.8**	5.7	5.7
Australian Dollar	**56.3**	**56.3**	25.1	25.1
Norwegian Krone	**0.5**	**0.5**	0.6	0.6
Swedish Krona	**1.7**	**1.7**	2.4	2.4
New Zealand Dollar	**15.2**	**15.2**	2.8	2.8
Other currencies	**8.0**	**8.0**	7.6	7.6
	570.6	**570.6**	451.7	451.7

Expected credit losses of cash and cash equivalents is £nil (2023: £nil).

18. Trade and other payables and contract liabilities

	2024 £m	2023 £m
Current liabilities		
Contract liabilities	**761.8**	616.4
Trade creditors	**314.3**	239.1
Amounts due to related parties (note 31)	**1.5**	0.8
Other creditors	**13.5**	34.0
Defined contribution pension creditor	**8.3**	7.6
Other taxes and social security	**71.1**	75.5
Accruals	**540.5**	554.1
Trade and other payables	**949.2**	911.1
Trade and other payables and contract liabilities	**1,711.0**	1,527.5
Non-current liabilities		
Non-current accruals	**4.8**	–
Other creditors	**0.6**	0.9
	5.4	0.9

Included in creditors is £11.4 million (2023: £12.9 million) relating to capital expenditure which has therefore not been included in working capital movements within the cash flow statement.

Significant changes in contract liabilities during the year are as follows:

	Contract liabilities £m
31 March 2023	**616.4**
Revenue recognised that was included in the contract liability balance at the beginning of the year	**(540.8)**
Cash advanced	**689.9**
Exchange adjustment	**(3.7)**
31 March 2024	**761.8**
31 March 2022	518.3
Revenue recognised that was included in the contract liability balance at the beginning of the year	(377.5)
Cash advanced	509.8
Disposal of subsidiary undertaking	(31.9)
Exchange adjustment	(2.3)
31 March 2023	616.4

19. Bank and other borrowings

	31 March 2024 £m	31 March 2023 £m
Current liabilities		
Bank loans and overdrafts due within one year or on demand		
Secured	**4.5**	0.3
Unsecured	**15.9**	19.3
	20.4	19.6
Lease obligations*	**44.6**	49.9
	65.0	69.5
Non-current liabilities		
Bank and other borrowings		
Secured	**2.5**	21.0
Unsecured	**744.6**	747.4
	747.1	768.4
Lease obligations*	**185.9**	178.9
	933.0	947.3

* Leases are secured against the assets to which they relate.

The Group's overdraft totalled £18.0 million at 31 March 2024 (2023: £22.2 million).

The Group has £2.8 million (2023: £3.1 million) of secured debt in the Land operating segment that is secured against a property owned by the Group and £4.2 million (2023: £18.2 million) of debt that is secured against contracts with customers, which will cede to the bank in the event of default.

Unsecured bank loans are subject to covenants which are tested six monthly on a rolling basis. Covenants comprise of Net Debt (covenant basis) to EBITDA and Interest Cover. The Net Debt (covenant basis) to EBITDA ratio must be lower than 3.5x at each testing date whilst the Interest Cover must be at least 4.0x at each testing date. There are no breaches in the Group's base case forecasts as prepared for going concern purposes.

Drawn facilities at the period end date primarily comprise the €550 million Eurobond and the £300 million UK bond.

Repayment details

The total borrowings of the Group at 31 March are repayable as follows:

	31 March 2024		31 March 2023	
	Loans and overdrafts £m	Lease obligations £m	Loans and overdrafts £m	Lease obligations £m
Within one year	**20.4**	**44.6**	19.6	49.9
Between one and two years	**0.6**	**38.2**	0.3	40.6
Between two and three years	**296.0**	**33.2**	0.6	34.5
Between three and four years	**449.8**	**24.8**	300.6	23.4
Between four and five years	**0.7**	**19.5**	466.2	19.9
Greater than five years	**–**	**70.2**	0.7	60.5
	767.5	**230.5**	788.0	228.8

19. Bank and other borrowings continued

The Group has entered into interest rate and currency swaps, details of which are included in note 21.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	31 March 2024			31 March 2023		
Currency	**Total £m**	**Floating rate £m**	**Fixed rate £m**	Total £m	Floating rate £m	Fixed rate £m
Sterling	**415.0**	**7.8**	**407.2**	439.0	16.4	422.6
Euro*	**514.4**	**99.1**	**415.3**	515.4	87.2	428.2
US Dollar	**7.3**	**–**	**7.3**	5.9	0.4	5.5
South African Rand	**8.9**	**4.2**	**4.7**	25.1	18.3	6.8
Canadian Dollar	**4.8**	**–**	**4.8**	6.0	–	6.0
Australian Dollar	**44.0**	**–**	**44.0**	22.3	–	22.3
New Zealand Dollar	**1.4**	**–**	**1.4**	1.0	–	1.0
South Korean Won	**0.5**	**–**	**0.5**	0.8	–	0.8
Botswana Pula	**–**	**–**	**–**	0.2	–	0.2
Other	**1.7**	**–**	**1.7**	1.1	0.8	0.3
	998.0	**111.1**	**886.9**	1,016.8	123.1	893.7

* €550 million (2023: €550 million) has been swapped into Sterling, with €140.0 million equivalent (2023: €140.0 million equivalent) into floating rates and €410.0 million equivalent (2023: €410.0 million equivalent) into fixed rates. This is included in the Euro amount above. The split above includes the impact of hedging.

The weighted average interest rate of Sterling fixed rate borrowings is 1.9% (2023: 1.9%). The weighted average period for which these interest rates are fixed is 2.5 years (2023: 3.5 years).

The floating rate for borrowings is linked to SONIA in the case of Sterling, EURIBOR in the case of Euro, the prime rate in the case of South African Rand and the local prime rate for other currencies.

The effective interest rates at the statement of financial position dates, including the impact of hedging, were as follows:

	31 March 2024 %	31 March 2023 %
UK bank overdraft	**6.4**	5.4
8-year Eurobond September 2027– fixed	**2.9**	2.9
8-year Eurobond September 2027 – floating	**6.9**	6.3
£300 million bond 2026	**1.9**	1.9
Other borrowings	**5.6 – 11.1**	5.5 – 9.8
Leases obligations	**2.2 – 11.8**	3.7 – 17.2

Borrowing facilities

The Group had the following undrawn committed borrowing facilities available at 31 March:

	31 March 2024 £m	31 March 2023 £m
Expiring in more than one year but not more than five years	**775.0**	1,152.8
	775.0	1,152.8

20. Provisions for other liabilities, including other employee benefits

	Contract/warranty (a) £m	Employee related and business reorganisation costs (b) £m	Italian anti-trust fine (c) £m	Property (d) £m	Other (e) £m	Total provisions £m
At 1 April 2022	**53.5**	**39.7**	**0.3**	**21.0**	**1.4**	**115.9**
On disposal of subsidiaries (note 27)	(8.5)	(1.2)	–	(5.8)	(0.1)	(15.6)
Reclassification	(1.0)	1.4	–	(4.3)	3.9	–
Charge to income statement	85.3	12.8	–	8.6	1.2	107.9
Release to the income statement	(9.3)	(2.4)	–	(0.2)	(1.8)	(13.7)
Utilised in year	(20.2)	(19.2)	(0.3)	(4.8)	(1.8)	(46.3)
Unwinding of discount	–	0.2	–	–	–	0.2
Foreign exchange	0.6	(0.8)	–	0.6	(0.1)	0.3
At 31 March 2023	**100.4**	**30.5**	**–**	**15.1**	**2.7**	**148.7**
Charge to income statement	66.4	10.3	–	10.3	2.7	89.7
Release to the income statement	(19.4)	(3.6)	–	(0.5)	(0.1)	(23.6)
Utilised in year	(31.3)	(6.2)	–	(1.4)	(0.7)	(39.6)
Reclassified to accruals[1]	–	(18.0)	–	–	–	(18.0)
Unwinding of discount	2.4	0.3	–	–	–	2.7
Foreign exchange	(0.7)	(0.9)	–	–	(0.1)	(1.7)
At 31 March 2024	**117.8**	**12.4**	**–**	**23.5**	**4.5**	**158.2**

a. The contract/warranty provisions relate to onerous contracts and warranty obligations on completed contracts and disposals. Warranty provisions are provided in the normal course of business and are recognised when the underlying products and services are sold. The provision is based on an assessment of future claims with reference to historical warranty data and a weighting of possible outcomes against their associated probabilities. Onerous contracts relate to expected future losses on contracts with customers – notably T31 as outlined in note 1.

b. Employee related and business reorganisation costs relate to business restructuring activities including announced redundancies in addition to employee related provisions other than employee benefits.

c. Italian anti-trust fines pertain to historic court rulings in respect of the Babcock Mission Critical Services Italia SpA subsidiary. The remaining amount of this provision was paid in the prior year.

d. Property and other provisions primarily relate to dilapidation costs and contractual obligations in respect of infrastructure.

e. Other provisions include provisions for insurance claims arising within the Group's captive insurance company, Chepstow Insurance Limited. They relate to specific claims assessed in accordance with the advice of independent actuaries.

[1] Immaterial amounts related to employee benefits have been reclassified from provisions to current and non-current accruals during the period.

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

	31 March 2024 £m	31 March 2023 £m
Current	**79.1**	67.9
Non-current	**79.1**	80.8
	158.2	148.7

Included within provisions is £6.7 million (2023: £6.9 million) expected to be utilised over approximately 10 years. Other than these provisions the Group's non-current provisions are expected to be utilised within two to five years.

21. Financial instruments and fair value measurement

The following table presents the Group's assets and liabilities:

31 March 2024 (£m)	Financial assets at fair value	Financial assets at amortised cost	Financial liabilities at fair value	Financial liabilities at amortised cost	Total carrying amount	Fair value
Non-current financial assets						
Loans to joint ventures and associates	**–**	**3.9**	**–**	**–**	**3.9**	**3.9**
Financial assets	**–**	**5.3**	**–**	**–**	**5.3**	**5.3**
Derivatives	**2.8**	**–**	**–**	**–**	**2.8**	**2.8**
Lease receivables	**–**	**22.5**	**–**	**–**	**22.5**	**22.5**
Current financial assets						
Trade and other receivables*	**0.9**	**282.1**	**–**	**–**	**283.0**	**283.0**
Lease receivables	**–**	**13.0**	**–**	**–**	**13.0**	**13.0**
Derivatives	**4.4**	**–**	**–**	**–**	**4.4**	**4.4**
Cash and cash equivalents	**–**	**570.6**	**–**	**–**	**570.6**	**570.6**
Non-current financial liabilities						
Bank and other borrowings	**–**	**–**	**–**	**(747.1)**	**(747.1)**	**(686.4)**
Derivatives	**–**	**–**	**(51.9)**	**–**	**(51.9)**	**(51.9)**
Current financial liabilities						
Bank and other borrowings	**–**	**–**	**–**	**(20.4)**	**(20.4)**	**(20.4)**
Trade and other payables*	**–**	**–**	**–**	**(593.7)**	**(593.7)**	**(593.7)**
Derivatives	**–**	**–**	**(9.5)**	**–**	**(9.5)**	**(9.5)**
Net financial assets / (financial liabilities)	**8.1**	**897.4**	**(61.4)**	**(1,361.2)**	**(517.1)**	**(456.4)**

* Trade and other receivables and trade and other payables only include balances which meet the definition of a financial instrument.

31 March 2023 (£m)	Financial assets at fair value	Financial assets at amortised cost	Financial liabilities at fair value	Financial liabilities at amortised cost	Total carrying amount	Fair value
Non-current financial assets						
Loans to joint ventures and associates	–	9.5	–	–	9.5	9.5
Financial assets	–	7.3	–	–	7.3	7.3
Derivatives	2.6	–	–	–	2.6	2.6
Lease receivables	–	22.2	–	–	22.2	22.2
Current financial assets						
Trade and other receivables*	1.5	345.1	–	–	346.6	346.6
Lease receivables	–	16.4	–	–	16.4	16.4
Derivatives	4.3	–	–	–	4.3	4.3
Cash and cash equivalents	–	451.7	–	–	451.7	451.7
Non-current financial liabilities						
Bank and other borrowings	–	–	–	(768.4)	(768.4)	(670.3)
Derivatives	–	–	(53.3)	–	(53.3)	(53.3)
Current financial liabilities						
Bank and other borrowings			–	(19.6)	(19.6)	(19.6)
Trade and other payables*	–	–	–	(511.1)	(511.1)	(511.1)
Derivatives	–	–	(12.8)	–	(12.8)	(12.8)
Net financial assets / (financial liabilities)	8.4	852.2	(66.1)	(1,299.1)	(504.6)	(406.5)

* Trade and other receivables and trade and other payables only include balances which meet the definition of a financial instrument.

21. Financial instruments and fair value measurement continued

The fair value hierarchy is as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

All of the financial assets and liabilities measured at fair value are classified as Level 2 or Level 3 using the fair value hierarchy. There were no transfers between levels during the period. Additional disclosures in respect of financial assets measured using Level 3 techniques are not provided as such assets are not material.

The fair values of financial instruments held at fair value have been determined based on available market information at the period end date, and the valuation methodologies listed below:

- The fair values of forward foreign exchange contracts are calculated by discounting the contracted forward values and translating at the appropriate period end rates; and
- The fair values of cross-currency interest rate swaps are calculated by discounting expected future principal and interest cash flows and translating at the appropriate period end rates.

Financial assets and liabilities in the Group's Consolidated statement of financial position are either held at fair value or their carrying value approximates to fair value, with the exception of loans, which are held at amortised cost. Amortised cost items whose fair value or carrying value approximate to fair value are at Level 2 in the fair value hierarchy. Due to the variability of the valuation factors, the fair values presented at 31 March may not be indicative of the amounts the Group would expect to realise in the current market environment.

Derivative financial instruments and hedging activities

The Group enters into forward foreign currency contracts and cross-currency interest rate swaps to hedge the currency exposures that arise on sales, purchases, deposits, borrowings and leasing arrangements denominated in foreign currencies as the transactions occur. Where derivatives do not meet the hedge accounting criteria, they are accounted for at fair value through profit or loss. Derivatives not designated in hedge relationships have net fair value liability of £ 6.8 million (2023: £17.2 million), of which £6.7 million (2023: £16.8 million) were economically hedging £2.2 billion (2023: £1.9 billion) denominated in foreign currencies purchases and sales and £0.1 million (2023: £0.4 million) was economically hedging borrowings (see also note 22). The Group's policy regarding classification of derivatives is set out in note 1.

Cash flow hedges

The Group uses cross-currency swap contracts to hedge the foreign currency risk on debt issued by the Group. These are formally designated in cash flow hedge relationships and hedge ineffectiveness is recognised immediately in the income statement. The fair value of cash flow hedges at 31 March 2024 was a net liability of £11.1 million (2023: £8.3 million). Further detail is give in Note 22.

Fair value hedges

The Group maintains cross-currency interest rate swap contracts as fair value hedges of the interest rate and currency risk on fixed-rate debt issued by the Group. These derivative contracts receive a fixed rate of interest and pay a variable rate of interest. These are formally designated in fair value hedging relationships and are used to hedge the exposure to changes in the fair value of debt which has been issued by the Group at fixed rates. The fair value of such hedges at 31 March 2024 was a liability of £36.3 million (2023: £39.1 million). Further detail is give in Note 22.

22. Financial risk management

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates and the Group's cash and cash equivalents.

The Group's risk management objective, policy and performance are as follows:

Objective	To manage exposure to interest rate fluctuations on borrowings by varying the proportion of fixed rate debt relative to floating rate debt to reflect the underlying nature of its commitments and obligations. As a result, the Group does not maintain a specific set proportion of fixed versus floating debt, but monitors the mix to ensure that it is compatible with its business requirements and capital structure.
Policy	The Group's interest rate management policy is to monitor the mix of fixed versus floating interest rate debt to ensure that it is compatible with its business requirements and capital structure.
Risk management	The Group manages interest rate risk through the maintenance of a mixture of fixed and floating rate debt and interest rate swaps, each being reviewed on a regular basis to ensure the appropriate mix is maintained.
Performance	As at 31 March 2024, the Group had 89% fixed rate debt (2023: 88%) and 11% floating rate debt (2023: 12%) based on gross debt, including lease liabilities, of £998.0 million (2023: £1,016.8 million).

22. Financial risk management continued

The following balances are exposed to interest rate risk as shown below:

	31 March 2024 Less than one year £m	31 March 2024 Between one and two years £m	31 March 2024 Greater than two years £m	31 March 2023 Less than one year £m	31 March 2023 Between one and two years £m	31 March 2023 Greater than two years £m
Cash and cash equivalents	**570.6**	**–**	**–**	451.7	–	–
Bank and other borrowings	**65.0**	**38.8**	**894.2**	69.5	40.9	906.4

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected, after the impact of hedge accounting. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

	Year ended 31 March 2024 Change in interest rate	Year ended 31 March 2024 Effect on profit before tax £m	Year ended 31 March 2023 Change in interest rate	Year ended 31 March 2023 Effect on profit before tax £m
GBP	**3.0%**	**3.4**	3.0%	3.1

The effect of fair value hedges on the Group's financial position and performance for the year is as follows:

Hedging instruments (£m)	Year ended 31 March 2024 Notional principal amount	Year ended 31 March 2024 Carrying amount of hedging instrument	Year ended 31 March 2024 Change in fair value of hedging instrument used for calculating hedge ineffectiveness	Year ended 31 March 2023 Notional principal amount	Year ended 31 March 2023 Carrying amount of hedging instrument	Year ended 31 March 2023 Change in fair value of hedging instrument used for calculating hedge ineffectiveness
Cross currency interest rate swap[1]	**246.7**	**(37.6)**	**1.1**	246.7	(38.7)	(4.1)

1. The Group has entered into three cross-currency interest rate swaps to convert €275 million of fixed rate (1.375%) debt to GBP debt linked to SONIA. This matures on 13 September 2027. Additionally, as part of the Group's financial risk management response in relation to interest rate risk, the group has entered into further interest rate swaps to fix interest rate on floating rate sterling debt – ie, the aggregated exposure that was created with €140 million fixed rate debt and the cross-currency swaps which receive Euro fixed and pay GBP floating. These new interest rate swaps were not designated in the hedge relationship and therefore they are accounted for at fair value through profit and loss.

Hedged item (£m)	Year ended 31 March 2024 Carrying amount of hedged item	Year ended 31 March 2024 Accumulated fair value adjustments	Year ended 31 March 2024 Change in fair value used for calculating ineffectiveness	Year ended 31 March 2024 Amount of ineffectiveness recognised in the income statement	Year ended 31 March 2023 Carrying amount of hedged item	Year ended 31 March 2023 Accumulated fair value adjustments	Year ended 31 March 2023 Change in fair value used for calculating ineffectiveness	Year ended 31 March 2023 Amount of ineffectiveness recognised in the income statement
Debt	**235.1**	**22.3**	**(8.2)**	**(7.1)**	241.7	30.6	7.3	3.2

Ineffectiveness is included in the income statement in finance costs.

22. Financial risk management continued

Liquidity risk

Liquidity risk is the risk that the Group becomes unable to meet payment obligations in a timely manner when they become due.

The Group's risk management objective, policy and performance are as follows:

Objective	The Group's objective with regards to liquidity risk is to ensure that there is an appropriate balance between continuity, flexibility and cost of debt funding through the use of borrowings, whilst also diversifying the sources of these borrowings with a range of maturities and rates of interest, to reflect the long-term nature of the Group's contracts and commitments and its risk profile.
Policy	The Group's policy is to ensure the business is prudently funded and that sufficient liquidity headroom is maintained on its facilities.
Risk management	Liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, Group treasury maintains flexibility in funding by maintaining cash and/or availability under committed credit lines. Each of the sectors in the Group provides regular cash forecasts for liquidity planning purposes. These cash forecasts are used to monitor and identify the liquidity requirements of the Group, and to ensure that there is sufficient liquidity to meet operational needs while maintaining sufficient headroom on the Group's committed borrowing facilities. The Group utilises debt factoring in support of the non-UK operations of its Aviation sector as part of its working capital management arrangements.
Performance	The Group continues to keep under review its capital structure to ensure that the sources, tenor and availability of finance are sufficient to meet its stated objectives. During the prior year the Group repaid a €550 million facility. No new facilities have been entered into.

The contracted cash outflows on bank and other borrowings, derivatives and lease liabilities at the reporting date are shown below, based on contractual undiscounted payments. Interest payments predominantly relate to repayments on the €550m Eurobond and the £300m bond and have been calculated based on the contractual fixed interest rates. Eurobond interest has been translated based on the prevailing exchange rates at the balance sheet date.

	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m	Total £m
At 31 March 2024					
Bank and other borrowings – repayment of overdraft and loan principal	**22.5**	**0.6**	**749.9**	**–**	**773.0**
Bank and other borrowings – interest payments	**12.2**	**12.2**	**36.6**	**–**	**61.0**
Derivatives cash outflows settled gross	**13.2**	**65.1**	**174.7**	**1,963.8**	**2,216.8**
Undiscounted lease payments	**49.3**	**46.1**	**90.7**	**85.3**	**271.4**
At 31 March 2023					
Bank and other borrowings – repayment of overdraft and loan principal (restated[1])	22.6	0.3	772.8	0.7	796.4
Bank and other borrowings – interest payments (restated[1])	14.3	14.3	39.1	0.1	67.8
Derivatives cash outflows settled gross	28.7	145.4	198.8	1,503.3	1,876.2
Undiscounted lease payments	54.6	44.9	80.5	72.2	252.2

1 'Bank and other borrowings – repayment of overdraft and loan principal' has been restated to remove lease payments which were duplicated within this line item in the prior period in error. Interest payments were also not included in the prior year table.

The impact of discounting for lease payments is £40.9 million (2023: £23.4 million) resulting in lease liabilities of £230.5 million (2023: £228.8 million). Other financial liabilities not included in the table above such as trade and other payables are all expected to be settled within one year.

22. Financial risk management continued

Currency risk

Currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities, when revenue or expense is denominated in a foreign currency, and the Group's net investments in foreign subsidiaries.

The functional currency of Babcock International Group PLC and its UK subsidiaries is GBP. The presentation currency of the Group is GBP. The Group has exposure primarily to EUR, ZAR, AUD and CAD.

The Group's risk management objective, policy and performance are as follows:

Objective	The Group's objective is to reduce exposure to volatility in earnings and cash flows from movements in foreign currency exchange rates. The Group is exposed to a number of foreign currencies, the most significant being the EUR, ZAR, AUD and CAD.
Policy – Transactional risk	In order to mitigate the currency risk of adverse currency movements on foreign currency denominated transactions, the Group's policy is to hedge all foreign currency transactions greater than £10k, using financial instruments where appropriate. The Group applies IFRS 9 hedge accounting treatment where appropriate.
Policy – Translational risk	The Group is also exposed to adverse foreign currency movements on translation of net assets and income statements of foreign subsidiaries and joint ventures and associates. It is not the Group's policy to hedge through the use of derivatives the translation effect of exchange rate movements on the income statements or statement of financial positions of overseas subsidiaries and joint ventures and associates it regards as long-term investments. However, where the Group has material assets denominated in a foreign currency, it will consider matching the assets with foreign currency denominated debt.
Risk management	Currency risk management includes hedging the underlying foreign currency exposures in the foreign exchange market with approved counterparties. Currency transactions are recorded and monitored in the treasury management system. Each of the sectors in the Group provides a quarterly foreign currency exposure report to monitor the level of currency hedge cover is appropriate.
Performance	All material firm transactional exposures are economically hedged using foreign exchange forward contracts.

The effect of cash flow hedges on the Group's financial position and performance in the year was as follows:

	Year ended 31 March 2024							
Hedging instruments (£m)	Nominal amount	Carrying value	Maturity	Hedged rate	Change in fair value used for calculating hedge effectiveness	Change in fair value recognised in other comprehensive income	Amount reclassified from cash flow hedge reserve to finance cost	Ineffectiveness recognised in profit and loss (finance cost)
Hedge instrument: Cross currency swap	€275m	(£11.1)	13/09/27	1.152	2.8	2.8	6.6	–
Hedged item: EUR-denominated debt	€275m	N/A	13/09/27	N/A	(6.6)	N/A	N/A	N/A

As outstanding cash flow hedges matured in 2023, the amount previously recognised in the hedging reserve has been reclassified to the income statement. Any new derivatives executed to hedge purchases and sales in foreign currencies have been treated as economic hedges with the fair value changes recognised in the income statement rather than through other comprehensive income and therefore disclosure has not been provided on such items.

22. Financial risk management continued

Hedging instruments (£m)	Nominal amount	Carrying value	Maturity	Hedged rate	Change in fair value used for calculating hedge effectiveness	Change in fair value recognised in other comprehensive income	Amount reclassified from cash flow hedge reserve to finance cost	Ineffectiveness recognised in profit and loss (finance cost)
	Year ended 31 March 2023							
Hedge instrument: Cross currency swap	€275m	(£8.2)	13/09/27	1.152	(9.5)	(9.5)	(10.0)	–
Hedged item: EUR-denominated debt	€275m	£241.7	13/09/27	N/A	10.0	N/A	N/A	N/A

	Year ended 31 March 2024			Year ended 31 March 2023		
	Change in foreign currency rate	Effect on profit before tax £m	Effect on other components of equity £m	Change in foreign currency rate	Effect on profit before tax £m	Effect on other components of equity £m
EUR *	**5%**	**(0.6)**	**(0.6)**	5%	1.5	1.5
ZAR	**5%**	**(1.5)**	**(1.5)**	5%	(2.0)	(2.0)
AUD	**5%**	**(0.5)**	**(0.5)**	5%	(0.4)	(0.4)
CAD	**5%**	**(0.6)**	**(0.6)**	5%	(0.4)	(0.4)

* This sensitivity analysis excludes the impact of the disposal of the Group's Aerial Emergency Services business, as this is a one-off transaction which is not expected to re-occur.

Sensitivity analysis on currency risk has been prepared based on an approximation of reasonably possible changes in foreign exchange rates relative to the Group's functional and reporting currency.

Under the Group's economic hedging policy, the terms of the forward contracts are arranged to align with the expected timing, currency and amounts of the hedged items. The Group typically enters into forward contracts where the hedge ratio is 1:1 on the basis that the notional amount of the designated hedging instruments matches the principal amount of the forecast foreign currency transaction.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations to the Group, which would result in a loss for the Group. Credit risk arises from trade and other receivables, cash and cash equivalents, investments and derivative financial instruments.

The Group's risk management objective, policy and performance are as follows:

Objective	The Group's objective is to ensure that the Group continues to operate with an acceptable level of credit risk, based on management's judgement, associated with its operating activities, such as customer trade receivables, and financial activities, including cash deposits and financial instruments.
Policy	The Group's policy is to manage credit risk by setting and reviewing appropriate credit limits for non-government commercial customers, being the Group's main exposure to credit risk. With regards to financial institutions, credit limits will be set according to the respective financial institution's credit rating. Counterparty bank credit risk is closely monitored on a systematic and ongoing basis.
Risk management	Credit risk management includes performing credit checks on non-government commercial customers and setting and only performing financial transactions with approved investment grade counterparties.
Performance	Expected credit loss on trade receivable portfolio/provisions of £8.5 million (2023: £7.3 million). The carrying amount of the Group's financial assets represents the maximum exposure to credit risk.

Cash and cash equivalents and derivative financial instruments

The Group utilises approved investment-grade counterparties to carry out treasury transactions, including investments of cash and cash equivalents, with counterparty bank credit risk being monitored closely on a systematic and ongoing basis. A credit limit is allocated to each institution taking account of its market capitalisation and credit rating, and as such credit risk on these counterparties is not considered to be material to the financial statements.

The Group's counterparty credit rating is as follows:

	31 March 2024	31 March 2023
AA- or higher	**13.2%**	22.8%
A+ to A-	**76.9%**	67.4%
BBB+ to BB-	**9.9%**	9.8%

22. Financial risk management continued

Trade receivables

The Group's assessment is that credit risk in relation to customers or sub-contractors to governments is limited as their probability of default is considered to be extremely low. The provision for expected credit losses for receivables from governments and sub-contractors to government customers is therefore considered immaterial in the context of the receivables balance. The Group manages credit risk in relation to trade and other receivables for all non-government commercial customers through various mitigating controls including credit checks, credit limits and ongoing monitoring. Expected credit losses are assessed for all non-government customers, however this is not considered to be material to the financial statements.

For trade receivables, the Group measures a provision for expected credit losses at an amount equal to lifetime expected credit losses, estimated by reference to past experience and relevant forward-looking factors. For all other assets the loss allowance is measured using 12-months expected credit losses unless there was a significant increase in credit risk since initial recognition. Forward-looking factors are applied to homogenous groups of receivables which share characteristics and are based on an estimate of how corporate failure rates may change relative to historic levels given the current economic environment.

The Group considers that default has occurred when receivables are more than 90 days overdue and recognises a provision of 100% against all such receivables unless there is evidence of recoverability at the individual receivable level. The movement on the provision for expected credit losses is as follows:

	2024 £m	2023 £m
Balance at 1 April	**(7.3)**	(14.6)
Charged to the income statement	**(1.9)**	(1.7)
Unused amounts reversed	**0.4**	2.0
Disposal of businesses	**–**	7.4
Exchange differences	**0.3**	(0.4)
Balance at 31 March	**(8.5)**	(7.3)

The creation and release of provisions for impairment of receivables have been included in operating costs in the income statement.

The Group writes off a receivable when there is evidence that the debtor is in significant financial difficulty and there is no realistic prospect of recovery, for example, when a debtor enters bankruptcy or financial reorganisation. The ageing of trade receivables is detailed below:

	Year ended 31 March 2024			Year ended 31 March 2023		
	Gross £m	Provision £m	Net £m	Gross £m	Provision £m	Net £m
Not past due	**241.5**	**–**	**241.5**	291.3	–	291.3
Up to 90 days overdue	**15.0**	**(0.1)**	**14.9**	3.7	(0.1)	3.6
Past 90 days overdue	**9.9**	**(8.4)**	**1.5**	12.3	(7.2)	5.1
	266.4	**(8.5)**	**257.9**	307.3	(7.3)	300.0

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security other than retention of title clauses issued as part of the ordinary course of business.

For contract assets the expected credit loss provision is immaterial as the probability of default is insignificant. No expected loss provision has been recorded in respect of loans to joint ventures and associates.

22. Financial risk management continued

Offsetting financial assets and liabilities

	Year ended 31 March 2024			Year ended 31 March 2023		
	Balance sheet £m	Amounts not offset[1] £m	Net balances £m	Balance sheet £m	Amounts not offset[1] £m	Net balances £m
Assets						
Cash and cash equivalents	**570.6**	**(18.0)**	**552.6**	451.0	(18.9)	432.1
Derivatives	**7.2**	**(7.2)**	**–**	6.9	(6.9)	–
Liabilities						
Bank and other borrowings	**(18.0)**	**18.0**	**–**	(18.9)	18.9	–
Derivatives	**(61.4)**	**7.2**	**(54.2)**	(66.1)	6.9	(59.2)

1. The Group has the legal right of offset within certain of its banking arrangements, however there is no intention to net settle these balances shortly after the period end and therefore these have been presented gross in accordance with IAS 32. The Group also has derivative assets and liabilities with the same financial institutions which also have offset language to allow for net settlement, however the Group has no intention to net settle and therefore the IAS 32 criteria are not satisfied and the derivative asset and derivative liabilities have been presented gross in the statement of financial position.

Capital risk

Capital risk is the risk that the entity may not be able to continue as a going concern. The capital structure of the Group consists of net debt (cash and cash equivalents, bank overdrafts, loans, including the interest rate and foreign exchange derivatives which hedge the loans, lease liabilities, lease receivables and loans to joint ventures and associates) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests. The Group is not subject to any externally imposed capital requirements.

The Group's risk management objective, policy and performance are as follows:

Objective	The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, and to provide returns for shareholders and other stakeholder benefits.
Policy	The Group's policy is to protect and strengthen the Group statement of financial position through the appropriate balance of debt and equity funding.
Risk management	The Group manages its capital structure and makes adjustments in response to changes to economic conditions and the strategic objectives of the Group. The Group raises finance in the public debt market from financial institutions, using a variety of capital market instruments and borrowing facilities.
Performance	During the prior year, the Group entered into an overdraft facility of £50 million. No other new facilities have been entered into.

23. Share capital

	Ordinary shares of 60p Number	Total £m
Allotted, issued and fully paid		
At 1 April 2023 and 31 March 2024	**505,596,597**	**303.4**
Allotted, issued and fully paid		
At 1 April 2022 and 31 March 2023	505,596,597	303.4

Potential issues of ordinary shares

The table below shows options and conditional share awards existing over the Company's shares as at 31 March 2024 that are capable of being met on exercise or vesting by the issue of new shares. They represent outstanding awards granted under the Company's executive share plans. The awards were granted directly by the Company and satisfied by the Trustees of the Babcock Employee Share Trust (BEST) – a total of 12,490,853 shares (2023: 10,346,859 shares). The Company decides from time to time whether to satisfy the awards by way of a fresh issue of shares (either to the award holder or to the employee share trust) or by way of financing the employee share trusts to purchase already issued shares in the market. This decision is made according to available headroom within the dilution limits contained in the relevant share plan rules and what the Directors consider to be in the best interest of the Company at the time.

Grant date	Type	Exercise period	2024 Number	2023 Number
13 June 2019	DBP[3]	13/06/2022 – 13/06/2023	**–**	22,971
3 August 2020	DBP[2]	03/08/2022 – 03/08/2023	**–**	44,300
3 August 2020	DBP[3]	03/08/2023 – 03/08/2024	**–**	109,929
13 August 2020	DBP[3]	13/08/2023 – 13/08/2024	**27,026**	192,096
1 December 2020	PSP[1]	01/12/2025 – 01/12/2026	**1,197,393**	1,389,984
1 December 2020	PSP[1]	01/12/2023 – 01/12/2024	**532,695**	1,470,518
24 August 2021	PSP[1]	24/08/2026 – 24/08/2027	**769,165**	769,165
24 September 2021	DBP[3]	24/09/2024 – 24/09/2025	**45,312**	45,312
24 September 2021	PSP[1]	24/09/2024 – 24/09/2025	**1,290,265**	1,368,274
24 September 2021	PSP[1]	24/09/2026 – 24/09/2027	**515,803**	553,389
1 August 2022	DBP[4]	01/08/2023 – 01/08/2024	**–**	551,420
1 August 2022	DBP[3]	01/08/2025 – 01/08/2026	**218,895**	218,895
1 August 2022	PSP[1]	01/08/2025 – 01/08/2026	**2,007,994**	2,191,017
1 August 2022	PSP[1]	01/08/2027 – 01/08/2028	**1,328,136**	1,419,589
1 August 2023	PSP[1]	01/08/2026 – 01/08/2027	**2,353,826**	–
1 August 2023	DBP[3]	01/08/2026 – 01/08/2027	**129,095**	–
1 August 2023	DBP[4]	01/08/2024 – 01/08/2025	**179,247**	–
1 August 2023	PSP[1]	01/08/2028 – 01/08/2029	**694,057**	–
29 September 2023	PSP[1]	29/09/2028 – 29/09/2029	**900,607**	–
15 December 2023	PSP[1]	15/12/2025 – 15/12/2026	**42,077**	–
15 December 2023	PSP[1]	15/12/2026 – 15/12/2027	**127,553**	–
15 December 2023	PSP[1]	15/12/2028 – 15/12/2029	**131,707**	–
			12,490,853	10,346,859

Options granted to Directors are summarised in the Remuneration report on pages 148 to 156 and are included in the outstanding options set out above.

1. 2019 Performance Share Plan ('PSP').
2. DBP – Award issued without matching shares, has two-year vesting period.
3. DBP – Award issued without matching shares, has three-year vesting period.
4. DBP – Award issued without matching shares, has one-year vesting period.

23. Share capital continued

The table below shows shares already held by the trustees of the BEST in order to meet these awards.

	31 March 2024		31 March 2023	
	Shares newly issued by the Company	Shares bought in the market	Shares newly issued by the Company	Shares bought in the market
BEST	–	1,872,433	–	69,517
Total	–	1,872,433	–	69,517

A reconciliation of PSP and DBP movements is shown below:

	31 March 2024 Number '000	31 March 2023 Number '000
Outstanding at 1 April	10,347	9,946
Granted	4,742	4,492
Exercised	(1,947)	(350)
Forfeited/lapsed	(651)	(3,741)
Outstanding at 31 March	12,491	10,347
Exercisable at 31 March	27	67

The weighted average share price for awards exercised during the year was 406.2p per share (2023: 339.1p per share). The weighted average fair value of awards granted in the year was 362.6p per share (2023: 327.1p per share)

During the year 3,721,467 ordinary shares (2023: 21,362 ordinary shares) were acquired or subscribed for through the Babcock Employee Share Trust ('the Trust'). The Trust holds shares to be used towards satisfying awards made under the Company's employee share schemes. During the year ended 31 March 2024, 1,918,551 shares (2023: 349,881 shares) were disposed of by the Trust resulting from options exercised. At 31 March 2024, the Trust held a total of 1,872,433 ordinary shares (2023: 69,517 ordinary shares). Shares held by the trust have a nominal value of £1,123,460 (2023: £41,710) and a total market value of £9,736,652 (2023: £207,717) representing 0.4% (2023: 0.01%) of the issued share capital at that date. The Company did not pay dividends to the Trust during the year. The Company meets the operating expenses of the Trust.

The Trust enables shares In the Company to be held or purchased and made available to employees through the exercise of rights or pursuant to awards made under the Company's employee share scheme. The Trust is a discretionary settlement for the benefit of employees within the Group. The Company is excluded from benefitting under it. It is controlled and managed outside the UK and has a single corporate trustee which is an independent trustee services organisation. The right to remove and appoint the trustees rests ultimately with the Company. The trustee of the Trust is required to waive both voting rights and dividends payable on any share in the Company in excess of 0.001p, unless otherwise directed by the Company.

Own shares held, including treasury shares and shares held by the Trust are recognised as a deduction from retained earnings.

24. Share-based payments

The charge to the income statement has been based on the assumptions below and is based on the application of Black Scholes model or on the binomial model as adjusted, allowing for a closed form numerical-integrated solution, which makes it analogous to the Monte Carlo simulations, including performance conditions as deemed necessary. The detailed description of the plans below is included within the Remuneration report.

During the year the total charge relating to employee share-based payment plans was £12.4 million (2023: £9.4 million), all of which related to equity-settled share-based payment transactions.

After tax, the income statement charge was £9.6 million (2023: £7.6 million).

24. Share-based payments continued

The fair value per option granted and the assumptions used in the calculation are as follows:

PSP and DBP[1]

	Options awarded Number	Share price at grant or modification date Pence	Expected volatility %	Option life Years	Expectations of meeting performance criteria – non-market conditions %	Fair value per option – TSR Pence	Fair value per option – non-market conditions Pence	Correlation %	Grant or modification date
2023 PSP	1,259,675	371	32.6%	4.0	100.0%	–	334	–	01/08/23
2023 PSP	1,234,901	371	–	4.0	100.0%	–	371	–	01/08/23
2023 PSP	737,280	371	32.6%	6.0	100.0%	–	334	–	01/08/23
2023 PSP	78,571	413	32.0%	6.0	100.0%	–	372	–	29/09/23
2023 PSP	822,036	413	–	6.0	100.0%	–	413	–	29/09/23
2023 PSP	42,077	385	–	3.0	100.0%	–	385	–	15/12/23
2023 PSP	127,553	385	–	4.0	100.0%	–	385	–	15/12/23
2023 PSP	131,707	385	32.0%	6.0	100.0%	–	347	–	15/12/23
2023 DBP	129,095	371	–	4.0	100.0%	–	371	–	01/08/23
2023 DBP	179,247	371	–	2.0	100.0%	–	371	–	01/08/23
2022 PSP	2,302,009	351	19.0%	4.0	100.0%	–	351	–	01/08/22
2022 PSP	613,078	351	19.0%	6.0	100.0%	–	316	–	01/08/22
2022 PSP	806,511	351	19.0%	6.0	100.0%	169	316	55.0%	01/08/22
2022 DBP	218,895	351	19.0%	4.0	100.0%	–	351	–	01/08/22
2022 DBP	551,420	351	19.0%	2.0	100.0%	–	351	–	01/08/22
2021 PSP	769,165	372	19.0%	6.0	100.0%	149	316	55.0%	24/08/21
2021 PSP	626,704	380	19.0%	6.0	100.0%	–	325	–	24/09/21
2021 PSP	1,780,849	380	19.0%	4.0	100.0%	–	380	–	24/09/21
2021 DBP	45,312	380	19.0%	4.0	100.0%	–	380	–	24/09/21
2020 PSP	695,458	350	19.0%	6.0	100.0%	–	305	–	01/12/20
2020 PSP	2,091,247	350	19.0%	4.0	100.0%	–	350	–	01/12/20
2020 PSP	1,341,477	350	19.0%	6.0	100.0%	138	305	55.0%	01/12/20
2020 DBP	118,320	289	19.0%	4.0	100.0%	–	289	–	03/08/20
2020 DBP	192,096	284	19.0%	4.0	100.0%	–	284	–	13/08/20

2. PSP = 2019 Performance Share Plan and DBP = 2022 Deferred Bonus Plan.

The vesting period and the expected life of PSP awards are three years. The vesting period and expected life of DBP awards was one year for awards made in August 2022 and two years for previous, other than for Executives where the vesting period is three years. The holders of all awards receive dividends.

For PSP awards made in December 2020, 2,786,705 were made via the use of restricted shares with a three-year vesting period. There are no performance conditions attached. A further 1,341,477 awards were made where the performance criteria is 50% against free cash flow and 50% TSR.

PSP awards made in August 2021 of 769,165 shares include performance criteria weighted to 50% against free cash flow targets and 50% against TSR performance.

PSP awards made in September 2021 of 2,407,553 shares were made via the use of restricted shares with a three-year vesting period. There are no performance conditions attached.

For PSP awards made in August 2022, 3,318,343 were made via the use of restricted shares with a three-year vesting period. There are no performance conditions attached. A further 403,255 awards were made where the performance criteria is 50% against free cash flow and 50% TSR.

For PSP awards made in August to December 2023, 3,611,764 were made via the use of restricted shares with a three-year to five year vesting period. There are no performance conditions attached. A further 822,036 awards were made where the performance criteria is 30% against free cash flow, 30% underlying operating margin, 25% organic revenue growth and 15% ESG.

There are no performance conditions attached to the DBP.

The expected volatility is based on historical volatility over the last one to three years. The expected life is the average expected period to exercise. The risk-free rate of return is the yield on zero-coupon government bonds of a term consistent with the assumed option life.

24. Share-based payments continued

The Group also operates the Babcock Employee Share Plan which allows employees to contribute up to £150 per month to the fund, which then purchases shares on the open market on the employees' behalf. The Group provides matching shares, purchased on the open market, of one share for every 10 purchased by the employee. During the year the Group bought 116,711 matching shares (2023: 140,340 matching shares) at a cost of £0.4 million (2023: £0.4 million).

The Group also operates the Babcock Employee Share Plan International which reflects the structure of the UK Plan. During the year no matching shares were purchased on the open market (2023: no matching shares) and 2,192 matching shares vested (2023: 1,055 matching shares) leaving a balance of 3,726 matching shares (2023: 5,918 matching shares).

25. Retirement benefits and liabilities

Defined contribution schemes

Pension costs for defined contribution schemes are as follows:

	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m
Defined contribution schemes	**110.7**	94.6

Defined benefit schemes

Statement of financial position assets and liabilities recognised are as follows:

	31 March 2024 £m	31 March 2023 £m
Retirement benefits – funds in surplus	**107.3**	94.8
Retirement benefits – funds in deficit	**(217.0)**	(156.2)
	(109.7)	(61.4)

The Group has a number of defined benefit pension schemes. The principal defined benefit pension schemes in the UK are the Devonport Royal Dockyard Pension Scheme ('DRDPS'), the Babcock International Group Pension Scheme ('BIGPS') and the Rosyth Royal Dockyard Pension Scheme (together, 'the Principal schemes'). Each of these schemes is predominantly a final salary plan in which future pension levels are defined relative to number of years' service and final salary. Retirement age varies by scheme. The nature of these schemes is that the employees only contribute whilst they are active employees of a scheme, with the employer 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 of each scheme who are advised by independent, qualified actuaries.

In January 2024, the Group commenced a consultation with affected employees and their representatives with regard to a proposal that would close the DRDPS to future accrual with effect from 30 September 2024 and to provide benefits for service from 1 October 2024 onwards through a defined contribution scheme. The consultation process for this proposal ended on 25 March 2024. Following the conclusion of the consultation process, a decision has been taken by Devonport Royal Dockyard Limited to proceed with closure of the DRDPS to future accrual and the Trustee has given in-principle agreement to this decision. There is no impact to the accounting as at 31 March 2024 for this item however there will be a future impact in the subsequent year's consolidated income statement as a result of the curtailment / settlement of the scheme. Due to the options available to the affected employees, we are yet to calculate the impact however through initial assessments we do not expect this to be material.

In March 2024, all employers of employees who are provided benefits in the BIGPS commenced a consultation with the employees and their representatives with regard to a proposal that would close the BIGPS to future accrual with effect from 30 September 2024 and to provide like-for-like benefits for service from 1 October 2024 onwards through alternative schemes. Consultation ended on 7 June 2024 and no decisions have been taken.

The Group also participates in the Babcock Rail Ltd Shared Cost Section of the Railways Pension Scheme ('the Railways scheme'). This scheme is a multi-employer shared cost scheme with the contributions required, the assessment of the assets and the liabilities that have accrued to members and any deficit recovery payments all agreed with the trustees who are advised by an independent, qualified actuary. The costs are, in the first instance, shared such that the active employees contribute 40% of the cost of providing the benefits and the employer contributes 60%. However, the assumption is that as the active membership reduces, the liability will ultimately revert to the Group, and as such, it is assumed that the entire cost of the Railways Scheme is met by the Group. The Group's share of the assets and liabilities is separately identified to those of other employers in the scheme and therefore the Group cannot be held liable for the obligations of other entities that participate in the Railways scheme.

25. Retirement benefits and liabilities continued

Defined benefit scheme risks

Through its defined benefit pension schemes, the Group is exposed to a number of risks, the most notable of which are as follows:

Risk	Mitigation
Asset volatility – discount rates (determined with reference to AA corporate bond yields) are used to determine expected returns on plan assets. Asset yields which vary from this expected return will result in an increase or decrease in the overall surplus/deficit.	Pension scheme assets are held in a diversified portfolio of assets in order to minimize risk arising from asset return volatility. Investments are well diversified, such that failure of any singular investment would not have a material impact on the overall level of assets. The asset investment strategy is agreed following consultation between the Group and the plan Trustees. The Group and the plan Trustees monitor the schemes closely – especially during periods of significant turmoil and will maintain a diversified investment strategy intended to minimize asset volatility.
Inflation – the majority of pension scheme obligations are index-linked and therefore exposed to inflation risk. Increasing inflation will lead to higher liabilities. Inflation assumptions as applied to pension obligations are a long-term assessment of inflation over the life of the scheme.	The plan Trustees asset management policy includes investing in inflation hedging assets such as inflation linked bonds to mitigate this risk.
Life expectancy – the majority of obligations are to provide benefits for the life of the member and therefore changes in life expectancy of the scheme participants will impact the liability position.	The Group monitors the risk of increasing life expectancy and will, from time to time, take out longevity swaps to mitigate this risk – the most recent of which was in 2009.
Interest rate – movements in corporate bond yields will result in a change to the plan liabilities. Similarly, movements in gilt yields in isolation will have an impact on the schemes funding positions.	The trustee's asset management policy includes investing in bonds and therefore any impact on change in bond yields on the plan liabilities is partially offset by returns on assets. The asset portfolio invests in assets which increase in value as interest rates decrease and thus the schemes holdings are designed to hedge against interest rate risk for most of the funded liabilities.
Salary increases – changes in long-term salary increases will impact the final salary position on which pension benefits are determined.	In 2019, the Group closed the Babcock International Group Pension Scheme to future accrual for some employees; and, in 2020, closed the Rosyth Royal Dockyard Pension Scheme to future accrual for all employees.

The defined benefit schemes are prudently funded by payments to legally separate trustee-administered funds. The trustees of each scheme are required by law to act in the best interests of each scheme's members. In addition to determining future contribution requirements (with the agreement of the Group), the trustees are responsible for setting the schemes' investment strategy (subject to consultation with the Group). All the schemes have at least one independent trustee and member nominated trustees. The schemes are subject to regulation under the funding regime set out in Part III of the Pensions Act 2004. The details of the latest formal actuarial valuation of the scheme are as follows (the actuarial valuation of the Devonport Royal Dockyard Scheme as at 31 March 2023 is ongoing, the actuarial valuation of the Babcock Rail Ltd section of the Railways Pension Scheme as at 31 December 2022 has been completed and the actuarial valuation of the Rosyth Royal Dockyard Pension Scheme as at 31 March 2024 has commenced):

25. Retirement benefits and liabilities continued

	Devonport Royal Dockyard Scheme	Babcock International Group Scheme	Rosyth Royal Dockyard Scheme	Babcock Rail Ltd section of the Railways Pension Scheme
Date of last formal completed actuarial valuation	31/03/2020	31/03/2022	31/03/2021	31/12/2022
Number of active members at above date	1,607	308	–	131
Actuarial valuation method	Projected unit	Projected unit	Projected unit	Attained age
Results of formal actuarial valuation:				
Value of assets	£1,894m	£1,529m	£946m	£262m
Level of funding	90%	105%	86%	98%

The Group also participates in or provides a number of other smaller pension schemes including a number of sections of the local government pension schemes where in most cases the employer contribution rates are fully reimbursed by the administering authorities. It also participates in the Magnox Electric Group Section of the Electricity Supply Pension Scheme and runs the Babcock Naval Services Pension Scheme, which commenced winding up in 2021, and for which the MOD retains liability.

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

	Devonport Royal Dockyard Scheme	Babcock International Group Scheme	Rosyth Royal Dockyard Scheme	Babcock Rail Ltd section of the Railways Pension Scheme	Other	Total
Future service contribution rate	17.1%	30.3%	N/A	8.88%	–	–
Future service cash contributions	£9.3m	£3.0m	–	£0.3m	£2.5m	£15.1m
Deficit contributions	£12.7m	–	£12.4m	–	£1.6m	£26.7m
Additional longevity swap payments	£7.3m	–	£4.3m	–	–	£11.6m
Expected employer cash costs for 2024/25	£29.3m	£3.0m	£16.7m	£0.3m	£4.1m	£53.4m
Expected salary sacrifice contributions	£5.9m	£0.4m	–	£0.1m	£0.7m	£7.1m
Expected total employer contributions	£35.2m	£3.4m	£16.7m	£0.4m	£4.8m	£60.5m

Where salary sacrifice arrangements are in place, the Group effectively meets the members' contributions. The above level of funding is expected to continue until the next actuarial valuation of each scheme is completed; valuations are carried out every three years.

The expected payments from the schemes are primarily pension payments and lump sums. Most of the pensions increase at a fixed rate or in line with RPI or CPI inflation when in payment. Benefit payments commence at retirement, death or incapacity and are predominantly calculated with reference to final salary. The levels of deficit contributions reflected above are expected to continue until technical provisions (self-sufficiency for the Babcock International Group Pension Scheme) funding levels are met either through asset performance or funding.

Although the Group anticipates that scheme surpluses will be utilised during the life of the scheme to address member benefits, the Group recognises its retirement benefit surpluses in full in respect of schemes in surplus, on the basis that it is management's judgement that there are no substantive restrictions on the return of residual scheme assets in the event of a winding-up of the scheme after all member obligations have been met. The Group also considers that the trustees do not have the power to unilaterally wind-up the schemes or vary benefits.

Virgin Media Case

The Group is aware of the ongoing 'Virgin Media v NTL Pension Trustees Ltd and others' case and that there is a potential for the outcome of the case to have an impact on the Group's UK pension schemes. The case affects defined benefit schemes that provided contracted-out benefits before 6 April 2016 based on meeting the reference scheme test. Where scheme rules were amended, potentially impacting benefits accrued from 6 April 1997 to 6 April 2016, schemes needed the actuary to confirm that the reference scheme test was still being met by providing written confirmation under Section 37 of the Pension Schemes Act 1993. In the Virgin Media case the judge ruled that alterations to the scheme rules were void and ineffective because of the absence of written actuarial confirmation required under Section 37 of the Pension Schemes Act 1993. The case has been taken to The Court of Appeal, with the hearing having taken place in June 2024. The potential impact on the Group is not yet known and continues to be assessed.

25. Retirement benefits and liabilities continued

The latest full actuarial valuations of the Group's defined benefit pension schemes have been updated to 31 March 2024 by independent qualified actuaries for IAS 19 purposes, on a best estimate basis, using the following assumptions:

March 2024	Devonport Royal Dockyard Scheme	Babcock International Group Scheme	Rosyth Royal Dockyard Scheme	Babcock Rail Ltd section of the Railways Pension Scheme
Rate of increase in pensionable salaries	**2.9%**	**2.9%**	**–**	**0.5%**
Rate of increase in pensions (past service)	**2.7%**	**3.1%**	**3.2%**	**2.8%**
Discount rate	**4.8%**	**4.8%**	**4.8%**	**4.8%**
Inflation rate (RPI) – year 1	**2.5%**	**2.6%**	**2.6%**	**2.6%**
Inflation rate (RPI) – thereafter	**3.1%**	**3.2%**	**3.2%**	**3.2%**
Inflation rate (CPI) – year 1	**1.8%**	**1.8%**	**1.8%**	**1.9%**
Inflation rate (CPI) – thereafter	**2.7%**	**2.7%**	**2.7%**	**2.8%**
Weighted average duration of cash flows (years)	**13**	**11**	**13**	**13**
Total life expectancy for current pensioners aged 65 (years) – male	**85.3**	**86.1**	**84.3**	**84.9**
Total life expectancy for current pensioners aged 65 (years) – female	**87.2**	**88.7**	**86.7**	**87.2**
Total life expectancy for future pensioners currently aged 45 (years) – male	**86.2**	**87.1**	**85.3**	**85.9**
Total life expectancy for future pensioners currently aged 45 (years) – female	**88.4**	**89.9**	**87.9**	**88.4**

March 2023				
Rate of increase in pensionable salaries	3.0%	3.0%	–	0.5%
Rate of increase in pensions (past service)	2.8%	3.2%	3.3%	2.9%
Discount rate	4.8%	4.8%	4.8%	4.8%
Inflation rate (RPI) – year 1	6.9%	6.9%	6.9%	6.9%
Inflation rate (RPI) – thereafter	3.3%	3.3%	3.3%	3.3%
Inflation rate (CPI) – year 1	4.7%	4.7%	4.7%	4.7%
Inflation rate (CPI) – thereafter	2.8%	2.8%	2.8%	2.8%
Weighted average duration of cash flows (years)	13	12	13	13
Total life expectancy for current pensioners aged 65 (years) – male	85.5	86.3	84.4	85.0
Total life expectancy for current pensioners aged 65 (years) – female	87.5	88.9	86.8	87.3
Total life expectancy for future pensioners currently aged 45 (years) – male	86.2	86.8	85.6	86.0
Total life expectancy for future pensioners currently aged 45 (years) – female	88.5	89.4	88.1	88.5

25. Retirement benefits and liabilities continued

The fair value of the assets and the present value of the liabilities of the Group pension schemes at 31 March were as follows:

	2024				2023			
	Principal schemes £m	Railways scheme £m	Other schemes £m	Total £m	Principal schemes £m	Railways scheme £m	Other schemes £m	Total £m
Fair value of plan assets								
Growth assets								
Equities	**68.7**	**9.8**	**30.6**	**109.1**	(3.1)	10.6	26.6	34.1
Property funds	**251.7**	**0.2**	**4.8**	**256.7**	301.7	0.2	5.9	307.8
High yield bonds/emerging market debt	**–**	**–**	**0.4**	**0.4**	–	–	0.4	0.4
Absolute return and multi-strategy funds	**1.7**	**140.8**	**17.0**	**159.5**	6.0	148.0	17.5	171.5
Low-risk assets								
Bonds	**1,234.4**	**82.8**	**52.3**	**1,369.5**	1,227.7	95.5	45.1	1,368.3
Matching assets*	**1,423.4**	**1.5**	**15.0**	**1,439.9**	1,524.7	1.4	21.7	1,547.8
Longevity swaps and annuities	**(240.9)**	**–**	**(9.9)**	**(250.8)**	(231.8)	–	(10.1)	(241.9)
Fair value of assets	**2,739.0**	**235.1**	**110.2**	**3,084.3**	2,825.2	255.7	107.1	3,188.0
Percentage of assets quoted	**73%**	**100%**	**71%**	**75%**	79%	100%	70%	80%
Percentage of assets unquoted	**27%**	**–**	**29%**	**25%**	21%	–	30%	20%
Present value of defined benefit obligations								
Active members	**436.9**	**30.6**	**26.2**	**493.7**	450.7	45.7	21.7	518.1
Deferred pensioners	**640.5**	**64.7**	**31.3**	**736.5**	686.6	65.3	34.7	786.6
Pensioners	**1,778.8**	**142.1**	**42.9**	**1,963.8**	1,773.6	130.5	40.6	1,944.7
Total defined benefit obligations	**2,856.2**	**237.4**	**100.4**	**3,194.0**	2,910.9	241.5	97.0	3,249.4
Net (liabilities)/assets recognised in the statement of financial position	**(117.2)**	**(2.3)**	**9.8**	**(109.7)**	(85.7)	14.2	10.1	(61.4)

* The matching assets for the Babcock International Group Pension Scheme, Devonport Royal Dockyard Pension Scheme and Rosyth Royal Dockyard Pension Scheme primarily comprise a "Liability Driven Investment" portfolio for each scheme, which invest in gilts, Network Rail bonds, gilt repurchase agreements, interest rate and inflation swaps, asset swaps and cash, on a segregated basis. For the Babcock International Group Pension Scheme and the Devonport Royal Dockyard Pension Scheme, there are also investments in investment grade credit, via both segregated portfolios and pooled investment vehicles. The various segregated portfolios and pooled investment vehicle each utilise derivative contracts. The Trustee has authorised the use of derivatives by the investment managers for efficient portfolio management purposes including to reduce certain investment risks such as interest rate risk and inflation risk. The principal investment in derivatives is gilt repurchase agreements, interest rate and inflation swaps in the matching portfolios; total return swaps in the return seeking portfolios. These derivatives are included within the matching assets and equities classifications. The matching assets category includes gross assets of £2,326 million (2023: £2,580 million) and associated repurchase agreement liabilities of £903 million (2023: £1,055 million). Repurchase agreements are entered into with counterparties to better offset the scheme's exposures to interest and inflation rates, whilst remaining invested in assets of a similar risk profile.

The schemes do not invest directly in assets or shares of the Group.

The longevity swaps have been valued 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 amounts recognised in the Group income statement are as follows:

	2024				2023			
	Principal schemes £m	Railways scheme £m	Other schemes £m	Total £m	Principal schemes £m	Railways scheme £m	Other schemes £m	Total £m
Current service cost	**12.7**	**0.8**	**1.9**	**15.4**	21.7	1.3	2.8	25.8
Incurred expenses	**7.8**	**0.4**	**0.3**	**8.5**	6.2	0.5	0.1	6.8
Total included within operating profit	**20.5**	**1.2**	**2.2**	**23.9**	27.9	1.8	2.9	32.6
Net interest cost/(credit)	**2.1**	**(0.7)**	**(0.6)**	**0.8**	(8.5)	1.4	(0.4)	(7.5)
Total included within income statement	**22.6**	**0.5**	**1.6**	**24.7**	19.4	3.2	2.5	25.1

25. Retirement benefits and liabilities continued

Amounts recorded in the Group statement of comprehensive income

	Year ended 31 March 2024				Year ended 31 March 2023			
	Principal schemes £m	Railways scheme £m	Other schemes £m	Total £m	Principal schemes £m	Railways scheme £m	Other schemes £m	Total £m
Actual return less interest on pension scheme assets	**(175.7)**	**(21.6)**	**(3.3)**	**(200.6)**	(1,437.0)	(17.1)	(79.0)	(1,533.1)
Experience (losses)/gains arising on scheme liabilities	**(26.8)**	**0.3**	**(4.3)**	**(30.8)**	(135.6)	(18.0)	(9.3)	(162.9)
Changes in assumptions on scheme liabilities	**69.7**	**3.0**	**3.6**	**76.3**	1,111.2	101.2	81.2	1,293.6
At 31 March	**(132.8)**	**(18.3)**	**(4.0)**	**(155.1)**	(461.4)	66.1	(7.1)	(402.4)

Analysis of movement in the Group statement of financial position

	Year ended 31 March 2024				Year ended 31 March 2023			
	Principal schemes £m	Railways scheme £m	Other schemes £m	Total £m	Principal schemes £m	Railways scheme £m	Other schemes £m	Total £m
Fair value of plan assets								
At 1 April	**2,825.2**	**255.7**	**107.1**	**3,188.0**	4,220.3	275.8	237.0	4,733.1
Interest on assets	**134.1**	**12.0**	**5.2**	**151.3**	113.4	7.3	5.4	126.1
Actuarial loss on assets	**(175.7)**	**(21.6)**	**(3.3)**	**(200.6)**	(1,437.0)	(17.1)	(79.0)	(1,533.1)
Employer contributions	**123.9**	**2.3**	**5.3**	**131.5**	167.4	2.5	4.6	174.5
Employee contributions	**0.1**	**–**	**–**	**0.1**	0.1	–	–	0.1
Benefits paid	**(168.6)**	**(13.3)**	**(4.1)**	**(186.0)**	(239.0)	(12.8)	(4.8)	(256.6)
Settlements	**–**	**–**	**–**	**–**	–	–	(56.1)	(56.1)
At 31 March	**2,739.0**	**235.1**	**110.2**	**3,084.3**	2,825.2	255.7	107.1	3,188.0
Present value of benefit obligations								
At 1 April	**2,910.9**	**241.5**	**97.0**	**3,249.4**	3,992.6	327.1	221.8	4,541.5
Service cost	**12.7**	**0.8**	**1.9**	**15.4**	21.7	1.3	2.8	25.8
Incurred expenses	**7.8**	**0.4**	**0.3**	**8.5**	6.2	0.5	0.1	6.8
Interest cost	**136.2**	**11.3**	**4.6**	**152.1**	105.0	8.7	4.9	118.6
Employee contributions	**0.1**	**–**	**–**	**0.1**	0.1	–	–	0.1
Experience loss/(gain)	**26.8**	**(0.3)**	**4.3**	**30.8**	135.6	18.0	9.3	162.9
Actuarial gain – demographics	**(38.6)**	**(0.2)**	**(0.9)**	**(39.7)**	(38.2)	(3.6)	(1.7)	(43.5)
Actuarial gain– financial	**(31.1)**	**(2.8)**	**(2.7)**	**(36.6)**	(1,073.1)	(97.7)	(79.3)	(1,250.1)
Benefits paid	**(168.6)**	**(13.3)**	**(4.1)**	**(186.0)**	(239.0)	(12.8)	(4.8)	(256.6)
Settlements	**–**	**–**	**–**	**–**	–	–	(56.1)	(56.1)
At 31 March	**2,856.2**	**237.4**	**100.4**	**3,194.0**	2,910.9	241.5	97.0	3,249.4
Net (deficit)/surplus at 31 March	**(117.2)**	**(2.3)**	**9.8**	**(109.7)**	(85.7)	14.2	10.1	(61.4)

The movement in net deficits for the year ended 31 March 2024 is as a result of the movement in assets and liabilities shown above.

The disclosures below relate to post-retirement benefit schemes which are accounted for as defined benefit schemes in accordance with IAS 19. The changes to the Group statement of financial position at 31 March 2024 and the changes to the Group income statement for the year to March 2025, if the assumptions were sensitised by the amounts below, would be:

	Defined benefit obligations 2024 £m	Income statement 2025 £m
Initial assumptions	**3,194.0**	**24.5**
Discount rate assumptions increased by 0.5%	**(182.7)**	**(10.6)**
Discount rate assumptions decreased by 0.5%	**200.3**	**9.7**
Inflation rate assumptions increased by 0.5%	**139.9**	**7.4**
Inflation rate assumptions decreased by 0.5%	**(130.9)**	**(7.0)**
Total life expectancy increased by half a year	**60.6**	**3.0**
Total life expectancy decreased by half a year	**(59.2)**	**(3.0)**
Salary increase assumptions increased by 0.5%	**11.9**	**0.8**
Salary increase assumptions decreased by 0.5%	**(11.5)**	**(0.8)**

25. Retirement benefits and liabilities continued

The figures in the table above have been calculated on an approximate basis, using information about the expected future benefit payments out of the schemes. The analysis above may not be representative of actual changes to the position since changes in assumptions are unlikely to happen in isolation. The change in inflation rates is assumed to affect the assumed rate of RPI inflation, CPI inflation and future pension increases by an equal amount. The fair value of the schemes' assets are assumed not to be affected by any sensitivity changes shown and so the statement of financial position values would increase or decrease by the same amount as the change in the defined benefit obligations. There have been no changes in the methodology for the calculation of the sensitivities since the prior year.

26. Changes in net debt

	31 March 2023 £m	Cash flow £m	Additional leases £m	Other non-cash movement [1] £m	Changes in fair value £m	Exchange movement £m	31 March 2024 £m
Cash and bank balances	**451.7**	**124.6**	–	–	–	**(5.7)**	**570.6**
Bank overdrafts	**(22.2)**	**4.0**	–	–	–	**0.2**	**(18.0)**
Cash, cash equivalents and bank overdrafts	**429.5**	**128.6**	–	–	–	**(5.5)**	**552.6**
Debt	**(765.8)**	**13.1**	–	**(3.0)**	**0.5**	**5.7**	**(749.5)**
Derivatives hedging Group debt	**(8.3)**	–	–	–	**(2.8)**	–	**(11.1)**
Lease liabilities	**(228.8)**	**49.6**	**(55.2)**	–	–	**3.9**	**(230.5)**
Changes in liabilities from financing arrangements	**(1,002.9)**	**62.7**	**(55.2)**	**(3.0)**	**(2.3)**	**9.6**	**(991.1)**
Lease receivables	**38.6**	**(32.0)**	**32.4**	–	–	**(3.5)**	**35.5**
Loans to joint ventures and associates	**9.5**	**(5.4)**	–	**(0.2)**	–	–	**3.9**
Derivatives hedging interest on Group debt	**(39.1)**	–	–	–	**2.8**	–	**(36.3)**
Net debt	**(564.4)**	**153.9**	**(22.8)**	**(3.2)**	**0.5**	**0.6**	**(435.4)**

	31 March 2022 £m	Cash flow £m	Additional leases £m	Other non-cash movement [1] £m	Clarification of net debt definition [2] £m	Changes in fair value £m	Exchange movement £m	31 March 2023 £m
Cash and bank balances	1,146.3	(687.9)	–	–	–	–	(6.7)	451.7
Bank overdrafts	(389.8)	366.6	–	–	–	–	1.0	(22.2)
Cash, cash equivalents and bank overdrafts	756.5	(321.3)	–	–	–	–	(5.7)	429.5
Debt	(1,321.3)	556.2	–	(1.6)	–	37.2	(36.3)	(765.8)
Derivatives hedging Group debt	(29.3)	(0.8)	–	–	–	21.8	–	(8.3)
Lease liabilities	(434.1)	108.5	(117.0)	223.4	–	–	(9.6)	(228.8)
Changes in liabilities from financing arrangements	(1,784.7)	663.9	(117.0)	221.8	–	59.0	(45.9)	(1,002.9)
Lease receivables	47.4	(31.9)	28.5	–	–	–	(5.4)	38.6
Loans to joint ventures and associates	12.1	(2.4)	–	(0.2)	–	–	–	9.5
Derivatives hedging interest on Group debt	–	–	–	–	(36.1)	(3.0)	–	(39.1)
Net debt	(968.7)	308.3	(88.5)	221.6	(36.1)	56.0	(57.0)	(564.4)

1. Other non-cash movements predominantly relate to the disposal of lease liabilities and associated lease receivables as part of the disposal transactions described in note 27.
2. During the prior year the definition of net debt was clarified, resulting in the inclusion of the interest rate swap hedging Group debt, which was excluded in the prior year.

27. Acquisition and disposal of subsidiaries, businesses and joint ventures and associates

Acquisitions

There have been no acquisitions in the year ended 31 March 2024 nor in the prior financial year.

Disposals

There were no disposals in the year ended 31 March 2024. During the period, the Group has settled certain warranty related items and provisions in respect of prior disposals. These have resulted in the release and/or utilisation of warranty related provisions. The cash consideration of prior disposals has also been revised.

27. Acquisition and disposal of subsidiaries, businesses and joint ventures and associates continued

	Year ended 31 March 2024 Total £m
Reduction in disposal proceeds	(1.3)
Adjustment to historic net assets disposed	(2.2)
Loss on disposal	**(3.5)**
Disposal related items – release of provisions	11.7
Business acquisition, merger and divestment related items	**8.2**

Year ended 31 March 2023

On 19 July 2022, the Group announced it had entered into a sale and purchase agreement to dispose of part of its aerial emergency services business in Europe. The disposal group was part of the Aviation sector and provided Aerial Emergency Services, including medical, firefighting and search & rescue to customers and communities, in Italy, Spain, Portugal, Norway, Sweden and Finland. The disposal completed on 28 February 2023. The Group received consideration of £187.1 million.

On 1 September 2022, the Group entered into a sale and purchase agreement to dispose of its Civil Training business. The disposal group was part of the Land sector and the disposal completed on 1 February 2023. The Group received consideration of £5.5 million.

	Year ended 31 March 2023			
	Aerial Emergency Services £m	Civil Training £m	Other £m	Total £m
Goodwill	–	0.6	–	0.6
Investment in joint ventures and associates	1.0	–	–	1.0
Other intangible assets	18.9	–	–	18.9
Property, plant and equipment	236.8	0.1	–	236.9
Right of use assets	182.0	–	–	182.0
Deferred tax assets	20.6	–	–	20.6
Other non-current assets	4.4	–	–	4.4
Inventory	35.4	–	–	35.4
Trade and other receivables	99.5	9.4	–	108.9
Derivatives	4.2	–	–	4.2
Income tax receivable	1.5	–	–	1.5
Cash, cash equivalents and bank overdrafts	10.5	2.6	–	13.1
Other non-current liabilities	(0.2)	–	–	(0.2)
Bank and other borrowings	(1.6)	–	–	(1.6)
Lease liabilities	(218.1)	–	–	(218.1)
Deferred tax liability	(6.3)	–	–	(6.3)
Income tax payable	(0.6)	–	–	(0.6)
Trade and other payables	(128.7)	(4.6)	–	(133.3)
Other current liabilities	–	–	–	–
Provisions	(15.6)	–	–	(15.6)
Net assets disposed	**243.7**	**8.1**	**–**	**251.8**
Cumulative currency translation loss	(1.2)	–	–	(1.2)
Total	**242.5**	**8.1**	**–**	**250.6**
Consideration	187.1	5.5	–	192.6
Disposal costs	(18.1)	(1.3)	–	(19.4)
Net consideration after disposal costs	**169.0**	**4.2**	**–**	**173.2**
Loss on disposal	**(73.5)**	**(3.9)**	**–**	**(77.4)**
Disposal related items	(43.4)	–	3.1	(40.3)
Business acquisition, merger and divestment related items	**(116.9)**	**(3.9)**	**3.1**	**(117.7)**
Sale proceeds	**187.1**	**5.5**	**–**	**192.6**
Sale proceeds less cash disposed of	176.6	2.9	–	179.5
Less non-cash proceeds	–	(1.5)	–	(1.5)
Less transaction costs	(18.1)	(1.3)	–	(19.4)
Net cash inflow	**158.5**	**0.1**	**–**	**158.6**

27. Acquisition and disposal of subsidiaries, businesses and joint ventures and associates continued

Disposal related items in relation to the Aerial Emergency Services disposal include asset impairments for assets not disposed but relating to the Aerial Emergency Services businesses whose carrying value exceeded recoverable amount following the disposal transaction along with provisions for certain warranty related items.

28. Transactions with non-controlling interests

There were no material transactions with non-controlling interests in the current or prior year.

29. 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 Group'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. The Group does not recognise contingent liabilities. There are a number of contingent liabilities that arise in the normal course of business, including:

a. The nature of the Group's long-term contracts means that there are reasonably frequent contractual issues, variations and renegotiations that arise in the ordinary course of business, including liabilities that arise on completion of contracts and on conclusion of relationships with joint ventures and associates. The Group takes account of the advice of experts, both internal and external, in making judgements on contractual issues and whether the outcome of negotiations will result in an obligation to the Group. The Directors do not believe that the outcome of these matters will result in any material adverse change in the Group's financial position.

b. As a large contracting organisation, the Group has a significant number of contracts with customers to deliver services and products, as well as with its supply chain, where the Group cannot deliver all those services and products itself. The Group is involved in disputes and litigation, which have arisen in the course of its normal trading in connection with these contracts. Whilst the Directors do not believe that the outcome of these matters will result in any material adverse change in the Group's financial position, it is possible that, if any of these disputes come to court, the court may take a different view to the Group.

c. The Group is subject to corporate and other tax rules in the jurisdictions in which it operates. Changes in tax rates, tax reliefs and tax laws, or interpretation of the law, by the relevant tax authorities may result in financial and reputational damage to the Group. This may affect the Group's financial condition and performance.

d. The Group has given certain indemnities and warranties in the course of disposing of businesses and companies and in completing contracts. The Group believes that any liability in respect of these is unlikely to have a material effect on the Group's financial position.

e. Corporate rules in those jurisdictions may also extend to compensatory trade agreements, or economic offset rules, where we may have to commit to use local content in delivering programmes of work. Delivery of offset is also subject to interpretations of law and agreement with local authorities, which we monitor closely but may give rise to financial and reputational damage to the Group if not undertaken appropriately.

30. Capital and other financial commitments

Capital commitments

	31 March 2024 £m	31 March 2023 £m
Contracts placed for future capital expenditure not provided for in the financial statements	**6.7**	7.8

30. Capital and other financial commitments continued

Subsidiary audit exemptions

The following UK subsidiary undertakings are exempt from the requirements of the Companies Act 2006 (the Act) relating to the audit of individual accounts by virtue of section 479A of the Act.

Legal entity name	Company number	Legal entity name	Company number
Airwork Limited	00322249	Babcock Marine (Rosyth) Limited	SC333105
Appledore Shipbuilders (2004) Limited	02052982	Babcock Marine Limited	02141109
Babcock Airports Limited	03954520	Babcock Marine Shipbuilding Limited	14302509
Babcock Assessments Limited	02881056	Babcock Mission Critical Services Design and Completions Limited	05035651
Babcock Contractors Limited	04540026	Babcock Mission Critical Services Leasing Limited	04635275
Babcock Critical Assets Holdings LLP	OC376675	Babcock Mission Critical Services Limited	08010453
Babcock Defence & Security Holdings LLP	OC376674	Babcock Mission Critical Services Topco Limited	08338012
Babcock Defence and Security Investments Limited	08132272	Babcock Mission Critical Services UK Limited	07527245
Babcock Defence Systems Limited	02999029	Babcock MSS Limited	01996548
Babcock Education & Training Holdings LLP	OC376676	Babcock Nuclear Limited	05265567
Babcock Education and Skills Limited	03494815	Babcock Overseas Investments Limited	02669327
Babcock Education Holdings Limited	08132276	Babcock Project Investments Limited	03463927
Babcock Fire Services Limited	03707192	Babcock Project Services Limited	04539887
Babcock Group (US Investments) Limited	07445425	Babcock Services Group Limited	03939840
Babcock Information Analytics and Security Limited	02275471	Babcock Services Limited	10278084
Babcock Integrated Technology (Korea) Limited	09566389	Babcock Southern Holdings Limited	01915771
Babcock Integration LLP	OC356460	Babcock Support Services (Investments) Limited	04393168
Babcock International Support Services Limited	03335786	Babcock UK Finance	00096730
Babcock Investments (Fire Services) Limited	04380306	Babcock Ukraine Limited	15155796
Babcock Investments (Number Four) Limited	05269128	Babcock US Investments Limited	07422616
Babcock Investments Limited	00165086	Bond Aviation Topco Limited	08493398
Babcock Land Limited	03493110	Flagship Fire Fighting Training Limited	03700728
Babcock Management Limited	00107414	LGE IP Management Company Limited	SC695940
Babcock Marine & Technology Holdings Limited	04539974	Peterhouse Group Limited	01517100
Babcock Marine (Clyde) Limited	SC220243	Vosper Thornycroft (UK) Limited	00070274
Babcock Marine (Devonport) Limited	02959785		

Babcock International Group PLC will guarantee all outstanding liabilities that these subsidiaries are subject to as at the financial year ended 31 March 2024 in accordance with section 479C of the Act, as amended by the Companies and Limited Liability Partnerships (Accounts and Audit Exemptions and Change of Accounting Framework) Regulations 2012.

31. Related party transactions

Related party transactions for the year ended 31 March 2024 are:

2024	2024 Revenue to £m	2024 Purchases from £m	2024 Year-end debtor balance £m	2024 Year-end creditor balance £m
Joint ventures and associates				
First Swietelsky Operation and Maintenance	**9.3**	**–**	**–**	**(0.2)**
Ascent Flight Training (Management) Limited	**5.6**	**–**	**1.4**	**–**
Rotary Wing Training Limited	**4.5**	**–**	**–**	**–**
Fixed Wing Training Limited	**6.4**	**–**	**–**	**–**
Advanced Jet Training Limited	**2.6**	**–**	**–**	**–**
Rear Crew Training Limited	**1.2**	**–**	**0.2**	**–**
AirTanker Services Limited	**15.5**	**–**	**–**	**–**
Alert Communications Limited	**6.7**	**–**	**0.4**	**(0.2)**
Duqm Naval Dockyard SAOC	**–**	**–**	**–**	**–**
Alkali Metal Processing Limited	**0.8**	**(6.5)**	**0.3**	**(1.1)**
	52.6	**(6.5)**	**2.3**	**(1.5)**

2023	2023 Revenue to £m	2023 Purchases from £m	2023 Year-end debtor balance £m	2023 Year-end creditor balance £m
Joint ventures and associates				
First Swietelsky Operation and Maintenance	9.0	–	0.4	(0.4)
Ascent Flight Training (Management) Limited	0.9	–	0.3	–
Ascent Flight Training (Holdings) Limited	–	–	0.2	–
Rotary Wing Training Limited	4.1	–	–	–
Fixed Wing Training Limited	3.1	(0.2)	–	(0.4)
Advanced Jet Training Limited	1.3	–	0.3	–
Rear Crew Training Limited	0.8	–	–	–
AirTanker Services Limited	13.7	–	0.1	–
Alert Communications Limited	7.4	–	0.5	–
Duqm Naval Dockyard SAOC	–	–	0.3	–
	40.3	(0.2)	2.1	(0.8)

a. All transactions noted above arise in the normal course of business and on normal, arm's length commercial terms – typically revenue transactions (including those part of the year-end debtor balance) are non-interest bearing and on standard 30-day payment terms.

b. Defined benefit pension schemes. Please refer to note 25 for transactions with the Group defined benefit pension schemes.

c. Key management compensation is shown in note 6.

d. Transactions in employee benefits trusts are shown in note 25.

32. Events after the reporting period

There were no events after the reporting period which would materially impact the balances reported in this Annual Report.

33. Group entities

In accordance with Section 409 of the Companies Act 2006, a full list of subsidiaries and equity accounted investments as at 31 March 2024 is disclosed below. Unless otherwise stated, the Group's interest in the voting share capital is represented by one type of ordinary share and is 100%, the entities are unlisted, the year end is 31 March and the address of the registered office is 33 Wigmore Street, London, W1U 1QX. Babcock (UK) Holdings Limited is the only entity held directly by Babcock International Group PLC. No subsidiary undertakings have been excluded from the consolidation.

Subsidiaries, wholly owned

Airwork Limited

Appledore Shipbuilders (2004) Limited[1]
Devonport Royal Dockyard, Devonport, Plymouth, PL1 4SG, United Kingdom

Armstrong Technology Associates Limited*

Babcock (Ireland) Treasury Limited
Custom House Plaza, Block 6, IFSC, Dublin, 1, Ireland

Babcock (NZ) Limited
C/O Babcock Central Office, HMNZ Dockyard, Devonport Naval Base, Queens Parade, Devonport, Auckland, 0744, New Zealand

Babcock (UK) Holdings Limited[3]

Babcock Aerospace Limited

Babcock Africa Investments (Pty) Ltd
Riley Road Office Park, 15E Riley Road, Bedfordview, Gauteng, 2007, South Africa

Babcock Airports Limited

Babcock Assessments Limited

Babcock Australia Holdings Pty Ltd
Level 9, 70 Franklin Street, Adelaide SA 5000, Australia

Babcock Aviation Services (Holdings) Limited,[1]

Babcock B.V.
Bezuidenhoutseweg 1, 2594 AB The Hague, The Netherlands

Babcock Canada Inc.
45 O'Connor Street, Suite 1500, Ottawa, Ontario K1P 1A4, Canada

Babcock Communications Cyprus Limited
Spyrou Kyprianou, 47, 1st Floor, Mesa Geitona, 4004 Limassol, Cyprus

Babcock Communications Limited

Babcock Contractors Limited[1]

Babcock Corporate Secretaries Limited*

Babcock Corporate Services Limited

Babcock Critical Assets Holdings LLP

Babcock Critical Services Limited
103 Waterloo Street, Glasgow, Scotland, G2 7BW, United Kingdom

Babcock Defence & Security Holdings LLP

Babcock Defence and Security Investments Limited

Babcock Defence Systems Limited

Babcock Defense (USA) Incorporated
251 Little Falls Drive, Wilmington, Delaware 19808, United States

Babcock Design & Technology Limited*
Rosyth Business Park, Rosyth, Dunfermline, Fife, KY11 2YD, Scotland

Babcock DS 2019 Limited*

Babcock Education & Training Holdings LLP

Babcock Education and Skills Limited

Babcock Education Holdings Limited

Babcock Engineering Limited*
Heliporto de Salemas, Lousa, 2670-769, Lisboa, Loures, Portugal

Babcock Europe Finance Limited[1]
Trident Park, Notabile Gardens, No. 2 – Level 3, Mdina Road, Zone 2, Central Business District, Birkirkara CBD 2010, Malta

Babcock Fire Services (SW) Limited

Babcock Fire Services Limited

Babcock Fire Training (Avonmouth) Limited

Babcock Group (US Investments) Limited

Babcock Holdings (USA) Incorporated[7]
251 Little Falls Drive, Wilmington, Delaware 19808, United States

Babcock Holdings Limited[3]

Babcock Information Analytics and Security Holdings Limited*

Babcock Information Analytics and Security Limited[5]

Babcock Integrated Technology (Korea) Limited

Babcock Integrated Technology GmbH
Am Zoppenberg 23, 41366 Schwalmtal, Germany

Babcock Integrated Technology Limited

Babcock Integration LLP

Babcock International France Aviation SAS
Lieu dit le Portaret, 83340, Le Cannet-des-Maures, France

Babcock International France SAS
21 Rue Leblanc 75015, Paris, France

Babcock International France Terre SAS
21 Rue Leblanc 75015, Paris, France

Babcock International Holdings BV
Bezuidenhoutseweg 1, 2594 AB The Hague, The Netherlands

Babcock International Holdings Limited[1]
Trident Park, Notabile Gardens, No. 2 – Level 3, Mdina Road, Zone 2, Central Business District, Birkirkara CBD 2010, Malta

Babcock International Limited[5]

Babcock International Support Services Limited

Babcock International US Inc
251 Little Falls Drive, Wilmington, Delaware 19808, United States

Babcock Investments (Fire Services) Limited

Babcock Investments (Number Four) Limited

Babcock Investments Limited

Babcock IP Management (Number One) Limited

Babcock IP Management (Number Two) Limited

Babcock IP Management (Number Three) Limited

Babcock Ireland Finance Limited
44 Esplanade, St Helier, JE4 9WG, Jersey

Babcock Korea Limited
72-1, Shinsan-ro, Saha-gu, Busan, 49434, South Korea

Babcock Land Defence Limited

Babcock Luxembourg Finance S.a.r.l.
12F rue Guillaume Kroll, L – 1882 Luxembourg

Babcock Luxembourg Investments I S.a.r.l.
12F rue Guillaume Kroll, L – 1882 Luxembourg

Babcock Luxembourg Investments S.a.r.l.
12F rue Guillaume Kroll, L – 1882 Luxembourg

Babcock Luxembourg S.a.r.l.
12F rue Guillaume Kroll, L – 1882 Luxembourg

Babcock M 2019 Limited*

Babcock Malta Limited
44 Esplanade, St Helier, JE4 9WG, Jersey

Babcock Malta (Number Two) Limited
44 Esplanade, St Helier, JE4 9WG, Jersey

Babcock Malta Finance (Number Two) Limited[2]
Trident Park, Notabile Gardens, No. 2 – Level 3, Mdina Road, Zone 2, Central Business District, Birkirkara CBD 2010, Malta

Babcock Malta Finance Limited[2]
Trident Park, Notabile Gardens, No. 2 – Level 3, Mdina Road, Zone 2, Central Business District, Birkirkara CBD 2010, Malta

Babcock Malta Holdings (Number Two) Limited[2]
Trident Park, Notabile Gardens, No. 2 – Level 3, Mdina Road, Zone 2, Central Business District, Birkirkara CBD 2010, Malta

Babcock Malta Holdings Limited[2]
Trident Park, Notabile Gardens, No. 2 – Level 3, Mdina Road, Zone 2, Central Business District, Birkirkara CBD 2010, Malta

Babcock Management 2019 Limited*

Babcock Management Limited

Babcock Marine & Technology Holdings Limited

Babcock Marine (Clyde) Limited
Rosyth Business Park, Rosyth, Dunfermline, Fife, KY11 2YD, Scotland

Babcock Marine (Devonport) Limited[1]
Devonport Royal Dockyard, Devonport, Plymouth, PL1 4SG, England

33. Group entities continued

Subsidiaries, wholly owned continued

Babcock Marine (Rosyth) Limited
Rosyth Business Park, Rosyth, Dunfermline, Fife, KY11 2YD, Scotland

Babcock Marine Holdings (UK) Limited[5]

Babcock Marine Limited

Babcock Marine Products Limited*

Babcock Marine Training Limited[1]

Babcock MCS Congo SA
Avenue Charles de Gaulle, PB 5871, Pointe-Noire, PB 5871, The Republic of Congo

Babcock Mission Critical Services Australasia Pty Ltd
Level 9, 70 Franklin Street, Adelaide SA 5000, Australia

Babcock Mission Critical Services Design and Completions Limited

Babcock Mission Critical Services Germany GmbH
Bismarckstraße 100, 41061 Mönchengladbach

Babcock Mission Critical Services Leasing Limited

Babcock Mission Critical Services Ltd

Babcock Mission Critical Services Onshore Limited

Babcock Mission Critical Services Topco Ltd[1]

Babcock Mission Critical Services UK Limited

Babcock MSS Limited

Babcock Nuclear Limited

Babcock Oman LLC
P.O. Box 2315, Ghala, Muscat, 130, Oman

Babcock Overseas Investments Limited

Babcock Project Investments Limited

Babcock Project Services Limited

Babcock Pty Ltd
Level 9, 70 Franklin Street, Adelaide SA 5000, Australia

Babcock Rail Limited

Babcock Services Group Limited

Babcock Services Limited

Babcock Southern Careers Limited*[2]

Babcock Southern Holdings Limited[6]

Babcock Support Services (Investments) Limited

Babcock Support Services GmbH
Bismarckstraße 100, 41061 Mönchengladbach

Babcock Support Services Limited[8]
103 Waterloo Street, Glasgow, Scotland, G2 7BW, United Kingdom

Babcock Support Services s.r.l.
Corso Vercelli, 40, 20145, Milano, Italy

Babcock Training Limited

Babcock UK Finance

Babcock Ukraine Limited

Babcock USA LLC[1]
251 Little Falls Drive, Wilmington, Delaware 19808, United States

Babcock US Investments (Number Two) LLC[1]
251 Little Falls Drive, Wilmington, Delaware 19808, United States

Babcock US Investments Inc.[1]
251 Little Falls Drive, Wilmington, Delaware 19808, United States

Babcock US Investments Limited[5]

Babcock Vehicle Engineering Limited[4]

BNS Pension Trustees Limited*
Rosyth Business Park, Rosyth, Dunfermline, Fife, KY11 2YD, Scotland

BNS Pensions Limited*
Rosyth Business Park, Rosyth, Dunfermline, Fife, KY11 2YD, Scotland

Bond Aviation Topco Limited[5]

Brooke Marine Shipbuilders Limited*

Cavendish Nuclear (Overseas) Limited*

Cavendish Nuclear (USA) Incorporated
251 Little Falls Drive, Wilmington, Delaware 19808, United States

Cavendish Nuclear Japan KK
Regus Tokyo, Arca Central – Office 104, Arca Central Building 14F 1-2-1, Kinshi , Sumida-ku, Tokyo, Japan

Cavendish Nuclear Limited[5]

Chepstow Insurance Limited
PO Box 155, Mill Court, La Charroterie, St Peter Port, GY1 4ET, Guernsey

Crucible Training Systems Limited*

Devonport Royal Dockyard Limited[9]
Devonport Royal Dockyard, Devonport, Plymouth, PL1 4SG, United Kingdom

Devonport Royal Dockyard Pension Trustees Limited*
Devonport Royal Dockyard, Devonport, Plymouth, PL1 4SG, United Kingdom

FBM Babcock Marine Holdings (UK) Limited*

FBM Babcock Marine Limited*

FBM Marine International (UK) Limited*

Flagship Fire Fighting Training Limited

Heli Aviation China Limited*
Rooms 05-15, 13 A/F South Tower, World Finance Centre, Harbour City, 17 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong

INAER Helicopter Chile S.A.*
2880 Americo Vespucio Norte Avenue, Suite 1102, Conchali, Santiago, Chile

INAER Helicopter Peru S.A.C. (In liquidation) 1118 Av. Los Conquistadores, Santa Cruz, San Isidro, Lima, Peru

LGE IP Management Company Ltd
Rosyth Business Park, Rosyth, Dunfermline, Fife, Scotland, KY11 2YD, United Kingdom

Liquid Gas Equipment Limited
Rosyth Business Park, Rosyth, Dunfermline, Fife, Scotland, KY11 2YD, United Kingdom

Liquid Gas Equipment LLC[1]
251 Little Falls Drive, Wilmington, Delaware 19808, United States

Marine Engineering & Fabrications (Holdings) Limited*

Marine Engineering & Fabrications Limited*

Marine Industrial Design Limited
c/o Babcock Central Office, HMNZ Dockyard, Devonport Naval Base, Queens Parade, Devonport, Auckland, 0744, New Zealand

Naval Ship Management (Australia) Pty Ltd
9, 70 Franklin Street, Adelaide, SA 5000, Australia

Peterhouse Group Limited

Peterhouse GmbH
Bismarckstraße 100, 41061 Mönchengladbach

Port Babcock Rosyth Limited*
Rosyth Business Park, Rosyth, Dunfermline, Fife, KY11 2YD, Scotland

Rosyth Royal Dockyard Limited[10]
Rosyth Business Park, Rosyth, Dunfermline, Fife, KY11 2YD, Scotland

Rosyth Royal Dockyard Pension Trustees Limited*
Rosyth Business Park, Rosyth, Dunfermline, Fife, KY11 2YD, Scotland

SBRail Limited*

Vosper Thornycroft (UK) Limited

33. Group entities continued

Subsidiaries, partly owned:

Airwork Technical Services & Partners LLC (51.0%)
PO Box 248 (Muaskar Al Murtafa'a (MAM) Garrison), Muscat, 100, Sultanate of Oman

Babcock Africa (Pty) Limited (90.0%)[7]
Riley Road Office Park, 15E Riley Road, Bedfordview, Gauteng, 2007, South Africa

Babcock Africa Holdings (Pty) Ltd (90.0%)[11]
Riley Road Office Park, 15E Riley Road, Bedfordview, Gauteng, 2007, South Africa

Babcock Africa Services (Pty) Ltd (90.0%)
Riley Road Office Park, 15E Riley Road, Bedfordview, Gauteng, 2007, South Africa

Babcock Aviation Services Holdings International Limited (49.82%)[11]
52 St Christopher Street, Valletta, VLT 1462, Malta

Babcock Dyncorp Limited[9] (56.0%)

Babcock Education and Training (Pty) Ltd (90.0%)
Riley Road Office Park, 15E Riley Road, Bedfordview, Gauteng, 2007, South Africa

Babcock Financial Services (Pty) Ltd (90.0%)
Riley Road Office Park, 15E Riley Road, Bedfordview, Gauteng, 2007, South Africa

Babcock Learning and Development Partnership LLP (80.1%)

Babcock MCS Ghana Limited (90.0%)
No. 9, Carrot Avenue, Adjacent Lizzy Sport Complex, East Legon, Accra, Ghana

Babcock Mission Critical Services (Ireland) Limited (49.82%)
13-18 City Quay, Dublin 2, Ireland

Babcock Mission Critical Services France SA (49.82%)
Lieu dit le Portaret, 83340, Le Cannet-des-Maures, France

Babcock Moçambique Limitada (90.0%)
Av. Samora Machel 3380/1, Mozambique

Babcock Namibia Services Pty Ltd (90.0%)
Unit 3 Ground Floor, Dr Agostinho Neto Road, Ausspann Plaza, Ausspanplatz, Windhoek, Namibia

Babcock Ntuthuko Aviation (Pty) Limited (66.78%)*
Riley Road Office Park, 15E Riley Road, Bedfordview, Gauteng, 2007, South Africa

Babcock Ntuthuko Engineering (Pty) Limited (46.37%)[9]
Riley Road Office Park, 15E Riley Road, Bedfordview, Gauteng, 2007, South Africa

Babcock Ntuthuko Powerlines (Pty) Limited (46.81%)*
Unit G3 Victoria House, Plot 132 Independence Avenue, Gaborone, Botswana

Babcock Plant Services (Pty) Ltd (64.82%)[5]
Riley Road Office Park, 15E Riley Road, Bedfordview, Gauteng, 2007, South Africa

Babcock TCM Plant (Proprietary) Limited (90.0%)[7]
Unit G3 Victoria House, Plot 132 Independence Avenue, Gaborone, Botswana

Babcock Zambia Limited (90.0%)
16 Arusha, Town Centre, Ndola, Copper Belt, Zambia

Cognac Formation Aero (90.0%)
Base Aérienne 709 Cognac 16100 Châteaubernard, France

National Training Institute LLC (70.0%)
PO Box 267, MadinatQaboos, Sultanate of Oman, 115 Oman

Joint ventures and associates (equity accounted):

ABC Electrification Ltd (33.3%)[9]
8th Floor, The Place, High Holborn, London, WC1V 7AA

AirTanker Services Limited (23.5%)[12]
AirTanker Hub RAF Brize Norton, Carterton, Oxfordshire, England, OX18 3LX, United Kingdom

Alert Communications Group Holdings Limited (20.0%)

Alkali Metal Processing Limited (50.0%)

Ascent Flight Training (Holdings) Limited (50.0%)

Cavendish Boccard Nuclear Limited (51.0%)

Cavendish Dounreay Partnership Limited (50.0%)[9]

Cavendish Fluor Partnership Limited (65.0%)

Debut Services (South West) Limited (50.0%)
20 Triton Street, Regent's Place, London, NW1 3BF, United Kingdom

Duqm Naval Dockyard SAOC (49.0%)
The Special Economic Zone at Duqm, Al-Duqm, Al-Wusta'a, 3972 112, Oman

FSP (2004) Limited (50.0%)[1]
8 Stephenson Place, Hamilton International Technology Park, Blantyre, G72 0LH, Scotland

Okeanus Vermogensverwaltungs GmbH & Co. KG (50.0%)
Vorsetzen 54, 20459, Hamburg, Germany

Wholly owned subsidiaries with registered office at 55 Baker Street, London, W1U 7EU, United Kingdom, in Members Voluntary Liquidation:

Babcock Civil Infrastructure Limited; Bond Aviation Leasing Limited.

Wholly owned subsidiaries with registered office at 5 Temple Square, Temple Street, Liverpool, L2 5RH, in Members Voluntary Liquidation:

Babcock Infrastructure Holdings LLP.

Skills2Learn Limited

Joint venture, with registered office at 18-22 Lloyd Street, Manchester, M2 5WA United Kingdom, in Members Voluntary Liquidation:

ALC (Superholdco) Limited (50.0%)[13]

Notes

* Dormant entity.

1. Holding of two types of ordinary shares.
2. Holding of three types of ordinary shares.
3. Holding of four types of ordinary shares.
4. Holding of six types of ordinary shares.
5. Holding of ordinary and preference shares.
6. Holding of ordinary and deferred shares.
7. Holding of ordinary and redeemable preference shares.
8. Holding of ordinary and five types of preference shares.
9. Holding of one type of ordinary share only, where more than one type of share is authorised or in issue.
10. Holding of two types of ordinary shares, where more than two types of share are authorised or in issue.
11. Holding of one type of ordinary share and one type of preference share, where more than two types of share are authorised or in issue.
12. Year end 31 December.
13. Year end 30 June.

Company statement of financial position

As at 31 March

	Note	31 March 2024 £m	31 March 2023 £m
Non-current assets			
Investment in subsidiaries	5	**3,450.7**	3,449.5
Trade and other receivables	6	**463.4**	2,585.5
		3,914.1	6,035.0
Current assets			
Trade and other receivables	6	**165.1**	236.7
Other financial assets		**1.1**	–
Cash and cash equivalents		**–**	150.4
		166.2	387.1
Total assets		**4,080.3**	6,422.1
Non-current liabilities			
Bank and other borrowings	7	**742.5**	744.4
Other financial liabilities	8	**48.6**	47.4
		791.1	791.8
Current liabilities			
Trade and other payables	9	**518.2**	2,893.5
		518.2	2,893.5
Total liabilities		**1,309.3**	3,685.3
Net assets		**2,771.0**	2,736.8
Equity			
Called up share capital	10	**303.4**	303.4
Share premium account		**873.0**	873.0
Capital redemption reserve		**30.6**	30.6
Other reserve		**768.8**	768.8
Retained earnings		**795.2**	761.0
Total equity		**2,771.0**	2,736.8

The accompanying notes are an integral part of this Company statement of financial position. Company number 02342138.

The Company has taken advantage of the exemption granted by Section 408 of the Companies Act 2006 whereby no individual income statement of the Company is disclosed. The Company's profit (2023: loss) for the financial year was £35.5 million (2023: £4.3 million).

The financial statements on pages 247 to 255 were approved by the Board of Directors on 25 July 2024 and are signed on its behalf by:

David Lockwood OBE
Director

David Mellors
Director

Company statement of changes in equity

	Share capital £m	Share premium £m	Other reserve £m	Capital redemption £m	Retained earnings £m	Total equity £m
At 31 March 2022 (restated)	303.4	873.0	768.8	30.6	757.0	2,732.8
Loss for the year	–	–	–	–	(4.3)	(4.3)
Other comprehensive income[1]	–	–	–	–	(1.5)	(1.5)
Total comprehensive income	–	–	–	–	(5.8)	(5.8)
Share-based payments	–	–	–	–	9.4	9.4
Tax on share-based payments	–	–	–	–	0.4	0.4
Net movement in equity	–	–	–	–	4.0	4.0
At 31 March 2023	303.4	873.0	768.8	30.6	761.0	2,736.8
Profit for the year	**–**	**–**	**–**	**–**	**35.5**	**35.5**
Other comprehensive income[1]	**–**	**–**	**–**	**–**	**2.8**	**2.8**
Total comprehensive income	**–**	**–**	**–**	**–**	**38.3**	**38.3**
Dividends	**–**	**–**	**–**	**–**	**(8.5)**	**(8.5)**
Share-based payments	**–**	**–**	**–**	**–**	**12.4**	**12.4**
Tax on share-based payments	**–**	**–**	**–**	**–**	**4.5**	**4.5**
Purchase of own shares	**–**	**–**	**–**	**–**	**(12.5)**	**(12.5)**
Net movement in equity	**–**	**–**	**–**	**–**	**34.2**	**34.2**
At 31 March 2024	**303.4**	**873.0**	**768.8**	**30.6**	**795.2**	**2,771.0**

1. Other comprehensive income relates to hedge reserve movements net of deferred tax of £2.8 million (2023: £1.5 million).

The other reserve relates to the rights issue of new ordinary shares on 7 May 2014 and the capital redemption reserve relates to the issue and redemption of redeemable 'B' preference shares in 2001.

The retained earnings account includes £289.3 million (2023: £286.5 million), the distribution of which is limited by statutory or other restrictions.

Notes to the Company financial statements

1. General information

Babcock International Group PLC ('the Company') is incorporated and domiciled in England, UK. The address of the registered office is 33 Wigmore Street, London, W1U 1QX. The Company has no ultimate controlling party. The principal activity of the Company is that of a holding company. The Company also arranges certain borrowing facilities on behalf of the wider Group.

2. Material accounting policy information

The material accounting policy information adopted in the preparation of these financial statements is set out below. Material accounting policies have been consistently applied to all the years presented.

Basis of accounting

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:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payments'
- IFRS 7, 'Financial instruments: Disclosures'
- 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)
- 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 year).
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d), 10(f), 16, 38A-38D, 40A-40D, 111, and 134-136.
- IAS 7, 'Statement of cash flows'
- Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors'
- Paragraph 17 of IAS 24, 'Related party transactions' in respect of key management compensation
- The requirements of IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

The financial statements have been prepared on a going concern basis using the historical cost convention, as modified by the revaluation of certain financial instruments. The financial statements are prepared in Sterling which is the functional currency of the Company and rounded to the nearest £0.1 million.

There were no changes to accounting standards that had a material impact on these Financial Statements. New accounting standards, amendments and interpretations not yet adopted are also not anticipated to have a material impact on future periods.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

After making enquiries, the Directors, at the time of approving the financial statements, 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.

Investments

Investments are stated at cost less provision for impairment in value.

Investments are reviewed for impairment at least annually. The recoverable amount is measured as the higher of fair value less costs of disposal, and value-in-use. In assessing value in use, the estimated future cash flows of the underlying investment are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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 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.

2. Material accounting policy information continued

Taxation

Current income tax

Current 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 statement of financial position date.

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 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 statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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.

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.

Finance costs

Finance costs are recognised as an expense in the year in which they are incurred.

Employee benefits

(a) Share-based compensation

The Company operates equity-settled, share-based compensation plans which are either recharged to the relevant subsidiaries or recognised as capital contributions in the associated investments. Full details of the share-based compensation plans are disclosed in note 24 to the Group financial statements.

(b) Pension arrangements

The Company operates a multi-employer defined benefit pension scheme, however all assets and liabilities are recognised in the relevant subsidiary in which the employee operates. See note 25 to the Group financial statements for further details.

Financial instruments

(a) Financial assets and liabilities at amortised cost

Amounts due from subsidiary undertakings are classified as financial assets held at amortised cost. Amounts due to subsidiary undertakings and bank loans and overdrafts are classified as financial liabilities held at amortised cost. These balances are initially recognised at fair value and then held at amortised cost using the effective interest rate method.

The Company assesses on a forward-looking basis the expected credit losses associated with financial assets held at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

(b) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative is entered into and are subsequently remeasured at their 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, gains and losses are deferred in equity until such time as the firm commitment is recognised.

Certain derivatives do not qualify or are not designated as hedging instruments and any movement in their fair value is recognised in profit or loss immediately.

Financial risk management

All treasury transactions are carried out only with investment grade counterparties as are investments of cash and cash equivalents.

2. Material accounting policy information continued

Company guarantees

The Company has guaranteed or has joint and several liability for bank facilities with £8.3 million utilisation at 31 March 2024 (2023: £18.9 million) provided to certain Group companies. The Company has reviewed and concluded that these arrangements constitute financial guarantee contracts. IFRS 17 allows an accounting policy choice to account for such contracts under either IFRS 9 or IFRS 17. This policy choice can vary from contract to contract however the choice for each contract is irrevocable. The Company has elected to apply IFRS 9 (rather than IFRS 17) to such arrangements. These guarantees are measured initially at their fair values, and subsequently measured at the higher of the expected credit loss and the amount initially recognised less cumulative amortisation.

The Company has guaranteed the performance of certain contracts by subsidiaries with their customers. The Company has reviewed and concluded that some of these performance guarantee contracts also meet the definition of financial guarantee contracts (thereby granting a policy choice between IFRS 9 and IFRS 17), whilst others do not meet the definition of a financial guarantee contract (thereby requiring accounting under IFRS 17). In all instances, the Company has elected to apply IFRS 17 (rather than IFRS 9) to performance guarantee contracts in issue as at 31 March 2024.

The probability of losses on performance guarantees has been assessed and it has been determined that the probability is remote after consideration of both historical and forward-looking triggers. As such the estimated liability is immaterial. As a result, no transition accounting entries were required as at 1 April 2023.

Dividends

Dividends are recognised in the Company's financial statements in the year in which they are approved and in the case of interim dividends, when paid.

Critical accounting estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. We have not identified any key sources of estimation uncertainty impacting the reporting period. Other estimates that are not key sources of estimation uncertainty are discussed below.

Estimates which are not key sources of estimation uncertainty

The carrying value of investment in subsidiaries is tested annually for impairment, in accordance with IAS 36. The impairment assessment is based on assumptions in relation to the cash flows expected to be generated by the subsidiaries, together with appropriate discounting of the cash flows.

In the prior year, the carrying value of investments in subsidiaries was identified as a critical accounting estimate given the significance of the remaining carrying value, the headroom within the base case and the inherent level of estimation uncertainty required to undertake impairment testing.

In the current year, we have not identified the carrying value of investments in subsidiaries as a critical accounting estimate as the headroom in the base case has increased such that no reasonably possible changes in assumptions could result in the complete elimination of the headroom.

Critical accounting judgements

There are not considered to be any critical accounting judgements in respect of the Company for the current period.

3. Company profit

The Company has no employees other than the Directors.

The Company has taken advantage of the exemption granted by section 408 of the Companies Act 2006 whereby no individual profit and loss account of the Company is disclosed. The Company's profit for the financial year was £35.5 million (2023: loss of £4.3 million).

Fees payable to the parent auditor and its associates in respect of the audit of the Company's financial statements were £1.8 million (2023: £1.9 million).

4. Directors' emoluments

Under Schedule 5 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (Schedule 5), total Directors' emoluments, excluding Company pension contributions, were £4.9 million (2023: £3.1 million); these amounts are calculated on a different basis from emoluments in the Remuneration report which are calculated under Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (Schedule 8 (2013)). These emoluments were paid for the Directors' services on behalf of Babcock International Group. No emoluments relate specifically to their work for the Company. Under Schedule 5, the aggregate gain made by Directors from the exercise of Long Term Incentive Plans in 2024 as at the date of exercise was £1.0 million (2023: £nil) and the net aggregate value of assets received by Directors in the year ended 31 March 2024 from Long Term Incentive Plans as calculated at the date of vesting was £1.1 million (2023: £nil); these amounts are calculated on a different basis from the valuation of share plan benefits under Schedule 8 (2013) in the Remuneration report.

5. Investment in subsidiary undertakings

	31 March 2024 £m	31 March 2023 £m
Cost at 1 April	**3,449.5**	2,466.5
Additions	**1.2**	983.0
Cost at 31 March	**3,450.7**	3,449.5

Investment additions in the prior year relate wholly to the conversion of preference shares in subsidiary undertakings, which matured by mutual agreement of both parties on 31 March 2023.

Investment additions in the current year relate to the capitalisation of share-based payments charges not recharged to the associated Group undertaking.

At 31 March 2024, the carrying amount of the Company's net assets of £2,771.0 million exceeded the Group's market capitalisation of £2.6 billion (2023: £1.5 billion). As a result, management performed an impairment test of the Company's investments in line with the requirements of IAS 36 *'Impairment of assets'*.

Results of the impairment test for the year ended 31 March 2024

This impairment test for the year ended 31 March 2024 did not result in an impairment.

Impairment methodology

Cash-generating units

The CGU for the purpose of this analysis is the Group as a whole, as the Company has an investment in a single holding company through which it indirectly owns the rest of the Group. The recoverable amount of the CGU is the higher of its value-in-use and its fair value less costs of disposal.

Calculation of recoverable amount

The recoverable amount of the Company's investment in subsidiary undertakings was assessed by reference to value-in-use calculations. Note 10 of the Group financial statements sets out further details in relation to how the value-in-use calculations are determined.

Key assumptions

The key assumptions to which the recoverable amount of the Company's investment in subsidiary undertakings is most sensitive are future cash flows, long-term growth rates and discount rates. Further details on how these inputs are determined are set out in Note 10 of the Group financial statements.

The discount rates and long-term growth rates used to determine the recoverable amount of the Company's investment in subsidiary undertakings are set out below.

	31 March 2024				31 March 2023			
	Aviation	Land	Marine	Nuclear	Aviation	Land	Marine	Nuclear
Pre-tax discount rate	**13.2**	**12.2**	**12.2**	**12.6**	13.1	13.1	13.1	12.4
Post-tax discount rate	**9.8**	**9.0**	**9.0**	**9.3**	9.8	9.8	9.8	9.3
Long-term growth rate	**2.0**	**2.2**	**2.1**	**2.0**	2.1	2.1	2.0	1.9

Sensitivity

The Directors carried out sensitivity analyses on the reasonably possible changes in key assumptions used to determine the recoverable value of the Company's investment in subsidiary undertakings. No reasonably possible changes in estimates led to any potential impairment being identified with headroom remaining under these reasonably possible sensitivities.

6. Trade and other receivables

	31 March 2024 £m	31 March 2023 £m
Non-current		
Amounts due from subsidiary undertakings	**454.8**	2,581.7
Deferred tax	**8.6**	3.8
Total non-current trade and other receivables	**463.4**	2,585.5
Current		
Amounts due from subsidiary undertakings	**164.8**	236.6
Prepayments	**0.3**	0.1
Total current trade and other receivables	**165.1**	236.7

Amounts due from subsidiary undertakings that do not carry interest are repayable on demand.

Amounts due from subsidiary undertakings are held at amortised cost less expected credit losses. The Company's profit for the year includes a reversal of expected credit losses of £69.9 million (2023: charge of £117.4 million). As at 31 March 2024, the amount due from subsidiary undertakings is stated net of an expected credit loss provision of £47.5 million (2023: £117.4 million).

The amounts recorded in the prior year were impacted by a change in assessed credit risk following the disposal of the Aerial Emergency Services business. Reversals recorded in the current year have resulted following the settlement of a number of balances during the year.

Interest rates on amounts owed by subsidiary operations:

	Non-current		Current	
	31 March 2024 £m	31 March 2023 £m	31 March 2024 £m	31 March 2023 £m
EURIBOR + 4.0%	–	24.4	–	152.7
EURIBOR + 2.0%	–	13.1	–	–
EURIBOR + 1.5%	–	–	–	5.4
EURIBOR + 0.0%	–	–	–	0.8
SONIA + 1.5%	**93.0**	–	–	–
SONIA + 4.0%	**29.2**	89.7	–	–
USD LIBOR + 4.0%	–	5.8	–	–
STIBOR + 4%	–	–	–	6.8
BBSW + 1.5%	–	23.9	–	–
NIBOR + 4.0%	–	–	–	6.7
4.5%	**100.8**	–	–	–
Interest-free	**231.8**	2,424.8	**164.8**	64.2
	454.8	2,581.7	**164.8**	236.6

7. Bank and other borrowings

	31 March 2024 £m	31 March 2023 £m
Non-current		
Bank loans and other borrowings	**742.5**	744.4

The Company has £1,517.5 million (2023: £1,968.0 million) of committed borrowing facilities, of which £742.5 million (2023: £768.4 million) was drawn at the year end. The effective interest rates applying to bank loans and other borrowings were as follows:

	31 March 2024 %	31 March 2023 %
UK bank overdraft	**6.4**	5.4
8-year Eurobond September 2027 – fixed	**2.9**	2.9
8-year Eurobond September 2027 – floating	**6.9**	6.3
£300 million bond 2026	**1.9**	1.9

8. Other financial liabilities

	31 March 2024 £m	31 March 2023 £m
Non-current		
Other financial liabilities – currency and interest rate swaps	**48.6**	47.4

Disclosures in respect of the fair value of other financial assets and liabilities are provided in note 21 to the Group accounts.

9. Trade and other payables

	31 March 2024 £m	31 March 2023 £m
Current		
Amounts due to subsidiary undertakings	**512.4**	2,887.6
Accruals and deferred income	**5.8**	5.9
	518.2	2,893.5

The amounts due to subsidiary undertakings are repayable on demand and £512.4 million (2023: £2,887.6 million) is interest-free.

10. Share capital

	Ordinary shares of 60p Number	Total £m
Allotted, issued and fully paid		
At 1 April 2023 and 31 March 2024	**505,596,597**	**303.4**
Allotted, issued and fully paid		
At 1 April 2022 and 31 March 2023	505,596,597	303.4

11. Contingent liabilities, financial guarantee contracts and performance guarantee contracts

(a) The Company has guaranteed or has joint and several liability for bank overdraft facilities that are shared across multiple Group companies with overdrawn balances of £8.3 million at 31 March 2024 (2023: £18.9 million).

(b) Throughout the Group, guarantees exist in respect of performance bonds and indemnities issued on behalf of Group companies by banks and insurance companies in the ordinary course of business. At 31 March 2024 these amounted to £277.5 million (2023: £257.8 million), of which the Company had counter-indemnified £236.5 million (2023: £249.2 million). The liability recognised in respect of these guarantees in the balance sheet as at both 31 March 2024 and 31 March 2023 is immaterial.

(c) The Company has given guarantees on behalf of Group companies in connection with the completion of contracts within specification. The liability recognised in respect of these guarantees in the balance sheet as at both 31 March 2024 and 31 March 2023 is immaterial.

12. Group entities

See note 33 of the Group financial statements for further details.

13. Events after the reporting period

See note 32 of the Group financial statements for further details.