# Babcock Integrated Technology Limited

## Annual report and financial statements

## for the year ended 31 March 2024

Registered number: 6717269

## COMPANY INFORMATION

| | |
|---|---|
| **Directors** | C Bruce<br>M Bealey<br>N Misell<br>R Painter |
| **Company secretary** | Babcock Corporate Secretaries Limited |
| **Registered Number** | 6717269 |
| **Registered office** | 33 Wigmore Street<br>London<br>W1U 1QX |
| **Independent auditor** | Deloitte LLP<br>Abbots House,<br>Abbey Street,<br>Reading,<br>RG1 3BD |

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## Strategic report for the year ended 31 March 2024

The Directors present their Strategic report on the Company for the year ended 31 March 2024.

### Principal activities

The principal activity of the Company is the design, supply, manufacture, installation, support and management of specialist mechanical handling equipment projects and systems engineering, principally within the defence industry.

### Review of the business

| | 2024 £'000 | Restated 2023 £'000 |
|---|---|---|
| Revenue | **283,379** | 270,036 |
| Profit for the financial year | **10,878** | 85,939 |

In the year ended 31 March 2024, the Company restated the prior year financial information. Details of the restatement are contained in note 26.

Over the course of the year, the Company's core business activities continued to perform in line with expectations.

The key projects with which the business was engaged during the year related to submarine and surface ship support, both in the UK and globally. Design and manufacturing activities for the Dreadnought submarine contract and continued in-service support contracts make up the majority of the UK based contract revenue. Meanwhile international work has continued with the manufacture associated with the weapons handling and launch system for the Republic of Korea Navy, continued support to the Canadian submarine programme and the S80 class submarine for the Spanish Navy, were the key drivers of the non-UK revenue.

The contract for the Maritime Systems Support Partner was awarded to Babcock in May 2017 and 2023/24 saw its seventh and final full year of activity. The support of the Queen Elizabeth aircraft carriers continued with both carriers now in service including operational exercises, whilst technical support, assistance and spares management across the Type 45 class also continued over the year.

The Equipment Management business has seen a reduction in the revenue traded in 2023/24, this has been driven by a number of smaller contracts ending impacting the overall revenue.

The Morpheus Logistics Support contract (LSC) was awarded to Babcock in February 2021 and 2023/24 saw its third full year of activity. The contract provides tactical radio logistics services for the Armed Forces and is worth potentially £130m of revenue over 5 years. Revenue traded on this contract increased in 2023/24 due to consistent delivery of Spares and Repairs throughout the year as the contract hits full operational capability.

The Defence Strategic Radio Services (DSRS) contract provides the UK's strategic radio service to critical military operations, worth more than £100m of revenue over 10 years. In service support of the management of the system is delivering against contract obligations, with the contract entering a phase of design and development to enhance system requirements and manage obsolescence.

Statement of financial performance has strengthened during the year with overall net assets of £337m (Restated 2023: £326m). Current assets have increased by 31% from the prior year, this is mainly due to an increase in prepayments relating to contracts and Costs to fulfil a contract with no equivalent in the prior year. Amounts falling due after more than one year of £5.8m have been repaid during the year due to the commencement of the Group wide loan rationalisation process which involves the netting of intercompany payables and receivable loan balances, further balances will be rationalised in 2025.

Profit in the year is being impacted by an impairment of investments charge of £14,029,000, compared to a reversal of impairment of £55,506,000 in the prior year. Further details can be found in Note 14.

## Strategic report for the year ended 31 March 2024 (continued)

**Principal risks and uncertainties**
The Company's ultimate controlling parent is Babcock International Group PLC. Risks are managed at group level in accordance with the risk management framework of Babcock International Group PLC. The principal risks and uncertainties of Babcock International Group PLC are discussed in its Annual Report for the year ended 31 March 2024, which does not form part of this report.

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

The Company and its customers operate around the world, utilising relationships within Australia, Canada, Western Europe and Asia. While benefiting from the opportunities in these regions, the Company and its customers are exposed to the political and business risks associated with international operations, such as sudden changes in regulation, expropriation of assets, imposition of trade barriers, limits on the export of currency and volatility of prices, taxes and currencies. The principal risk and uncertainty facing the Company is the availability of government funding to support existing and future defence activities both in the UK and internationally. The Company maintains a policy of building good working relationships with its customer base, so as to gain advanced understanding of potential funding constraints. The Executive team of the company meets with MOD at numerous forums throughout the year to address the risks identified to ensure contractual performance and infrastructure needs are planned and executed to support the enterprise.

The directors manage this risk by meeting on a regular basis to gain assurance from the executive team that risks are being addressed in accordance with the strategic plan. Further discussion of these risks and uncertainties, in the context of the Group as a whole, is provided on pages 89 to 106 of the annual report of Babcock International Group PLC, which does not form part of this report.

**Key performance indicators**
The Company's activities are managed on a divisional basis. The following financial and non-financial key performance indicators (KPIs) have been identified. These reflect the internal benchmarks that are used to measure the success of the business and strategy.

| | **2024** | 2023 | |
|---|---|---|---|
| Revenue Growth from continuing operations | **5%** | 28% | The prior year saw increases in revenue in the DSRS, Morpheus and Dreadnought projects which has continued with slight increases in the current year. |
| Operating Return on Turnover from continuing operations | **8.0%** | 11.2% | Margins consistent year on year reflecting the lifecycle stage of the projects. A slight decline in the current year due to the S-80 project. |
| Orderbook £'000 | **939,439** | 918,110 | Orderbook is dominated by Skynet, Dreadnought and DSRS projects. |

The growth and performance of the Marine Sector, a sector of Babcock International Group PLC, which includes the Company, is discussed on pages 44 to 47 of the annual report of Babcock International Group PLC, which does not form part of this report.

**S172 (1) statement and stakeholder engagement**
This statement contains an overview of how the Directors have performed their duty to promote the success of the Company as set out in Section 172(1) of the Companies Act 2006. That section requires a director of a company to act in the way they consider, in good faith, would most likely promote the success of the Company for the benefit of the shareholders. In doing this, the director must have regard, amongst other matters, to:

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

## Strategic report for the year ended 31 March 2024 (continued)

**S172 (1) statement and stakeholder engagement** (continued)
Stakeholder engagement is managed in accordance with Group policies and procedures which are discussed on pages 60, 61 and 119 of the annual report of Babcock International Group PLC, which does not form part of this report. Depending on the matter under consideration the relevance of the different factors set out in s172(1) will vary.
The Board does seek to balance the interests of its different stakeholders, but, where there are competing interests, not every decision the Board has made will result in a positive outcome for all our stakeholders. However, by considering key stakeholder groups and aligning our activities with our strategic plan, as well as the Company's culture and values, we aim to act fairly, transparently and in the best interests of the Company over the long term. Stakeholder engagement in relation to key stakeholder groups includes the following:

**Employees**
Employee engagement is a primary focus for the Directors of the Company. We continue to strengthen our employee value proposition by enhancing our engagement and promoting an agile global workplace. We are committed to creating an inclusive and diverse organisation where employees can develop their full potential. We focus on developing and supporting a truly engaged workforce, living our principles and working on shared goals, united by our common Purpose. These engagement activities form part of the Company's implementation of the Group-wide People Strategy as described on pages 12 to 17 and 80 to 84 of the annual report of Babcock International group PLC.

What matters to them:
- Remuneration and reward
- Professional development
- The Company's aims, goals, priorities and reputation
- Health, safety and wellbeing
- Inclusion and diversity

The Company offers a share-based payment scheme to employees, details of which can be found in Note 9.

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

What matters to them:

- Safety
- Operational excellence
- Value for money

**Suppliers**
The Company requires an efficient and highly effective supply chain to support its business operations and strategy. This means the Directors need to foster trusted and collaborative relationships with suppliers who share our appetite to drive improvement through innovation and best practice. Our external supply chains are an important part of our performance and by working collaboratively with suppliers we can ensure continuity of supply, minimise risk and bring innovative solutions to our customers. These engagement activities form part of the Company's implementation of the Group-wide Procurement Strategy as described on 16 to 17 and 86 to 87 of the annual report of Babcock International group PLC, which does not form part of this report.

**Investors**
The support of our equity and debt investors and continued access to capital is vital to the long-term success of the Company. We work to ensure that we provide clear and transparent information to the market which allows investors and potential investors to make informed decisions, via market updates, information published on our website, appropriate access to management and an active Investor Relations and Treasury team.

## Strategic report for the year ended 31 March 2024 (continued)

**S172 (1) statement and stakeholder engagement** (continued)

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

The Company requires an efficient and highly effective supply chain to support its business operations and strategy.

**Communities**
We are committed to the communities in which we operate and the broader interests of the customers we serve. As good corporate citizens, we want to make a genuine difference by supporting our local communities both economically and socially; community engagement and social value creation is a key aspect of our ESG strategy.

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

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

Climate action remains a key focus. Building on our Group wide climate-related risk management process from last year, which considered the following time horizons: short (present to 2030), medium (2030 to 2040), and long-term horizons (2040 to 2100), sectors and regions considered the insight and recommendations from the KPMG climate-related risk assessment report and identified the immediate actions required in their five-year strategic plans to support corporate commitments. These included Net Zero, wider environmental targets, and to address key climate-related risks and opportunities.

These activities form part of the Company's implementation of the Group-wide ESG Strategy as described on pages 62 to 88 of the annual report of Babcock International Group PLC, which does not form part of this report.

This report was approved by the board on 27th November 2024 and signed on its behalf:

M Bealey
**Director**
27th November 2024

## Directors' report for the year ended 31 March 2024

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2024.

**Dividends**
Dividends received during the year were nil (2023: nil). Dividends declared during the year to the Company's immediate parent company, Babcock Marine Holdings (UK) Limited, were nil (2023: nil).

**Directors and their interests**
The directors who held office during the year and up to the date of signing the annual report, unless otherwise stated, were as follows:

S Doherty (resigned 30th September 2024)

C Bruce

M Bealey (appointed 18th August 2023)

N Misell (appointed 18th August 2023)

R Painter (appointed 26th March 2024)

R Drake (resigned 18th August 2023)

J Edenborough (resigned 18th August 2023)

**Future developments**
The directors are confident about the future trading prospects of the Company due to its current order book and market opportunities.

The financial year 2024/25 will be important in terms of achieving further significant orders for the SSNA, ITH and Arrowhead 140 / Type 26 programmes.

Work on the Maritime Systems Support Partner ends in May 2024 so will see a significant reduction in revenue as we close out the final deliverables. The Equipment Management business will seek to deepen customer relationships further in order to maximise spares and tasks in the remaining years of the contracts that we have left. With the MEC contract ending in March 2024 and the Valves contract coming to an end in September 2024, future bidding activity will be significant to replace the end of these existing contracts and will be replaced by Framework contracts and a number of bespoke contracts which Babcock will be looking to secure.

The Skynet contract was awarded in March 2023. A contract designed to provide UK MOD satellite operations management and through life support. Worth potentially £600m of revenue over 6 years, this contract ventures into a new market further embedding the Babcock brand as the MoD partner of choice for communication services.
2023/24 has seen the Company progress through the Mobilisation stage, conducting varying reviews to prove concept and design, with a successful Key Operational Service Key Event taking place in March 2024, this also included the TUPE of employees into the Company.

2024/25 will see further exploration into the Defence Digital domain and Land Environment Tactical Communication & Information Systems (LE TacCIS), building on the recent success with Morpheus LSC. Our curiosity will also drive advancement into the Autonomy and Space arenas as we pursue opportunities to broaden our business, showcasing Babcock as a global defence and security partner of choice.

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

As the Company is part of a larger group it participates in the group's centralised treasury arrangements and so shares banking arrangements with it parents and fellow subsidiaries. The Company is in a net current liabilities position of £130.1m, but is not expected to settle the intercompany amounts due to parent and group undertakings until the Company has sufficient liquidity to do so and the Company has received confirmation from the respective other group companies confirming this position.

## Directors' report for the year ended 31 March 2024 (continued)

**Going concern** (continued)

Additionally, the Company is expected to be in a position to obtain finance via intercompany loans to continue to operate for at least twelve months from when the financial statements are authorised for issue and the Company has received a letter of support from Babcock International Group PLC confirming this position. In completing this analysis, the Directors have considered the ability of Babcock International Group PLC to provide such finance.

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

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

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

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

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

**Research and development**
The Company commits resources to research and development to the extent management considers reasonable for the evolution and development of the business.

**Energy and carbon reporting**
The Company has taken advantage of the exemption granted under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 as this information is disclosed in the annual report for the year ended 31 March 2024 of its ultimate parent, Babcock International Group PLC.

**Engagement with suppliers and customers**
Engagement with suppliers and customers has been considered in the Strategic Report on pages 3 to 6.

## **Directors' report for the year ended 31 March 2024** (continued)

**Employees**
The Company is committed to equal opportunities and will not discriminate on the basis of disability, age, race, colour, ethnic origin, gender, marital status, religious or political beliefs or sexual orientation.
We believe that only by encouraging applicants from the widest pool of talent possible, and then selecting the best candidate based on their ability to do the job, can we ensure we continue to deliver our best for our customers and safeguard the future of Babcock. For more information about our inclusion and diversity policy, please see pages 12 to 17 and 81 to 84 of the annual report for Babcock International Group PLC, which does not form part of this report.

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

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

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

**Existence of branches outside the UK**
The company has branches, as defined in section 1046(3) of the Companies Act 2006, outside the UK as follows**:** Canada and Spain.

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

**Post balance sheet events**
There have been no significant events affecting the Company since the year-end.

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

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

**Appointment of auditors**
Deloitte LLP are not seeking reappointment as auditors of the Company and a resolution appointing Forvis Mazars LLP as their replacement has been proposed and approved by the Annual General Meeting.

This report was approved by the board on 27th November 2024 and signed on its behalf:

M Bealey
**Director**
27th November 2024

## Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

## Independent Auditor's report to the members of Babcock Integrated Technology Limited

### Report on the audit of the financial statements

**Opinion**
In our opinion the financial statements of Babcock Integrated Technology Limited (the 'company'):
- give a true and fair view of the state of the company's affairs as at 31 March 2024 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:
- the income statement;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the related notes 1 to 28.

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

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

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

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

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

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

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

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

## Independent Auditor's report to the members of Babcock Integrated Technology Limited (continued)

**Other Information** (continued)

We have nothing to report in this regard.

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

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

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

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

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

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

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

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

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

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

## Independent Auditor's report to the members of Babcock Integrated Technology Limited (continued)

**Extent to which the audit was considered capable of detecting irregularities, including fraud** (continued**)**
Revenue and margin recognition on key long-term contracts with significant management judgment

- Obtaining an understanding of the contracts including relevant contractual clauses and terms and conditions;
- Making inquiries of contract project teams and other personnel to obtain an understanding of the performance of the project throughout the year and at year-end;
- Assessing management's IFRS 15 accounting papers and other technical papers setting out judgements taken;
- Assessing delivery progress and challenging key areas of estimation in overall contract revenue and cost;
- Performing a risk assessment to identify contracts where cost shifting could impact on the margin recorded and performing testing on contracts with characteristics of audit interest;
- Analysing historical contract performance and understanding the reason for in-year movements or changes;
- Testing the underlying calculations used in the contract assessments for accuracy and completeness, including the estimated costs to complete the contract, the associated contingencies and where relevant exit liabilities;
- Substantively testing a sample of actual costs incurred to date to check whether these had been recorded appropriately;
- Considering historical forecasting accuracy of costs, comparing to similar programmes, and challenging future cost expectations with reference
- Recomputing the cumulative-catch-up adjustments (CCAs) recorded by management;
- Obtaining evidence and assessing management's transformational savings assumptions where relevant;
- Examining external correspondence to assess the timeframe for delivery of the product or service and any judgements made in respect of these;
- Assessing the underlying inflation assumptions against competitors, the wider market and inflation rates;
- Examining internal and external evidence to assess contract status and estimation of variable consideration (including associated recoverability of contract balances), such as customer correspondence;
- Enquiring with in-house and external legal counsel regarding contract related litigation and claims and contractual entitlement relating to applicable regulations. In addition, obtaining evidence of settlement agreements with customers and where relevant reviewed associated legal correspondence and expert advice;
- Considering whether there were any indicators of management override of controls or bias in arriving at their reported position;
- Assessing the appropriateness of disclosures in the financial statements; and
- Obtaining an understanding of relevant manual and IT controls and project accounting processes which management have established to ensure that contracts are appropriately forecast, managed, challenged and accounted for.

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

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and

## **Independent Auditor's report to the members of Babcock Integrated Technology Limited** (continued)

**Extent to which the audit was considered capable of detecting irregularities, including fraud** (continued)

- reading minutes of meetings of those charged with governance.

**Report on other legal and regulatory requirements**

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

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

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

**Use of our report**

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

Dawn Harris FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Reading, United Kingdom
27th November 2024

## Income statement for the year ended 31 March 2024

| | Note | 2024 £'000 | Restated 2023 £'000 |
|---|---|---|---|
| **Revenue** | 4 | **283,379** | 270,036 |
| Cost of revenue | | **(249,012)** | (223,598) |
| **Gross profit** | | **34,367** | 46,438 |
| Administration and distribution expenses | | **(11,817)** | (16,302) |
| **Operating profit** | 5 | **22,550** | 30,136 |
| Provision for expected credit loss on amounts due from group undertakings | 16 | **(230)** | (923) |
| Finance income | 6 | **7,894** | 4,888 |
| Finance costs | 6 | **(4,188)** | (3,831) |
| Loss on disposal of lease | 13 | **-** | (215) |
| Impairment (charge)/reversal of investments | 14 | **(14,029)** | 55,506 |
| **Profit before taxation** | | **11,997** | 85,561 |
| Income tax (charge) / benefit | 10 | **(1,119)** | 378 |
| **Profit for the financial year** | | **10,878** | 85,939 |

The notes on pages 19 to 46 form part of these financial statements.

In the year ended 31 March 2024, the Company restated the prior year financial information. Details of the restatement are contained in note 26.

All of the above results derive from continuing operations.

## Statement of comprehensive income for the year ended 31 March 2024

| | 2024<br>£'000 | Restated<br>2023<br>£'000 |
|---|---|---|
| **Profit for the financial year** | **10,878** | 85,939 |
| **Other comprehensive (expense)/income:** | | |
| *Items that may be subsequently reclassified to income statement:* | | |
| Fair value adjustment of foreign exchange hedges | **-** | (18) |
| **Total comprehensive income for the year** | **10,878** | 85,921 |

In the year ended 31 March 2024, the Company restated the prior year financial information. Details of the restatement are contained in note 26.

## Statement of financial position as at 31 March 2024

| | Note | 2024 £'000 | Restated 2023 £'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 11 | **31,552** | 31,379 |
| Property, plant and equipment | 12 | **22,126** | 21,872 |
| Right-of-use assets | 13 | **3,097** | 3,163 |
| Investments in subsidiaries | 14 | **168,308** | 182,337 |
| Deferred tax assets | 10 | **-** | 709 |
| Other financial assets | 19 | **6** | 88 |
| Trade and other receivables | 16 | **247,326** | 237,535 |
| | | **472,415** | 477,083 |
| **Current assets** | | | |
| Inventories | 15 | **538** | 356 |
| Trade and other receivables | 16 | **114,113** | 86,001 |
| Other financial assets | 19 | **16** | 335 |
| Cash and cash equivalents | | **1,659** | 2,232 |
| | | **116,326** | 88,924 |
| **Current liabilities** | | | |
| Trade and other payables | 17 | **(242,870)** | (227,070) |
| Lease liabilities | 13 | **(1,038)** | (888) |
| Provisions for liabilities | 18 | **(2,499)** | (1,930) |
| Other financial liabilities | 19 | **(33)** | - |
| **Net current liabilities** | | **(130,114)** | (140,964) |
| **Total assets less current liabilities** | | **342,301** | 336,119 |
| **Non-current liabilities** | | | |
| Provisions for liabilities | 18 | **(2,279)** | (898) |
| Lease liabilities | 13 | **(2,665)** | (2,913) |
| Other financial liabilities | 19 | **(11)** | - |
| Trade and other payables | 17 | **-** | (5,848) |
| Deferred tax liabilities | 10 | **(8)** | - |
| **Net assets** | | **337,338** | 326,460 |
| **Equity** | | | |
| Called up share capital | 20 | **40** | 40 |
| Share premium account | | **94,864** | 94,864 |
| Retained earnings | | **242,434** | 231,556 |
| **Total shareholders' funds** | | **337,338** | 326,460 |

The notes on pages 19 to 46 are an integral part of these financial statements.

In the year ended 31 March 2024, the Company restated the prior year financial information. Details of the restatement are contained in note 26.

The financial statements on pages 15 to 46 were approved by the board of Directors on 27th November 2024 and signed on its behalf by:

M Bealey (**Director)**

## Statement of changes in equity for the year ended 31 March 2024

| | Note | Called up share capital £'000 | Share premium account £'000 | Hedging reserves £'000 | Retained earnings £'000 | Total shareholders' funds £'000 |
|---|---|---|---|---|---|---|
| **Balance at 31 March 2022 previously stated** | | 40 | 94,864 | 18 | 155,920 | 250,842 |
| Prior year restatement | | - | - | - | (10,303) | (10,303) |
| **Balance at 31 March 2022 restated** | | 40 | 94,864 | 18 | 145,617 | 240,539 |
| Profit for the year restated | | - | - | - | 85,939 | 85,939 |
| Other comprehensive loss | | - | - | (18) | - | (18) |
| **Balance at 31 March 2023 restated** | | 40 | 94,864 | - | 231,556 | 326,460 |
| Profit for the year | | - | - | - | 10,878 | 10,878 |
| **Balance at 31 March 2024** | | 40 | 94,864 | - | 242,434 | 337,338 |

In the year ended 31 March 2024, the Company restated the prior year financial information. Details of the restatement are contained in note 26.

# Notes to the financial statements

## 1 General information

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

The ultimate controlling party is disclosed in note 28. The principal activity of the Company is set out in the Strategic Report on page 3. These financial statements, which have been prepared in accordance with the Companies Act 2006, are presented in pounds sterling and, unless stated otherwise, rounded to the nearest thousand.

## 2 Summary of material accounting policies

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

**Basis of preparation**
The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). These financial statements are prepared on a going concern basis, under the historical cost convention. The financial statements are prepared in sterling which is the functional currency of the Company and rounded to the nearest thousand.

The Company is a wholly owned subsidiary of Babcock Marine Holdings (UK) Limited and is included in the consolidated financial statements of Babcock International Group PLC which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

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). Where relevant, equivalent disclosures have been given in the group accounts of Babcock International Group PLC. 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 have been taken:

a) Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share based payments'.
b) IFRS 7, 'Financial instruments: Disclosures'.
c) Paragraphs 91 to 99 of IFRS 13 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
d) The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.
e) The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 58, 90, 91 and 93 of IFRS 16 Leases.
f) Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information in respect of:
   - paragraph 79(a) (iv) of IAS 1 Share capital and reserves;
   - paragraph 73(e) of IAS 16 Property, plant and equipment; and
   - paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period).
g) Paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements.
h) IAS 7, 'Statement of cash flows'
i) Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors'.

## 2 Summary of material accounting policies (continued)

**Basis of preparation** (continued)

j) Paragraph 17 of IAS 24, 'Related party transactions' in respect of key management compensation.
k) The requirements of IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.
l) Paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairment of Assets.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The Company intends to continue to prepare its financial statements in accordance with FRS 101.

The financial statements have been prepared under the historical cost convention, as modification by the revaluation of relevant financial assets and financial liabilities (including derivative instruments).

**Adoption of new and revised standards**
The following standards and amendments to IFRS 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.
- Amendments to IAS 1, *'Presentation of Financial Statements'*: The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies.
- 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.
- Amendments to IAS 12, '*Income Taxes'*: The amendments introduce a further exception from the initial recognition exemption.

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

- 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.

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

As the Company is part of a larger group it participates in the group's centralised treasury arrangements and so shares banking arrangements with it parents and fellow subsidiaries. The Company is in a net current liabilities position of £130.1m, but is not expected to settle the intercompany amounts due to parent and group undertakings until the Company has sufficient liquidity to do so and the Company has received confirmation from the respective other group companies confirming this position. Additionally, the Company is expected to be in a position to obtain finance via intercompany loans to continue to operate for at least

# Notes to the financial statements (continued)

## 2 Summary of material accounting policies (continued)

**Going concern** (continued)
twelve months from when the financial statements are authorised for issue and the Company has received a letter of support from Babcock International Group PLC confirming this position. In completing this analysis, the Directors have considered the ability of Babcock International Group PLC to provide such finance.

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

**Provisions**
A provision is recognised in the statement of financial position when the Company 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 has been reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at an appropriate discount rate.

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been publicly announced. Future operating costs are not provided for.

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

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

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

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

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

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

Variable consideration is estimated using either the expected value or the most likely amount only to the extent that it is highly probable that there will not be a reversal in the amount of cumulative revenue

## Notes to the financial statements (continued)

**2 Summary of material accounting policies** (continued)

**Revenue** (continued)
**(b) Determination of contract price** (continued)
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.

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

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

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

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

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

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

Under most of the Company’s contracts, the customer pays in accordance with a pre-arranged payment schedule or once milestones have been met. If the amount of revenue recognised by the Company (as measured by the methods described above) exceed 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 (h) for further details on how contract assets and liabilities are recognised.

## Notes to the financial statements (continued)

**2 Summary of material accounting policies** (continued)

**Revenue** (continued)

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

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

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

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

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

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

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

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

**Accounting for contract modifications**
The Company accounts for contract modifications in one of three ways, based on the facts and circumstances of the contract modification:
1. Prospectively, as an additional, separate contract;
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.

### 2 Summary of material accounting policies (continued)

**Revenue** (continued)

**(e) Contract modifications** (continued)

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

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

**(f) Costs of obtaining a contract**
Directly attributable costs to obtain a contract with a customer that the Company would not have incurred if the contract had not been won are recognised as an asset 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.

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

i. Costs to fulfil a contract which do not fall within the scope of another standard are recognised under IFRS 15 as an asset in capitalised contract costs where they meet all of the following criteria:
ii. the costs relate directly to a contract or to an anticipated contract that can be specifically identified;
iii. 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
iv. the costs are expected to be recovered.

Costs of recruiting or training staff are expensed as incurred.

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

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

# Notes to the financial statements (continued)

## 2 Summary of material accounting policies (continued)

**Intangible assets**
Intangible assets are stated at cost less accumulated amortisation. The intangible assets are amortised on a straight line basis as follows:

**(a) Goodwill**
Goodwill relating to acquisitions prior to transition date is maintained at its net book value on the date of transition to FRS 101.

The company does not amortise goodwill in accordance with the requirements of IFRS as applied under FRS 101. Instead, an annual impairment test is performed and any impairment that is identified is recognised in the income statement. The non-amortisation of goodwill conflicts with paragraph 22 of Schedule 1 to 'The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410), which requires acquired goodwill to be written off over its useful economic life. As such, the non-amortisation of goodwill is a departure, for the overriding purpose of giving a true and fair view, from the requirement of paragraph 22 of Schedule 1 to the Regulations.

**(b) 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.

**c) Computer software**
Computer software includes software licences acquired plus the costs incurred in bringing the software into use and is shown at cost less accumulated amortisation and is amortised over its expected useful lives of between three and five years.

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

| | |
|---|---|
| Freehold property | 2% to 8% |
| Plant and equipment | 5% to 33.3% |

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount exceeds the higher of an asset's fair value less cost to sell or value in use. No depreciation is provided on assets in the course of construction.

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

# Notes to the financial statements (continued)

## 2 Summary of material accounting policies (continued)

### Leases

**The Company as lessee**

For all leases in which the Company is a lessee (other than those meeting the criteria detailed below), the Company recognises a right of use asset and corresponding lease liability at commencement of the lease. The lease liability is the present value of future lease payments discounted at the rate implicit in the lease, if available, or the applicable incremental borrowing rate. The incremental borrowing rate is determined at lease inception based on 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 Company is reasonably certain to exercise.

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

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

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

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

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

### 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.

### Contingent liabilities

A contingent liability is a possible obligation arising from past events whose existence will be confirmed only on the occurrence or non-occurrence of uncertain future events outside the Company's control, or a present obligation that is not recognised because it is not probable that an outflow of economic benefits will occur or the value of such outflow cannot be measured reliably. A provision is recognised for any amounts that the Directors consider may become payable. See note 25 for details of contingent liabilities.

### Cash and cash equivalents

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

### Identification of prior year restatements

The results of the Company have been restated where practicable by retrospectively restating the Company's prior period results for the affected periods.

## Notes to the financial statements (continued)

### 2 Summary of material accounting policies (continued)

**Taxation**

**a) Current income tax**

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

The current income tax charge is calculated 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 Company measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

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

**b) Deferred income tax**

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

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

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority.
Tax is recognised in the income statement except to the extent that it relates to items recognised directly in either other comprehensive income or in equity.

**Trade and other receivables**

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

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

Trade and other receivables (including amounts due from group undertakings) are also stated at their cost less expected credit losses. A provision for expected credit losses is established under IFRS 9 when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

The Group measures the provision at an amount equal to lifetime expected credit losses, estimated by reference to past experience and relevant forward-looking factors.

**2 Summary of material accounting policies** (continued)

**Trade and other receivables** (continued)
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.

Current intercompany trade receivables are expected to be settled in the Company's usual operating cycle of 12 months or less and relate to balances due in the normal course of business.

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

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

**Employee benefits**
**a) Pension obligations**
Defined contribution schemes
The Company participates in a defined contribution scheme. Obligations for contributions to the defined contribution pension plan are recognised as an expense in the income statement.

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

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

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

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

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

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

# Notes to the financial statements (continued)

## 2 Summary of material accounting policies (continued)

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

The fair values of derivative financial instruments are determined 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 Company balance sheet 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.

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

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

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

## 3 Critical accounting estimates and judgements

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

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

**Revenue and profit recognition**
A number of the Company's contracts include promises in relation to procurement activity undertaken on behalf of customers at low or nil margin, sub-contractor arrangements, and other pass-through costs. Management is required to exercise judgement on these revenue streams in considering whether the Company is acting as principal or agent. This is based on an assessment as to whether the Company controls the relevant goods or services under the performance obligations prior to transfer to customers.

## Notes to the financial statements (continued)

### 3 Critical accounting estimates and judgements (continued)

**Revenue and profit recognition** (continued)
Factors that influence this judgement include the level of responsibility the Company has under the contract for the provision of the goods or services, the extent to which the Company is incentivised to fulfil orders on time and within budget, either through gain share arrangements or KPI deductions in relation to the other performance obligations within the contract, and the extent to which the Company exercises responsibility in determining the selling price of the goods and services. Taking all factors into consideration, the Company then comes to a judgement as to whether it acts as principal or agent on a performance obligation-by-performance obligation basis. Note that any changes in this judgement would not have a material impact on profit, although there may be a material impact to revenue and cost of revenue.

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

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

**Calculation of Expected Credit Loss**
IFRS 9 requires lifetime expected credit losses to be recognised when there are significant increases in credit risk since initial recognition. Expected credit losses are estimated and updated at each reporting date for new information and changes in expectations even if there has not been a significant increase in credit risk.

The Company measures a provision for expected credit losses at an amount equal to lifetime expected credit losses, which is estimated based on 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.

**Investments**
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..

## Notes to the financial statements (continued)

### 4 Revenue

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

| | 2024 £'000 | 2023 £'000 |
|---|---|---|
| By area of activity: | | |
| Sales of goods – transferred at a point in time | **18,364** | 16,565 |
| Sale of goods – transferred over time | **165,064** | 180,686 |
| Provision of services – transferred over time | **99,951** | 72,785 |
| | **283,379** | 270,036 |

| | 2024 £'000 | 2023 £'000 |
|---|---|---|
| By geographical area: | | |
| United Kingdom | **250,764** | 227,042 |
| Europe | **521** | 5,212 |
| USA & Canada | **8,553** | 6,188 |
| Rest of World | **23,541** | 31,594 |
| | **283,379** | 270,036 |

### 5 Operating profit

Operating profit is stated after charging/(crediting):

| | 2024 £'000 | 2023 £'000 |
|---|---|---|
| Loss on disposal of property, plant and equipment | **3** | 950 |
| Research and development recognised as an expense | **1,414** | 1,295 |
| Right-of-use depreciation (note 13) | **967** | 1,547 |
| Depreciation of tangible fixed assets (note 12) | **2,834** | 2,652 |
| Amortisation of intangible assets (note 11) | **716** | 498 |
| Foreign exchange (gain) | **(108)** | (36) |
| Audit fees payable to the Company's auditor | **144** | 144 |

Fees paid to the company's auditors, Deloitte LLP and its associates, are disclosed on a consolidated basis in the financial statements of the ultimate parent undertaking, Babcock International Group PLC.

### 6 Finance income and finance costs

| | 2024 £'000 | 2023 £'000 |
|---|---|---|
| **Finance income:** | | |
| Bank interest income | **1,392** | 18 |
| Loan interest receivable from group undertakings | **6,502** | 4,870 |
| | **7,894** | 4,888 |
| **Finance expenses:** | | |
| Bank borrowings | **(156)** | (46) |
| Lease interest (Note 13) | **(161)** | (722) |
| Loan interest payable to group undertakings | **(3,871)** | (3,063) |
| | **(4,188)** | (3,831) |

# Notes to the financial statements (continued)

## 7 Staff costs

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

| | 2024 Number | 2023 Number |
|---|---|---|
| By activity: | | |
| Operations | **985** | 888 |
| Management and administration | **139** | 129 |
| | **1,124** | 1,017 |

Their aggregate remuneration comprised:

| | 2024 £’000 | 2023 £’000 |
|---|---|---|
| Wages and salaries | **54,370** | 48,803 |
| Social security costs | **5,622** | 5,426 |
| Pension costs – defined contribution plans | **2,983** | 2,695 |
| Share based payments | **78** | 49 |
| | **63,053** | 56,973 |

During the year the average number of employees recharged to other Babcock entities was 15 (2023: 20). The total cost recharged included in the above was £1,387,622 (2023: £1,672,383).

## 8 Directors’ remuneration

The emoluments of the directors, including pension contributions, paid by any company in respect of services provided to this Company were as follows:

| | 2024 £’000 | 2023 £’000 |
|---|---|---|
| The emoluments of the directors which was paid by the Company was as follows: | | |
| Remuneration (including benefits in-kind) | **415** | 103 |
| Defined contribution pension scheme | **26** | 7 |
| | **441** | 110 |

During the year nil (2023: nil) directors remunerated by Babcock Integrated Technology Limited exercised share options under long term incentive plans and four (2023: three) directors were entitled to receive share options under long term incentive plans.

Retirement benefits are accruing to four directors (2023: three) under the Money Purchase pension scheme.

During the year four (2023: three) directors were remunerated by the Company. One Director was only remunerated by the Company for five months, following this all remuneration was borne by another Babcock Group company. Three Directors were remunerated fully by the Company however only remuneration related to their Directorship has been declared above.

All of the remaining Directors of the Company are remunerated by other Babcock Group companies. It is not possible to make an accurate apportionment of these Directors’ emoluments relating to services provided to the Company and as such no disclosure of emoluments received by these Directors has been made in these financial statements. No recharge is made for costs borne by the Company in relation to services performed by the Directors in relation to other Babcock Group companies.

## Notes to the financial statements (continued)

### 8 Directors' remuneration (continued)

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

| | **2024** | 2023 |
|---|---|---|
| | **£'000** | £'000 |
| Remuneration (including benefits in-kind) | **223** | 54 |
| Company contributions to Defined contribution pension scheme | **13** | 3 |

In the prior year the highest paid director was paid by the Company for three months of the year, following this all remuneration was borne by another Babcock Group company.

In the current year the highest paid director was paid by the Company for the full year.

The highest paid director did not exercise shares under long term incentive plans (2023: the highest paid director did not exercise shares under long term incentive plans).

### 9 Share-based payments

The charge to the income statement is based on the amount charged from Babcock International Group PLC. This charge represents an allocation of the total charge based on the proportion which relates to Babcock Integrated Technology Limited. The total charge has been based on the assumptions below and is based 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. The detailed description of the plans below is included within the Remuneration report in the Babcock International Group PLC Annual Report and Accounts, which does not form part of this report.

During the year the total charge relating to employee share-based payment plans was £78,443 (2023: £49,166) all of which related to equity-settled share-based payment transactions. After tax, the income statement charge was £58,832 (2023: £36,875).

The fair value per option granted and the assumptions used in the calculation are as follows:
Performance Share Plan (PSP):

| | 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 |
| 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 |
| 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 |
| 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 |

## Notes to the financial statements (continued)

### 9 Share based payments (continued)

Both the vesting period and the expected life of all PSP awards are 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.

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.

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).

### 10 Tax

Income tax expense

| | **Year ended 31 March 2024 £'000** | Year ended 31 March 2023 £'000 |
|---|---|---|
| **Analysis of tax expense/(benefit) in the year** | | |
| Current tax | | |
| • UK prior year charge | **352** | - |
| • Overseas current year expense | **50** | - |
| | **402** | - |
| Deferred tax | | |
| • UK prior year expense | **859** | 169 |
| • Impact of changes in tax rates | **-** | (131) |
| • Origination and reversal of timing differences | **(142)** | (416) |
| **Total income tax expense/(benefit)** | **1,119** | (378) |

## Notes to the financial statements (continued)

**10 Tax** (continued)

**Income tax expense** (continued)

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 £'000 | Restated Year ended 31 March 2023 £'000 |
|---|---|---|
| **Profit before tax** | **11,997** | 85,561 |
| Profit/(loss) on ordinary activities multiplied by rate of corporation tax in the UK of 25% (2023: 19%) | **2,999** | 16,257 |
| Effects of: | | |
| Income not taxable/(Expenses not deductible for tax purposes) | **3,749** | (10,214) |
| Prior year adjustments | **352** | 169 |
| Group relief (claimed) for nil consideration | **(6,890)** | (6,459) |
| Overseas tax | **50** | - |
| Adjustments in respect of deferred tax for prior years | **859** | - |
| Impact of change in UK tax rate | **-** | (131) |
| **Total income tax charge/(benefit)** | **1,119** | (378) |

The increase in the UK rate of corporation tax to 25% with effect from 1 April 2023 was substantively enacted during the year ended 31 March 2022. The effect has been to reduce the Company's net deferred tax asset by £717,000 (2023: increase £378,000), comprising a charge to Income Statement of £717,000 (2023: £378,000).

**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 corporation tax assets and corporation tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same Taxation Authorities:

| | 31 March 2024 £'000 | 31 March 2023 £'000 |
|---|---|---|
| Deferred tax asset | **-** | 709 |
| Deferred tax liability | **(8)** | - |
| | **(8)** | 709 |

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

| | Tangible assets £'000 | Other £'000 | Total £'000 |
|---|---|---|---|
| **At 1 April 2023** | **(589)** | **1,298** | **709** |
| Income statement credit | (203) | (514) | (717) |
| **At 31 March 2024** | **(792)** | **784** | **(8)** |

## Notes to the financial statements (continued)

### 11 Intangible assets

| Cost | Goodwill £'000 | Software £'000 | Development £'000 | Total £'000 |
|---|---|---|---|---|
| At 1 April 2023 | 35,446 | - | 2,125 | 37,571 |
| Additions | - | 358 | - | 358 |
| **At 31 March 2024** | **35,446** | **358** | **2,125** | **37,929** |
| **Accumulated amortisation** | | | | |
| At 1 April 2023 | (4,480)* | - | (1,712) | (6,192) |
| Amortisation | - | - | (185) | (185) |
| At 31 March 2024 | **(4,480)** | **-** | **(1,897)** | **(6,377)** |
| **Net book value** | | | | |
| **At 31 March 2024** | **30,966** | **358** | **228** | **31,552** |
| At 31 March 2023 | 30,966 | - | 413 | 31,379 |

*£4,480k is a brought forward impairment not amortisation.

In the current year the Company has capitalised nil (2023: nil) of development costs.

In the current year the Company has capitalised £358,000 (2023: nil) of software costs.

The goodwill arose on acquisition of the following:

| Acquisition | Date | 2024 £'000 |
|---|---|---|
| Trade and assets of Strachan and Henshaw Limited | 1 April 2009 | 17,921 |
| Trade and assets of the Security business of Babcock Land Ltd | 1 April 2019 | 17,525 |
| | | 35,446 |

The company does not amortise goodwill in accordance with the requirements of IFRS as applied under FRS 101. Instead, an annual impairment test is performed and any impairment that is identified is recognised in the income statement. The non-amortisation of goodwill conflicts with paragraph 22 of Schedule 1 to 'The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410), which requires acquired goodwill to be written off over its useful economic life. As such, the non-amortisation of goodwill is a departure, for the overriding purpose of giving a true and fair view, from the requirement of paragraph 22 of Schedule 1 to the Regulations.

## Notes to the financial statements (continued)

### 12 Property, plant and equipment

| | Freehold land and property | Assets under construction | Plant and equipment | Total |
|---|---|---|---|---|
| **Cost** | **£'000** | **£'000** | **£'000** | **£'000** |
| At 1 April 2023 | 6,136 | 3,094 | 22,772 | 32,002 |
| Additions | 79 | 923 | 2,092 | 3,094 |
| Transfers | - | (3,094) | 3,094 | - |
| Disposals | - | - | (43) | (43) |
| **At 31 March 2024** | **6,215** | **923** | **27,915** | **35,053** |
| **Accumulated depreciation** | | | | |
| At 1 April 2023 | (1,594) | - | (8,536) | (10,130) |
| Charge for the year | (738) | - | (2,096) | (2,834) |
| Disposals | - | - | 37 | 37 |
| **At 31 March 2024** | **(2,332)** | **-** | **(10,595)** | **(12,927)** |
| **Net book value** | | | | |
| **At 31 March 2024** | **3,883** | **923** | **17,320** | **22,126** |
| At 31 March 2023 | 4,542 | 3,094 | 14,236 | 21,872 |

Capital expenditure contracted for but not provided for in full in the financial statements is £1,169,000 (2023: £204,000.

### 13 Leases

The Company leases buildings, vehicles and equipment under non-cancellable lease arrangements.

**Right-of-use-assets**

| | Property | Plant and equipment | Total |
|---|---|---|---|
| | **£'000** | **£'000** | **£'000** |
| **Cost** | | | |
| At 1 April 2023 | **4,806** | **745** | **5,551** |
| Additions | 596 | 305 | 901 |
| Terminations | (1,042) | (197) | (1,239) |
| At 31 March 2024 | **4,360** | **853** | **5,213** |
| **Accumulated depreciation** | | | |
| At 1 April 2023 | **(1,978)** | **(410)** | **(2,388)** |
| Charge for the year | (801) | (166) | (967) |
| Terminations | 1,042 | 197 | 1,239 |
| At 31 March 2024 | **(1,737)** | **(379)** | **(2,116)** |
| **Net book value** | | | |
| **At 31 March 2024** | **2,623** | **474** | **3,097** |
| At 31 March 2023 | 2,828 | 335 | 3,163 |

### 13 Leases (continued)

**Lease liabilities**

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

| | **2024** | 2023 |
|---|---|---|
| | **£'000** | £'000 |
| At 31 March | **3,801** | 4,498 |
| Additions | **899** | 27,162 |
| Disposals | **-** | (26,222) |
| Interest charged | **161** | 722 |
| Payments | **(1,158)** | (2,359) |
| **At 31 March** | **3,703** | 3,801 |

Discounted future minimum lease payments are as follows:

| | **31 March 2024** | 31 March 2023 |
|---|---|---|
| | **£'000** | £'000 |
| Within one year | **1,038** | 888 |
| In more than one year, but not more than five years | **2,130** | 2,091 |
| After five years | **535** | 822 |
| **Carrying value of liability** | **3,703** | 3,801 |

The Company had total cash outflows for leases of £1,158,000 for the year ended 31 March 2024 (2023: £2,359,000).

In the prior year 2 properties leased by the Company were reassigned to Babcock Corporate Services and Devonport Royal Dockyard Limited resulting in a loss on disposal of £215,000.

The following are the amounts recognised in profit or loss:

| | **31 March 2024** | 31 March 2023 |
|---|---|---|
| | **£'000** | £'000 |
| Expense relating to short-term leases | **2** | 4 |
| | **2** | 4 |

### 14 Investments

Shares in group undertakings

| | **2024** | **2023** |
|---|---|---|
| | **£'000** | **£'000** |
| **Cost** | | |
| At 1 April | **252,294** | **252,294** |
| At 31 March | **252,294** | **252,294** |
| **Accumulated impairment** | | |
| At 1 April | **(69,957)** | **(125,463)** |
| Impairment | (14,029) | 55,506 |
| At 31 March | **(83,986)** | **(69,957)** |
| **Net book value** | | |
| **At 31 March** | **168,308** | **182,337** |

## Notes to the financial statements (continued)

**14 Investments** (continued)

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

An impairment reversal of £2,055,000 (2023: reversal of £714,000,) has been recognised in the year to write down the value of the Babcock Korea Ltd investment to its recoverable amount.

An impairment charge of £16,084,000 (2023: reversal of £54,792,000) has been recognised in the year to write down the value of the Babcock Canada Inc investment to its recoverable amount.

Details of Subsidiary undertakings can be found in Note 24.

**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 for the year ending 31 March 2024.

The value-in-use calculations do not include the anticipated benefits of the Group's revised operating model or the implementation costs of this project, reflecting that the Group was not committed to the project at 31 March 2024.

The discount rates used to determine the recoverable amount of the Company's investment in subsidiary undertakings are 12.2% (2023: 13.1%). The long-term growth rates used to determine the recoverable amount of the Company's investment in subsidiary undertakings are 2.1% (2023: 2.0% - 2.1%).

**Sensitivity**

The Directors carried out sensitivity analysis on the reasonably possible changes in key assumptions used to determine the recoverable value of the Company's investment in subsidiary undertakings.

The Company's calculation of recoverable value presents a charge of impairment of £14,029,000 in the year ending 31 March 2024 (2023: reversal £55,506,000). Reasonably possible changes in estimates could give rise to a material impairment in the following year. The Company carried out sensitivity analysis on the reasonably possible changes in the discount rate and long-term growth rate used in the value-in-use models for the Company's investment in subsidiary undertakings.

An increase to the pre-tax discount rate of 100 basis points would cause an increase to the impairment charge of £10,009,000. A decrease to the long-term growth rate of 50 basis points would cause increase to the impairment charge of £3,729,000.

The Directors consider that key cash flow assumptions in the calculation of the recoverable value of the Company's investment in subsidiary undertakings include short-term cash flows. If the year-on-year growth is decreased by 15%, the value in use for the Company's investment in subsidiary undertakings would decrease by £4,798,000.

**15 Inventories**

| | **2024** | 2023 |
|---|---|---|
| | **£'000** | £'000 |
| Finished goods and goods for resale | **538** | 356 |
| | **538** | 356 |

Inventories are stated after provisions for obsolescence of £2,876,000 (2023: £2,796,000).

## Notes to the financial statements (continued)

### 16 Trade and other receivables

| | 31 March 2024 £'000 | Restated 31 March 2023 £'000 |
|---|---|---|
| **Amounts due after more than one year:** | | |
| Amounts due from group undertakings | **239,897** | 237,535 |
| Costs to fulfil a contract | **7,429** | - |
| | **247,326** | 237,535 |

Amounts due from group undertakings after more than one year are unsecured and repayable on demand. Included in amounts due from group undertakings there are three major loans (2023: three) to subsidiary companies totalling £32,652,000 (2023: £32,797,000), there are four major loans (2023: four) to parent companies totalling £90,305,000 (2023: £90,305,000) and there are three major loans (2023: four) to group companies totalling £96,315,000 (2023: £97,761,000):

- A loan of £25,220,000 (2023: £25,220,000) is repayable on demand, the interest rate is 9.09% (2023: 8.745%).
- A loan of £3,581,000 (2023: £3,665,000) is repayable on demand, the interest rate is 5.218% (2023: 5.313%)
- A loan of £1,981,000 (2023: £2,027,000) is repayable on demand, the interest rate is 9.329% (2023: 8.858%)
- A loan of £396,000 (2023: £406,000) is repayable on demand, the interest rate is 5.329% (2023: 4.858%)
- A loan of £238,000 (2023: £243,000) is repayable on demand, the interest rate is 5.329% (2023: 4.858%)
- A loan of £25,000,000 (2023: £25,000,000) is repayable on demand, the interest rate is 9.09% (2023: 8.745%).
- Seven (2023: eight) loans totalling £162,856,000 (2023: £164,302,000) are repayable on demand, with no interest charge.

Amounts due from group undertakings are stated after provisions for expected credit losses of £11,456,000 (Restated 2023: £11,226,000).

In the year ended 31 March 2024, the Company restated the prior year financial information. Details of the restatement are contained in note 26.

| | 31 March 2024 £'000 | 31 March 2023 £'000 |
|---|---|---|
| **Amounts falling due within one year:** | | |
| Trade receivables | **28,081** | 16,187 |
| Contract assets | **30,067** | 17,814 |
| Amounts due from group undertakings | **42,327** | 48,933 |
| Other receivables | **315** | 223 |
| Costs to fulfil a contract | **1,897** | - |
| Prepayments | **11,426** | 2,844 |
| | **114,113** | 86,001 |

Amounts due from group undertakings falling within one year are unsecured and repayable on demand.
Trade receivables are stated after provisions for impairment of £273,000 (2023: £337,000).
Current intercompany receivables are expected to be settled in the company's usual operating cycle of 12 months or less.

## Notes to the financial statements (continued)

### 16 Trade and other receivables (continued)

| | Amounts due for contract work £'000 | Accrued Income £'000 | Total £'000 |
|---|---|---|---|
| **At 1 April 2023** | **17,814** | **487** | **18,301** |
| Transfers from contract assets recognised at the beginning of the year to receivables | (15,862) | (487) | (16,349) |
| Increase due to work done not transferred from contract assets | 28,115 | 484 | 28,599 |
| **At 31 March 2024** | **30,067** | **484** | **30,551** |

### 17 Trade and other payables

| | **31 March 2024 £'000** | 31 March 2023 £'000 |
|---|---|---|
| **Amounts falling due after more than one year:** | | |
| Amounts due to parent and group undertakings | **-** | 5,848 |
| | **-** | 5,848 |

Included in Amounts due to parent and group undertakings there are no major loans (2023: four) to parent companies totalling £nil (2023: £5,848,000):

- No loans in the year, (2023: £3,172,000 is repayable by 2028, the interest rate is 5.313%).
- No loans in the year, (2023: £2,027,000 is repayable by 2031, the interest rate is 8.858%).
- No loans in the year, (2023: £406,000 is repayable by 2031, the interest rate is 4.858%).
- No loans in the year, (2023: £243,000) is repayable by 2035, the interest rate is 4.858%).

| | **31 March 2024 £'000** | 31 March 2023 £'000 |
|---|---|---|
| **Amounts falling due within one year:** | | |
| Trade payables | **25,300** | 9,590 |
| Contract liabilities | **71,971** | 63,098 |
| Amounts due to parent and group undertakings | **121,357** | 114,014 |
| Other taxation and social security | **1,932** | 1,384 |
| Accruals | **12,159** | 21,723 |
| Other payables | **10,151** | 17,261 |
| | **242,870** | 227,070 |

Amounts due to parent and group undertakings within one year are unsecured and repayable on demand. Included in amounts due to parent and group undertakings are four major loans (2023: four) to parent companies totalling £52,166,000 (2023: £50,704,000) and there are two major loans (2023: three) to group companies totalling £31,323,000 (2023: £32,831,000):

## Notes to the financial statements (continued)

### 17 Trade and other payables (continued)

- A loan of £8,606,000 (2023: £8,606,000) is repayable on demand, the interest rate is 9.093% (2023: 8.745%).
- A loan of £29,175,000 (2023: £29,175,000) is repayable on demand, the interest rate is 9.093% (2023: 8.745%).
- Four (2023: five) loans totalling £45,708,000 (2023: £45,754,000) are repayable on demand, with no interest charge.

The Company has access to the Babcock International Group PLC overdraft facility. The Company along with fellow group undertakings has provided cross-guarantees in relation to this facility (note 25).

| | Contract cost accruals £'000 | Contract liabilities £'000 | Total £'000 |
|---|---|---|---|
| **At 1 April 2023** | **19,348** | **63,098** | **82,446** |
| Revenue recognised that was included in contract liabilities at the beginning of the year | - | (55,275) | (55,275) |
| Increase due to cash received, excluding amounts recognised as revenue | - | 64,148 | 64,148 |
| Amounts accrued | 10,116 | - | 10,116 |
| Amounts utilised | (18,322) | - | (18,322) |
| **At 31 March 2024** | **11,142** | **71,971** | **83,113** |

### 18 Provisions for liabilities

| | Property £'000 | Contract/ warranty £'000 | Total £'000 |
|---|---|---|---|
| **At 1 April 2023** | **96** | **2,732** | **2,828** |
| Charged to income statement | 100 | 2,795 | 2,895 |
| Unused amounts reversed to the income statement | - | (945) | (945) |
| **At 31 March 2024** | **196** | **4,582** | **4,778** |

| | **31 March 2024 £'000** | 31 March 2023 £'000 |
|---|---|---|
| Current | **2,499** | 1,930 |
| Non-current | **2,279** | 898 |
| | **4,778** | 2,828 |

Property provisions relate to dilapidation costs to be utilised during the year ending 2026 and 2027.

Contract provisions relate to a review of the major programmes in the Company and relate to expected contract losses and excess construction costs. These are based on the assessment of future costs and are assessed with reference to past experience. The provisions are expected to be fully utilised during the year ending 2030.

## Notes to the financial statements (continued)

### 19 Other financial assets and other financial liabilities

Included in Derivative financial instruments at fair value:

| | **31 March 2024** | | 31 March 2023 | |
|---|---|---|---|---|
| | **Assets £'000** | **Liabilities £'000** | Assets £'000 | Liabilities £'000 |
| **Non-current:** | | | | |
| Forward FX contracts – cash flow hedges | **6** | **(11)** | 88 | - |
| | **6** | **(11)** | 88 | - |
| **Current:** | | | | |
| Forward FX contracts – cash flow hedges | **16** | **(33)** | 335 | - |
| | **16** | **(33)** | 335 | - |

The Company has taken advantage of the exemptions within FRS 101 not to disclose all IFRS 7 and IFRS 13 requirements, on the grounds that the Company itself is a wholly owned subsidiary of Babcock International Group PLC, for which the consolidated financial statements are publicly available with compliance to IFRS.

### 20 Share capital

| | **31 March 2024 £'000** | 31 March 2023 £'000 |
|---|---|---|
| **Allotted, called up and fully paid** | | |
| 40,200 ordinary shares of £1 each (2023: £1) | **40** | 40 |

### 21 Dividends

Dividends declared and paid during the year were (2023: nil), this is equivalent to nil per share (2023: nil per share). There are no plans for a final dividend.

### 22 Guarantees and financial commitments

Capital Commitments:
At 31 March 2024 the Company had capital commitments of £1,169,000 (2023: £204,000) comprising of improvements to properties £847,000 (2023: £37,000), factory machinery £206,000 (2023: £92,000), and the purchase of small value capital items £116,000 (2023: £75,000).

### 23 Related party disclosures

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

In the year ended 31 March 2024, the Company had no transactions or balances outstanding with related parties that fall outside the FRS 101 exemption criteria.

## Notes to the financial statements (continued)

### 24 Subsidiary, and associate and Joint Venture undertakings

All related undertakings for the Company are as listed below:

| Company Name & Address | Country | Interest | Direct % |
|---|---|---|---|
| **Direct:** | | | |
| Babcock IP Management (Number One) Limited 33 Wigmore Street, London, United Kingdom W1U1QX | United Kingdom | £0.02 Ordinary shares | 0.0200% |
| Liquid Gas Equipment Limited William Rankine Building, Rosyth Business Park, Rosyth, Fife, KY11 2YD Scotland | United Kingdom | £1 Ordinary shares | 100% |
| Babcock Canada Inc 45 O'Connor Street, Suite 1500, Ottawa, Ontario K1P 1A4 | Canada | CAD 1 Ordinary shares | 100% |
| Babcock Integrated Technology (Korea) Limited 33 Wigmore Street, London, W1U 1QX | United Kingdom | £1 Ordinary shares | 100% |
| Babcock Integration LLP 33 Wigmore Street, London W1U 1QX | United Kingdom | Member | 2.7% |
| Babcock Integrated Technology GmbH Berliner Platz 12, 41061, Moenchengladbach, Germany | Germany | €1 Ordinary shares | 100% |
| Babcock Korea Ltd 706, 7th Fl. Pan Ocean Building, 102, Jungang-Daero, Jung-gu, Busan, South Korea | Korea | KRW 410,000 Ordinary shares | 100% |
| **Indirect:** | | | |
| Liquid Gas Equipment LLC 251 Little Falls Drive, Wilmington, Delaware 19808, United States | United States | - | 100% |
| LGE IP Management Company Ltd William Rankine Building, Rosyth Business Park, Rosyth, Fife, KY11 2YD Scotland | United Kingdom | - | 100% |
| Okeanus Vermogensverwaltungs GmbH & Co KG Vorsetzen 54, 20459, Hamburg Germany | Germany | - | 50% |
| Uranos Verwaltung GmbH & Co KG Vorsetzen 54, 20459, Hamburg Germany | Germany | - | 50% |

### 25 Contingent liabilities

At the year-end date 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 £8.3m at 31 March 2024 (31 March 2023: utilisation of £21m).

# Notes to the financial statements (continued)

## 26 Prior year restatements

In the year ended 31 March 2024, the Company restated the prior year financial information. The restatements are summarised below:

### Extract of Income statement

| | 31 March 2023 (previously published) £'000 | (i) ECL provision £'000 | 31 March 2023 (restated) £'000 |
|---|---|---|---|
| **Operating profit** | 30,136 | - | 30,136 |
| Provision for expected credit loss on amounts due from group undertakings | (6,342) | 5,419 | (923) |
| **Profit before taxation*** | 80,142 | 5,419 | 85,561 |
| Income tax benefit | 378 | - | 378 |
| **Profit for the financial year*** | 80,520 | 5,419 | 85,939 |

*The table above includes only those income statement line items which have been restated. The total profit values do not therefore represent the sum of the line items presented above.

### Extract of Statement of financial position

| | 31 March 2023 (previously published) £'000 | (i) ECL provision £'000 | 31 March 2023 (restated) £'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Other receivables due after one year | 242,419 | (4,884) | 237,535 |
| **Total non-current assets*** | 481,967 | (4,884) | 477,083 |
| **Total net assets*** | 331,344 | (4,884) | 326,460 |
| | | | |
| **Capital and Reserves** | | | |
| Accumulated retained earnings at 31 March 2022 | 155,920 | (10,303) | 145,617 |
| Accumulated retained earnings at 31 March 2023 | 236,440 | (4,884) | 231,556 |
| **Total shareholders' funds*** | 331,344 | (4,884) | 326,460 |

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

**(i) ECL provision**

In the year ended 31 March 2024 it was identified that the provision for expected credit loss on amounts due from group undertakings was incorrectly calculated. Re-performance of this assessment using the appropriate model resulted in an increase in provision in the year ending 31 March 2023 and the opening retained earnings of the year ending 31 March 2023.

## 27 Post balance sheet events

There have been no significant events affecting the Company since the year-end.

## Notes to the financial statements (continued)

### 28 Immediate and Ultimate parent undertakings

The Company's immediate parent company is Babcock Marine Holdings (UK) Limited, a limited company registered in England and Wales. The Company's ultimate parent undertaking and controlling party is Babcock International Group PLC, a company registered in England and Wales. The only Group in which the results of the Company are consolidated is that headed by Babcock International Group PLC.

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

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