Babcock International Group PLC
Preliminary results for the year ended 31 March 2025

This announcement contains inside information

25 June 2025

Strong results, well-positioned for a new era of defence

Statutory results (unaudited[1])	31 March 2025	31 March 2024
Revenue[3]	**£4,831.3m**	£4,390.1m
Operating profit	**£363.9m**	£241.6m
Basic earnings per share	**49.1p**	32.9p
Full year dividend per share	**6.5p**	5.0p
Cash generated from operations	**£357.4m**	£374.3m

Underlying results[2]	31 March 2025	31 March 2024
Contract backlog	**£10.4bn**	£10.3bn
Underlying operating profit[3]	**£362.9m**	£237.8m
Underlying operating margin[3]	**7.5%**	5.4%
Underlying basic earnings per share	**50.3p**	30.8p
Underlying free cash flow	**£153.4m**	£160.4m
Net debt[4]	**£(373.3)m**	£(435.4)m
Net debt excluding leases	**£(101.2)m**	£(210.9)m
Net debt/EBITDA (covenant basis)	**0.3x**	0.8x

David Lockwood, Chief Executive Officer, said:

"This is a new era for defence. There is increasing recognition of the need to invest in defence capability and energy security, both to safeguard populations and to drive economic growth. Our specialist capabilities are increasingly relevant and, with a growing set of opportunities before us, Babcock is committed to play its part in driving prosperity alongside its customers.

"Our strong financial performance in FY25, with operational momentum across the business, has enabled us to upgrade our medium-term guidance, increase our dividend and launch a £200 million share buyback programme for the first time in the company's history. We look forward to continuing our track record of profitable growth, and to investing in the people and capabilities that will create value for all our stakeholders."

Financial highlights

- **Contract backlog:** £10.4 billion, large Land and Aviation awards offset execution on long-term contracts
- **Revenue:** grew 11% on an organic basis, driven by strong growth in Nuclear and Marine
- **Statutory operating profit:** up 51% to £364 million. FY24 included two non-recurring items, a £90 million contract loss and a one-off £17 million profit on disposal of property
- **Underlying operating profit:** up 53% to £363 million, or up 17% excluding the FY24 non-recurring items noted above, driven by strong performance in Nuclear and Land
- **Underlying operating margin:** up 50-basis points to 7.5% excluding the FY24 non-recurring items, with increased margin in Nuclear, Land and Aviation
- **Underlying EPS:** 50.3 pence, up 23% excluding the FY24 non-recurring items, due to higher operating profit and a lower interest charge
- **Underlying free cash flow:** £153 million, underlying operating cash conversion of 82%
- **Net debt** excluding leases reduced by £110 million to £101 million delivering a gearing ratio of 0.3x (FY24: 0.8x)
- **Dividend:** recommended final dividend of 4.5 pence per share, taking the total to 6.5 pence per share, up 30%
- **Announcement of £200 million share buyback** to be executed over FY26

New medium-term guidance:

- Average revenue growth of mid-single digit
- Underlying operating margin of at least 9% (previously at least 8%)
- Average underlying operating cash conversion of at least 80%

- Medium-term guidance underpinned by current business and near-term pipeline
- We are well positioned for opportunities aligned with attractive market growth trends

FY26 outlook

We look forward to another year of progress, and expect to achieve our previous medium term target of underlying operating margin of 8% in FY26, at least one year earlier than we anticipated.

Strategic highlights

- Launched H&B Defence joint venture with HII in Australia
- Signed an MOU with Patria to offer the Patria 6x6 Armoured Personnel Carrier to the UK Armed Forces
- Launched South West Regional Hub for Nuclear Skills to support the delivery of the UK strategic plan for skills
- Launched collaborative Submarine Availability Support Hub in Bristol with Submarine Delivery Agency
- Expanded the General Logistics Vehicle offering through launch of a medium wheelbase. Plans for six-wheel variant
- Launched the Babcock Immersive Training Experience (BITE) to support individual and collective training

Operational highlights

Marine

- In June 2025, we achieved a major milestone as the first of five Type 31 Frigates, HMS Venturer, left the assembly hall and entered the water and returned to dry dock for fit out in Rosyth
- Awarded an additional c.£65 million Capability Insertion Period contract for the Type 31 programme
- Secured a further c.£240 million Missile Tube Assembly contract for the US Columbia Class submarines programme
- Achieved record order intake in LGE of approximately £430 million (up 43%), with more than 70 international contracts
- Successful first year of in-service delivery of the Skynet contract to manage the UK's military satellite and space operations

Nuclear

- Reopened Devonport's 9 Dock following significant regeneration work and successfully docked down HMS Victorious
- First Astute Class submarine docked in Devonport's upgraded 15 Dock facility
- 28% growth in Cavendish Nuclear driven by expansion of new civil nuclear projects
- Continued significant ramp up at Hinkley Point C to install mechanical and electrical services
- After year end, awarded £114 million contract to support first nuclear submarine defueling operations in 20 years

Land

- Awarded sole-source five-year British Army strategic support partner contract extension ('Reframe', formerly DSG) worth £1.0 billion
- Awarded additional contract to build 53 High Mobility Transporter Jackal 3 six-wheeled 'Extendas' for the British Army
- Launched 120mm Ground Deployed Advance Mortar System with ST Engineering with live firing demo for the UK
- Awarded first NATO training contract and several key UK training contract extensions
- Continued to provide critical defence support capability to Ukraine

Aviation

- Awarded Mentor 2, a contract for 15 years (plus two option years) to deliver military air training solutions for the French Air and Space Force, and Navy
- Secured 12-year contract with Airbus to support 48 French defence and security EC145s across France and overseas
- Reached milestone of 60,000 flight training hours for the French Air Force
- Awarded two-year HADES contract extension to provide technical airbase support services across the UK tri-forces
- Secured a £70 million contract to deliver new infrastructure facilities for Ascent UK Military Flying Training System

See page 18 for segmental analysis

Notes to statutory and underlying results on page 1

1. Unaudited full year results

   The financial information set out in this preliminary announcement is unaudited. The Group has completed the preparation of its Annual Report and Accounts for the year ended 31 March 2025. The Group's auditor, Forvis Mazars, has consented to the release of this preliminary announcement but is not yet in a position to issue its Audit report. Forvis Mazars has advised that the audit is substantially complete with no material matters currently remaining, but that further time is required for documentation and completion procedures. Forvis Mazars expects to issue its Audit report by Tuesday 1 July 2025.

2. Alternative Performance Measures (APMs):

   The Group provides alternative performance measures (APMs), including underlying operating profit, underlying margin, underlying earnings per share, underlying operating cash flow, underlying free cash flow, net debt, net debt excluding leases and contract backlog to enable users to have a more consistent view of the performance and earnings trends of the Group. These measures are considered to provide a consistent measure of business performance from year to year. They are used by management to assess operating performance and as a basis for forecasting and decision-making, as well as the planning and allocation of capital resources. They are also understood to be used by investors in analysing business performance.

   The Group's APMs are not defined by IFRS and are therefore considered to be non-GAAP measures. The measures may not be comparable to similar measures used by other companies, and they are not intended to be a substitute for, or superior to, measures defined under IFRS. The Group's APMs are consistent with those for the year ended 31 March 2024. The Group has defined and outlined the purpose of its APMs in the Financial Glossary on page 30.

3. FY24 non-recurring items
   - FY24 included a revenue reversal of £66.3 million from the Type 31 loss. Excluding this, FY24 revenue was **£4,456.4 million**
   - FY24 underlying operating profit included a contract loss of £90.0 million and a profit on disposal of property of £17.0 million. Excluding these, FY24 underlying operating profit was **£310.8 million**
   - Excluding the Type 31 loss and profit on property disposal, FY24 underlying operating margin was **7.0%**
   - See table on page 18

4. Net debt:
   - See reconciliation of net debt on page 14 and in our financial glossary on page 30

See page 18 for segmental analysis and page 30 for financial glossary.

The person responsible for arranging for the release of this announcement on behalf of the Company is Jack Borrett, the Corporate Secretary, Babcock International

Results presentation:

A presentation for investors and analysts will be held on 25 June at 09:00 am (BST). The presentation will be webcast live and will be available on demand at www.babcockinternational.com/investors/results-and-presentations. A transcript of the presentation and Q&A will also be made available on our website.

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CEO review

Introduction

FY25 was a pivotal year for Babcock, demonstrating the strength of the business we have built over recent years. Financial performance was particularly strong with full year results ahead of our upgraded guidance, while a complex and rapidly changing global context for defence has highlighted the increasing relevance of our specialist capabilities.

Babcock is in a position of financial strength, with operational momentum across the business. We have a clear capital allocation framework which, in combination with our robust balance sheet, enables us to address both the growing international opportunity set to deliver sustained good growth, and to deliver improved returns for shareholders over the coming years. Our increased confidence in the potential for future value creation is underlined by today's upgrade to our medium-term guidance, in addition to a 30% increase in full year ordinary dividend and the announcement of the launch of a £200 million share buyback programme to be completed in FY26.

We are building a track record of growth, margin expansion, cash generation and investment that will sustain attractive growth and create shareholder value over the long term.

Strong results

Performance in FY25 was strong, with growth in revenue and underlying operating profit[1] above our expectations at the beginning of the year, and overall cash generation better than forecast.

Revenue grew organically[1] by 11% to £4.8 billion, with particularly strong growth in Nuclear and Marine.

Underlying operating profit of £363 million is an increase of 17%, excluding the one-off items in FY24. On the same basis, underlying operating margin[1] of 7.5% represents a 50-basis points improvement, demonstrating significant progress towards our previous medium-term guidance of at least 8%. At the sector level, margins increased in Nuclear, Land and Aviation, while Marine declined as expected due to high margin AH140 licence sales in FY24.

Strong underlying operating cash conversion[1] of 82% despite ongoing investment in the business (capex to depreciation ratio 1.6x), resulted in underlying free cash flow[1] of £153.4 million (FY24: £160.4 million), which included an additional pension deficit repair payment of £40 million (FY24: £35 million). We completed a long-term funding arrangement (LTFA) for the Rosyth Royal Dockyard Pension Scheme (discussed below). This is the last of three main schemes to reach an LTFA and demonstrates a significant de-risking of our pension liabilities over the last three years.

As a result, the balance sheet has further strengthened. Net debt excluding leases[1] reduced to £101.2 million (FY24: £210.9 million), resulting in a gearing ratio (net debt to EBITDA)[1] of 0.3x (FY24: 0.8x).

On a statutory basis, we delivered operating profit of £364 million, and generated cash from operations of £357 million.

Given the Group's strong performance, the Board has recommended a final dividend of 4.5 pence per share, taking the full year dividend to 6.5 pence per share, an increase of 30% compared to FY24.

Our contract backlog increased slightly to £10.4 billion (FY24: £10.3 billion), reflecting firm orders related to the five-year DSG contract extension (now called 'Reframe') and Mentor 2 contract in France, offset by revenue traded on the existing long-term contract portfolio. The Group's largest programme, Future Maritime Support Programme (FMSP), enters its final year of trading in FY26 with Heads of Terms agreed and commercial discussions under way for the follow-on multi-year programme.

Continuing to prioritise delivery

We continue to make good operational progress and to deliver for our customers. Through the year we achieved several important milestones that position us well for future growth.

Following a significant upgrade to 9 Dock in our Devonport facility, the dry dock critical to the support of the Vanguard Class of nuclear deterrent submarine, HMS Victorious docked in January and was removed from the water. This is a key step in the multi-year £560 million HMS Victorious life extension programme and for the future support of the UK's deterrent fleet. We also achieved the first docking of an Astute Class nuclear attack submarine, HMS Audacious, in February, paving the way to deliver the significant support requirement for the Astute fleet over the coming decades.

The five-ship UK Type 31 frigate programme made good progress through the year, with work starting on the third ship, HMS Formidable, using an enhanced build strategy to drive production efficiencies that will be realised through the rest of the build programme. After the year end, the first-in-class ship, HMS Venturer, marked the significant execution milestone of leaving the assembly hall and entering the water, before returning, as planned, to dry dock to continue work. Ship 2 is expected to float off in H2 FY26. Separately, we secured a £65 million Capability Insertion Period (CIP) contract for the Type 31 fleet to deliver additional military capability for the vessels beyond the initial design and build contract. This contract, awarded on a sole-source basis, recognises that our differentiated capabilities will deliver enhanced value to this key Royal Navy programme.

In March, we finalised negotiations for 'Reframe', a five-year extension to the British Army land equipment support contract following successful execution and completion of the original contract, DSG. Worth around £1 billion, and awarded on a sole source basis, Reframe supports delivery of the UK Government's Defence Industrial Strategy and is a model for addressing complex equipment support opportunities, focused on delivering improved readiness, regeneration and asset management services. It will maximise the availability of critical army equipment whilst delivering increased value for money and better outcomes for both partners.

Our Cavendish Nuclear business is successfully delivering a significant ramp up in activity at Hinkley Point C, as the construction phase of the large gigawatt nuclear power plant project progresses. As a key partner in the Mechanical, Electrical and HVAC (MEH) Alliance, we have increased resources from 250 to over 600 people in the last year; we anticipate our team continuing to grow significantly in support of the overall project requirement.

We continue to invest in systems and processes to improve operational efficiency. We made good progress on our ERP upgrade and consolidation strategy, with successful implementation of SAP in Devonport, our largest SAP investment in our largest trading entity, and in Land, to enable and support of the DSG contract extension negotiation. Design and rollout of our next-generation digital platform (Athena) is on track, which will give us a more agile, secure and efficient foundation from which to deliver our customer solutions, increasing standardisation and process automation, and improving business control.

Increasing global market opportunity in defence and nuclear

A combination of continued global insecurity, rising global threats and rapidly evolving technology has led to a strengthening of stance on defence and security by governments across all our markets. There is clear recognition of the need for increased investment in defence capabilities and energy security, in particular nuclear power generation. Nations are increasingly focused on securing national sovereignty and industrial resilience, prioritising equipment and infrastructure modernisation, evolving technologies and the need to work in partnership with industry. These trends are likely to drive significant defence spending and increased investment in the civil nuclear sector for the foreseeable future.

Positioned to deliver the UK's near and long-term goals

The dynamic in the UK has shifted significantly over the last six months. In its 2025 Spending Review, the new Government confirmed it will increase its commitment to defence spending to 2.6% of GDP by 2027 (from 2.3%) with cross-party support for an ambition for this to rise to 3% of GDP in the next Parliament. This will include £6 billion to upgrade nuclear submarine production and £4.5 billion spent on munitions. The Prime Minister also announced at the Nato Summit in June 2025, a commitment to spend 5% of GDP on national security with a target date of 2035.

In addition, the UK Government set out its defence and security priorities in the Strategic Defence Review (SDR), announced on 2 June, which is strongly aligned with our capabilities (discussed below). At the meeting of NATO defence ministers, the UK committed to an ambitious new set of capability targets which will form the basis for a new defence investment plan.

With UK defence representing 62% of Group revenue in FY25, this backdrop provides a significant opportunity for sustained growth.

The SDR emphasised the contribution of defence to broader economic prosperity, the need to drive a new partnership with industry and to radically reform the current procurement system. As the second-largest supplier to the UK Ministry of Defence, contributing £4.3 billion of value to the country's GDP in FY24 (Oxford Economics report – March 2025), Babcock is a key part of delivering the UK Government's ambitions.

The SDR sets out five key principles:

- **NATO first**: Babcock supports several key NATO forces as well as working directly with NATO
- **Move to warfighting readiness**: Babcock supports all three UK Armed Forces, providing submarine design, systems and support, warship build, integration and support, advanced manufacturing, mission systems autonomy, mission systems and digital, land defence build and support, and technical training.
- **Engine for growth**: Babcock is a critical UK-based supplier to the MOD, driving jobs and prosperity across the country, including a UK-first supply chain approach, and creating further growth through exports from the UK
- **UK innovation driven by lessons from Ukraine**: Babcock plays a significant role in Ukraine, supporting the UK MOD-gifted equipment and training
- **Whole of society approach**: In addition to its financial contribution to UK GDP, Babcock is a leading member of the National Nuclear Skills Taskforce, is investing in skills and training, and is the UK's largest employer of veterans.

The priorities outlined in the SDR align strongly with our capabilities and expertise, including our naval and civil nuclear capability, advanced manufacturing and mission systems expertise, and exports of warships, equipment, vehicles, autonomy and specialist training.

In particular, the UK Government has signalled it is focused on nuclear, both defence and civil. Nuclear is our biggest sector in revenue and profit terms and Babcock is the largest civil and defence nuclear services provider in the UK. We are the only company with the capability and critical assets to support the UK's nuclear-powered submarine fleet. The Government's commitment to the nuclear deterrent, with the new fleet of Dreadnought Class submarines, and to increase in the nuclear attack submarine fleet from 7 to 12 through the AUKUS programme, will drive activity in our submarine support business for decades.

We are also involved in the intergovernmental AUKUS programme, both in the UK and Australia. We recently announced the first Australian AUKUS contract for H&B Defence, our joint venture with HII in Australia, to enhance Australia's supply chain capabilities in preparation for delivery of the first three nuclear-powered submarines under the AUKUS trilateral partnership. The SDR also outlined a £15 billion investment in a new sovereign nuclear warhead, supporting our role with the Atomic Weapons Establishment (AWE).

With the Government having set out its priorities in the SDR, it will take time for the practical aspects of implementation to be determined and fiscal constraints will likely remain a key determining factor. We expect further clarity with publication of the Defence Industrial Strategy expected Summer 2025. Nevertheless, the importance of UK defence has undoubtedly increased significantly, and we are encouraged by the Government's strong intention to increase industrial collaboration. We are confident that significant opportunities will emerge, including investment, driving growth in both our UK and international businesses over the medium and long-term.

Positioned for UK civil nuclear renaissance

In civil nuclear, commitments by the UK Government earlier this month to a £14 billion investment in the Sizewell-C large gigawatt nuclear plant project and to develop the first three small modular reactor (SMR) power stations, represent significant opportunities for our Cavendish Nuclear business. Cavendish is also involved in the design of assets required for nuclear fuel manufacture, conversion and enrichment in support of developing a sovereign nuclear fuel capability.

Disciplined capital allocation

Our clear and consistent capital allocation framework is designed to be flexible and thereby allow us to maximise value creation. In FY25, supported by our strong balance sheet, we delivered on our capital allocation priorities with further investment in the business (capex to depreciation 1.6x (FY24: 1.7x)), accelerated pension deficit payments by £40 million as part of the strategy to materially de-risk the Group's pension liabilities and proposed a 30% increase in full year dividend.

With net cash generation of £105.3 million and our gearing ratio (net debt to EBITDA) down to 0.3x, we have the financial capacity to invest in the growing opportunity set and also return surplus capital to shareholders. Therefore today, we have announced our intention to launch a £200 million share buyback programme, to be executed over FY26. This demonstrates responsible capital allocation whilst retaining balance sheet strength for investment opportunities.

Investment for growth: In addition to ongoing capex, we see growing opportunity to invest for growth. It is too early to identify specific opportunities as governments determine their priorities and overall intended growth in spending. However, our investment considerations include, in Rosyth, advanced manufacturing capability and expansion of production capacity to address opportunities in domestic and international marine and nuclear markets, as well as SMR large scale modular manufacturing.

In addition, we will be investing in new growth contracts such as Mentor 2, which has an initial capital phase of aircraft acquisition.

To further enhance our ability to grow, both in the UK and internationally, and to attract the talent required to support that growth, we continue to focus on embedding our Purpose-led culture across the Group. To support this, in June 2025 we introduced a brand refresh, which will enable us to more clearly articulate our value to all of our stakeholders.

Our people are the foundation of Babcock's success and are critical to delivering sustained growth. We remain committed to investing in their development and to creating opportunities to support their long-term career goals. Our people strategy includes developing highly skilled jobs, training, and investment in early careers. In the UK, this fully aligns Babcock with the Government's aim to deliver the 'Defence Dividend'; namely for increased investment in the industry to generate growth and prosperity for the nation as a whole.

We continue to break down barriers to employment. In FY25 we delivered our third Skills-based Work Academy Programme at our Vehicle Engineering site in Walsall, building on successful initiatives at our Devonport site. Developed in partnership with local councils and the Department for Work and Pensions, this provides unemployed individuals with qualifications and skills. Earlier in the year, we welcomed our fifth intake of Production Support Operatives (PSOs) at our Rosyth facility.

As a key industrial partner on the UK's Nuclear Skills Taskforce, we are playing a leading role in securing the critical skills needed across the defence and civil nuclear sectors. In September, the UK Minister for Defence Procurement, Maria Eagle, officially opened the Babcock Engineering & Nuclear Skills building at City College Plymouth. This facility will support the development of complex submarine maintenance capabilities and marks the next phase of our Babcock Skills Academy — focused on building a pipeline of talent and upskilling our workforce to meet future nuclear programme demands. After the year end, we opened a new apprenticeship welding school in Bristol.

FY25 saw us welcome our largest-ever early careers intake in the UK, hiring apprentices and graduates across a wide range of high-demand disciplines, including space systems engineering. We expect to increase this programme in FY26.

As part of our commitment to retaining and rewarding our people, we are launching a free share award programme for all employees globally. This initiative allows eligible employees to share directly in Babcock's success, recognising their contributions and strengthening their connection to the Company's future.

Investing in partnerships: We continue to develop strategic partnerships with leading global players where we share investment and risk to influence, disrupt and shape a market.

In the Land domain, we are building our equipment production business through an increasing number of partnerships. During the year we received a contract for the manufacture of 53 Jackal 'Extenda' variants of the High Mobility Transporter for the British Army, in partnership with Supacat. The initial order for 70 Jackal 3 vehicles began production within the Devonport Freeport earlier this year.

We have also partnered with ST Engineering to offer the UK an integrated, end-to-end solution to enhance British mortar capability, as part of the MOD's 120mm mortar procurement. In line with the priorities set out in the UK SDR, we will deliver a sovereign solution that boosts British capability whilst driving economic and social benefit.

In January 2025, Babcock signed a memorandum of understanding with Finnish company Patria to offer the Patria 6x6 Armoured Personnel Carrier to meet the operational requirements of the British Army, in line with the UK's Defence Land Industrial Strategy. Under the agreement, Patria will lead on design and development of the system, while Babcock will lead on the manufacture, assembly, integration and testing.

We are exploring export potential through all of these partnerships.

In the marine and naval nuclear sectors, Babcock and HII launched an Australian joint venture, H&B Defence, to accelerate the development of critical sovereign capability for the AUKUS conventionally armed, nuclear-powered submarine programme. In May 2025, the joint venture secured its first contract to deliver a two-year Australian Submarine Supplier Qualification Pilot Program which will accelerate the identification of Australian suppliers with the requisite skills and products to enable them to access the US Virginia Class submarine supply chain.

We continue to work in partnership with Saab, currently supporting design deliverables on the Swedish Navy's next generation Luleå Class surface combatant programme. We are working together to identify export markets for the Luleå Class.

In FY25, we built on our strategic partnerships in the Republic of Korea with two new agreements to support the growth of global opportunities: a Strategic Cooperation Agreement with Hanwha Ocean, to jointly address solutions for major global naval procurement projects, and a Memorandum of Understanding with Korea Aerospace Industries to jointly explore military flying training, air base support and engineering opportunities in Central, Eastern and Southern Europe.

After the year end, we signed an MOU with Safran, the world's second largest aircraft equipment manufacturer, to jointly pursue opportunities across multi-domain mission systems, aircraft engines, space systems, tactical and strategic communications and uncrewed airborne vehicles.

Inorganic investment: Our bolt-on M&A strategy is an important component of our capital allocation framework and supporting the Group's future growth potential and expansion of capability. We have a disciplined and structured approach to assessing opportunities, focusing on their fit with our core capabilities and our confidence that they will create shareholder value.

Whilst we have been active in reviewing opportunities through FY25, including two low triple-digit million targets, we ultimately decided against proceeding in each case, having determined through detailed due diligence that the balance of risk and value potential did not reach our value creation thresholds. We will continue to assess potential acquisition opportunities which meet our criteria.

Upgraded medium term guidance

Two years ago, having reset our financial baseline, we provided medium term guidance of average revenue growth in the mid-single digits, underlying margin of at least 8% and operating cash conversion of at least 80%. This reflected our confidence in the growth, profitability and cash generation potential of the business.

To date, we have met or exceeded guidance for both revenue growth and cash conversion and delivered a trajectory of margin improvement each year towards the earlier end of the guidance period. We now expect to meet our target underlying operating margin in FY26, at least one year earlier than we anticipated.

We are now refreshing our guidance and over the next medium-term period we expect to deliver:

- Average revenue growth of mid-single digit
- Underlying operating margin of at least 9%
- Average underlying operating cash conversion of at least 80%

Our new medium-term guidance is underpinned by the current outlook for our businesses and nearer-term pipeline.

The strengthening stance on defence and security by governments, and the clear recognition of the need for increased investment in defence capabilities and energy security, provides a positive backdrop for many of our addressable markets. Babcock is well-positioned for future opportunities that may arise in the longer-term.

David Lockwood

Chief Executive

Other information

Dividend

A dividend of 4.5 pence per ordinary share (FY24: 3.3 pence) is payable on Tuesday 30 September 2025 to shareholders whose names appear on the register at the close of business on Friday 22 August 2025. If approved by the Shareholders at the AGM on 25 September 2025 this will give a total dividend for the year of 6.5 pence (FY24: 5.0 pence). Shareholders may participate in the dividend re-investment plan and elections must be made by Tuesday 9 September 2025. Details of the dividend re-investment plan can be found, and shareholders can make elections, at www.babcock-shares.com.

Notes to CEO Statement

1. A defined Alternative Performance Measure (APM) as set out on page 3 and in the Financial Glossary on page 30.

Financial review

The financial information set out in this preliminary announcement is unaudited, as explained on page 3.

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

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The reconciliation from the IFRS statutory income statement to the underlying income statement is shown below.

Income statement

	31 March 2025			31 March 2024		
	Underlying £m	Specific adjusting items £m	Statutory £m	Underlying £m	Specific adjusting items £m	Statutory £m
Revenue	**4,831.3**	**–**	**4,831.3**	**4,390.1**	**–**	**4,390.1**
Operating profit	**362.9**	**1.0**	**363.9**	**237.8**	**3.8**	**241.6**
Operating margin	7.5%		7.5%	5.4%		5.5%
Share of results of joint ventures and associates	8.4	(11.1)	(2.7)	9.2	–	9.2
Net finance costs	(31.9)	(0.2)	(32.1)	(35.9)	1.8	(34.1)
Profit before tax	**339.4**	**(10.3)**	**329.1**	**211.1**	**5.6**	**216.7**
Income tax (expense)/benefit	(84.1)	3.9	(80.2)	(53.5)	5.0	(48.5)
Profit/(loss) after tax	**255.3**	**(6.4)**	**248.9**	**157.6**	**10.6**	**168.2**
Non-controlling interest	(1.8)	–	(1.8)	(2.5)	–	(2.5)
Profit/(loss) attributable to the owners of the parent	**253.5**	**(6.4)**	**247.1**	**155.1**	**10.6**	**165.7**
Basic EPS	**50.3p**		**49.1p**	**30.8p**		**32.9p**
Diluted EPS	**49.3p**		**48.0p**	**30.1p**		**32.2p**

A full statutory income statement can be found on page 38.

As described on page 3, statutory operating profit includes specific adjusting items (SAIs) that are not included in underlying operating profit, which is a key APM for the Group. A reconciliation of statutory operating profit to underlying operating profit is shown in the table below and in note 2 of the preliminary financial statements.

Revenue of £4,831.3 million was 11% higher than FY24 on an organic basis, driven by strong growth in Nuclear and Marine.

See segmental tables on page 18:

- **Marine** revenue increased 12% (at constant FX) to £1,576.4 million. Growth was led by a full year of trading on the Skynet programme and higher volumes in LGE, as well as increased naval support activity on our New Zealand and Canada programmes and ramp up of new contracts in Ukraine and Sweden. This was partly offset by the FY24 license sales in Poland not repeated in FY25 and lower support volumes in Australia.
- **Nuclear** revenue increased 19% (at constant FX) to £1,816.0 million led by strong growth in our Cavendish Nuclear business (+28%) driven by the expansion of new civil nuclear projects. In addition, submarine support activity grew strongly under the Future Maritime Support Programme (FMSP) and ramp up of the HMS Victorious Deep Maintenance Programme, in addition to further growth in Major Infrastructure Programme (MIP) revenue to £504 million (FY24: £459 million).

- **Land** revenue increased 2% (at constant FX) to £1,116.6 million comprising growth from a broad range of defence activities in both the UK and international markets, including DSG, Jackal production and Ukraine support, and an increase in our South Africa business. This was substantially offset by a reduction in our Rail business.
- **Aviation** revenue declined 4% as expected (at constant FX) to £322.3 million primarily due to completion of the aircraft delivery phase in the H160 French defence programme.

Underlying operating profit was up 53% to £363 million, in line with our post-close trading update. The prior year included two non-recurring items, a £90 million contract loss and a one-off £17 million profit on disposal of property. Excluding these, underlying operating profit increased 17%, driven by strong performance in Nuclear and Land.

Underlying operating margin increased to 7.5% (FY24: 5.4%). FY24 includes (2.0)% from the Type 31 loss and 0.4% from the profit on property disposal. Excluding these, underlying operating margin improved 50 basis points reflecting good performance in Nuclear, Land and Aviation, which more than offset the reduction in Marine margin due to the AH140 frigate licence income in FY24.

See segmental tables on page 18:

- **Marine** underlying operating profit increased to £96.5 million (FY24: £13.1 million), primarily reflecting non-repeat of the £90.0 million contract loss in FY24 as well as revenue growth outlined above, offset by the impact of licence contribution in FY24. As a result, underlying operating margin was 6.1% (FY24: 0.9%; FY24 excluding contract loss 6.9%).
- **Nuclear** underlying operating profit increased to £160.3 million (FY24: £109.2 million), driven by revenue growth in civil nuclear, submarine support and infrastructure, and productivity improvements as well as some contract changes. As a result, underlying operating margin increased to 8.8% (FY24: 7.2%).
- **Land** underlying operating profit decreased 10% to £86.2 million (FY24: £96.3 million) as FY24 included a one-off £17.0 million profit on disposal of property. Excluding this, underlying operating profit increased 9% reflecting revenue growth outlined above net of the decrease in Rail, improvement in training margins and the final year of trading of the DSG contract. As a result, underlying operating margin was 7.7% (FY24: 8.8%; FY24 excluding property profit 7.2%).
- **Aviation** underlying operating profit increased 4% to £19.9 million (FY24: £19.2 million), despite lower revenue, reflecting improved project profitability, programme timing and contract renegotiations, including price. As a result, underlying operating margin increased to 6.2%. (FY24: 5.6%).

Further analysis of financial performance is included in each sector's operational review starting on page 19.

Statutory operating profit increased to £363.9 million (FY24: £241.6 million). FY24 was impacted by the two non-recurring items, the £90.0 million contract provision and the £17.0 million profit on disposal of property. Excluding these, the drivers of profit growth are the same as outlined above. The specific adjusting items between statutory and underlying operating profit are set out in the table below.

Statutory operating margin increased to 7.5% (FY24: 5.5%), reflecting the same drivers as for underlying operating margin.

Reconciliation of statutory to underlying operating profit

	31 March 2025 £m	31 March 2024 £m
Statutory operating profit	**363.9**	**241.6**
Amortisation of acquired intangibles	8.2	10.8
Business acquisition, merger and divestment related items	(1.5)	(8.2)
Curtailment gain on pension scheme closure	(1.2)	–
Fair value movement on derivatives	(6.5)	(6.4)
Specific adjusting items impacting operating profit	**(1.0)**	**(3.8)**
Underlying operating profit	**362.9**	**237.8**

Share of joint ventures and associates on a statutory basis was a £2.7 million loss including an £11.1m charge following a review by our Ascent flight training joint venture to align its accounting to IFRS principles. This resulted in a c.1% lower overall measure of contract completion than the revenue estimate previously applied under IFRS. This adjustment has no impact on dividends received within our underlying free cash flow and has been treated as a specific adjusting item to profit before tax. The underlying share of results from joint ventures and associates was £8.4 million (FY24: £9.2 million).

Net finance costs

- **Underlying net finance costs** decreased to £31.9 million (FY24: £35.9 million), reflecting reduced finance costs following termination of the £300 million RCF in October 2023 and higher interest income on surplus cash balances. This was partly offset by higher lease interest charges on aircraft in Australia and in Canada to support new Aviation programmes and a higher IAS 19 retirement benefit interest charge of £4.5 million (FY24: charge of £0.8 million).
- **Statutory net finance costs** decreased to £32.1 million (FY24: £34.1 million), reflecting the £4.0 million decrease in underlying net finance costs and a £2.0 million difference in fair value movement on derivative and related items.

Income tax expense

- **Underlying income tax expense** increased to £84.1 million (FY24: £53.5 million) reflecting higher underlying operating profits and geographical mix. This represents an effective underlying tax rate of 25.4% (FY24: 26.5%), calculated using underlying profit before tax excluding the share of income from joint ventures and associates (which is a post-tax number). The Group's effective underlying tax rate is expected to remain broadly stable over the medium term depending on country profit mix.
- **Statutory income tax expense** increased to £80.2 million (FY24: £48.5 million), lower than the underlying income tax expense due to the tax impact of the specific adjusting items outlined above and in note 2 of the preliminary financial statements.

Basic earnings per share

- **Underlying basic earnings per share** of 50.3 pence (FY24: 30.8 pence) increased due to higher underlying operating profit for the year and lower underlying net finance costs. In FY24, excluding the impacts on earnings per share of the contract loss and the profit on disposal of property, underlying earnings per share was 40.8p. The increase on this basis was 23%.
- **Basic earnings per share** on a statutory basis increased to 49.1 pence (FY24: 32.9 pence) reflecting the improvement in underlying earnings per share and the post tax impact of the specific adjusting items outlined above.

Reconciliation of statutory profit and basic EPS to underlying profit and basic EPS

	31 March 2025		31 March 2024	
	£m	Basic EPS	£m	Basic EPS
Statutory profit after tax for the year	**248.9**	**49.1p**	**168.2**	**32.9p**
Specific adjusting items, net of tax	6.4	1.2p	(10.6)	(2.1)p
Underlying profit after tax for the year	**255.3**	**50.3p**	**157.6**	**30.8p**

Dividend per share

	31 March 2025 pence	31 March 2024 pence
Interim	2.0	1.7
Final	4.5	3.3
Total	**6.5**	**5.0**

The Board has recommended a final dividend of 4.5 pence per ordinary share for approval by shareholders at the 2025 Annual General Meeting, which will take the total dividend for FY25 to 6.5 pence (FY24: 5.0 pence), a 30% increase.

Exchange rates

The translation impact of foreign currency movements resulted in a decrease in revenue of £22.4 million and a decrease in underlying operating profit of £1.9 million. The main currencies that have impacted our results are the Australian Dollar, Canadian Dollar, Euro, New Zealand Dollar and South African Rand. The currencies with the greatest potential to impact results are the South African Rand, the Australian Dollar, the Euro and the Canadian Dollar:

- A 10% movement in the South African Rand against Sterling would affect revenue by around £34 million and underlying operating profit by around £3 million per annum
- A 10% movement in the Australian Dollar against Sterling would affect revenue by around £25 million and underlying operating profit by around £1 million per annum
- A 10% movement in the Euro against Sterling would affect revenue by around £11 million and underlying operating profit by around £1 million per annum
- A 10% movement in the Canadian Dollar against Sterling would affect revenue by around £8 million and underlying operating profit by around £1 million per annum

Cash flow and net debt

Underlying cash flow and net debt

Underlying cash flows are used by the Group to measure operating performance as they provide a more consistent measure of business performance from year to year.

	31 March 2025 £m	31 March 2024 £m
Statutory operating profit	**363.9**	**241.6**
Add back: specific adjusting items (see table on page 10)	(1.0)	(3.8)
Underlying operating profit	**362.9**	**237.8**
Right of use asset depreciation & impairment	33.0	39.8
Other depreciation & amortisation	78.3	67.3
Non-cash items	11.0	(8.7)
Working capital movements	2.1	127.5
Provisions	(23.5)	20.4
Net capital expenditure	(122.2)	(111.8)
Lease principal payments	(45.4)	(49.6)
Underlying operating cash flow	**296.2**	**322.7**
Underlying operating cash conversion (%)	82%	136%
Pension contributions in excess of income statement	(89.1)	(107.6)
Interest paid (net)	(26.8)	(32.2)
Tax paid	(39.1)	(27.4)
Dividends from joint ventures and associates	12.2	7.1
Cash flows related to specific adjusting items	–	(2.2)
Underlying free cash flow	**153.4**	**160.4**
Net acquisitions and disposals of subsidiaries	(1.1)	(1.3)
Dividends paid (including non-controlling interests)	(28.0)	(10.3)
Purchase of own shares	(18.8)	(12.5)
Lease principal payments	45.4	49.6
Net new lease arrangements	(87.2)	(54.8)
Leases disposed of/(acquired) with subsidiaries	1.1	–
Other non-cash debt movements	(2.1)	(3.2)
Fair value movement in debt and related derivatives	0.5	0.5
Exchange movements	(1.1)	0.6
Movement in net debt	**62.1**	**129.0**
Opening net debt	(435.4)	(564.4)
Closing net debt	**(373.3)**	**(435.4)**
Add back: leases	272.1	224.5
Closing net debt excluding leases	**(101.2)**	**(210.9)**

A full statutory cash flow statement can be found on page 42 and a reconciliation to net debt on page 14.

Underlying operating cash flow decreased to £296.2 million (FY24: £322.7 million), which was slightly higher than expected due to working capital performance, predominantly the timing of contract milestones and customer advanced payments at the year end. Gross capex of £128.3 million (FY24 £142.4 million) remains well ahead of depreciation as we continue to invest across the portfolio, in our operations and systems, including the roll-out of SAP. Capital expenditure is reconciled in the financial glossary on page 30). Overall, the conversion ratio of operating cash to underlying operating profit was 82% (FY24: 136%).

Underlying free cash flow of £153.4 million (FY24: £160.4 million) includes an additional £40 million (FY24: £35 million) pension deficit repair contribution as part of finalising long-term funding arrangements for two of our three main schemes. As a result, we expect annual deficit repair payments to reduce from around £40 million per annum to around £20 million per annum for the next six years.

Acquisitions and disposals

The £1.1 million outflow arose from deconsolidation of cash relating to disposals in Oman. The outflow of £1.3 million in FY24 represents the final settlement in relation to the disposal of the European AES business in FY23.

New lease arrangements

In addition to net capital expenditure, and not included in underlying free cash flow, £87.2 million (FY24: £54.8 million) of net additional lease liabilities were entered into in the year. The increase includes aircraft leases to support new contracts in Australia and Canada. These are new lease obligations and are therefore included in net debt, but do not involve any cash outflows at inception.

Reconciliation of underlying operating cash flow to statutory net cash flows from operating activities

	31 March 2025 £m	31 March 2024 £m
Underlying operating cash flow	**296.2**	**322.7**
Add: net capital expenditure	122.2	111.8
Add: lease principal payments	45.4	49.6
Less: pension contributions in excess of income statement	(89.1)	(107.6)
Less: Non-operating cash items (excluded from underlying cash flow)	(17.3)	(2.2)
Cash generated from operations	**357.4**	**374.3**
Tax paid	(21.8)	(27.4)
Net interest paid	(26.8)	(32.2)
Net cash flows from operating activities	**308.8**	**314.7**

Statutory cash flow summary

	31 March 2025 £m	31 March 2024 £m
Net cash flow from operating activities	**308.8**	**314.7**
Net cash flow from investing activities	(110.8)	(100.6)
Net cash flow from financing activities	(92.7)	(85.5)
Net increase in cash, cash equivalents and bank overdrafts	**105.3**	**128.6**

Net cash flow from operating activities was £308.8 million (FY24: £314.7). This reflects higher operating profit and lower pension deficit payments, offset by the working capital inflow in FY24.

Net cash flow from investing activities was an outflow of £110.8 million (FY24: outflow of £100.6 million), reflecting higher net capex.

Net cash flow from financing activities was an outflow of £92.7 million (FY24: outflow of £85.5 million), including £45.4 million lease payments (FY24: £49.6 million), £28.0 million dividends paid (FY24: £10.3 million) and £18.8 million purchase of own shares (FY24: £12.5 million).

Movement in net debt – reconciliation of statutory cash flows to net debt

	31 March 2025 £m	31 March 2024 £m
Net increase in cash, cash equivalents and bank overdrafts	**105.3**	**128.6**
Cash flow from the decrease in debt	29.9	25.3
Change in net funds resulting from cash flows	**135.2**	**153.9**
Additional lease obligations	(96.2)	(55.2)
New lease receivables granted	24.7	32.4
Debt held by disposed subsidiaries	1.1	–
Other non-cash movements and changes in fair value	(1.6)	(2.7)
Foreign currency translation differences	(1.1)	0.6
Movement in net debt in the year	**62.1**	**129.0**
Opening net debt	(435.4)	(564.4)
Closing net debt	**(373.3)**	**(435.4)**

Net debt

Net debt at 31 March 2025 was £373.3 million, a reduction of £62.1 million driven by underlying free cash flow, offset by dividend payments of £28.0 million, £18.8 million to purchase own shares and net new leases (£87.2 million) in excess of lease principal payments (£45.4 million). Net debt excluding leases was £101.2 million, representing a reduction of £109.6 million.

Cash components of net debt

	31 March 2025 £m	31 March 2024 £m
Cash and cash equivalents	646.5	552.6
Current liabilities – bank debt and other loans	(0.5)	(2.4)
Non-current liabilities – bank debt and other loans	(750.7)	(747.1)
Other debt instruments (includes loans to JVs)	(38.6)	(43.5)
Net finance leases	42.1	29.5
Closing net debt excluding leases	**(101.2)**	**(210.9)**
Include leases	(272.1)	(224.5)
Closing net debt	**(373.3)**	**(435.4)**

Summarised balance sheet

	31 March 2025 £m	31 March 2024 £m
Intangible assets	920.6	928.9
Property, plant and equipment and right of use assets	787.7	692.7
Investment in joint ventures and associates	43.5	59.7
Working capital	(694.2)	(691.4)
Provisions	(138.3)	(158.2)
Net retirement benefit deficits	(8.4)	(109.7)
Net tax assets	76.1	119.9
Net other financial assets and liabilities	8.1	(0.4)
Leases	(272.1)	(224.5)
Net debt excluding leases	(101.2)	(210.9)
Net assets	621.8	406.1

Property, plant and equipment (PP&E) and right of use assets were £787.7 million, an increase of £95.0 million. PP&E increased by £41.8 million to £558.9 million reflecting gross capital expenditure of £105.3 million less depreciation of £59.0 million and currency adjustments. Right of use assets increased by £53.2 million to £228.8 million including new leases less disposals of £94.5 million less depreciation and impairment of £33.0 million and currency adjustments.

Working capital was £(694.2) million, broadly unchanged over the year. Working capital performance was slightly better than expected due to the timing of contract milestones and lower reversals of customer advance payments.

Funding and liquidity

As of 31 March 2025, the Group had access to a total of £1.6 billion of borrowings and facilities. These comprised:

- £775 million RCF, with £45 million maturing on 28 August 2025 and £730 million on 28 August 2026
- £300 million bond maturing on 5 October 2026
- €550 million bond, hedged at £493 million, maturing on 13 September 2027
- An overdraft facility of £50 million

At 31 March 2025, the Group's net cash (cash and cash equivalents less overdrafts) balance was £646.5 million. This, combined with the undrawn amounts under our committed RCFs and overdraft facilities, gave us liquidity of around £1.4 billion.

Net debt to EBITDA (covenant basis)

While there are several facets to balance sheet strength, a primary measurement relevant to Babcock is the net debt/EBITDA gearing ratio within our debt covenant of a maximum 3.5x. This measure is used in the covenant in our RCF and includes several adjustments from reported net debt and EBITDA. The net debt/EBITDA gearing ratio (covenant basis) at 31 March 2025 reduced to 0.3x (FY24: 0.8x) due to strong underlying free cash flow and higher underlying operating profit.

	31 March 2025 £m	31 March 2024 £m
Underlying operating profit	**362.9**	**237.8**
Depreciation and amortisation	78.3	67.3
Covenant adjustments[1]	(2.6)	(6.3)
EBITDA	**438.6**	**298.8**
JV and associate dividends	12.2	7.1
EBITDA + JV and associate dividends (covenant basis)	**450.8**	**305.9**
Net debt excluding lease liabilities	**(101.2)**	**(210.9)**
Covenant adjustments[2]	(51.9)	(41.8)
Net debt (covenant basis)	**(153.1)**	**(252.7)**
Net debt/EBITDA	**0.3x**	**0.8x**

1. Various adjustments made to EBITDA to reflect accounting standards at the time of inception of the original RCF agreement. The main adjustments are to the treatment of leases within operating profit and pension costs.
2. Removing loans to JVs, finance lease receivables and non-recourse debt.

Interest cover (covenant basis)

This measure is also used in the covenant in our RCF facility, with a minimum covenant level of 4.0x.

	31 March 2025 £m	31 March 2024 £m
EBITDA + JV and associate dividends (covenant basis)	**450.8**	**305.9**
Net finance costs	(32.1)	(34.1)
Covenant adjustments[1]	18.0	9.6
Net finance costs (covenant basis)	**(14.1)**	**(24.5)**
Interest cover	**31.9x**	**12.5x**

1. Various adjustments made to reflect accounting standards at the time of inception of the original RCF agreement, including lease and retirement benefit interest.

Return on invested capital, pre-tax (ROIC)

This measure is one of the Group's key performance indicators.

	31 March 2025 £m	31 March 2024 £m
Underlying operating profit	**362.9**	**237.8**
Underlying share of results of joint ventures and associates	8.4	9.2
Underlying operating profit plus results of JVs and associates	**371.3**	**247.0**
Net debt excluding leases	101.2	210.9
Leases – note 10, 15	272.1	224.5
Shareholder funds – see balance sheet on page 41	621.8	406.1
Retirement deficit – note 25	8.4	109.7
Invested capital	**1,003.5**	**951.2**
ROIC	**37.0%**	**26.0%**

Pensions

The Group has a number of defined benefit pension schemes. The principal defined benefit pension schemes in the UK are the Devonport Royal Dockyard Pension Scheme (DRDPS), the Babcock International Group Pension Scheme (BIGPS) and the Royal Dockyard Pension Scheme (RRDPS) – the principal schemes.

IAS 19

At 31 March 2025, the IAS 19 valuation for accounting purposes was a net deficit of £8.4 million (FY24: net deficit of £109.7 million). The reduction in net accounting deficit is driven by employer contributions in excess of the income statement charge (£89.1 million). The fair value of plan assets of £2,831.0 million decreased by £253.3 million, driven by negative asset returns less contributions. The present value of pension benefit obligations of £2,839.4 million decreased by £354.6 million driven by an increase in the discount rate. The fair value of the assets and liabilities of the Group pension schemes at 31 March 2025 and the key assumptions used in the IAS 19 valuation of our schemes are set out in note 17 on page 64.

	31 March 2025 £m	31 March 2024 £m
Fair value of plan assets (note 17)	2,831.0	3,084.3
Present value of benefit obligations (note 17)	(2,839.4)	(3,194.0)
Net (deficit) at 31 March	**(8.4)**	**(109.7)**

Income statement charge

The charge included within underlying operating profit in FY25 was £17.9 million (FY24: £23.9 million), of which £11.1 million (FY24: £15.4 million) related to service costs and £6.8 million (FY24: £8.5 million) related to expenses. In addition to this, there was an interest charge of £4.5 million (FY24: charge of £0.8 million).

Technical provision

An estimate of the aggregate actuarial deficits of the Group's defined benefit pension schemes (excluding those in surplus), including all longevity swap funding gaps, calculated using each scheme's technical provisions basis, as at FY25 was approximately £125 million (FY24: c.£200 million). Such valuations use discount rates based on UK gilts – which differs from the corporate bond approach of IAS 19. This technical provision estimate reflects the assumptions used within the latest agreed valuation prior to 31 March 2025 for each of the Principal schemes.

Actuarial valuations are carried out every three years to determine the Group's cash contributions to the schemes. The valuation of the three largest schemes is set so only one scheme is undertaking its valuation in any one year, to spread the financial impact of market conditions. The valuation of the DRDPS as at 31 March 2023 was completed in FY24, the valuation of the RRDPS as at 31 March 2024 has been agreed in FY25, and work has commenced on the valuation of the BIGPS at 31 March 2025.

There has been significant progress in reducing the risk of pension scheme deficits during the year. We made additional pension deficit repair payments of c.£40 million. The BIGPS has around £840 million of pension liabilities (c.30% of the total Group pension liabilities) on a technical provisions basis. The BIGPS has now reached self-sufficiency and is not expected to require further deficit repair contributions from the Group ahead of reaching either buy-in or buy-out, expected by FY29. The BIGPS severed the link to salary and closed to future service accruals on 30 September 2024.

A long-term funding arrangement (LFTA) is now in place for DRDPS following completion of the 2023 triennial valuation. In addition, the DRDPS closed to future service accruals on 30 November 2024. In respect of their accrued benefits active members in DRDPS were given an option to either retain their salary link or break the salary link for a cash lump sum. The DRDPS has around £1,250 million of pension liabilities on a technical provisions basis (c.40% of the total Group pension liabilities).

The Group has also agreed a LFTA for RRDPS following completion of the 2024 triennial valuation. The RRDPS has around £665 million of pension liabilities on a technical provisions basis (c.20% of the total Group pension liabilities). Within the last 12 months, the Company has finalised LTFA's with all three main pension schemes with additional deficit repair lump sums. As a result, we expect annual deficit repair payments to reduce from c.£40 million to c.£20 million per annum for the next six years.

Cash contributions

Group cash contributions made into the defined benefit pension schemes, excluding expenses and salary sacrifice contributions were as follows:

	31 March 2025 £m	31 March 2024 £m
Future service contributions	14.6	17.2
Deficit recovery	52.7	82.8
Longevity swap	27.2	15.2
Total cash contributions – employer	**94.5**	**115.2**

Segmental analysis

The Group reports its performance through four reporting sectors.

31 March 2025	Marine £m	Nuclear £m	Land £m	Aviation £m	Total £m
Contract backlog	3,026.5	1,983.9	3,466.1	1,939.7	10,416.2
Revenue	1,576.4	1,816.0	1,116.6	322.3	4,831.3
Statutory operating profit	99.3	161.4	86.3	16.9	363.9
Statutory operating margin	6.3%	8.9%	7.7%	5.2.%	7.5%
Underlying operating profit	96.5	160.3	86.2	19.9	362.9
Underlying operating margin	6.1%	8.8%	7.7%	6.2%	7.5%

31 March 2024	Marine £m	Nuclear £m	Land £m	Aviation £m	Total £m
Contract backlog	2,992.7	3,104.8	2,593.7	1,641.4	10,332.6
Revenue	1,429.1	1,520.9	1,098.6	341.5	4,390.1
Statutory operating profit	11.0	109.2	96.1	25.3	241.6
Statutory operating profit margin	0.8%	7.2%	8.7%	7.4%	5.5%
Underlying operating profit	13.1	109.2	96.3	19.2	237.8
Underlying operating margin	0.9%	7.2%	8.8%	5.6%	5.4%

FY24 excluding non-recurring items

Revenue (£m)	Marine	Nuclear	Land	Aviation	Group
Revenue	1,429.1	1,520.9	1,098.6	341.5	4,390.1
Add: reversal of Type 31 revenue	66.3	-	-	-	66.3
Revenue excl. Type 31 loss	**1,495.4**	**1,520.9**	**1,098.6**	**341.5**	**4,456.4**

Underlying operating profit (£m)					
Underlying operating profit (UOP)	13.1	109.2	96.3	19.2	237.8
Add: Type 31 loss	90.0	-	-	-	90.0
UOP excluding Type 31 loss	103.1	109.2	96.3	19.2	327.8
Less: non-trading credits	-	-	(17.0)	-	(17.0)
UOP excl. Type 31 loss and non-trading credits	**103.1**	**109.2**	**79.3**	**19.2**	**310.8**

Underlying operating margin					
Underlying operating margin (UOM)	0.9%	7.2%	8.8%	5.6%	5.4%
UOM excl. Type 31 loss and non-trading credits	**6.9%**	**7.2%**	**7.2%**	**5.6%**	**7.0%**

Operational reviews

Marine

Our c.7,300 employees design, develop, build, manufacture and integrate specialist systems, and deliver technical through-life support for complex platforms in the marine sector. Over 80% of Marine's revenue is derived from defence, with the remainder primarily comprising our Liquid Gas Equipment (LGE) business.

Operational highlights

- In June 2025, we achieved a major milestone, as the first of five Type 31 Frigates, HMS Venturer, left the assembly hall and entered the water and returned to dry dock for fit out in Rosyth
- Awarded an additional c.£65 million Capability Insertion Period contract for Type 31 programme
- Secured a further c.£240 million contract for Missile Tube Assembly for US Columbia Class submarines programme
- Achieved record order intake in LGE of c.£430 million (up 43%), with more than 70 international contracts
- Successful first year of in-service delivery of the Skynet contract to manage the UK's military satellite and space operations

Financial review

	31 March 2025 £m	31 March 2024 £m
Contract backlog*	3,026.5	2,992.7
Revenue	1,576.4	1,429.1
Underlying operating profit*	96.5	13.1
Underlying operating margin*	6.1%	0.9%

* Alternative Performance Measures are defined in the Financial Glossary on page 30.

Revenue increased 12% (at constant FX) to £1,576.4 million. Growth was led by a full year of trading on the Skynet programme and higher volumes in LGE, as well as increased naval support activity on our New Zealand and Canada programmes and ramp up of new contracts in Ukraine and Sweden. This was partly offset by the FY24 license sales in Poland not repeated in FY25 and lower support volumes in Australia.

Underlying operating profit increased to £96.5 million (FY24: £13.1 million), primarily reflecting non-repeat of the £90.0 million contract loss in FY24, as well as revenue growth outlined above, offset by the impact of licence contribution in FY24 and lower initial margin recognised on Skynet. As a result, underlying operating margin was 6.1% (FY24: 0.9%; FY24 excluding contract loss: 6.9%).

Contract backlog of £3,027 million (FY24: £2,993 million) was in line with the prior year. Record LGE order intake, the Type 31 Capability Insertion Programme and scope expansion of the Skynet contract was offset by revenue traded on long-term contracts.

Operational review

Defence

UK defence

The Type 31 Inspiration Class five-frigate programme being built for the Royal Navy at our facility in Rosyth has made significant progress. We cut steel on the third ship in the programme, HMS Formidable, in October 2024, and in June 2025 the first ship, HMS Venturer, left the assembly hall and entered the water (float-off), marking a major execution milestone. The ship has since returned, as planned, to dry dock to continue fit out. This has created space in our Venturer Hall facility for work on HMS Formidable, which has commenced using an enhanced build strategy. The superstructure and outfitting of the second ship, HMS Active, is progressing towards float-off in H2 FY26.

In April 2025, Babcock was awarded a c.£65 million, five-ship contract to deliver the Capability Insertion Period (CIP) for the frigates. The CIP adds further capabilities that will support the ships throughout their life and includes the insertion, testing and enhancement of upgrades that will enhance the Type 31's military capability.

We continue to deliver further missile tube assemblies for both the UK Dreadnought and US Columbia submarine Classes, in support of the common missile compartment programme. Our leading position in advanced manufacture of missile tube assemblies led to a further contract award of 36 missile tubes by General Dynamics Electric Boat, who is responsible for the design and the construction of the U.S. Naval Columbia submarines programme.

Similarly, we continue our work with the Royal Navy and industry partners to support requirements on both the Future Air Dominance Systems (FADS) and Multi-Role Strike Ship (MRSS) programmes.

During the period, Babcock successfully completed docking support periods for the aircraft carrier HMS Queen Elizabeth at our Rosyth dockyard, delivering the aircraft carrier back into service three weeks ahead of schedule. In the first half of the year, we achieved a major milestone for the UK Royal Navy with HMS Sutherland's crew now able to live and work on board during the upgrade and modernisation programme. The ship is now preparing to undergo sea trials before returning to active service. The period also saw the start of maintenance work on HMS Kent, which will deliver significant capability updates and sustainment support, and the successful undocking of HMS Bulwark from Devonport after an extensive four-year maintenance programme.

Our Mission Systems business was awarded two significant contracts in FY25. These included a contract for Long Lead Items for the Astute replacement, Submersible Ship Nuclear AUKUS (SSNA), enabling us to place orders for the first elements of the Weapon Handling and Launch System, and an additional contract to supply Integrated Tube Hulls in support of the US Columbia Class programme. We also secured a contract to provide technical support to the in-service TLAM Tomahawk missile.

Delivery of the UK Royal Navy's next-generation Maritime Electronic Warfare Systems Integrated Capability (MEWSIC) continues to make progress, with testing of the next generation system commenced. The capabilities will be installed on current and future warships including the Queen Elizabeth Class aircraft carriers, Type 45 destroyers and the Type 26 and Type 31 frigates currently in build. We also celebrated our first full year of managing and operating Skynet, the UK MOD's military communication system, with contract growth to meet customer operational requirements.

Work to support the UK Royal Marines and Navy continues, with the delivery of the first two Maritime Interdiction Craft under our Hurracan contract, with 24 vessels expected to be delivered over the next two years, and the contract extension of the Gun System Automation to enable continued support to the Type 45 destroyers including electro-optical controls, sensor platforms and other onboard systems.

International defence

In Australia, we completed the first major maintenance period on ANZAC Class frigate, HMAS Stuart, through our new Regional Maintenance Provider West contract. This included replacement of the propulsion diesel engine which required removal of the vertical launch system.

We were awarded a $30 million lift and hoists contract to enhance operational capabilities on board the Royal Australian Navy's first three Hunter Class frigates. The three-ship agreement will see Babcock procure, modify and set to work separate lift and hoist systems as part of its partnership with BAE Systems Maritime Australia.

Our new contract to support the Amphibious Combat and Sealift Capability Life Cycle Management successfully began operations in July 2024, providing support to maintenance activities in Sydney's Garden Island facility as a part of the new Maritime Sustainment Model.

Babcock also joined the Australian Government's Global Supply Chain Program which is designed to develop a sustainable and resilient sovereign defence capability by integrating Australian solutions into international markets.

In New Zealand, we continue to provide support to the country's entire naval fleet via the New Zealand Maritime Fleet Sustainment Services (MFSS) contract. Following the grounding and sinking of HMNZS Manawanui in Samoan waters in October 2024, we have worked closely with the New Zealand Navy both in the immediate recovery efforts and in preparing for the regeneration of HMNZS Otago into the operational fleet. We continue to work closely with the Government and Ministry of Defence on its Fixed High Frequency Radio Refresh programme.

In Canada, our Victoria In-Service Support Contract (VISSC) sustainment work underwent significant customer budgetary fluctuations that resulted in workforce adjustments with additional funding made available late in 2024. We submitted an updated bid for HMCS Victoria's Extended Docking Work Period and have significantly improved on our industrial offset obligations. We continue to position for the VISSC I follow-on contract.

Canada continues its process to acquire the next generation of conventionally powered submarines. A contract to build up to twelve submarines is expected to be awarded by 2028, with the first platform delivered in 2035. Our focus is on provision of equipment solutions and long-term submarine sustainment, and we continue to build on partnerships with multiple OEMs.

In Poland, we signed a long-term contract extension with PGZ, the Polish Armaments Groups, to continue our support to Poland's Miecznik frigate programme until the completion of three ships, providing engineering services, supply chain support, transfer of knowledge and project management through the Programme Management Office. In May 2025, first steel was cut for ORTP Burza, (Ship 2) in Gdynia. Babcock continues to work closely with Polish stakeholders to grow opportunities in maintenance, repair and operations (MRO). The strength of the partnership was seen in the signing of an MOU with the Polish Naval Academy for a new programme of professional internships.

In Sweden, we continue to work in partnership with Saab, successfully supporting design deliverables on the Swedish Navy's next generation Luleå Class surface combatant programme. Babcock is providing front-end engineering, design and project management support during the initial design phase. We have successfully delivered Phase 1 of the Luleå contract to schedule and cost and are progressing towards the next key design milestones, as well as working together to identify export markets for the Luleå Class.

In Ukraine, having completed the regeneration of UK Sandown Class Mine Counter Measure Vessels (MCMVs) before their sale to the Ukrainian Navy, we were awarded a three-year contract to maintain and support the vessels and have successful delivered the first support period.

In South Korea, Babcock signed a Strategic Cooperation Agreement with Hanwha Ocean in November 2024. The agreement outlines the joint aim to deepen the companies' cooperation in major global naval procurement projects including the Polish Orka submarine programme and the Canadian Patrol Submarine Project, with each organisation leveraging their respective strengths to provide tailored solutions for naval platforms from acquisition to operation. Babcock also signed an MOU with LIG Nex1, to grow opportunities in maintenance, repair and operations, training centre management and weapons systems technology markets. Our work on the Jangbogo submarines continues to meet all milestones, with delivery of Boat 3 in the first half of the period, and all the deliverables for Boat 4 completed on schedule.

In Indonesia, we entered into an MOU with PT Len Industri during the Indonesia presidential visit to the UK in November 2024. The MOU further formalises the commitment to provide the technologies and capabilities that Indonesia's Maritime Defence Capability will require.

Civil

Our LGE business saw record order intake of approximately £430 million over the year, with more than 70 international contracts driven by growing demand in China and South Korea. Sales continue to be strong through the period across our portfolio of products including the ecoSMRT® for LNG reliquefaction, ecoETHN® for Ethane Cargo Handling Systems and Ammonia Cargo Handling Systems. This is reflected in a robust end of year orderbook of 150 projects.

In December, we secured a contract to deliver six cargo handling and fuel gas supply systems for the world's largest Ultra Large Ethane Carriers. Achievements like this are supported by ongoing technology development which has seen the successful applications for three technology patents, with seven more pending, and 10 trademarks granted. Innovation in our LGE business was recognised with a King's Award for Enterprise this year, which follows previous awards for Innovation and International Trade.

We welcomed two of the UK's fleet of National Environmental Research Council (NERC) scientific research vessels for planned maintenance at Rosyth in the period and subsequently, marking the end of the initial contract, and delivered an engineering programme to support the future decarbonisation of NERCs fleet. All three vessels in the NERC fleet will have returned to Rosyth by the end of 2025.

Nuclear

Our c.10,000 employees provide complex through-life engineering support to the entirety of the UK's nuclear submarine fleet. We own and manage critical national infrastructure and provide engineering integration support to AWE. We operate across UK civil nuclear, including new build, generation support and decommissioning.

Operational highlights

- Reopened Devonport's 9 Dock following significant regeneration work and successfully docked down HMS Victorious
- Docked down an Astute Class submarine for the first time in Devonport's 15 Dock facility
- Awarded first AUKUS contract through the H&B joint venture to strengthen AUKUS supply chain capabilities post year end
- Awarded £114 million three-year contract to support first nuclear submarine defueling operations in 20 years post year end
- Continued significant ramp up at Hinkley Point C to install mechanical and electrical services

Financial review

	31 March 2025 £m	31 March 2024 £m
Contract backlog*	**1,983.9**	3,104.8
Revenue	**1,816.0**	1,520.9
Underlying operating profit*	**160.3**	109.2
Underlying operating margin*	**8.8%**	7.2%

* Alternative Performance Measures are defined in the Financial Glossary on page 30.

Revenue increased 19% to £1,816.0 million, with growth across the portfolio. Our Cavendish nuclear business grew 28% driven by the ramp up of new civil nuclear projects, while submarine support activity also grew strongly under the Future Maritime Support Programme (FMSP) and ramp up of the HMS Victorious deep maintenance contract. In addition, Major Infrastructure Programme (MIP) revenue increased to £504 million (FY24: £459 million).

Underlying operating profit increased by 47% to £160.3 million (FY24: £109.2 million), driven by revenue growth in civil nuclear, submarine support and infrastructure, and project delivery improvements, as well as some contract changes. As a result, underlying operating margin improved 160 basis points to 8.8%.

Contract backlog decreased to £1,984 million (FY24: £3,105 million), primarily reflecting trading on our multi-year FMSP submarine support contract which has entered its final year (expected to be replaced by a new contract by the end of FY26) and the HMS Victorious Deep Maintenance Programme (£560 million recognised in backlog FY24), as well as MIP contract maturity (£750 million recognised in backlog in FY24).

Operational review

Defence

UK defence

The UK is going through a phase of Class transition for nuclear submarines with the Astute Class currently replacing the Trafalgar Class, and the future Dreadnought Class to replace the Vanguard Class.

To ensure we continue to meet the current and future requirements of the UK MOD and Royal Navy, we have instituted a new Major Nuclear Capital Programmes (MNCP) business unit to expand our capability. MNCP will utilise our expertise to apply engineering know-how and the latest technology to deliver capable infrastructure in the most challenging environments. This will provide our customers with highly capable facilities that support the critical and complex work our people undertake and maximise the through-life availability of assets, enabling us to deliver platforms back to sea faster and more efficiently.

In our Devonport facility, our long-term Major Infrastructure Projects (MIP) portfolio is delivering substantial upgrades to existing critical infrastructure and developing state-of-the-art facilities to meet the Royal Navy's evolving needs, including increased capacity for submarine support over the long-term.

In September 2024, while work is ongoing, we reopened 9 Dock following one of the most significant packages of infrastructure works in 20 years. The maintenance, life extension and facility improvements support the UK's Vanguard Class submarines, which are critical in supporting the UK's Continuous at Sea Deterrent which secures the long-term defence of the nation. Having successfully docked down this year in the upgraded facility, HMS Victorious will continue the next phase of the current £560 million programme to extend its operational life well into the 2030s.

The completion of extensive upgrades to 15 Dock have enabled an Astute Class submarine to successfully dock down in the facility for the first time, to continue the next phase of her base maintenance period. The modernisation of the dock will further support Astute Class submarines' maintenance cycles in the coming years and marks a critical step towards our commitment to increase the availability of attack submarines. We have a strong commitment to sustainability and environmental protection, and works have been completed with an impeccable safety and environmental record, with no recorded RIDDOR or environmental incidents throughout the project. Collaboration, innovation, and engineering know-how has driven the progress for this critical work package, which supports national security and a more resilient UK.

10 Dock continues its transformative journey to be able to deliver future submarine capability at Devonport. Following the signing of a £750 million contract with the UK's Submarine Delivery Agency (SDA) in FY24, with further scope growth in FY25, the redevelopment of 10 Dock is progressing well, and this year has seen a number of significant milestones reached, including completion of demolition of legacy facilities. In April 2025 we passed the landmark of 3 million hours without a 'Lost Time Incident'. The work will deliver a new dock, berth, logistics and production support facilities, primarily for the Deep Maintenance Period (DMP) for Astute Class submarines.

The installation of the first construction tower crane at Devonport for over two decades has also taken place. This new feature to Devonport's skyline is critical in supporting the construction of the new reinforced concrete caisson and marks a significant advancement in our construction capabilities.

Work is underway to provide a safe, environmentally responsible, secure, and cost-effective solution for fleet end-of-life support at Devonport, where we are readying 14 Dock as part of the ongoing development of defuel capability. In June 2025, we were awarded a three-year contract to carry out enabling works in preparation for the first nuclear defueling of a decommissioned Trafalgar Class submarine in over 20 years. The £114 million contract will see Babcock working collaboratively with the UK's Defence Nuclear Enterprise (DNE) and leading industry partners to prepare for the defuel of four decommissioned submarines. Defueling is a requirement for nuclear submarines to be safely dismantled and is a key enabler for the wider UK submarine dismantling programme, freeing up critical space on site to support in-service and future Royal Navy assets.

In parallel, we have reached the next significant milestone to fully dismantle a nuclear-powered submarine, Swiftsure, at our facility in Rosyth. As part of the UK's demonstrator project, we awarded the recycling contract to KDC Veolia Decommissioning Services UK Ltd in the first half of the year. This milestone builds on work already completed by our highly skilled teams to remove the submarine's reactor systems and low-level radioactive waste.

With safety and environmental protection at the centre of our operations, and using a specially designed in-dock facility, the waste has been processed for removal from site through Rosyth's state-of-the-art active waste management facility. The physical dismantling of the submarine, using a world's first methodology, is expected to be completed by the end of 2026. The innovative programme will enable around 90% of the structure and components to be reused or recycled, providing a proven approach for the recycling of the current UK decommissioned fleet of submarines.

Additionally, Rosyth Dockyard has been chosen by the MOD as a contingent docking facility to support the new HMS Dreadnought submarine, should a docking-dependant defect repair be required at the start of her time at sea.

This year, alongside the SDA and Navy Command, we opened a collaborative Submarine Availability Support Hub in Bristol. Our investment in the hub represents our commitment to supporting the UK MoD to improve Submarine Availability. The bespoke facility brings together partners from across the DNE including Babcock, the SDA and the UK's Royal Navy, and demonstrates how collaboration between industry and government is strengthening Britain's submarine enterprise as part of a critical national endeavour. The facility is also creating more than 100 jobs, as we further invest in supporting the development of nuclear skills and defence infrastructure in the South West of England.

Work continues on the design and early manufacture of complex plant and engineering equipment for AWE Aldermaston, as well as on further developing our partnership with AWE. We are strongly developing supply chain capability and capacity to meet future manufacturing demand in line with requirements.

In FY25 we formally marked the launch of the South West Regional Hub at an event in Exeter, bringing together industry across nuclear civil and defence, key economic stakeholders and learning and educational providers, to maximise the impact of key activities to address the region's specific skills challenges. We are a key industrial partner on the UK's Nuclear Skills Taskforce and lead the UK's South West Regional Hub for Nuclear Skills, which seeks to help secure the critical nuclear skills needed across the defence and civil nuclear enterprise. The UK Minister for Defence Procurement and Industry, Maria Eagle officially opened the Babcock Engineering & Nuclear Skills building at City College Plymouth in September 2024. The modern facility will enhance our growing workforce's capabilities by continuing to build a new pipeline of talent, while upskilling the existing workforce on the complex skills required to perform deep submarine maintenance.

International defence

In FY25 Babcock and HII launched a joint venture, H&B Defence to accelerate the development of critical sovereign capability for the once-in-a-generation AUKUS conventionally armed, nuclear-powered submarine program. H&B Defence will support all steps of Australia's optimal pathway to sovereign nuclear-powered submarines, including workforce, nuclear infrastructure design and build, submarine defueling and decommissioning, nuclear waste and future sustainment.

In May 2025, the joint venture secured its first contract to deliver a two-year Australian Submarine Supplier Qualification Pilot Program which will accelerate the identification and qualification of Australian suppliers and products who can access the US Virginia Class submarine supply chain.

Civil

UK Civil

We continue to support Sellafield with its decommissioning programme, and in FY25 we signed contracts for the provision of radiometric and environmental analysis support which secures our position as a critical service supplier to Sellafield over the next four years. We have also submitted proposals for two key lots of the 15-year Decommissioning and Nuclear Waste Partners (DNWP) programme.

We have diversified our customer portfolio in the UK, securing opportunities with both Westinghouse and Urenco in support of the Government's focus on security of the front-end fuel cycle. We have implemented a baseline programme for Westinghouse for the design and build of a facility to process uranium to enable its future enrichment and use as a nuclear fuel and have completed a multi-discipline design review of the tails management facility for Urenco which will convert depleted uranium hexafluoride to the lower hazard uranium oxide material for long term storage.

Following last year's £2.4 million funding award from the UK Government's Future Nuclear Enabling Fund (FNEF), we have now delivered our FNEF programme for our partner X-Energy's Advanced Modular Reactor (AMR). The funding award, which was matched by X-energy, has been used to develop UK-specific deployment plans, including an assessment of domestic manufacturing and supply chain opportunities, constructability, modularisation studies, and spent fuel management. We continue to position for deployment support for Small Modular Reactors (SMRs) and remain engaged with Great British Nuclear (GBN) for the next phases of the UK SMR competition.

We continue to support EDF with Large Gigawatt Reactor delivery at Hinkley Point C (HPC) and Sizewell C through the MEH Alliance, an unincorporated JV which works across the site. At HPC our team continues to grow, with over 600 people now working on the installation of mechanical and electrical services.

International Civil

In Japan, work is progressing well to deliver a 10-year contract with Japan Atomic Energy Agency (JAEA), providing specialist capability in support of decommissioning and sodium treatment of the Monju Prototype Fast Reactor in Fukui Prefecture, Japan. The first phase of this project is due to complete in September 2025 and will be immediately followed by a second phase through to 2027 to construct and commission the facility in preparations for the start of operations in 2028.

In the US, we have begun transition work on our Portsmouth Decommissioning and Dismantling (D&D) Tier 1 contract, and we will receive the notice to proceed and move into formal contract later in 2025. We are positioning for other Tier 1 clean-up opportunities and site operation contracts, the next of which will be for management and operations of the Savannah River site which is expected to come to market in the first half of FY26.

Land

Our c.6,300 employees provide essential services to our customers through three core capabilities: build, support and train. We do this through the delivery of through-life engineering support and systems integration for military vehicles and equipment. We provide individual and collective training for customers with critical missions and deliver engineering services in power generation and transport networks and through-life support of mining equipment.

Operational highlights

- Awarded five-year British Army strategic support partner contract extension ('Reframe', formerly DSG) worth £1 billion
- Awarded additional contract to build 53 High Mobility Transporter Jackal 3 six-wheeled 'Extendas' for the British Army
- Signed an MOU with Patria to offer its 6x6 Armoured Personnel Carrier to the UK Armed Forces
- Launched 120mm Ground Deployed Advance Mortar System with ST Engineering with live firing demo for the UK
- Awarded first NATO training contract and several key UK training contract extensions
- Continued to provide critical support to Ukraine delivering defence support capability

Financial review

	31 March 2025 £m	31 March 2024 £m
Contract backlog*	3,466.1	2,593.7
Revenue	1,116.6	1,098.6
Underlying operating profit*	86.2	96.3
Underlying operating margin*	7.7%	8.8%

* Alternative Performance Measures are defined in the Financial Glossary on page 30.

Revenue increased 2% to £1,116.6 million comprising growth from a broad range of defence activities in both the UK and international markets, including DSG, Jackal production and Ukraine support, and an increase in our South Africa business. This was largely offset by a reduction our Rail business.

Underlying operating profit decreased 10% to £86.2 million as FY24 included a one-off £17.0 million profit on disposal of property. Excluding this, underlying operating profit increased 10% (at constant FX) reflecting revenue growth outlined above net of the decrease in Rail, improvement in training margins and the final year of trading of the DSG contract. As a result, underlying operating margin was 7.7% (FY24: 8.8%; FY24 excluding property profit 7.2%).

Contract backlog increased 34% to £3,466 million (FY24: £2,594 million) driven by a five-year extension, 'Reframe', (formerly DSG) worth c.£1 billion, defence contract extensions including UK training and Australia.

Operational review

Defence

UK defence

Following a period of strong operational performance on our contract for the maintenance, repair and asset management of the British Army vehicles and equipment (DSG), we were awarded a sole-source five-year extension worth around £1 billion, (now called 'Reframe') on terms that will result in better outcomes for all stakeholders. We have commenced mobilisation of the contract extension which will deliver improved readiness, regeneration and asset management services underpinned by extensive engineering and supply chain expertise to maximise the availability of critical army equipment. This contract cements our position as strategic partner to the British Army, thereby setting the foundation for the army modernisation programme in the coming decades.

To enhance delivery of the contract extension, we launched our strategic asset management platform, Metis in partnership with Palantir Technologies. This capability includes the equipment support enterprise's digital footprint, from which the optimal balance of cost, risk and performance is derived to maximise the value of assets throughout their lifecycle.

We continue to support the UK in providing critical support to Ukraine's Armed Forces, delivering personnel training and refurbishment and renewal of equipment through our Project HECTOR contract. In January 2025, we secured a 15-month contract extension from the UK MOD to continue to support urgent operational requirements for Ukraine's military land assets. In addition, Babcock secured a multi-million-pound contract with the UK MOD to undertake in-country maintenance and repair of the Ukrainian owned Combat Vehicle Reconnaissance (Tracked) (CVR(T)) fleet, in collaboration with Ukrainian industry, and continue to support Operation Interflex, the British-led multinational military operation to train and support the Armed Forces of Ukraine. Finally, in March 2025, we won a proof-of-concept contract from the UK MOD which will enable Ukraine's armed forces to use innovative technology to 3D print military equipment, demonstrating our ability to deliver defence support capability whenever and wherever it is required.

We successfully delivered the first package of work for Project TAMPA, the MOD's accelerator programme focused on the use of additive manufacturing to increase material availability and tackle obsolescence. The project aims to reduce cost and improve the performance and availability of defence capabilities and critical assets.

Babcock, in partnership with Supacat, was awarded an additional contract to manufacture 53 Jackal 3 'Extenda' variants of the High Mobility Transporter for the British Army. The initial contract awarded for 70 Jackal 3 (HMT 400 series) vehicles which began production in our new production facility within the Devonport Freeport earlier this year.

We launched a new medium wheelbase variant of our General Logistics Vehicle in June 2024 and plan to unveil a six-wheeled variant at DSEi in September 2025. Initial focus has been on the British Army Land Rover fleet replacement, with c.7,000 vehicles required. With the military Land Rover no longer in production, we are pursuing a number of international opportunities.

We have partnered with ST Engineering, to offer the UK an integrated, end-to-end solution to enhance British mortar capability, as part of the MOD's 120mm mortar procurement. By bringing ST Engineering's Ground Deployed Advanced Mortar System (GDAMS) technology to the UK, we will deliver a sovereign solution that boosts British capability whilst driving economic and social benefit. In November 2024, we facilitated a successful live firing demonstration in South Africa with UK MOD, showcasing the breadth and depth of GDAMS' power and potential for UK and future export.

In January 2025, Babcock signed a MOU with Patria to offer the 6x6 Armoured Personnel Carrier to meet the operational requirements of the British Army. Under the agreement, Patria will lead on design and development of the system, while Babcock will lead on the manufacture, assembly, integration and testing.

Our Defence Training business has been awarded its first training contracts by NATO. These strategically important contract awards include a five-year contract to support military exercises by providing subject matter experts to fulfil play functions, and a one-year contract for the delivery of wargaming expertise to the Alliance's Joint Warfare Centre. The business was also awarded several key UK contract extensions, including the continuing delivery of training for Falcon, the battlefield communications system used by the British Army and Royal Air Force, and a one-year extension to the Electro-Mechanical Training contract for the British Army at MOD Lyneham. In April 2024, we successfully mobilised a new seven-year ARMCEN support contract, which will provide technical training for the British Army.

The Babcock Immersive Training Experience (BITE) was launched in the UK, Europe, USA and Canada. BITE is a best-in-class training capability solution for the defence and emergency services markets. It uses innovative and future-proof technology to replicate the physical, sensory and cognitive challenges of operating in a high stress environment.

Following a comprehensive evaluation of commercial terms, Babcock and its partners in Team Crucible made the decision to exit the bid to become the Strategic Training Partner for the Army Collective Training System.

International defence

In Australasia, we have embedded the first cohort of maintenance technicians at Royal Australian Air Force base Amberley to conduct maintenance of ground support equipment for the ADF. We delivered a A$14 million fleet of Squad Packable Utility Robots to the ADF which will be utilised across tri-service applications for intelligence, surveillance and reconnaissance activities to mitigate and deny the use of improvised explosive devices.

In Melbourne we opened a new A$3.5 million International Engineering and Technology Hub. The hub will support Babcock's global operations and provide a local base for key programmes.

In New Zealand, we continue to work closely with the NZ Ministry of Defence on the Fixed High Frequency Radio Refresh programme. Factory acceptance testing of the system was delivered in November 2024 and installation of the system in country began in 2025.

In France, we continued to strengthen our relationship with the French MOD as we successfully delivered the transition phases on our two Land contracts. Our Land military team in France continues to grow and we have recently opened a new central office in Bordeaux overseeing our in-country service delivery.

Civil

UK Civil

Our Emergency Services businesses performed well through the year however London Fire Brigade training and fleet support performance was offset by the end of the Metropolitan Police Service fleet support contract in FY24.

Our Rail business was down significantly year on year driven by reduced volumes across our Translink and Network rail Scotland alliance contracts due to phasing.

International Civil

In Africa, the Equipment business, which supplies mining industry vehicles, delivered strong growth. High machine demand was supported by a leading product offering, outstanding customer support and trusted relationships.

Aviation

Our c.2,600 employees deliver military pilot training support for the two largest Air Forces in Europe (France and UK), through-life support to operational military flying assets and critical air operations for government customers.

Operational highlights

- Awarded Mentor 2. A contract for 15 years (plus two option years) to deliver military air training solutions for the French Air and Space Force, and Navy
- Awarded two-year HADES contract extension to provide technical airbase support services across the UK tri-forces
- Secured 12-year contract with Airbus to support 48 French defence and security EC145s across France and overseas
- Secured a £70 million contract to deliver new infrastructure facilities for Ascent UK Military Flying Training System
- Reached milestone of 60,000 flight training hours for the French Air and Space Force

Financial review

	31 March 2025 £m	31 March 2024 £m
Contract backlog*	1,939.7	1,641.4
Revenue	322.3	341.5
Underlying operating profit*	19.9	19.2
Underlying operating margin*	6.2%	5.6%

* Alternative Performance Measures are defined in the Financial Glossary on page 30.

Revenue decreased 4% as expected (at constant FX) to £322.3 million (FY24: £341.5 million) primarily due to completion of the aircraft delivery phase in the H160 French defence contract.

Underlying operating profit increased 3% (at constant FX) to £19.9 million (FY24: £19.2 million), despite lower revenue, reflecting improved project profitability, programme timing and contract renegotiations, including price. As a result, underlying operating margin increased to 6.2% (FY24: 5.6%).

Contract backlog increased to £1,940 million (FY24: £1,641 million) with the award of the Mentor 2 contract. Approximately £310 million has been recorded in the contract backlog so far for this contract.

Operational review

Defence

UK defence

Performance remains strong on the HADES contract to deliver essential critical services to the RAF, Joint Aviation Command and Strategic Command at 16 stations across the UK. We have successfully commenced work to deliver a two-year extension to the contract, which we were awarded in October 2024.

In May 2025, Babcock was awarded a £70 million contract to deliver new infrastructure facilities as part of a £300 million military flying training contract secured by Ascent, our 50/50 joint venture with Lockheed Martin. Ascent will deliver the Future ISTAR (Intelligence, Surveillance, Target Acquisition and Reconnaissance) and Rear Crew Training System (FIRCTS) programmes.

Operations on the Royal Air Force Light Aircraft Flying Task (LAFT) contract are delivering high levels of availability. We continue to provide fast jet lead-in training for the Ukrainian Pilot Force, ensuring trainers and pilots have full aircraft availability as they prepare to fly F-16 jets.

We successfully completed ground and flight testing using synthetic fuel as part of Project MONET, a two-year research and development project with the RAF to explore the application of emerging technologies to minimise the environmental impact of LAFT.

We continue to partner with Uplift360, a company that develops chemical technologies to recycle advanced materials and are exploring solutions for the management and recycling of composite materials used in defence equipment. Research into the use of uncrewed air system technologies to support UK defence, security and government aviation is ongoing, with a focus on integrating autonomous and collaborative platforms.

International defence

In France, in January, we were awarded Mentor 2. A new 17-year contract (including two year options) by the Direction Générale de l'Armement for the provision and support of military air training solutions for the French Air and Space Force (FASF) and the French Navy. The contract comprises the provision of aircraft, simulators and initial pilot training as well as the through-life support of the aircraft, and infrastructure. We expect c.£180 million of initial revenue relating to new infrastructure and delivery of assets over the three-year period FY26-FY28. The programme will then have transitioned to the long-term service. In FY26, the programme will require c.£30 million of working capital investment from Babcock, which we expect to recover in FY27. This agreement represents a significant expansion of our military activity in France. Babcock is now the sole contractor supporting FASF in its fighter training programmes.

We continue to deliver the Mentor 1 and FOMEDEC contracts in line with expectations, achieving over 14,600 flying hours and over 9,000 synthetic hours in FY25. We are now extremely proud to have reached a key milestone of 60,000 flight hours on our PC-21 aircraft. We also contributed to air surveillance during the 80th World War 2 anniversary in Normandy and the Olympic Games in France.

As part of our contract with the French MOD, the H160 helicopters fleet has now carried out more than 300 rescue missions with more than 95% of contractual availability in the Mediterranean Sea and across the Normandy and Brittany coasts. We have also completed the world's first 900-flying-hour periodic maintenance of an H160 helicopter at our workshop in France.

With Airbus Helicopters, we completed the first year of our 12-year contract to support the fleet of EC145C2 aircraft of the Direction Générale de la Sécurité Civile and the French Gendarmerie Nationale. We delivered two EC145C2 helicopters to the Sécurité Civile in the period, and three additional major maintenance inspections are currently underway.

Our partnership with Airbus Helicopters remains strong, and we were awarded an additional contract for the in-service support of the forthcoming nine Sécurité Civile H145D3 aircraft. We are preferred bidder on a contract to deliver in-service support services to the French Army's Gazelle Fleet.

We are currently in the final stage of bidding to provide Belgium fighter pilot training and are progressing a bid for the French Air Force tactical and combat training contract.

In Australasia, in response to the evolving needs of the Australian and New Zealand defence forces we are exploring opportunities in Defence Search & Rescue, initial flight training and in service support and MRO contracts, leveraging Babcock's global expertise and experience in civil aviation.

Civil

UK civil

In the period we mobilised a 10-year contract with Midlands Air Ambulance. This continues a 33-year relationship with the charity, during which we have responded to over 75,000 lifesaving missions.

We won a further 10-year contract to continue as the aviation partner for Scotland's Charity Air Ambulance (SCAA), providing aviation support to the charity from bases in Perth and Aberdeen International Airport and bringing a new aircraft into service. We continue to provide flying operations, ground support and engineering services for a number of other air ambulance services in the UK, providing fleet technical availability in excess of 98%.

International civil

In France, we successfully delivered around 11,000 HEMS flight hours. We have expanded our Bordeaux and Bayonne bases to operate 24/7, strengthening our ability to support our customers and becoming a key asset in managing the surge in seasonal activity.

We are currently the leading operator of EC/H145 helicopters in France. In FY25, we expanded our fleet of versatile helicopters with the addition of two new aircraft, further reinforcing our partnership with Airbus Helicopters and Safran Helicopter Engines & Components.

In Australasia, we provided the Queensland Government with two AW139 helicopters, custom fitted with specialist medical equipment, in support of our new 12-year contract to provide aeromedical retrieval and search and rescue. The new aircraft allow for greater range and operational capability and include the latest aeromedical configuration including roll-on-roll-off stretchers for increased patient care.

As part of our South Australia (SA) State Helicopter Rescue Service contract, we delivered a new Airbus H145 helicopter to increase capability for law enforcement, and a new Bell 412 helicopter to SA Ambulance Service. Our bid for the new contract to deliver fixed and rotary wing emergency medical services to the South Australian Ambulance was not successful and therefore our current contract will conclude in FY28.

We have signed an MOU with US-based autonomous aircraft pioneer PteroDynamics to explore opportunities for unmanned aerial systems within defence and civil contracts across the region. We have also signed an MOU with Surf Life Saving New South Wales Partnership to pursue long-range drone technology and services to transform lifesaving operations into a broader national asset for disaster prevention, response and recovery.

In Canada, we successfully achieved initial operating capability for British Columbia's new 10-year aerial emergency services contract with a new fleet of AW169 aircraft. Initial operations are taking place from Ascent Helicopters' base at Parksville.

Our firefighting contract for the Province of Manitoba performed well in FY25, completing 475 missions during the 2024 wildfire season, with 98% aircraft availability.

Financial glossary – Alternative Performance Measures (APMs)

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

The Group's APMs are not defined by IFRS and are therefore considered to be non-GAAP measures. The measures may not be comparable to similar measures used by other companies, and they are not intended to be a substitute for, or superior to, measures defined under IFRS. The Group's APMs are consistent with the prior year. Measures, definitions and reconciliations to relevant IFRS measures are included below, where appropriate.

Organic revenue growth – Group KPI

Closest equivalent IFRS measure: Revenue growth year on year

Definition: Growth excluding the impact of foreign exchange (FX) and contribution from acquisitions and disposals in the year of, and following, completion.

Purpose: A good indicator of business growth.

	31 March 2025 £m	31 March 2024 £m
Prior year revenue	4,390.1	4,438.6
FX	(22.4)	(76.1)
(Disposals)	(2.8)	(421.6)
Prior year revenue adjusted for FX and disposals *(b)*	4,364.9	3,940.9
Revenue growth *(a)*	466.4	449.2
Current year revenue	4,831.3	4,390.1
Organic revenue growth (a)/(b)	11%	11%

Contract backlog

Closest equivalent IFRS measure: No direct equivalent

Definition: The remaining transaction price on contracts with customers that has been allocated to unsatisfied or partially satisfied performance obligations, excluding the impact of termination for convenience clauses and excluding orders not yet secured on framework agreements.

Purpose: Contract backlog is used to support future years' sales performance.

	31 March 2025 £m	31 March 2024 £m
Contract backlog	10,416	10,333

Underlying operating profit

Closest equivalent IFRS measure: Operating profit

Definition: Operating profit before the impact of specific adjusting items (see below).

Purpose: Underlying operating profit is a key measure of the Group's performance.

	31 March 2025 £m	31 March 2024 £m
Underlying operating profit	362.9	237.8
Specific adjusting items	1.0	3.8
Operating profit (note 2)	363.9	241.6

Specific adjusting items (note 2)

	31 March 2025 £m	31 March 2024 £m
Amortisation of acquired intangibles	(8.2)	(10.8)
Business acquisition, merger and divestment related items	1.5	8.2
Profit or loss from amendment, curtailment, settlement or equalisation of Group pension schemes	1.2	–
Fair value movement on derivatives	6.5	6.4
Specific adjusting items impacting operating profit	**1.0**	**3.8**
Non-recurring amounts in results from joint ventures and associates	(11.1)	–
Fair value movement on derivatives and related items	(0.2)	1.8
Specific adjusting items impacting profit before tax	**(10.3)**	**5.6**
Income tax expense		
Amortisation of acquired intangibles	2.2	3.9
Business acquisition, merger and divestment related items	–	(1.0)
Profit/(loss) from amendment, curtailment, settlement or equalisation of Group pension schemes	(0.3)	–
Fair value movement on derivatives and related items	(1.6)	(2.0)
Tax on Group reorganisation activities	–	4.7
Other tax items including rate change impact	3.6	(0.6)
Specific adjusting items impacting income tax expense	**3.9**	**5.0**

Underlying operating margin – Group KPI

Closest equivalent IFRS measure: Operating margin

Definition: Underlying operating profit as a percentage of revenue.

Purpose: Provides a measure of operating profitability, excluding specific adjusting items and is an important indicator of operating efficiency across the Group.

	31 March 2025 £m	31 March 2024 £m
Revenue	**4,831.3**	**4,390.1**
Underlying operating profit	**362.9**	**237.8**
Underlying operating margin	7.5%	5.4%

Underlying net finance costs

Closest equivalent IFRS measure: Net finance costs

Definition: Net finance costs excluding specific adjusting items.

Purpose: To provide an alternative measure of finance costs excluding items such as fair value re-measurement of derivatives which are economically hedged.

	31 March 2025 £m	31 March 2024 £m
Underlying net finance costs	**(31.9)**	**(35.9)**
Add: specific adjusting items impacting finance costs (note 2)	(0.2)	1.8
Net finance costs (note 5)	**(32.1)**	**(34.1)**

Underlying profit before tax

Closest equivalent IFRS measure: Profit before tax
Definition: Profit before tax excluding all specific adjusting items.
Purpose: Provides a measure of profitability which includes finance costs.

	31 March 2025 £m	31 March 2024 £m
Underlying profit before tax	**339.4**	**211.1**
Specific adjusting items impacting profit before tax (note 2)	(10.3)	5.6
Profit before tax (note 2)	**329.1**	**216.7**

Underlying effective tax rate

Closest equivalent IFRS measure: Effective tax rate
Definition: Tax expense excluding the impact of specific adjusting items, as a percentage of underlying profit before tax excluding the share of post-tax income from joint ventures and associates.
Purpose: This provides an indication of the ongoing tax rate across the Group, excluding one-off items.

	Year ended 31 March 2025			Year ended 31 March 2024		
	Underlying £m	Specific adjusting items £m	Statutory £m	Underlying £m	Specific adjusting items £m	Statutory £m
Profit before tax (note 2)	**339.4**	**(10.3)**	**329.1**	**211.1**	**5.6**	**216.7**
Share of (profit) / loss from JVs and associates* (note 11)	(8.4)	11.1	2.7	(10.3)	–	(10.3)
Profit before tax excluding profit from joint ventures and associates (a)	331.0	0.8	331.8	200.8	5.6	206.4
Income tax expense (b)	(84.1)	3.9	(80.2)	(53.5)	5.0	(48.5)
Effective tax rate (b)/(a)	**25.4%**		**24.2%**	**26.6%**		**23.5%**

* FY24 Share of profit from joint ventures and associates excludes an impairment of £1.1 million, see note 11.

Underlying basic and diluted earnings per share

Closest equivalent IFRS measure: Basic earnings per share
Definition: The Group's underlying profit after tax less items attributable to non-controlling interest, being underlying net income attributable to shareholders, divided by the weighted average number of shares.
Purpose: A measure of the Group's underlying performance.

	Year ended 31 March 2025			Year ended 31 March 2024		
	Underlying £m	Specific adjusting items £m	Statutory £m	Underlying £m	Specific adjusting items £m	Statutory £m
Profit/(loss) before tax (note 2)	**339.4**	**(10.3)**	**329.1**	**211.1**	**5.6**	**216.7**
Income tax (expense)/benefit (note 2)	(84.1)	3.9	(80.2)	(53.5)	5.0	(48.5)
Profit/(loss) after tax for the year	**255.3**	**(6.4)**	**248.9**	**157.6**	**10.6**	**168.2**
Amount attributable to owners of the parent	253.5	(6.4)	247.1	155.1	10.6	165.7
Amount attributable to non-controlling interests	1.8	–	1.8	2.5	–	2.5
Weighted average number of shares (m)	503.6		503.6	503.5		503.5
Effect of dilutive securities (m)	10.8		10.8	11.8		11.8
Diluted weighted average number of shares (m)	514.4		514.4	515.3		515.3
Basic EPS (note 6)	**50.3p**		**49.1p**	**30.8p**		**32.9p**
Diluted EPS (note 6)	**49.3p**		**48.0p**	**30.1p**		**32.2p**

Net debt

Closest equivalent IFRS measure: No direct equivalent
Definition: Cash and cash equivalents, bank overdrafts, loans, including the interest rate and foreign exchange derivatives which hedge the loans, lease liabilities, lease receivables and loans to joint ventures and associates.
Purpose: Used as a measure of the Group's cash position and balance sheet strength.

	31 March 2025 £m	31 March 2024 £m
Cash and bank balances	646.6	570.6
Bank overdrafts	(0.1)	(18.0)
Cash, cash equivalents and bank overdrafts	**646.5**	**552.6**
Debt	(751.2)	(749.5)
Derivatives hedging debt	(10.8)	(11.1)
Lease liabilities	(274.6)	(230.5)
Liabilities from financing arrangements	**(1,036.6)**	**(991.1)**
Lease receivables	44.6	35.5
Loans to joint ventures and associates	3.6	3.9
Derivatives hedging interest on debt	(31.4)	(36.3)
Net debt	**(373.3)**	**(435.4)**

Net debt (excluding leases)

Closest equivalent IFRS measure: No direct equivalent
Definition: Net debt (defined above) excluding lease liabilities recognised under IFRS 16.
Purpose: Used by credit agencies as a measure of the Group's net cash position and balance sheet strength.

	31 March 2025 £m	31 March 2024 £m
Net debt	**(373.3)**	**(435.4)**
Leases	272.1	224.5
Net debt (excluding leases)	**(101.2)**	**(210.9)**

Net debt / EBITDA (covenant basis) – Group KPI

Closest equivalent IFRS measure: No direct equivalents
Definition: Net debt (excluding leases), before loans to joint ventures and associates and finance lease receivables, divided by EBITDA (as defined in our banking covenants – being underlying operating profit, defined on page 30, excluding depreciation and amortisation and including certain covenant adjustments) plus JV and associate dividends. See page 15.
Purpose: A key measure of balance sheet strength used by analysts and credit agencies, and the basis of our debt covenant over the RCF (3.5x).

Interest cover (covenant basis)

Closest equivalent IFRS measure: No direct equivalent
Definition: EBITDA (on a covenant basis), divided by net finance costs and various covenant adjustments made to reflect accounting standards at the time of inception of the RCF agreement, including lease and retirement benefit interest. See page 16.
Purpose: Used in the covenant over our RCF facility with a covenant ratio of 4.0x.

Return on invested capital (pre-tax) (ROIC) – Group KPI

Closest equivalent IFRS measure: No direct equivalent
Definition: Underlying operating profit plus share of JV profit after tax, divided by the sum of net debt (excluding leases), shareholders' funds and retirement benefit deficit/(surplus). See page 16.
Purpose: Used as a measure of profit earned by the Group generated by the debt and equity capital invested, to indicate the efficiency of allocated capital.

Net capital expenditure

Closest equivalent IFRS measure: Property, plant and equipment and intangible additions
Definition: Property, plant and equipment and intangible additions less proceeds on disposal of property, plant and equipment and intangible assets.
Purpose: To understand net capital investment included in underlying operating cash flow.

	31 March 2025 £m	31 March 2024 £m
Purchases of property, plant and equipment (PP&E) (note 9)	(105.0)	(107.6)
Purchases of intangible assets (note 8)	(22.3)	(33.3)
Movements in unpaid capital expenditure	(1.0)	(1.5)
Gross capital expenditure	**(128.3)**	**(142.4)**
Proceeds on disposal of PP&E and intangible assets (statement of cash flows)	6.1	30.6
Net capital expenditure	**(122.2)**	**(111.8)**

Underlying operating cash flow

Closest equivalent IFRS measure: Net cash flow from operating activities
Definition: Cash flow from operating activities excluding net income tax, net interest paid, pension contributions in excess of the income statement charge and cash flows related to specific adjusting items and including net capital expenditure and lease principal payments. See page 12
Purpose: Provides a measure of operating cash generation on an equivalent basis to underlying operating profit.

	31 March 2025 £m	31 March 2024 £m
Underlying operating cash flow	**296.2**	**322.7**
Add: net capex	122.2	111.8
Add: capital element of lease payments	45.4	49.6
Less: pension contributions in excess of income statement	(89.1)	(107.6)
Non-operating cash items (excluded from underlying cash flow)	(17.3)	(2.2)
Cash generated from operations	**357.4**	**374.3**
Tax (paid)	(21.8)	(27.4)
Less: net interest paid	(26.8)	(32.2)
Net cash flow from operating activities	**308.8**	**314.7**

Underlying operating cash conversion – Group KPI

Closest equivalent IFRS measure: No direct equivalent
Definition: Underlying operating cash flow as a percentage of underlying operating profit.
Purpose: Used as a measure of the Group's efficiency in converting profits into cash.

	31 March 2025 £m	31 March 2024 £m
Underlying operating profit	362.9	237.8
Underlying operating cash flow	296.2	322.7
Operating cash conversion	**82%**	**136%**

Underlying free cash flow

Closest equivalent IFRS measure: No direct equivalent
Definition: Underlying free cash flow includes cash flows from pension deficit payments, interest, tax, JV dividends, specific adjusting items, in addition to underlying operating cash flow. See page 12.
Purpose: Provides a measure of cash generated which is available for use in line with the Group's capital allocation policy.

Going concern and viability statement

Overview: The Directors have undertaken reviews of the business financial forecasts, in order to assess whether the Group has adequate resources to continue in operational existence for the foreseeable future and as such can continue to adopt the going concern basis of accounting.

The Directors have also looked further out to consider the viability of the business, to test whether they have a reasonable expectation that the Group will continue in operation and meet its liabilities as they fall due.

For assessing going concern, the Board considered the 12 month period from the date of signing the Group's financial statements for the year ended 31 March 2025. For viability, the Board looked at a five-year view as this is the period over which the Group prepares its strategic plan forecasts.

The use of a five-year period provides a planning tool against which long-term decisions can be made concerning strategic priorities, addressing the Group's stated Net Zero target and climate-related risks and opportunities, funding requirements (including commitments to Group pension schemes), returns made to shareholders, capital expenditure and resource planning.

The annually prepared budgets and forecasts are compiled using a bottom-up process, aggregating those from the individual business units into sector-level budgets and forecasts. Those sector submissions and the consolidated Group budget and forecasts are then reviewed by the Board and used to monitor business performance.

The Board considered the budgets alongside the Group's available finances, strategy, business model, market outlook and principal risks. The process for identifying and managing the principal risks of the Group is set out in the Principal risks and management controls section in the forthcoming annual report. The Board also considered the mitigation measures being put in place and potential for further mitigation.

The Board considers that the long-term prospects of the Group underpin its conclusions on viability. As outlined in our strategy, business model and markets summaries on pages of the forthcoming annual report, our prospects are supported by:

- a diverse portfolio of businesses based on well-established market positions, focused on naval engineering, support and systems, and on critical services in our core defence and civil markets. In FY25, 74% of Group sales were defence-related and 26% civil;
- a geographically diverse business with a high proportion of sales to governments and other major prime defence contractors. In FY25, 71% of sales were to defence and civil customers in the UK, and 29% were international;
- long-term visibility of sales and future sale prospects through an order backlog of £10.4 billion as at 31 March 2025, including incumbent positions on major defence programmes; and
- market positions underpinned by a highly skilled workforce, intellectual property assets and proprietary know-how, which are safeguarded and developed for the future by customer and Group-funded investment.

Available financing: As at 31 March 2025, net debt excluding operating leases was £(101.2) million and the Group therefore had liquidity headroom of £1.4 billion, including net cash of £0.6 billion and undrawn facilities of £0.8 billion. These facilities are considered more than adequate to meet current and other liabilities as they fall due and support the Group's negative working capital position largely arising from securing customer advances ahead of contract work starting. All of the Group's facilities mature during the viability period, and therefore, in assessing liquidity in future periods, we have assumed that it will be possible to re-finance the Group's facilities at current market rates.

As of June 2025, the Group's facilities and bonds totalling £1.6 billion were as follows:

- £775 million revolving credit facility (RCF), of which £45 million matures on 28 August 2025 and £730 million matures 28 August 2026
- £300 million bond maturing 5 October 2026
- €550 million bond, hedged at £493 million, maturing 13 September 2027
- One overdraft facility totalling £50 million

The RCF is the only facility with covenants attached. The key covenant ratios are (i) net debt to EBITDA (gearing ratio) of 3.5x (ii) and EBITDA to net interest (interest cover) of 4.0x. These are measured twice per year – on 30 September and 31 March.

The RCF lenders are fully committed to advance funds under the RCF to the Group, provided that the Group has satisfied the usual ongoing undertakings, and the creditworthiness of the Group's relationship banks is closely monitored. Based on their credit ratings, we have no credit concerns with our relationship banks. Given the importance of the RCF to the Group's liquidity position, our assessments of going concern and viability have tested the Group's gearing ratio, interest cover and liquidity headroom throughout the period under review up to their current maturity dates and to the end of the five-year plan, assuming renewal of the RCF with consistent covenants to those currently applied.

Base case scenario: The base case budgets and forecasts show significant levels of headroom against both financial covenants, and liquidity headroom based on the current committed facilities outlined above. That base case largely assumes we maintain our incumbent programme positions if re-let during the five-year period, with margin recovery if they are currently below the Group average. Many opportunities available to the Group, where we do not yet have high conviction of securing the work, have been excluded from the base case to maintain a degree of caution.

The base case assumes no further reshaping of the business portfolio, so it is not dependent upon any future cash proceeds from divestments. It also reflects pension deficit contributions in excess of income statement charges of around £20 million in each period of the model.

Reverse stress testing of the base case: To assess the level of headroom within the available facilities, a reverse stress test was performed to see what level of performance deterioration against the base case budgets and forecasts (in both EBITDA and net debt) was required to challenge covenant levels.

Of the remaining measurement points within the available facility period, the lowest required reduction in forecast EBITDA to hit the gearing covenant level was £397 million and the lowest net debt increase was 920%. The lowest required reduction in forecast EBITDA to hit the interest cover covenant was £363 million. Given the mitigating actions that are available and within management's control, such movements are not considered plausible.

Severe but plausible downside scenarios: The Directors also considered a series of severe but plausible downside scenarios which are sensitivities run against the base case budget and forecasts for the duration of the assessment period. These sensitivities include – separately – a reduction in bid pipeline closure (business winning), a deterioration in large programme performance across the Group, a deterioration in the Group's working capital position, and a regulator-imposed cessation in flying two of the largest aircraft fleets in the Group. All of these separate scenarios showed compliance with the financial covenants throughout the period.

As with any company or group, it would be possible, however unlikely, to model individual risks or combinations of risks that would threaten the financial viability of the Group. The Board has not sought to model events where it considers the likelihood of such events not to be plausible. In preparing a combined severe but plausible (SBP) downside case, the Board considered the feed of individual risks from the sectors covering the above sensitivities. Overall, there were c.90 profit and cash flow risks identified.

A simple aggregation of all of these risks is not considered plausible as the Group operates businesses and contracts which run largely independently of each other, albeit with a relatively small number of customers within each geography.

These identified risks were seen as 'sector independent' (i.e. there is no direct read across from one sector to another). The Board decided to reduce the aggregation of the risks by 25% to reflect the implausibility of all such risks fully crystallising within the same period.

If such a severe downturn were to occur in the Group's performance, the Board would take mitigation measures to protect the Group in the short term. Such profit and cash mitigation measures that are deemed entirely within the control of the Group and identified as part of the sector budgeting exercise have been included in the SBP scenario (e.g. cancelling pay rises and bonus awards, curtailing uncommitted capital expenditure and operational spend including R&D and other investment).

Despite the severity of the above combined SBP scenario, the Group maintained a sufficient amount of headroom against the financial covenants within its borrowing facilities, and sufficient liquidity when compared against existing facilities (both before and after mitigation measures).

Going concern assessment and viability conclusion: Based on our review, the Directors have concluded that the Group has adequate resources to continue as a going concern for at least 12 months from the date of these financial statements. The Directors have not identified any material uncertainties concerning the Group's ability to continue as a going concern.

As such, these financial statements have been prepared on the going concern basis. The Directors do not believe there are any material uncertainties to disclose in relation to the Group's ability to continue as a going concern.

In concluding on the financial viability of the Group, having considered the scenarios outlined above, the Directors have a reasonable expectation that the Company and the Group will be able to continue in operation and meet all its liabilities as they fall due up to March 2030.

Risks and uncertainties

The principal risks and uncertainties affecting the Group are listed below and are set out in more detail in the Company's Annual Report and Financial Statements 2025, which should be read in conjunction with this announcement when published. This list is not a substitute for reading the Company's Annual Report and Financial Statements 2025 in full. The Group's principal risks and uncertainties are:

Contract and project performance: The Group executes large contracts and complex programmes, which often require us to price for the long term and for risk transfer. The Group's contracts can include fixed prices. Risk appetite: Medium. Contract and project performance risk appetite is classified as 'medium' due to the intricate nature of our work in defence and emergency services sectors. As a company, we are in the business of strategically accepting and managing risks that are in our control to mitigate effectively. While the Group's aim is to minimise risks to a manageable level, it is important to acknowledge that uncertainties are inherent in project delivery. The Group prioritises robust risk management to mitigate these uncertainties, where possible, and ensure successful outcomes. It is important to make clear that despite our vast efforts, some level of risk remains unavoidable. The key is to understand and accept risks which are the Group's to manage.

Market: The Group relies on winning and retaining large contracts in both existing and new markets often characterised by a relatively small number of major customers, which are owned or controlled by local or national governments. Risk appetite: Medium. This reflects that the successful pursuit and maintenance of a secure and assured pipeline is essential for continued growth, and the Group may therefore choose to accept the challenge of market risks that we can confidently and securely manage.

Cyber and information security: A key factor for the Group's customers is our ability to deliver secure IT and other information assurance systems to maintain the confidentiality of sensitive information. Risk appetite: Low. IT and information security are fundamental components in the Group's operations; we continually review the emergence of cyber threats, in an effort to eradicate and mitigate the risk as far as possible.

Defined benefit pensions: The Group has significant defined benefit pension schemes in the UK, which provide for a specified level of pension benefits to scheme members. Risk appetite: Low. The Group utilises engagement with the pension schemes' trustees and a balanced pension management approach that looks to mitigate and reduce the risks associated with pensions over the journey to settling the pension obligations.

Supply chain management: Supply chains today face a variety of risks that can disrupt operations. The global financial market has been marked by persistent inflation, economic uncertainty and shifting global tariff policies, leading to the risk of increased costs and operational challenges for suppliers. Geopolitical tensions, including conflicts and trade tensions, can significantly disrupt supply chains by affecting trade routes, increasing transportation costs, and causing delays in the movement of goods. Extreme weather events can impact logistics and manufacturing processes. Cybersecurity threats pose significant risks to data security and operational continuity. Risk appetite: Low. Avoidance of risk and uncertainty, with low appetite for risk that is likely to have adverse consequences and aim to eliminate or substantially reduce such risks.

Operational resilience and business interruption: The Group provides critical support to governments and commercial customers, requiring a high level of resilience in operational systems and processes. The Group operates in an increasingly volatile, uncertain and complex environment, where a diverse range of internal and external threats could disrupt our business, affecting our ability to operate safely, effectively and to the high standards expected by our customers, regulators and partners. To address these challenges, the Group continues to enhance its Operational Resilience programme, ensuring it remains capable, adaptable, and aligned to mitigate multiple forms of business interruption. Risk appetite: Low. Ineffective operational resilience arrangements can undermine safety, financial stability and regulatory compliance, as well as damage our reputation. Given the critical nature of our operations, Babcock seeks to eliminate risks where possible and applies stringent controls to mitigate remaining risks to as low as reasonably practicable (ALARP). Over the past year, the Group has made significant progress in strengthening its Operational Resilience programme. A new Operational Resilience Strategy and Framework has been developed to provide greater consistency, adaptability and capability across the organisation. This is supported by the launch of a new Operational Resilience Policy, ensuring a clear governance structure and accountability, as well as a Requirements and Guidance Manual to support Sectors/DRCs in implementing Operational Resilience elements within their respective areas and drive standardisation. Additionally, Key Control Indicators (KCIs) for Operational Resilience have been identified, enabling more effective monitoring and risk mitigation. To further drive these improvements, a dedicated Operational Resilience Working Group has been formed, supported by Operational Resilience Leads across Sectors and DRCs, ensuring a coordinated approach to resilience across the Group.

Financial resilience of the Group: The Group is exposed to a number of financial risks, some of which are of a macroeconomic nature (for example, foreign currency, interest rates) and some of which are more specific to the Group (for example, liquidity and credit risks). Risk appetite: Low. The Group recognises the adverse effects of the financial resilience risk on the balance sheet and actively manages the risk via its capital allocation policy, substantial committed debt facilities and maintaining an investment grade credit rating allowing access to debt capital markets. However, this risk cannot be eliminated and will aways require management.

Safety, health and environmental protection: The Group's operations entail the potential risk of significant harm to people and the planet, wherever we operate across the world. Risk appetite: Low. For moral, financial and reputational reasons we should keep the risk exposure as low as reasonably practicable.

Climate and environmental sustainability: Climate change is impacting every corner of the earth and poses an existential threat to global stability. Sustainability is an integral part of the Group's corporate strategy, and we are working hard to address the climate crisis and minimise the impacts of our operations. Risk appetite: Low. Across the Group's global operations, we are looking to continually improve our understanding of climate and environmental risks, and we are committed to mitigating risks, unlocking opportunities and reducing our environmental impacts.

Corporate technological disruption: The Group has identified three main attributes to potential technological disruption; the digital change agenda, both within our customers and internal to the Group; our approach to data management; and finally, the disruption of new technology offerings. Risk appetite: Low. Given the materially adverse nature of digital and data risks, the Group looks to recognise and eradicate the emergence of risks to operations where possible, hence risk appetite being set at low. Exploiting new technology in an appropriate manner can open new markets. However, the Group does survey the market for new technology to develop into new opportunities. These are assessed for benefit individually and if deemed of interest, integrated into the Group's research and development programme and managed with project management.

Resourcing, retention and skills: The Group operates in many specialised engineering and technical domains, which require appropriate skills and experience. Risk appetite: Medium. Avoidance of the risk would increase costs through significant wage inflation, which would have an industry-wide impact, and require over-resourcing and potential negative workforce engagement and retention. Some risk is accepted given the high cost of avoidance and the potential mitigations within the Group's control, such as sharing capability across our global business and compensating for skills shortages in particular areas through investment in training and early careers.

Compliance with legislation or other regulatory requirements: The Group's businesses are subject to the laws, regulations and restrictions of the many jurisdictions in which we operate. Risk appetite: Low. As a diverse global organisation, the Group operates in multiple highly regulated industries for customers with specialist requirements. The compliance landscape is vast and complex with many regulations, legal obligations, contractual and certification requirements in each area including export controls, data protection and site licences. The laws and regulations that the Group are subject to include anti-bribery laws, import and export controls, tax, procurement rules, human rights laws, and data protection regulations.

Acquisitions and divestments: The Group has built our core strengths organically and through acquisition. Decisions to acquire companies, as well as the process of their acquisition and integration, are complex, time-consuming, and expensive. If the Group believe that a business is not 'core', we may decide to sell that business. Risk appetite: Medium. The Group will continue to review potential opportunities within the market in a considered and measured way; M&A activity continues to be inherently high risk. Future M&A activity will be undertaken only where it is possible to reduce inherent risk to an acceptable level when balanced against potential rewards and opportunity.

Engineering integrity, product technology disruption and product safety: The Group has a corporate and legal responsibility to ensure the technical products and services we develop and/or deliver to our customers and end-users are legally and contractually safe, compliant, secure and high quality. Risk appetite: Low. As a complex systems developer, integrator and provider of critical operations, in-service support and training across all defence sectors and civil emergency operations, the Group's customers and end-users must have confidence in the integrity of our technical products and services. The Group's technical risk management frameworks must be rigorous as well as adaptable. The Group work to develop our technical capabilities and secure access to advanced technologies, to position ourselves and our customers well for the future. The Group also actively identifies, understands and manages the risks and opportunities as a responsible developer and adopter of rapidly emerging advanced technologies.

The risks listed above, together with their potential impacts and mitigating actions taken in respect of them, are explained and described in detail in the 2025 Annual Report, a copy of which will be available at www.babcockinternational.com.

Unaudited condensed consolidated financial statements
Group income statement

For the year ended 31 March	Note	2025 £m	2024 £m
Revenue	2,3	**4,831.3**	**4,390.1**
Operating costs		(4,468.9)	(4,145.0)
Profit/(loss) resulting from acquisitions and disposals		1.5	(3.5)
Operating profit		**363.9**	**241.6**
Results from joint ventures and associates	2,3,11	(2.7)	9.2
Finance income	4	29.1	22.1
Finance costs	4	(61.2)	(56.2)
Profit before tax		**329.1**	**216.7**
Income tax expense	5	(80.2)	(48.5)
Profit for the year		**248.9**	**168.2**
Attributable to:			
Owners of the parent		247.1	165.7
Non-controlling interest		1.8	2.5
Earnings per share			
Basic	6	49.1p	32.9p
Diluted	6	48.0p	32.2p

Group statement of comprehensive income

For the year ended 31 March	Note	2025 £m	2024 £m
Profit for the year		248.9	168.2
Other comprehensive income			
Items that may be subsequently reclassified to income statement			
Currency translation differences		(12.7)	(13.4)
Reclassification of cumulative currency translation reserve on disposal		(2.5)	–
Fair value adjustment of interest rate and foreign exchange hedges		(1.2)	(4.0)
Hedging gains reclassified to profit or loss		4.8	6.6
Share of other comprehensive income of joint ventures and associates	11	(1.7)	0.3
Tax, including rate change impact, on items that may subsequently reclassify to the income statement		(2.7)	(0.6)
Items that will not be reclassified to income statement			
Remeasurement of retirement benefit obligations	17	15.5	(155.1)
Tax on remeasurement of retirement benefit obligations	5	(3.9)	38.4
Other comprehensive loss, net of tax		**(4.4)**	**(127.8)**
Total comprehensive income		**244.5**	**40.4**
Total comprehensive income attributable to:			
Owners of the parent		242.6	39.1
Non-controlling interest		1.9	1.3
Total comprehensive income		**244.5**	**40.4**

Group statement of changes in equity

	Note	Share capital £m	Share premium £m	Other reserve £m	Capital redemption £m	Retained earnings £m	Hedging reserve £m	Translation reserve £m	Total equity attributable to owners of the Company £m	Non-controlling interest £m	Total equity £m
At 1 April 2023		**303.4**	**873.0**	**768.8**	**30.6**	**(1,568.8)**	**3.0**	**(56.1)**	**353.9**	**17.0**	**370.9**
Profit for the year	2	–	–	–	–	165.7	–	–	165.7	2.5	168.2
Other comprehensive (loss)/income		–	–	–	–	(116.7)	2.3	(12.2)	(126.6)	(1.2)	(127.8)
Total comprehensive income		**–**	**–**	**–**	**–**	**49.0**	**2.3**	**(12.2)**	**39.1**	**1.3**	**40.4**
Dividends		–	–	–	–	(8.5)	–	–	(8.5)	(1.8)	(10.3)
Disposal of subsidiary		–	–	–	–	–	–	–	–	0.7	0.7
Purchase of own shares		–	–	–	–	(12.5)	–	–	(12.5)	–	(12.5)
Share-based payments		–	–	–	–	12.4	–	–	12.4	–	12.4
Tax on share-based payments		–	–	–	–	4.5	–	–	4.5	–	4.5
Net movement in equity		**–**	**–**	**–**	**–**	**44.9**	**2.3**	**(12.2)**	**35.0**	**0.2**	**35.2**
At 31 March 2024		**303.4**	**873.0**	**768.8**	**30.6**	**(1,523.9)**	**5.3**	**(68.3)**	**388.9**	**17.2**	**406.1**
At 1 April 2024		**303.4**	**873.0**	**768.8**	**30.6**	**(1,523.9)**	**5.3**	**(68.3)**	**388.9**	**17.2**	**406.1**
Profit for the year	2	–	–	–	–	247.1	–	–	247.1	1.8	248.9
Other comprehensive (loss)/income		–	–	–	–	11.6	1.0	(17.1)	(4.5)	0.1	(4.4)
Total comprehensive income		**–**	**–**	**–**	**–**	**258.7**	**1.0**	**(17.1)**	**242.6**	**1.9**	**244.5**
Dividends		–	–	–	–	(26.7)	–	–	(26.7)	(1.3)	(28.0)
Disposal of non-controlling interest		–	–	–	–	–	–	–	–	(0.4)	(0.4)
Purchase of own shares		–	–	–	–	(18.8)	–	–	(18.8)	–	(18.8)
Share-based payments		–	–	–	–	14.3	–	–	14.3	–	14.3
Tax on share-based payments		–	–	–	–	4.1	–	–	4.1	–	4.1
Net movement in equity		**–**	**–**	**–**	**–**	**231.6**	**1.0**	**(17.1)**	**215.5**	**0.2**	**215.7**
At 31 March 2025		**303.4**	**873.0**	**768.8**	**30.6**	**(1,292.3)**	**6.3**	**(85.4)**	**604.4**	**17.4**	**621.8**

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

Group statement of financial position

	Note	31 March 2025 £m	31 March 2024 £m - Restated
Assets			
Non-current assets			
Goodwill	7	778.2	780.1
Other intangible assets	8	142.4	148.8
Property, plant and equipment	9	558.9	517.1
Right of use assets	10	228.8	175.6
Investment in joint ventures and associates	11	43.5	59.7
Loan to joint ventures and associates	11	3.6	3.9
Retirement benefits surpluses	17	98.8	107.3
Other financial assets		4.2	5.3
Lease receivables		26.2	22.5
Derivatives		5.1	2.8
Deferred tax asset		102.8	132.3
Trade and other receivables	13	18.1	13.0
		2,010.6	1,968.4
Current assets			
Inventories	12	162.2	187.4
Trade and other receivables	13	507.4	487.2
Contract assets	13	329.7	260.9
Income tax recoverable		4.8	10.6
Lease receivables		18.4	13.0
Other financial assets		1.2	1.1
Derivatives		9.3	4.4
Cash and cash equivalents		646.6	570.6
		1,679.6	1,535.2
Total assets		**3,690.2**	3,503.6
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital		303.4	303.4
Share premium		873.0	873.0
Capital redemption and other reserves		720.3	736.4
Retained earnings		(1,292.3)	(1,523.9)
		604.4	388.9
Non-controlling interest		17.4	17.2
Total equity		**621.8**	406.1
Non-current liabilities			
Bank and other borrowings	15	750.7	747.1
Lease liabilities	10	227.4	185.9
Trade and other payables	14	4.2	5.4
Deferred tax liabilities		5.9	6.4
Derivatives		44.8	51.9
Retirement benefit deficits	17	107.2	217.0
Provisions for other liabilities, including other employee benefits	16	58.1	79.1
		1,198.3	1,292.8
Current liabilities			
Bank and other borrowings	15	0.6	20.4
Lease liabilities	10	47.2	44.6
Trade and other payables	14	948.0	949.2
Contract liabilities	14	759.4	685.3
Income tax payable		25.6	16.6
Derivatives		9.1	9.5
Provisions for other liabilities, including other employee benefits	16	80.2	79.1
		1,870.1	1,804.7
Total liabilities		**3,068.4**	3,097.5
Total equity and liabilities		**3,690.2**	3,503.6

Group cash flow statement

For the year ended 31 March	Note	2025 £m	2024 £m - Restated
Cash flows from operating activities			
Profit for the year		**248.9**	**168.2**
Results from joint ventures and associates	11	2.7	(9.2)
Income tax expense	5	80.2	48.5
Finance income	4	(29.1)	(22.1)
Finance costs	4	61.2	56.2
Depreciation and impairment of property, plant and equipment	9	59.0	54.1
Depreciation and impairment of right of use assets	10	33.0	39.8
Amortisation and impairment of intangible assets	8	27.5	24.0
Equity share-based payments		14.3	12.4
Net derivative fair value and currency movement through profit or loss		(5.6)	(4.9)
Fair value movement on assets held at fair value through profit or loss		(3.6)	(2.0)
(Gain)/loss on disposal of subsidiaries, businesses and joint ventures and associates		(1.5)	3.5
Profit on disposal of property, plant and equipment		(0.7)	(17.1)
Loss/(profit) on disposal of right of use assets		0.1	(3.6)
Loss on disposal of intangible assets		–	0.1
Cash generated from operations before movement in working capital and retirement benefit payments		**486.4**	**347.9**
Decrease/(increase) in inventories		25.3	(67.1)
(Increase)/decrease in receivables		(53.5)	6.1
(Increase)/decrease in contract assets		(71.7)	58.2
Increase in payables		6.0	56.1
Increase in contract liabilities		78.7	72.6
(Decrease)/increase in provisions		(23.5)	8.1
Retirement benefit contributions in excess of current period expense		(90.3)	(107.6)
Cash generated from operations		357.4	374.3
Income tax paid		(21.8)	(27.4)
Interest paid		(55.8)	(54.3)
Interest received		29.0	22.1
Net cash flows from operating activities		**308.8**	**314.7**
Cash flows from investing activities			
Disposal of subsidiaries and joint ventures and associates, net of cash disposed		(1.1)	(1.3)
Dividends received from joint ventures and associates	11	12.2	7.1
Proceeds on disposal of property, plant and equipment		6.1	30.6
Purchases of property, plant and equipment		(105.3)	(109.7)
Purchases of intangible assets		(23.0)	(32.7)
Loans repaid by joint ventures and associates	11	0.3	7.5
Loans advanced to joint ventures and associates	11	–	(2.1)
Net cash flows from investing activities		**(110.8)**	**(100.6)**
Cash flows from financing activities			
Dividends paid	18	(26.7)	(8.5)
Lease payments		(45.4)	(49.6)
Bank loans repaid	18	(8.4)	(13.1)
Loans raised and facilities drawn down	18	7.9	–
Dividends paid to non-controlling interest		(1.3)	(1.8)
Purchase of own shares by Babcock Employee Share Trust		(18.8)	(12.5)
Net cash flows from financing activities		**(92.7)**	**(85.5)**
Net increase in cash, cash equivalents and bank overdrafts		**105.3**	**128.6**
Cash, cash equivalents and bank overdrafts at beginning of year	18	**552.6**	**429.5**
Effects of exchange rate fluctuations	18	(11.4)	(5.5)
Cash, cash equivalents and bank overdrafts at end of year	18	**646.5**	**552.6**

1. Basis of preparation and significant accounting policies

Basis of preparation

The unaudited condensed consolidated financial statements have been prepared on a going concern basis and in accordance with United Kingdom adopted International Accounting Standards (IFRS) and the Companies Act 2006 applicable to companies reporting under IFRS. These unaudited condensed consolidated financial statements do not comprise statutory accounts within the meaning of Section 435 of the Companies Act 2006 and should be read in conjunction with the Annual Report for the year ended 31 March 2025. The comparative figures for the year ended 31 March 2024 are not the Group's statutory accounts for that financial year. Those financial statements have been reported upon by the Group's auditor and delivered to the registrar of companies. The report of the auditor was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and did not contain statements under Section 498 (2) or (3) of the Companies Act 2006. The unaudited consolidated financial statements are presented in pounds sterling and, unless stated otherwise, rounded to the nearest million. They have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities (including derivative instruments).

New and amended standards adopted by the Group

The following standards and amendments to IFRSs became effective for the annual reporting period beginning on 1 April 2024 and did not have a material impact on the consolidated financial statements:

- **Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangements:** These amendments add disclosure objectives to IAS 7 requiring disclosure of information about supplier finance arrangements that enable users to assess the effect of such arrangements on the Group's liabilities and cash flows. Additionally, the amendments revise IFRS 7 to add supplier finance arrangements as an example of liquidity risk within financial risk management.

  The Group does not currently participate in any supplier finance arrangements and therefore these amendments have had no impact on the current or prior period Income Statement or Statement of Financial Position.

- **Amendments to IAS 1 – Classification of Liabilities as Current or Non-current:** These amendments affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

  The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

- **Amendments to IAS 1 – Non-current Liabilities with Covenants:** These amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

  The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

- **Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback:** These amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 Revenue from Contracts with Customers to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date.

  The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognised a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in IFRS 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate.

1. Basis of preparation and significant accounting policies *(continued)*

A seller-lessee applies the amendments retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, which is defined as the beginning of the annual reporting period in which the entity first applied IFRS 16.

Critical accounting estimates and judgements

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

(a) Critical accounting judgements

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

(i) Acting as principal or agent

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

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

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

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

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

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

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

Over time management reviews the basis upon which goodwill is allocated to ensure it remains appropriate as businesses are acquired and divested and reporting structures change, including how information is reported to the Chief Operating Decision Maker. If there was a change in this judgement this could result in a material adjustment to goodwill. Further detail is included in notes 3 and 7.

1. Basis of preparation and significant accounting policies *(continued)*

(iii) Additional work expected under the Type 31 contract

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

(b) Key sources of estimation uncertainty

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

(i) Revenue and profit recognition

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

- **Stage of completion & costs to complete** – The Group's revenue recognition policies require management to make an estimate of the cost to complete for long-term contracts. Management estimates outturn costs on a contract-by-contract basis and estimates are carried out by suitably qualified and experienced personnel. Estimates of cost to complete include assessment of contract contingencies arising out of technical, commercial, operational and other risks. The assessments of all significant contract outturns are subject to review and challenge, and judgements and estimates are reviewed regularly throughout the contract life based on latest available information with adjustments made where necessary. As contracts near completion, often less judgement is required to determine the expected outturn. The most significant estimate of contract outturn relates to the Type 31 programme as outlined below.
- **Variable consideration** – the Group's contracts are often subject to variable consideration including performance-based penalties and incentives, gain/pain share arrangements and other items. Variable consideration is added to the transaction price only to the extent that it is highly probable that there will not be a significant reversal in the amount of cumulative revenue recognised once the underlying uncertainty is resolved.
- **Inflation** – The level to which the Group's revenue and cost for each contract will be impacted by inflation is a key accounting estimate, as this could cause the revenue and cost of contract delivery to be greater than was expected at the time of contracting. The Group's contracts are exposed to inflation due to rising employment costs, as well as increased costs of raw materials. The Group endeavours to include cost recovery mechanisms or index-linked pricing within its contracts with customers in order to mitigate any inflation risk arising from increasing employment and raw material costs.

Type 31 contract estimates

The contract to produce 5 Type 31 frigates was won under competitive tender in 2019, based on Babcock's Arrowhead 140 design. The contract is important in providing access to an expected pipeline of Type 31 work and developing our Arrowhead 140 design for opportunities overseas. Although the contract contained certain escalation clauses, it provided limited protection from the macroeconomic changes of recent years relating to Brexit, Covid, raw material prices and UK labour shortages, which have significantly increased our costs. This has resulted in the contract being loss-making, together with increases in estimated costs due to the maturing of the design and the forecast cost of labour.

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

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

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

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

1. Basis of preparation and significant accounting policies *(continued)*

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

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

e) **The number of hours required by support functions** – primarily in engineering which requires effective management of production support and change requests. A detailed engineering scope review has been performed to support this estimate

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

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

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

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

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

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

- **Production hours** – which are impacted by production norms, rate of improvement, process efficiencies and quality/engineering improvements (see a) and b) above). A 10% increase/decrease in production hours would increase/decrease the loss by £30m
- **Labour rate** – which is impacted by our ability to recruit permanent staff, the mix of the workforce, ancillary costs and inflation (see c) and g) above). A 10% increase/decrease in the average labour rate would increase/decrease the loss by £40m
- **Supply chain costs (see c) above)** – which are impacted by the agreement of remaining pricing, discounts and incentive arrangements. A 10% increase/decrease in supply chain costs would increase/decrease the loss by £25m
- **Schedule (see e), f) and h) above)** – which are impacted by the build schedule. A 6-month delay beyond the current planning assumption would increase the loss by £24m

Overall, with c£0.8bn of estimated costs to go over the life of the contract, if actual costs were to differ from those assumed by 10%, the potential impact on the contract outturn could be c.£80m. Any increase in loss would cause a commensurate deterioration in the balance sheet through a combination of an increase to the onerous loss provision (note 16), reductions in contract assets (note 13) or increases in contract liabilities (note 14).

To mitigate this, comparisons of actual contract performance and previous forecasts used to assess the contract outturn are performed regularly, with consideration given to whether any revisions to assumptions are required. The uncertainty over the contract outturn will reduce in the next financial year but there will be substantial activity and risk over the remaining years. In a major ship build programme of this nature, it is inherently possible that there may be changes in circumstances which cannot reasonably be foreseen at the present time.

1. Basis of preparation and significant accounting policies *(continued)*

(ii) Defined benefit pension schemes obligations

The Group's defined benefit pension schemes are assessed annually in accordance with IAS 19 and the valuation of the defined benefit pension obligations is sensitive to the inflation, discount rate, actuarial and life expectancy assumptions used. There is a range of possible values for the assumptions and small changes to the assumptions may have a significant impact on the valuation of the defined benefit pension obligations. In addition to the inflation, discount rate and life expectancy estimates, management is required to make an accounting judgement relating to the expected availability of future accounting surpluses under IFRIC 14. Further information on the key assumptions, sensitivities and judgements is included in note 17.

2. Adjustments between statutory and underlying information

Definition of underlying measures and specific adjusting items

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

The Group's alternative performance measures are not defined by IFRS and are therefore considered to be non-GAAP measures. The measures may not be comparable to similar measures used by other companies, and they are not intended to be a substitute for, or superior to, measures defined under IFRS. The Group's alternative performance measures are consistent with the year ended 31 March 2024.

Underlying operating profit

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

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

Specific adjusting items include:

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

2. Adjustments between statutory and underlying information *(continued)*

Income statement including underlying results

		Year ended 31 March 2025			Year ended 31 March 2024		
	Note	Underlying £m	Specific adjusting items £m	Statutory £m	Underlying £m	Specific adjusting items £m	Statutory £m
Revenue	3	**4,831.3**	**–**	**4,831.3**	**4,390.1**	**–**	**4,390.1**
Operating profit	3	**362.9**	**1.0**	**363.9**	**237.8**	**3.8**	**241.6**
Operating margin %		**7.5%**	**–**	**7.5%**	**5.4%**	**–**	**5.5%**
Results from joint ventures and associates	11	8.4	(11.1)	(2.7)	9.2	–	9.2
Net finance costs	4	(31.9)	(0.2)	(32.1)	(35.9)	1.8	(34.1)
Profit/(loss) before tax		**339.4**	**(10.3)**	**329.1**	**211.1**	**5.6**	**216.7**
Income tax (expense)/benefit	5	(84.1)	3.9	(80.2)	(53.5)	5.0	(48.5)
Profit/(loss) after tax for the year		**255.3**	**(6.4)**	**248.9**	**157.6**	**10.6**	**168.2**

Earnings per share including underlying measures

	Year ended 31 March 2025			Year ended 31 March 2024		
	Underlying £m	Specific adjusting items £m	Statutory £m	Underlying £m	Specific adjusting items £m	Statutory £m
Profit/(loss) after tax for the year	**255.3**	**(6.4)**	**248.9**	**157.6**	**10.6**	**168.2**
Amount attributable to owners of the parent	253.5	(6.4)	247.1	155.1	10.6	165.7
Amount attributable to non-controlling interests	1.8	–	1.8	2.5	–	2.5
Weighted average number of shares (m)	503.6		503.6	503.5		503.5
Effect of dilutive securities (m)	10.8		10.8	11.8		11.8
Diluted weighted average number of shares (m)	514.4		514.4	515.3		515.3
Basic EPS (note 6)	**50.3p**		**49.1p**	**30.8p**		**32.9p**
Diluted EPS (note 6)	**49.3p**		**48.0p**	**30.1p**		**32.2p**

2. Adjustments between statutory and underlying information *(continued)*

Details of specific adjusting items

The impact of specific adjusting items is set out below:

	Year ended 31 March 2025 £m	Year ended 31 March 2024 £m
Amortisation of acquired intangibles	(8.2)	(10.8)
Business acquisition, merger and divestment related items	1.5	8.2
Profit or loss from amendment, curtailment, settlement or equalisation of Group pension schemes (note 17)	1.2	–
Fair value movement on derivatives and related items	6.5	6.4
Adjusting items impacting operating profit	**1.0**	**3.8**
Non-recurring amounts in results from joint ventures and associates	(11.1)	–
Fair value movement on derivatives and related items	(0.2)	1.8
Adjusting items impacting profit before tax	**(10.3)**	**5.6**
Income tax benefit		
Amortisation of acquired intangibles	2.2	3.9
Business acquisition, merger and divestment related items	–	(1.0)
Profit or loss from amendment, curtailment, settlement or equalisation of Group pension schemes (note 17)	(0.3)	–
Fair value movement on derivatives and related items	(1.6)	(2.0)
Exceptional tax on Group reorganisation activities	–	4.7
Other tax items including rate change impact	3.6	(0.6)
Income tax benefit	**3.9**	**5.0**

Explanation of specific adjusting items

Amortisation of acquired intangibles

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

Business acquisition, merger and divestment related items

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

The total net profit relating to business acquisition, merger and divestment related items for the year ended 31 March 2025 was £1.5 million (2024: £8.2 million). The prior year profit relates to changes in the cash consideration and provision balances following settlement of certain warranties in respect of historic disposals. The current year balance comprises the disposal of the Group’s interest in the NTI business in Oman.

Fair value movement on derivatives and related items

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

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

2. Adjustments between statutory and underlying information *(continued)*

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

Tax

Specific adjusting items in respect of tax comprises a credit of £3.6 million (2024: charge of £0.6 million) arising from the impact of the increase in the rate of corporation tax and a credit of £nil (2024: £4.7 million) arising from the release of uncertain tax positions in respect of historic group reorganisation activities. The rate change impact arises from adjustments to the Group's UK tax position for years ended before 1 April 2023.

Share of joint ventures and associates

Our Ascent flight training joint venture is in the process of aligning its accounting to IFRS principles and completed the work required to determine the accounting for revenue under IFRS 15 in the year. This resulted in a c.1% lower overall measure of contract completion than we previously applied when including the Group's share of Ascent's results under IFRS 15. The reduction in share of profits from JVs has been reported as a Specific Adjusting Item as it meets our criteria for an exceptional item, being significant, non-recurring and outside of the normal operating practice, in order to appropriately represent the Group's underlying business performance. This adjustment has no impact on dividends received within our underlying free cash flow.

3. Segmental information

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

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

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

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

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

The executive members of the Board, the chief operating decision maker as defined by IFRS 8, monitor the results of these reportable segments and makes decisions about the allocation of resources. The Group's business in Africa meets the definition of an operating segment, as defined by IFRS 8. In accordance with IFRS 8, the Africa operating segment is included in the Land reportable segment.

The table below presents the underlying results for each reportable segment in accordance with the definition of underlying operating profit, as set out in note 2, and reconciles the underlying operating profit/(loss) to the statutory profit/(loss) before tax.

3. Segmental information *(continued)*

Year ended 31 March 2025	Marine £m	Nuclear £m	Land £m	Aviation £m	Unallocated £m	Total £m
Revenue	**1,576.4**	**1,816.0**	**1,116.6**	**322.3**	**–**	**4,831.3**
Underlying operating profit	96.5	160.3	86.2	19.9	–	362.9
Specific Adjusting Items (note 2)						
Amortisation of acquired intangibles	(5.5)	–	–	(2.7)	–	(8.2)
Business acquisition, merger and divestment related items	1.5	–	–	–	–	1.5
Fair value gain/(loss) on forward rate contracts to be settled in future periods	6.8	–	–	(0.3)	–	6.5
Profit or loss from amendment, curtailment, settlement or equalisation of Group pension schemes	–	1.1	0.1	–	–	1.2
Operating profit	**99.3**	**161.4**	**86.3**	**16.9**	**–**	**363.9**
Results from joint ventures and associates	(0.5)	0.3	–	(2.5)	–	(2.7)
IFRIC 12 investment income	–	–	0.4	–	–	0.4
Other net finance costs*	–	–	–	–	(32.5)	(32.5)
Profit/(loss) before tax	**98.8**	**161.7**	**86.7**	**14.4**	**(32.5)**	**329.1**

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

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

Revenues of £3.0 billion (2024: £2.5 billion) are derived from a single external customer. These revenues are attributable across all reportable segments.

4. Net finance costs

	Year ended 31 March 2025 £m	Year ended 31 March 2024 £m
Finance costs		
Loans, overdrafts and associated interest rate hedges	37.1	38.5
Lease interest and foreign exchange movements on lease liabilities	15.1	9.6
Amortisation of issue costs of bank loan	2.1	3.0
Retirement benefit interest cost (note 17)	4.5	0.8
Other	7.4	8.2
Capitalised borrowing costs (note 9)	(5.0)	(3.9)
Total finance costs	**61.2**	**56.2**
Finance income		
Bank deposits, loans and leases	28.7	21.6
IFRIC 12 Investment income	0.4	0.5
Total finance income	**29.1**	**22.1**
Net finance costs	**32.1**	**34.1**

4. Net finance costs *(continued)*

Net finance costs decreased to £32.1 million (2024: £34.1 million). Included in finance costs are £0.5 million (2024: £4.4 million) relating to the factoring of receivables for the Mentor contract in France (within other finance costs). All finance income is calculated on an effective Interest Rate basis. All finance costs are calculated on an effective interest rate basis with the exception of £4.6 million (2024: £2.8 million) of fair value costs on fair value remeasurement of the Group's interest rate derivatives and the Retirement benefit interest cost (measured under IAS 19 – see note 17).

5. Taxation

Income tax expense

	Total	
	Year ended 31 March 2025 £m	Year ended 31 March 2024 £m
Analysis of tax expense in the year		
Current tax		
• UK current year expense	15.7	–
• UK prior year expense	2.5	–
• Overseas current year expense	20.6	21.8
• Overseas prior year expense / (benefit)	–	(0.1)
	38.8	21.7
Deferred tax		
• UK current year expense	53.0	26.1
• UK prior year (benefit) / expense	(9.1)	0.5
• Overseas current year expense	1.7	1.8
• Overseas prior year benefit	(0.6)	(2.2)
• Impact of changes in tax rates	(3.6)	0.6
	41.4	26.8
Total income tax expense	**80.2**	**48.5**

The tax for the year is lower (2024: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	Year ended 31 March 2025 £m	Year ended 31 March 2024 £m
Profit before tax	**329.1**	**216.7**
Profit on ordinary activities multiplied by rate of corporation tax in the UK of 25% (2024: 25%)	82.3	54.2
Effects of:		
Expenses not deductible for tax purposes	5.7	3.4
Re-measurement of deferred tax in respect of statutory rate changes	(3.6)	0.6
Difference in respect of share of results of joint ventures and associates' results	0.7	(2.6)
Prior year adjustments	(7.1)	(1.8)
Differences in respect of foreign rates	1.4	2.0
Unrecognised deferred tax movements	6.3	2.5
Deferred tax not previously recognised/derecognised	(0.9)	(3.1)
Non-taxable profits on disposals and non-deductible losses on disposals	(0.2)	(2.1)
Pillar Two top-up tax	0.5	–
Other	(4.9)	(4.6)
Total income tax expense	**80.2**	**48.5**

The Group is subject to taxation in several jurisdictions. The complexity of applicable rules may result in legitimate differences of interpretation between the Group and taxing authorities, especially where an economic judgement or valuation is involved. The outcome of tax authority disputes in such areas is not predictable, and to reflect the effect of these uncertain tax positions a provision is recorded which represents management's assessment of the most likely outcome of each issue. At 31 March 2025 the Group held uncertain tax positions of £44.6 million (2024: £23.7 million). Of this amount, £32.3 million (2024: £11.6 million) relates to ongoing discussions with HMRC regarding prior periods.

6. Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue less the weighted average number of shares held by the Employee Share Trust as treasury shares. Diluted earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue less the weighted average number of shares held by the Employee Share Trust, plus the number of ordinary shares which are considered potentially dilutive ordinary shares in respect of share incentive schemes, should the vesting conditions have been met as at the year end. Weighted average is calculated by reference to the date of transactions which increase or reduce the number of shares in issue, or the number of shares held by the Employee Share Trust.

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

Number of shares

	2025 Number	2024 Number
Weighted average number of ordinary shares for the purpose of basic EPS	503,557,679	503,452,989
Effect of dilutive potential ordinary shares: share options	10,854,861	11,869,860
Weighted average number of ordinary shares for the purpose of diluted EPS	**514,412,540**	**515,322,849**

Earnings per share

	Year ended 31 March 2025			Year ended 31 March 2024		
	Earnings attributable to shareholders £m	Basic per share Pence	Diluted per share Pence	Earnings attributable to shareholders £m	Basic per share Pence	Diluted per share Pence
Earnings for the year	247.1	49.1	48.0	165.7	32.9	32.2

7. Goodwill

	31 March 2025 £m	31 March 2024 £m
Cost		
At 1 April	**1,822.0**	**1,823.3**
On disposal of business	(0.5)	–
Exchange adjustments	(1.4)	(1.3)
At 31 March	**1,820.1**	**1,822.0**
Accumulated impairment		
At 1 April	1,041.9	1,041.9
At 31 March	**1,041.9**	**1,041.9**
Net book value at 31 March	**778.2**	**780.1**

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

	31 March 2025 £m	31 March 2024 £m
Marine	293.6	295.5
Nuclear	233.1	233.1
Land (excluding Africa)	217.8	218.0
Aviation	32.0	32.0
Africa	1.7	1.5
	778.2	**780.1**

Goodwill was tested for impairment at 31 March 2025 in accordance with IAS 36. This impairment analysis is performed at least annually, as outlined in the Group's accounting policies. The Group monitors goodwill at groups of CGUs aligned to the Group's operating segments for Marine, Aviation and Nuclear. Goodwill is separately allocated and monitored between two groups of CGUs in the Land operating segment – Africa and Land (excluding Africa).

Results of goodwill impairment test

The current year impairment test results have not resulted in an impairment for any of the Group's cash generating units. The recoverable amount of the Group's goodwill was assessed by reference to value-in-use calculations. The value-in-use calculations are derived from risk-adjusted cash flows from the Group's five-year plan. Terminal value assessments are included based on year five and an estimated long-term, country-specific growth rate of 1.9 – 4.7% (2024: 2.0 – 4.6%). The process by which the Group's budget is prepared, reviewed and approved benefits from historical experience, visibility of long term work programmes in relation to work undertaken for the UK Government, available government spending information (both UK and overseas), the Group's contract backlog, bid pipeline and the Group's tracking pipeline which monitors opportunities prior to release of tenders. The budget process includes consideration of risks and opportunities at contract and business level and considered matters such as inflation.

8. Other intangible assets

	Acquired intangibles – relationships £m	Internally generated software development costs and licences £m	Internally generated development costs and other £m	Assets under construction £m	Total £m
Cost					
At 1 April 2024 (as restated)	**850.9**	**124.0**	**25.6**	**42.6**	**1,043.1**
Additions	–	2.5	1.3	18.5	22.3
Transfers from property, plant and equipment (note 9)	–	2.6	1.8	–	4.4
Transfers from AUC to in-use assets	–	56.5	0.1	(56.6)	–
Disposal of business	(2.9)	–	–	–	(2.9)
Disposals	(6.5)	(4.2)	–	–	(10.7)
Exchange adjustments	(9.5)	2.6	0.1	(1.3)	(8.1)
At 31 March 2025	**832.0**	**184.0**	**28.9**	**3.2**	**1,048.1**
Accumulated amortisation and impairment					
At 1 April 2024 (as restated)	**797.8**	**85.6**	**10.9**	**–**	**894.3**
Amortisation charge	8.2	16.6	2.7	–	27.5
Transfers from property, plant and equipment (note 9)	–	1.1	1.8	–	2.9
Disposals	(6.5)	(4.2)	–	–	(10.7)
Disposal of business	(2.9)	–	–	–	(2.9)
Exchange adjustments	(7.0)	1.5	0.1	–	(5.4)
At 31 March 2025	**789.6**	**100.6**	**15.5**	**–**	**905.7**
Net book value at 31 March 2025	**42.4**	**83.4**	**13.4**	**3.2**	**142.4**
Cost					
At 1 April 2023 (as previously reported)	**861.0**	**231.3**	**15.0**	**–**	**1,107.3**
Restatement (see below)	–	(113.0)	0.6	24.9	(87.5)
At 1 April 2023 (as restated)	861.0	118.3	15.6	24.9	1,019.8
Additions	–	6.9	10.0	16.4	33.3
Reclassification from property, plant and equipment (note	–	–	–	1.4	1.4
Reclassification from AUC to in-use assets (as restated)	–	–	0.1	(0.1)	–
Disposals	–	(1.0)	–	–	(1.0)
Exchange adjustments	(10.1)	(0.2)	(0.1)	–	(10.4)
At 31 March 2024 (as restated)	**850.9**	**124.0**	**25.6**	**42.6**	**1,043.1**
Accumulated amortisation and impairment					
At 1 April 2023 (as previously reported)	**794.4**	**166.5**	**5.6**	**–**	**966.5**
Restatement (see below)	–	(88.1)	0.6	–	(87.5)
At 1 April 2023 (as restated)	794.4	78.4	6.2	–	879.0
Amortisation charge	10.8	8.6	4.6	–	24.0
Disposals	–	(0.9)	–	–	(0.9)
Exchange adjustments	(7.4)	(0.5)	0.1	–	(7.8)
At 31 March 2024	**797.8**	**85.6**	**10.9**	**–**	**894.3**
Net book value at 31 March 2024 (as restated)	**53.1**	**38.4**	**14.7**	**42.6**	**148.8**

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

Included in Internally generated software development costs and licences is £79.1 million (2024: £36.9 million) relating to the Group's ERP system, which is amortised over a period of up to 13 years with 6 years remaining. Included in the acquired intangibles – relationships balance is £35.0 million (2024: £42.8 million) relating to the acquisition of Naval Ship Management (Australia) Pty Ltd. This is being amortised over a total period of 15 years with 12 years remaining.

During the year, intangible asset classification has been restated to correct for £41.3 million of assets under construction previously presented within Internally generated software development costs and licences as at 31 March 2024. This comprised £24.9 million as at 1 April 2023 and £16.4 million during the year ended 31 March 2024.

In addition, the Group has identified that a number of fully amortised assets are no longer in use. These assets have been derecognised through restatement of the 1 April 2023 opening balances as shown above.

9. Property, plant and equipment

	Freehold property £m	Leasehold property £m	Plant and equipment £m	Aircraft fleet £m	Assets in course of construction £m	Total £m
Cost						
At 1 April 2024 (as restated)	**220.9**	**15.4**	**572.6**	**87.4**	**124.1**	**1,020.4**
Additions	2.3	1.0	11.8	17.8	72.1	105.0
Transfers to other intangible assets (note 8)	–	–	(4.4)	–	–	(4.4)
Transfers from right of use assets (note 10)	–	–	5.0	–	0.5	5.5
Reclassification from AUC to in-use assets	2.5	18.6	36.2	13.5	(70.8)	–
Disposals	(0.4)	(0.7)	(13.3)	(3.6)	(1.7)	(19.7)
Disposal of business	–	–	(3.6)	–	–	(3.6)
Capitalised borrowing costs	–	–	–	–	5.0	5.0
Exchange adjustments	(0.1)	–	(1.9)	(2.8)	(0.5)	(5.3)
At 31 March 2025	**225.2**	**34.3**	**602.4**	**112.3**	**128.7**	**1,102.9**
Accumulated depreciation						
At 1 April 2024 (as restated)	**79.8**	**13.0**	**378.8**	**25.4**	**6.3**	**503.3**
Depreciation charge for the year	13.7	2.9	37.8	4.6	–	59.0
Transfers to other intangible assets (note 8)	–	–	(2.9)	–	–	(2.9)
Transfers from right of use assets (note 10)	–	–	5.0	–	–	5.0
Reclassification between categories	(3.4)	–	(4.3)	7.7	–	–
Disposal of business	–	–	(3.6)	–	–	(3.6)
Disposals	–	(0.7)	(11.0)	(2.6)	–	(14.3)
Exchange adjustments	0.2	(0.1)	(1.2)	(1.4)	–	(2.5)
At 31 March 2025	**90.3**	**15.1**	**398.6**	**33.7**	**6.3**	**544.0**
Net book value at 31 March 2025	**134.9**	**19.2**	**203.8**	**78.6**	**122.4**	**558.9**
Cost						
At 1 April 2023 (as previously reported)	**212.2**	**15.2**	**571.0**	**97.5**	**90.8**	**986.7**
Restatement (see below)	0.3	–	(39.7)	7.5	–	(31.9)
At 1 April 2023 (as restated)	**212.5**	**15.2**	**531.3**	**105.0**	**90.8**	**954.8**
Additions	2.3	0.1	22.2	5.3	77.7	107.6
Reclassified to other intangible assets (note 8)	–	–	(1.4)	–	–	(1.4)
Reclassification from AUC to in-use assets	10.4	0.2	37.2	0.3	(48.1)	–
Disposals	(4.1)	–	(12.0)	(21.0)	–	(37.1)
Capitalised borrowing costs	–	–	–	–	3.9	3.9
Exchange adjustments	(0.2)	(0.1)	(4.7)	(2.2)	(0.2)	(7.4)
At 31 March 2024 (as restated)	**220.9**	**15.4**	**572.6**	**87.4**	**124.1**	**1,020.4**
Accumulated depreciation						
At 1 April 2023 (as previously reported)	**74.4**	**12.1**	**390.6**	**24.9**	**6.2**	**508.2**
Restatement (see below)	0.3	–	(39.7)	7.5	–	(31.9)
At 1 April 2023 (as restated)	**74.7**	**12.1**	**350.9**	**32.4**	**6.2**	**476.3**
Depreciation charge for the year	7.4	1.0	39.1	4.5	–	52.0
Impairment	–	–	–	2.1	–	2.1
Disposals	(2.2)	–	(8.7)	(12.7)	–	(23.6)
Exchange adjustments	(0.1)	(0.1)	(2.5)	(0.9)	0.1	(3.5)
At 31 March 2024	**79.8**	**13.0**	**378.8**	**25.4**	**6.3**	**503.3**
Net book value at 31 March 2024 (as restated)	**141.1**	**2.4**	**193.8**	**62.0**	**117.8**	**517.1**

During the year, the Group has identified that a number of fully depreciated assets are no longer in use. These assets have been derecognised through restatement of the 1 April 2023 opening balances as shown above.

10. Leases

Group as a lessee

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

Right of use assets

	Leasehold property £m	Plant and equipment £m	Aircraft fleet £m	Total £m
Cost				
At 1 April 2024	**140.1**	**74.1**	**153.1**	**367.3**
Additions	12.3	9.5	75.8	97.6
Transfers to property, plant & equipment (note 9)	–	(5.5)	–	(5.5)
Disposals	(9.7)	(8.4)	(4.1)	(22.2)
Disposal of business	(2.0)	–	–	(2.0)
Exchange adjustments	(2.2)	(0.3)	(9.6)	(12.1)
At 31 March 2025	**138.5**	**69.4**	**215.2**	**423.1**
Accumulated depreciation				
At 1 April 2024	**53.9**	**49.3**	**88.5**	**191.7**
Depreciation charge for the year	13.0	8.9	9.3	31.2
Impairment charge for the year	1.7	0.1	–	1.8
Transfers to property, plant & equipment (note 9)	–	(5.0)	–	(5.0)
Disposals	(8.3)	(7.4)	(3.4)	(19.1)
Disposal of business	(0.8)	–	–	(0.8)
Exchange adjustments	(1.0)	(0.1)	(4.4)	(5.5)
At 31 March 2025	**58.5**	**45.8**	**90.0**	**194.3**
Net book value at 31 March 2025	**80.0**	**23.6**	**125.2**	**228.8**

	Leasehold property £m	Plant and equipment £m	Aircraft fleet £m	Total £m
At 1 April 2023	**141.6**	**67.7**	**138.0**	**347.3**
Additions	21.6	12.9	34.6	69.1
Disposals	(21.2)	(6.3)	(14.8)	(42.3)
Exchange adjustments	(1.9)	(0.2)	(4.7)	(6.8)
At 31 March 2024	**140.1**	**74.1**	**153.1**	**367.3**
Accumulated depreciation				
At 1 April 2023	**49.5**	**45.7**	**93.0**	**188.2**
Depreciation charge for the year	18.0	8.9	12.9	39.8
Disposals	(12.6)	(5.2)	(14.0)	(31.8)
Exchange adjustments	(1.0)	(0.1)	(3.4)	(4.5)
At 31 March 2024	**53.9**	**49.3**	**88.5**	**191.7**
Net book value at 31 March 2024	**86.2**	**24.8**	**64.6**	**175.6**

10. Leases *(continued)*

Lease liabilities

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

	Total £m
At 1 April 2024	**230.5**
Additions	99.2
Disposals	(3.0)
Disposal of business	(1.1)
Exchange adjustments	(5.6)
Lease interest	14.1
Lease repayments	(59.5)
At 31 March 2025	**274.6**
Non-current lease liabilities	227.4
Current lease liabilities	47.2
At 31 March 2025	**274.6**
At 1 April 2023	**228.8**
Additions	68.0
Disposals	(12.8)
Exchange adjustments	(3.9)
Lease interest	9.8
Lease repayments	(59.4)
At 31 March 2024	**230.5**
Non-current lease liabilities	185.9
Current lease liabilities	44.6
At 31 March 2024	**230.5**

11. Investment in and loans to joint ventures and associates

	Investment in joint ventures and associates		Loans to joint ventures and associates		Total	
	2025 £m	2024 £m	2025 £m	2024 £m	2025 £m	2024 £m
At 1 April	**59.7**	**57.4**	**3.9**	**9.5**	**63.6**	**66.9**
Share of (losses)/profits of joint ventures and associates	(2.7)	10.3	–	–	(2.7)	10.3
Impairment of joint ventures and associates	–	(1.1)	–	–	–	(1.1)
Results from joint ventures and associates	**(2.7)**	**9.2**	**–**	**–**	**(2.7)**	**9.2**
Acquisition and disposal of joint ventures and associates	0.4	–	–	–	0.4	–
Loans repaid by joint ventures and associates	–	–	(0.3)	(7.5)	(0.3)	(7.5)
Increase in loans to joint ventures and associates	–	–	–	2.1	–	2.1
Interest accrued and capitalised	–	–	0.2	0.3	0.2	0.3
Interest received	–	–	(0.2)	(0.5)	(0.2)	(0.5)
Dividends received	(12.2)	(7.1)	–	–	(12.2)	(7.1)
Fair value adjustment of derivatives	(2.2)	0.3	–	–	(2.2)	0.3
Tax on fair value adjustment of derivatives	0.5	(0.1)	–	–	0.5	(0.1)
At 31 March	**43.5**	**59.7**	**3.6**	**3.9**	**47.1**	**63.6**

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

	2025 £m	2024 £m
Marine	3.2	3.3
Nuclear	0.9	1.6
Land	0.2	0.2
Aviation	42.8	58.5
Net book value	47.1	**63.6**

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

Joint arrangements are classified as joint ventures where the Group has the right to net assets of the joint arrangement rather than separate rights and obligations to the assets and liabilities of the joint arrangement, respectively. There has been no impairment to loans to joint ventures and associates during the year (2024: £nil). Total cumulative expected credit losses in respect of loans to joint ventures and associates are also £nil (2024: £nil) as the joint ventures and associates are considered to have low credit risk and as such impairment risk is considered minimal. There are no significant restrictions on the ability of joint ventures and associates to transfer funds to the owners, other than those imposed by the Companies Act 2006 or equivalent local regulations.

12. Inventories

	31 March 2025 £m	31 March 2024 £m
Raw materials and spares	62.3	58.1
Work-in-progress	5.4	4.6
Finished goods and goods for resale	94.5	124.7
Total	**162.2**	**187.4**

Write-downs of inventories amounted to £18.7 million (2024: £13.8 million). These were recognised as an expense during the year ended 31 March 2025 and included in operating costs in the income statement. Inventory recognised as an expense in the year amounted to £354.7 million (2024: £357.2 million).

13. Trade and other receivables and contract assets

	31 March 2025 £m	31 March 2024 £m - Restated
Non-current assets		
Costs to obtain a contract	0.1	0.3
Costs to fulfil a contract	8.6	10.2
Other debtors	9.4	2.5
Non-current trade and other receivables	**18.1**	**13.0**
Current assets		
Trade receivables	303.4	266.4
Less: provision for impairment of receivables	(8.4)	(8.5)
Trade receivables – net	**295.0**	**257.9**
Retentions	8.8	6.1
Amounts due from related parties	3.3	2.3
Other debtors[1]	22.1	25.0
Other taxes and social security receivables	63.2	98.1
Prepayments	96.8	88.2
Costs to obtain a contract	0.1	–
Costs to fulfil a contract	18.1	9.6
Current trade and other receivables	**507.4**	**487.2**
Contract assets	**329.7**	**260.9**
Current trade and other receivables and contract assets	**837.1**	**748.1**

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

Trade and other receivables are stated at amortised cost.

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

Prior year restatement

During the year, it was identified that balances at 31 March 2024 included certain contract assets and contract liabilities which were not presented on a net basis at the contract level as required by IFRS 15. The Group Statement of Financial Position for the year ended 31 March 2024 has been restated as required by IAS 8 to reduce both contract assets and contract liabilities by £76.5 million. This has no impact on the Group Income Statement or the Group's net assets. The Group Cash Flow Statement has been similarly restated for the movement in contract assets and contract liabilities, with no impact on Cash generated from operations. The Statement of Financial Position as at 1 April 2023 has not been represented under IAS 1 as this change is less significant and has no impact on net assets.

14. Trade and other payables and contract liabilities

	2025 £m	2024 £m - Restated
Current liabilities		
Contract liabilities	759.4	685.3
Trade creditors	229.2	314.3
Amounts due to related parties	3.3	1.5
Other creditors	12.2	13.5
Defined contribution pension creditor	8.2	8.3
Other taxes and social security	84.6	71.1
Accruals	610.5	540.5
Trade and other payables	**948.0**	**949.2**
Trade and other payables and contract liabilities	**1,707.4**	**1,634.5**
Non-current liabilities		
Non-current accruals	3.8	4.8
Other creditors	0.4	0.6
	4.2	**5.4**

Included in creditors is £10.4 million (2024: £11.4 million) relating to capital expenditure which has therefore not been included in working capital movements within the cash flow statement.

Prior year restatement

During the year, it was identified that balances at 31 March 2024 included certain contract assets and contract liabilities which were not presented on a net basis at the contract level as required by IFRS 15. Further detail on this restatement is provided in Note 13.

15. Bank and other borrowings

	31 March 2025 £m	31 March 2024 £m
Current liabilities		
Bank loans and overdrafts due within one year or on demand		
Secured	0.6	4.5
Unsecured	–	15.9
	0.6	20.4
Lease obligations*	47.2	44.6
	47.8	**65.0**
Non-current liabilities		
Bank and other borrowings		
Secured	6.2	2.5
Unsecured	744.5	744.6
	750.7	**747.1**
Lease obligations*	227.4	185.9
	978.1	**933.0**

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

Repayment details

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

	31 March 2025		31 March 2024	
	Loans and overdrafts £m	Lease obligations £m	Loans and overdrafts £m	Lease obligations £m
Within one year	0.6	47.2	20.4	44.6
Between one and two years	297.7	41.4	0.6	38.2
Between two and three years	453.0	32.9	296.0	33.2
Between three and four years	–	25.6	449.8	24.8
Between four and five years	–	25.0	0.7	19.5
Greater than five years	–	102.5	–	70.2
	751.3	**274.6**	**767.5**	**230.5**

Borrowing facilities

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

	31 March 2025 £m	31 March 2024 £m
Expiring in more than one year but not more than five years	775.0	775.0
	775.0	**775.0**

16. Provisions for other liabilities

	Contract/ warranty (a) £m	Employee related and business reorganisation costs (b) £m	Property (c) £m	Other (d) £m	Total provisions £m
At 1 April 2024	**117.8**	**12.4**	**23.5**	**4.5**	**158.2**
Charge to income statement	31.5	8.3	7.1	5.3	52.2
Release to the income statement	(13.9)	(1.3)	(9.9)	(0.7)	(25.8)
Utilised in year	(42.3)	(5.0)	(0.5)	(0.8)	(48.6)
Reclassification	1.4	0.7	(2.3)	0.2	–
Disposal of business	–	–	(0.3)	–	(0.3)
Unwinding of discount	2.7	0.1	–	–	2.8
Foreign exchange	(0.2)	–	–	–	(0.2)
At 31 March 2025	**97.0**	**15.2**	**17.6**	**8.5**	**138.3**
Current					80.2
Non-current					58.1

At 1 April 2023	**100.4**	**30.5**	**15.1**	**2.7**	**148.7**
Charge to income statement	66.4	10.3	10.3	2.7	89.7
Release to the income statement	(19.4)	(3.6)	(0.5)	(0.1)	(23.6)
Utilised in year	(31.3)	(6.2)	(1.4)	(0.7)	(39.6)
Reclassified to accruals[1]	–	(18.0)	–	–	(18.0)
Unwinding of discount	2.4	0.3	–	–	2.7
Foreign exchange	(0.7)	(0.9)	–	(0.1)	(1.7)
At 31 March 2024	**117.8**	**12.4**	**23.5**	**4.5**	**158.2**
Current					79.1
Non-current					79.1

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

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

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

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

Included within provisions is £7.0 million (2024: £6.7 million) expected to be utilised over approximately 10 years. Other than these provisions the Group's non-current provisions are expected to be utilised within two to five years.

17. Retirement benefits and liabilities

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

On 30 November 2024, future accrual of benefits in DRDPS ceased, with benefits for service from 1 December 2024 being provided through a defined contribution scheme. In respect of their accrued benefits active members in DRDPS were given an option to either retain their salary link or break the salary link for a cash lump sum. The reduction in liability resulting from members who chose to break their salary link has been accounted for as a curtailment gain. There is also reduced service cost for the Group at 31 March 2025 as a result of the closure to future accrual. This is however accompanied by an increase in the cost of defined contribution benefits for the Group.

On 30 September 2024, future accrual of benefits in BIGPS ceased and the active members of the BIGPS were then included in a bulk transfer to the newly created Citrus BIG2024 scheme. The bulk transfer included all past service liabilities for these members and retained the salary link and future benefit accrual is provided on the same basis in the Citrus BIG2024. A transfer of assets was made as part of the bulk transfer. The bulk transfer has been treated as a settlement loss in BIGPS, and an equal and opposite gain in the Citrus BIG2024 scheme. This means that the overall Group level impact of this change is neutral. In addition, on 30 September 2024 the salary link was severed for active employees whose benefit accrual creased in 2019 – this resulted in a small past service gain.

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

The Group's balance sheet includes the assets and liabilities of the pension schemes calculated on an IAS 19 basis. At 31 March 2025, the net position was a deficit of £8.4 million (2024: deficit of £109.7 million). These valuations are based on discounting using corporate bond yields.

17. Retirement benefits and liabilities *(continued)*

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

	2025				2024			
	Principal schemes £m	Railways scheme £m	Other schemes £m	Total £m	Principal schemes £m	Railways scheme £m	Other schemes £m	Total £m
Fair value of plan assets								
Growth assets								
Equities	56.2	9.5	27.4	93.1	68.7	9.8	30.6	109.1
Property funds	147.7	0.1	5.1	152.9	251.7	0.2	4.8	256.7
High yield bonds/emerging market debt	–	–	0.4	0.4	–	–	0.4	0.4
Absolute return and multi-strategy funds	1.5	110.7	30.9	143.1	1.7	140.8	17.0	159.5
Low-risk assets								
Bonds	992.6	10.7	52.5	1,055.8	1,234.4	82.8	52.3	1,369.5
Matching assets	1,513.0	68.5	48.9	1,630.4	1,423.4	1.5	15.0	1,439.9
Longevity swaps and annuities	(234.6)	–	(10.1)	(244.7)	(240.9)	–	(9.9)	(250.8)
Fair value of assets	**2,476.4**	**199.5**	**155.1**	**2,831.0**	**2,739.0**	**235.1**	**110.2**	**3,084.3**
Percentage of assets quoted	83%	–	33%	74%	73%	–	71%	75%
Percentage of assets unquoted	17%	100%	67%	26%	27%	100%	29%	25%
Present value of defined benefit obligations								
Active members	–	27.4	71.9	99.3	436.9	30.6	26.2	493.7
Deferred pensioners	819.6	58.0	26.3	903.9	640.5	64.7	31.3	736.5
Pensioners	1,668.5	125.7	42.0	1,836.2	1,778.8	142.1	42.9	1,963.8
Total defined benefit obligations	**2,488.1**	**211.1**	**140.2**	**2,839.4**	**2,856.2**	**237.4**	**100.4**	**3,194.0**
Net (liabilities)/assets recognised in the statement of financial position	**(11.7)**	**(11.6)**	**14.9**	**(8.4)**	**(117.2)**	**(2.3)**	**9.8**	**(109.7)**

Analysis of movement in the Group statement of financial position

	Year ended 31 March 2025				Year ended 31 March 2024			
	Principal schemes £m	Railways scheme £m	Other schemes £m	Total £m	Principal schemes £m	Railways scheme £m	Other schemes £m	Total £m
Fair value of plan assets								
At 1 April	**2,739.0**	**235.1**	**110.2**	**3,084.3**	**2,825.2**	**255.7**	**107.1**	**3,188.0**
Interest on assets	124.4	11.0	6.7	142.1	134.1	12.0	5.2	151.3
Actuarial loss on assets	(239.8)	(34.8)	(18.0)	(292.6)	(175.7)	(21.6)	(3.3)	(200.6)
Employer contributions	99.7	0.5	6.8	107.0	123.9	2.3	5.3	131.5
Employee contributions	–	–	–	–	0.1	–	–	0.1
Benefits paid	(192.0)	(12.3)	(5.5)	(209.8)	(168.6)	(13.3)	(4.1)	(186.0)
Settlements	(54.9)	–	54.9	–	–	–	–	–
At 31 March	**2,476.4**	**199.5**	**155.1**	**2,831.0**	**2,739.0**	**235.1**	**110.2**	**3,084.3**
Present value of benefit obligations								
At 1 April	**2,856.2**	**237.4**	**100.4**	**3,194.0**	**2,910.9**	**241.5**	**97.0**	**3,249.4**
Service cost	7.9	0.1	3.1	11.1	12.7	0.8	1.9	15.4
Incurred expenses	6.1	0.4	0.3	6.8	7.8	0.4	0.3	8.5
Past service cost	(1.2)	–	–	(1.2)	–	–	–	–
Interest cost	129.5	11.1	6.0	146.6	136.2	11.3	4.6	152.1
Employee contributions	–	–	–	–	0.1	–	–	0.1
Experience loss/(gain)	9.4	0.5	1.9	11.8	26.8	(0.3)	4.3	30.8
Actuarial gain – demographics	(4.0)	(0.4)	(0.3)	(4.7)	(38.6)	(0.2)	(0.9)	(39.7)
Actuarial gain – financial	(272.4)	(25.7)	(17.1)	(315.2)	(31.1)	(2.8)	(2.7)	(36.6)
Benefits paid	(192.0)	(12.3)	(5.5)	(209.8)	(168.6)	(13.3)	(4.1)	(186.0)
Settlements	(51.4)	–	51.4	–	–	–	–	–
At 31 March	**2,488.1**	**211.1**	**140.2**	**2,839.4**	**2,856.2**	**237.4**	**100.4**	**3,194.0**
Net (deficit)/surplus at 31 March	**(11.7)**	**(11.6)**	**14.9**	**(8.4)**	**(117.2)**	**(2.3)**	**9.8**	**(109.7)**

17. Retirement benefits and liabilities *(continued)*

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

March 2025	Devonport Royal Dockyard Scheme	Babcock International Group Scheme	Rosyth Royal Dockyard Scheme	Babcock Rail Ltd section of the Railways Pension Scheme
Rate of increase in pensionable salaries	2.9%	–	–	0.5%
Rate of increase in pensions (past service)	2.7%	3.0%	3.1%	2.7%
Discount rate	5.7%	5.7%	5.7%	5.7%
Inflation rate (RPI)	3.1%	3.1%	3.1%	3.1%
Inflation rate (CPI)	2.7%	2.7%	2.7%	2.7%
Weighted average duration of cash flows (years)	11	10	11	12
Total life expectancy for current pensioners aged 65 (years) – male	85.2	86.1	84.5	84.9
Total life expectancy for current pensioners aged 65 (years) – female	87.3	88.8	86.8	87.2
Total life expectancy for future pensioners currently aged 45 (years) – male	86.2	87.1	85.6	85.9
Total life expectancy for future pensioners currently aged 45 (years) – female	88.5	89.9	88.0	88.4
March 2024				
Rate of increase in pensionable salaries	2.9%	2.9%	–	0.5%
Rate of increase in pensions (past service)	2.7%	3.1%	3.2%	2.8%
Discount rate	4.8%	4.8%	4.8%	4.8%
Inflation rate (RPI) – year 1	2.5%	2.6%	2.6%	2.6%
Inflation rate (RPI) – thereafter	3.1%	3.2%	3.2%	3.2%
Inflation rate (CPI) – year 1	1.8%	1.8%	1.8%	1.9%
Inflation rate (CPI) – thereafter	2.7%	2.7%	2.7%	2.8%
Weighted average duration of cash flows (years)	13	11	13	13
Total life expectancy for current pensioners aged 65 (years) – male	85.3	86.1	84.3	84.9
Total life expectancy for current pensioners aged 65 (years) – female	87.2	88.7	86.7	87.2
Total life expectancy for future pensioners currently aged 45 (years) – male	86.2	87.1	85.3	85.9
Total life expectancy for future pensioners currently aged 45 (years) – female	88.4	89.9	87.9	88.4

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

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

Amounts recognised in the Group income statement

	2025				2024			
	Principal schemes £m	Railways scheme £m	Other schemes £m	Total £m	Principal schemes £m	Railways scheme £m	Other schemes £m	Total £m
Current service cost	7.9	0.1	3.1	11.1	12.7	0.8	1.9	15.4
Incurred expenses	6.1	0.4	0.3	6.8	7.8	0.4	0.3	8.5
Past service cost	(1.2)	–	–	(1.2)	–	–	–	–
Total included within operating profit	**12.8**	**0.5**	**3.4**	**16.7**	**20.5**	**1.2**	**2.2**	**23.9**
Net interest cost/(credit)	5.1	0.1	(0.7)	4.5	2.1	(0.7)	(0.6)	0.8
Total included within income statement	**17.9**	**0.6**	**2.7**	**21.2**	**22.6**	**0.5**	**1.6**	**24.7**

17. Retirement benefits and liabilities *(continued)*

Amounts recorded in the Group statement of comprehensive income

	Year ended 31 March 2025				Year ended 31 March 2024			
	Principal schemes £m	Railways scheme £m	Other schemes £m	Total £m	Principal schemes £m	Railways scheme £m	Other schemes £m	Total £m
Actual return less interest on pension scheme assets	(239.8)	(34.8)	(18.0)	(292.6)	(175.7)	(21.6)	(3.3)	(200.6)
Experience (losses)/gains arising on scheme liabilities	(9.4)	(0.5)	(1.9)	(11.8)	(26.8)	0.3	(4.3)	(30.8)
Changes in assumptions on scheme liabilities	276.4	26.1	17.4	319.9	69.7	3.0	3.6	76.3
At 31 March	**27.2**	**(9.2)**	**(2.5)**	**15.5**	**(132.8)**	**(18.3)**	**(4.0)**	**(155.1)**

The movement in net deficits for the year ended 31 March 2025 is as a result of the movement in assets and liabilities (above).

The disclosures below relate to post-retirement benefit schemes which are accounted for as defined benefit schemes in accordance with IAS 19. The changes to the Group statement of financial position at 31 March 2025 and the changes to the Group income statement for the year to March 2026, if the assumptions were sensitised by the amounts below, would be:

	Defined benefit obligations 2025 £m	Income statement 2026 £m
Initial assumptions	2,839.4	8.7
Discount rate assumptions increased by 0.5%	(148.2)	(9.6)
Discount rate assumptions decreased by 0.5%	161.3	8.7
Inflation rate assumptions increased by 0.5%	116.5	6.8
Inflation rate assumptions decreased by 0.5%	(111.8)	(6.5)
Total life expectancy increased by half a year	50.0	2.9
Total life expectancy decreased by half a year	(50.4)	(2.9)
Salary increase assumptions increased by 0.5%	6.6	0.4
Salary increase assumptions decreased by 0.5%	(6.4)	(0.4)

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

18. Changes in net debt including loans to joint ventures and associates and lease receivables

	31 March 2024 £m	Cash flow £m	Additional leases £m	Other non-cash movement [1] £m	Disposal of business £m	Changes in fair value £m	Exchange movement £m	31 March 2025 £m
Cash and bank balances	570.6	87.1	–	–	–	–	(11.1)	646.6
Bank overdrafts	(18.0)	18.2	–	–	–	–	(0.3)	(0.1)
Cash, cash equivalents and bank overdrafts	**552.6**	**105.3**	**–**	**–**	**–**	**–**	**(11.4)**	**646.5**
Debt	(749.5)	0.5	–	(2.1)	–	(4.7)	4.6	(751.2)
Derivatives hedging Group debt	(11.1)	–	–	–	–	0.3	–	(10.8)
Lease liabilities	(230.5)	45.4	(96.2)	–	1.1	–	5.6	(274.6)
Changes in liabilities from financing arrangements	**(991.1)**	**45.9**	**(96.2)**	**(2.1)**	**1.1**	**(4.4)**	**10.2**	**(1,036.6)**
Lease receivables	35.5	(15.7)	24.7	–	–	–	0.1	44.6
Loans to joint ventures and associates	3.9	(0.3)	–	–	–	–	–	3.6
Derivatives hedging interest on Group debt	(36.3)	–	–	–	–	4.9	–	(31.4)
Net debt	**(435.4)**	**135.2**	**(71.5)**	**(2.1)**	**1.1**	**0.5**	**(1.1)**	**(373.3)**

[1] Other non-cash movements predominantly relate to the disposal of lease liabilities and associated lease receivables as part of disposal of businesses in the period.

18. Changes in net debt including loans to joint ventures and associates and lease receivables (continued)

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

[1] Other non-cash movements predominantly relate to the disposal of lease liabilities and associated lease receivables as part of disposal of businesses in the period.

19. Contingent liabilities

A contingent liability is a possible obligation arising from past events whose existence will be confirmed only on the occurrence or non-occurrence of uncertain future events outside the Group's control, or a present obligation that is not recognised because it is not probable that an outflow of economic benefits will occur, or the value of such outflow cannot be measured reliably. The Group does not recognise contingent liabilities. There are a number of contingent liabilities that arise in the normal course of business, including:

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

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

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

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

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

20. Capital and other financial commitments

Capital commitments

	31 March 2025 £m	31 March 2024 £m
Contracts placed for future capital expenditure not provided for in the financial statements	17.1	6.7

21. Events after the reporting period

The Group announced a £200 million share buyback programme on 25 June 2025, to be executed over the course of FY26. This will reduce cash and the number of shares in issue and impact future earnings per share.

AGM information

This year's Annual General Meeting will be held on Thursday 25 September 2025. Details of the resolutions to be proposed at that meeting will be included in the Notice of Annual General Meeting.

At our Annual General Meeting in 2007 our shareholders unanimously agreed to proposals to allow us to use electronic communications with them as allowed for under the Companies Act 2006. For shareholders who agreed, or who are treated as having agreed, to receive electronic communications, the Company website is now the main way for them to access shareholder information. These shareholders will be sent a 'notice of availability' notifying them when the Annual Report and Accounts and Notice of Annual General Meeting are available on the Company website www.babcockinternational.com. Hard copies of the Annual Report and Accounts and Notice of Annual General Meeting will be distributed to those shareholders who have requested or subsequently request them. Additional copies will be available from the Company's registered office 33 Wigmore Street, London, W1U 1QX.

Forward-looking statements

Certain statements in this announcement are forward-looking statements. Such statements may relate to Babcock's business, strategy and plans. Statements that are not historical facts, including statements about Babcock's or its management's beliefs and expectations, are forward-looking statements. Words such as 'believe', 'anticipate', 'estimates', 'expects', 'intends', 'aims', 'potential', 'will', 'would', 'could', 'considered', 'likely', and variations of these words and similar future or conditional expressions are intended to identify forward-looking statements but are not the exclusive means of doing so. By their nature, forward-looking statements involve a number of risks, uncertainties or assumptions, some known and some unknown, many of which are beyond Babcock's control that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. These risks, uncertainties or assumptions could adversely affect the outcome and financial effects of the plans and events described herein. Forward-looking statements contained in this announcement regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Nor are they indicative of future performance and Babcock's actual results of operations and financial condition and the development of the industry and markets in which Babcock operates may differ materially from those made in or suggested by the forward-looking statements. You should not place undue reliance on forward-looking statements because such statements relate to events and depend on circumstances that may or may not occur in the future. Except as required by law, Babcock is under no obligation to update (and will not) or keep current the forward-looking statements contained herein or to correct any inaccuracies which may become apparent in such forward-looking statements.

Forward-looking statements reflect Babcock's judgement at the time of preparation of this announcement and are not intended to give any assurance as to future results.