



2025

Introduction

Lifetime engineering

At Babcock, we believe the long game is the only game that matters. We set our sights across generations, not just quarters. That's why Babcock approaches everything with a broader perspective. Forging close and committed partnerships with customers. We deliver defence engineering that creates their big picture.

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Forward-looking statements

Statements in this Annual Report, including those regarding the possible or assumed future or performance of Babcock or its industry, as well as any trend projections or statements about Babcock's or management's beliefs or expectations, may constitute forward-looking statements. By their nature, forward-looking statements involve known and unknown risks and uncertainties as well as other factors, many of which are beyond Babcock's control. These risks, uncertainties and factors may cause actual results, performance or developments to differ materially from those expressed or implied by such forward-looking statements. No assurance is given that any forward-looking statements will prove to be correct. The information and opinions contained in this Annual Report do not purport to be comprehensive, are provided as at the date of the Annual Report and are subject to change without notice. Babcock is not under any obligation to update or keep current any information in the Annual Report, including any forward-looking statements.



Financial highlights

Revenue

£4,831m

2024: £4,390m

Statutory cash generated from operations

£357m

2024: £374m

Statutory operating profit

£364m

2024: £242m

Underlying free cash flow*

£153m

2024: £160m

Underlying operating profit*

£363m

2024: £238m

Net debt (excluding leases)*

£(101)m

2024: £(211)m

* Underlying operating profit, underlying free cash flow and net debt (excluding leases) are defined as Alternative Performance Measures; see page 41 for more detail.

Operational highlights

- The first Type 31 frigate, HMS Venturer, entered the water and returned to Rosyth for fit-out in June 2025
- Devonport's 9 Dock open after a significant regeneration, and HMS Victorious docked
- First Astute Class submarine docked in Devonport's 15 Dock facility
- Awarded £114 million contract to support first nuclear submarine defueling operations in over 20 years
- Awarded sole-source five-year British Army strategic support partner contract extension 'Reframe' (formerly DSG) worth £1 billion
- Awarded Mentor 2 contract for military air training solutions for the French Navy, Air and Space Force, for up to 17 years
- Launched H&B Defence joint venture with HII in Australia to support AUKUS
- Signed an MOU with Patria to offer the UK the Patria 6x6 Armoured Personnel Carrier
- Expanded the General Logistics Vehicle offering through launch of a medium wheelbase, with plans for six-wheel variant
- Launched South West UK Hub for Nuclear Skills to support the delivery of the UK strategic plan for skills

Adjustments between statutory and underlying

The Group provides 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 year ended 31 March 2024. The Group has defined and outlined the purpose of its APMs in the Financial Glossary on page 41.

At a glance

Our business

Our Purpose is to create a safe and secure world, together.

Babcock is an international defence company providing support and product solutions to enhance our customers' defence capabilities and critical assets.

What we do

Deliver support on complex programmes

We provide through-life technical and engineering support for our customers' assets, delivering improvements in performance, availability and programme cost.

We deliver these critical services to defence and civil customers, including engineering support to naval, land, air and nuclear operations, frontline support, specialist training and asset management.

Product design, manufacture and integration

We design and manufacture a range of defence and specialist equipment, from naval ships and weapons handling systems to liquid gas handling systems. We also provide integrated, technology-enabled solutions to our defence customers in areas such as secure communications, electronic warfare and air defence.

£4,831m

FY25 revenue

74%

Defence

c 27,700

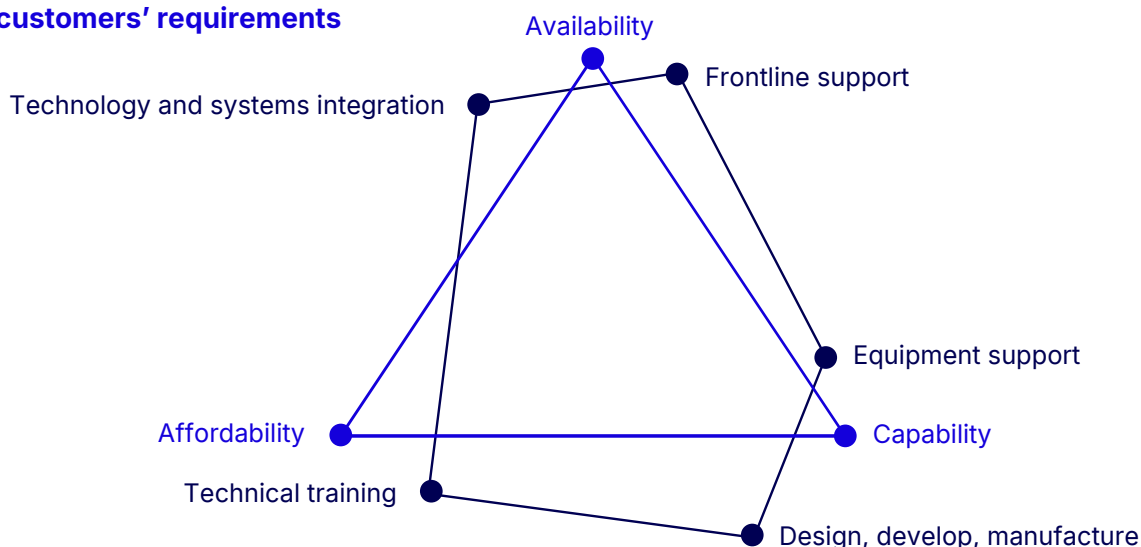
Employees
as at 31 March 2025

£10.4bn

Contract backlog

Our capabilities

Our customers' requirements



FY25 global revenue profile

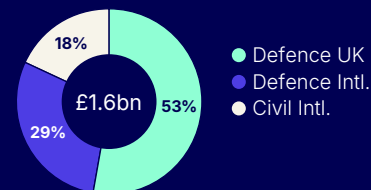




Our c.7,300-strong workforce delivers:

- Design, build and through-life support of warships
- Submarine and equipment through-life support
- Design and manufacture of weapons handling and launch systems for ships and submarines
- Design, build and support of secure military communications systems
- World-leading commercial liquid gas equipment systems

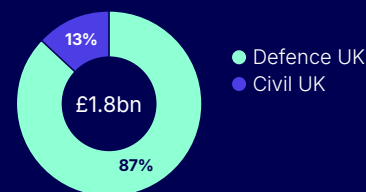
FY25 revenue profile



Our c. 10,000-strong workforce delivers:

- Through-life complex engineering support to the entire UK submarine fleet
- Through-life management of critical national defence infrastructure: own and manage Devonport dockyard
- End-to-end engineering integration support for AWE deterrent production
- UK civil nuclear new build, generation support and decommissioning projects
- Growing international nuclear services portfolio across defence and civil markets

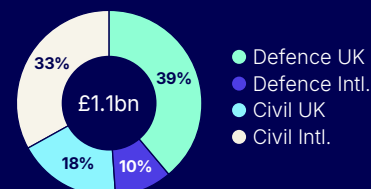
FY25 revenue profile



Our c.6,300-strong workforce delivers:

- Strategic asset management and through-life engineering support for complex military equipment
- Defence and security vehicle build and systems integration
- Engineering services in power generation and transport networks, and through-life support of mining equipment
- Individual and collective training, delivering operational readiness for customers with critical missions

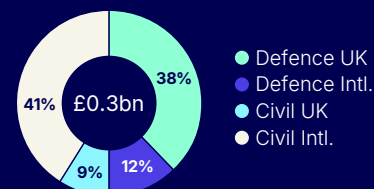
FY25 revenue profile



Our c.2,600-strong workforce delivers:

- End-to-end military flying training for UK's Royal Airforce, French Airforce and French Navy
- Through-life support of operational military flying assets
- Through-life support of operational military infrastructure
- Critical air operations for government programmes, saving lives and protecting communities

FY25 revenue profile



Strategy and business model

● See pages 8 and 12

Investment case

● See page 6

Market review

● See page 22

Sustainability strategy

● See page 64

Chair's statement

A pivotal year

Dear fellow Shareholder

This has been a pivotal year for Babcock. Looking inwards, the strength of our performance in FY25 shows the progress that a disciplined, purpose-led Group can achieve. Looking outwards, the continuing evolution of the geopolitical security landscape brings the value we can deliver to all our stakeholders into ever sharper relief.

I was delighted to see that value reflected when Babcock rejoined the FTSE 100 index in March 2025 after an absence of more than seven years.

Last year I talked about the increased focus on defence in public discourse around the world. This has continued, with increasing political attention on defence capability driving uplifts in defence budgets in our target markets. There is greater demand for equipment modernisation, increased asset availability and supply chain resilience. Against this backdrop, our long experience of supporting NATO governments is a competitive advantage.

The energy transition and energy security are also driving greater and increasingly complex demands on the energy system. As a company which is active throughout the nuclear energy supply chain, we also have an important role to play here.

In the UK, where we are the second largest supplier to the Ministry of Defence, the Government is actively encouraging investment in our sector.

It recognises that sovereign defence companies like ours are not only essential to safeguard national security, but that the investment and skilled jobs we provide make us an engine for growth and prosperity. This year, research by the independent Oxford Economics global advisory firm showed that in FY24 Babcock contributed £4.3 billion to the UK's GDP (see page 96).

Financial strength

FY25 saw growth in revenue and underlying operating profit above expectations, and overall cash generation better than forecast at the beginning of the year. As a result, the balance sheet has further strengthened, resulting in a gearing ratio (net debt to EBITDA) of 0.3x.

The combination of balance sheet strength, increasing operating momentum and opportunities for sustainable growth have given the Board the confidence to increase the total dividend for the year by 30% to 6.5p per share and announce the intention to launch a £200 million share buyback programme to be completed over the next twelve months.

● The continuing evolution of the geopolitical security landscape brings the value we can deliver to all our stakeholders into ever sharper relief.

Dame Ruth Cairnie



●
The Group's performance in FY25 demonstrates the efficacy of our enhanced focus on controls across the business.

We are committed to maintaining this focus as we move beyond the turnaround phase.

Improving processes

The Group's performance in FY25 demonstrates the efficacy of our enhanced focus on controls across the business, a key pillar of our multi-year turnaround. We are committed to maintaining this focus as we move beyond the turnaround phase.

Throughout FY25, the Board has overseen the continuing maturation of our programme governance and performance review processes which help to drive the consistency and effectiveness of delivery, and aim to ensure robust and proportionate challenge at all levels.

Building on these internal control improvements, we have worked to prepare the Company for the reforms introduced in the 2024 Corporate Governance Code, which will require the Board to monitor and review the Company's framework for all material controls (see more on page 147).

The Group monitors delivery across our most complex programmes via our watchlist review process. This ensures compliance to policy and process requirements for reviews, maintains the quality of evidence at reviews, facilitates appropriate challenge and directs interventions, such as independent deep dives, where required.

We continue to embed the programme of process improvements across our commercial function. We recognise that targeting contract risk identification and mitigation before we sign is a crucial way to protect our margins, so in FY25 we rolled out a series of commercial policies and guidance, including improved governance controls for bidding. These included a strengthened legal review process covering contract terms and conditions, which identifies how we prefer to contract.

We have aligned processes between our project management, engineering and commercial functions to facilitate smoother contract mobilisation. In addition, the increased adoption of core tools in support of our Global Business Management System will enable improved trend analysis across our portfolio, earlier problem detection, improved decision-making and continuous improvement.

We also published our first Supplier Assurance Handbook in FY25, enhancing transparency by detailing our sustainability considerations, risk management, supplier assessment, audit and development processes. This will further foster our collaboration and sustainable supply chain management in line with our commitment to excellence. We also implemented a new procurement risk governance process, effectively identifying and mitigating the most critical risks in our procurement function.

Improving technology

Technology will play an increasingly important part in our future. You can read more on our approach and our strategic technology themes on page 9. Internally we are also investing in technology to increase our efficiency.

Our investment in Athena, a next-generation replacement for our current IT operating model, delivers a suite of technical capabilities that will address the changing digital landscape in which we operate, and the evolving threats we face.

The introduction of Athena will support our work, including the use of Artificial Intelligence and effective global collaboration, within a modern security model. As we look to FY26, the programme will focus on large-scale migration across the business, supporting our governance of costs and efficiencies.

Investment in people

We continue to invest in the skills of our people, including a renewed focus on succession planning for key delivery roles and on training. For example, our commercial function has built on the training provided in 2024, on topics including negotiation skills, pricing methodology, risk management, business winning and commercial governance for bids, with a series of knowledge sessions delivered in conjunction with our legal team. Our engineering function has introduced a comprehensive training regime to support our maturing approach to product safety.

We are also continuing to invest in initiatives to address engineering skills shortages in the locations in which Babcock operates, including introducing an Engineering Role Framework supported by skills and competency training. This provides our engineers with clear, achievable career progression opportunities and improves our ability to move people across the business to meet customer needs.

We strengthened and deepened our talent pool, welcoming our largest-ever early careers intake of over 400 apprentices and 285 graduates in 2024. We continue to break down barriers to employment through our Production Support Operative scheme and our pre-apprenticeship programmes. Our investment in the Babcock Skills Academy programmes, our leadership role in the UK's National Nuclear Strategic Plan for Skills and our creation of apprenticeships in space systems and cyber security are all helping to create a talent pipeline that underpins our customers' future sovereign defence capabilities.

I would like to take this opportunity on behalf of the Board to thank all our colleagues in the business for their continued hard work and dedication, and their focus on ensuring we live up to our Purpose and principles.

Your Board believes that we will continue to capitalise on these strong foundations. We look forward to delivering sustainable growth and continuing to create value for our shareholders over the coming years.

Dame Ruth Cairnie
Chair

Investment case

Strong embedded position underpins sustainable growth

Strongly positioned

● See page 18

Differentiated proposition

- Focused portfolio in growth markets: 74% defence and 5% civil nuclear
- Critical supplier to governments
- Own critical assets
- Highly differentiated proposition combining:
 - Engineering know-how
 - Product development capability
 - Customer intimacy
 - Operational asset knowledge
- Strong focus on sustainability

Complex programme delivery

- High barriers to entry
- End-to-end through-life support
- Proven track record
- Long lifecycle assets
- Capability transfer
- High incumbency on critical programmes
- Strategic partnerships
- Sustainability embedded in our strategic framework

Sustainable growth

● See page 19

Growth drivers

- Growing global threat environment
- Defence budget growth in core markets
- Customers' need for military capability:
 - Equipment modernisation
 - Increased value for money
 - Demand for asset availability
- Energy transition driving nuclear
- Clear capital allocation framework
- Value enhancing model – increased military capability and asset availability at affordable price

Clear growth strategy

- £10.4 billion contract backlog
- Growing opportunity set across all sectors, addressed by:
 - Leveraging our technical capabilities to create incremental and adjacent opportunities
 - Developing our people and capabilities
 - New strategic partnerships and collaborations
 - Disciplined and targeted investment

Improving margins and cash flow

● See page 28

Margin improvement

- Contract risk management
- Focus on operational improvement
- Improved programme delivery
- Growth of quality business
- Unwind of legacy contracts
- Upgrades to business systems ongoing

Cash flow improvement and balance sheet

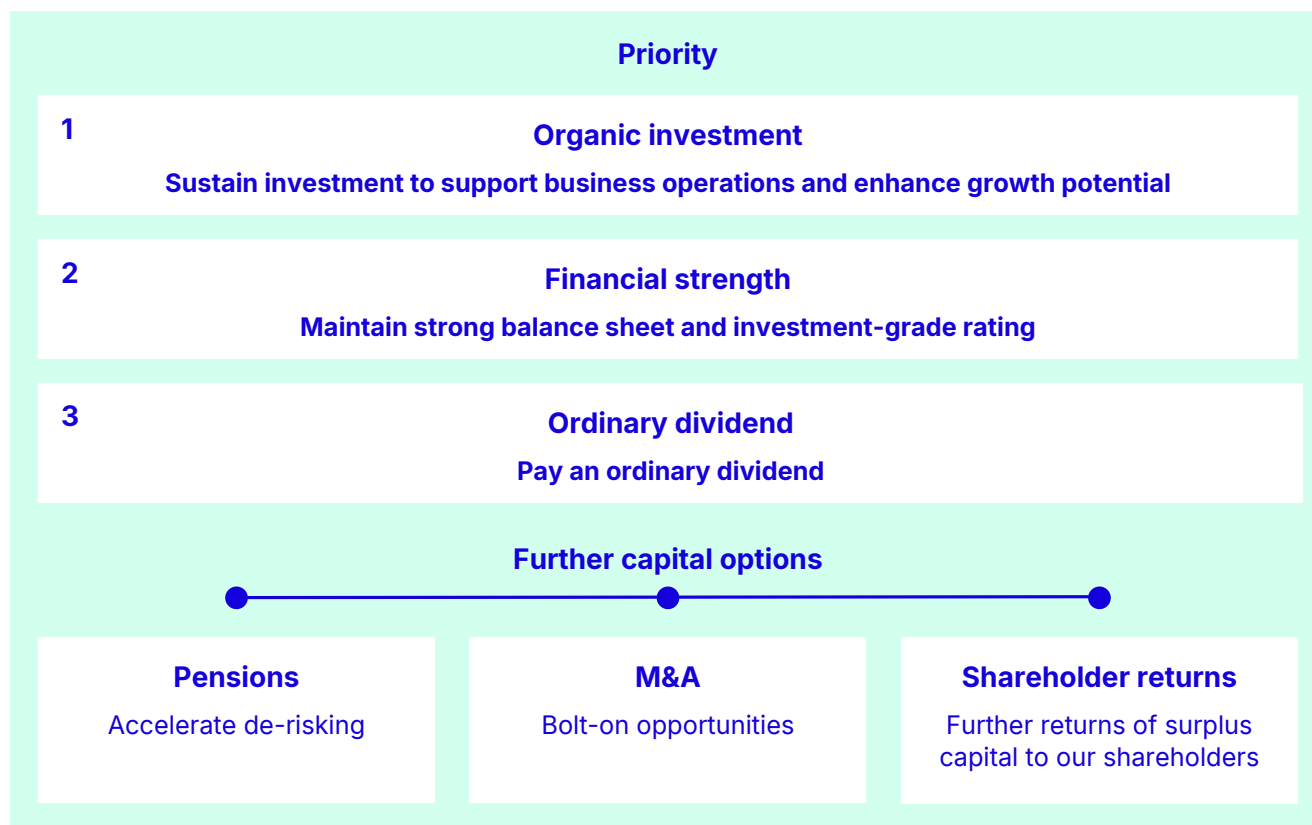
- Programme execution
- Enhanced controls
- Improved bidding governance
- Focus on cash efficiency
- Strong balance sheet: investment-grade credit rating
- Clear capital allocation framework to maximise value for our stakeholders

Creating shareholder value

Strong focus on our updated medium-term targets

Average annual organic revenue growth	Underlying operating margin	Average underlying operating cash conversion
Mid-single digit	≥9%	≥80%

Underpinned by our capital allocation framework



Formula for growth

$$\begin{array}{ccccccc}
 \text{Strong embedded position and sustainable growth} & + & \text{Clear financial targets} & + & \text{Disciplined capital allocation} & = & \text{Confidence in driving value}
 \end{array}$$

Strategic framework

Creating a safe and secure world, together

Our Purpose

To create a safe and secure world, together

Our strategy

Leverage our technical capability

- Grow our UK business through optimising our existing position and entering selective new programmes
- Grow our international business through expanding activity in our focus countries, direct exports and strategic partnerships

Build strategic partnerships

- Work with our customers to deliver critical solutions
- Develop innovative solutions to solve complex customer challenges
- Work with industry partners to enter new markets and programmes

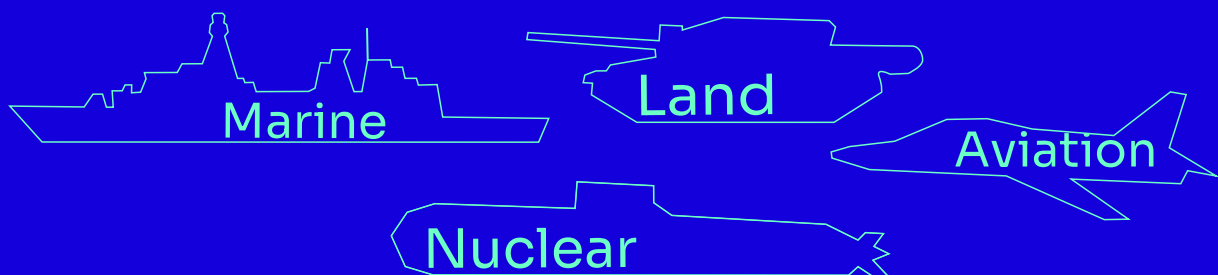
Develop our people and capabilities

- Build a diverse and resilient workforce
- Grow our engineering and technical capabilities
- Develop skills through the Babcock Academy and national and industry initiatives
- Progress our early careers and returners programmes

Be a responsible corporate citizen

- Progress our six sustainability priorities
- Further develop sustainability capability within the business
- Ensure effective governance and oversight processes
- Communicate the vital role of defence and national security

Our capabilities span four key markets, with 74% of our business in defence



Focused on delivering value for all our stakeholders

Improved outcomes
for our customers

A better place
to work

Returns for our
shareholders

Our growth strategy

UK

Optimise position

New programmes & markets

Expansion in focus countries

International

Direct exports

Strategic partnerships

Underpinned by technology

Building on our intimate understanding of defence assets and their owners, we offer our customers deeply pragmatic answers to the problems they face.

We seek to provide integrated solutions, delivered in dynamic collaboration with the best in the industry: products informed by service and services informed by product.

That means we don't look to own the whole technology stack. Instead, we keep ourselves free to work with the right small & medium enterprises and industry partners, bringing together the best technology to deliver the outcomes our customers need, with the pace and agility they are looking for. And we all share in the value created.

Our own investments are focused on developing technology at the integration layer to access new markets, such as autonomy, with deliverable products, or on using enabling technology that equip us to deliver our existing work better.

We are organised across the Group to make sure that we are able to get the best value out of our focus on technology. In FY25, we refocused our technology team, establishing cross-sector and country working groups for each of our strategic technology capability themes (see the chart below for more detail).

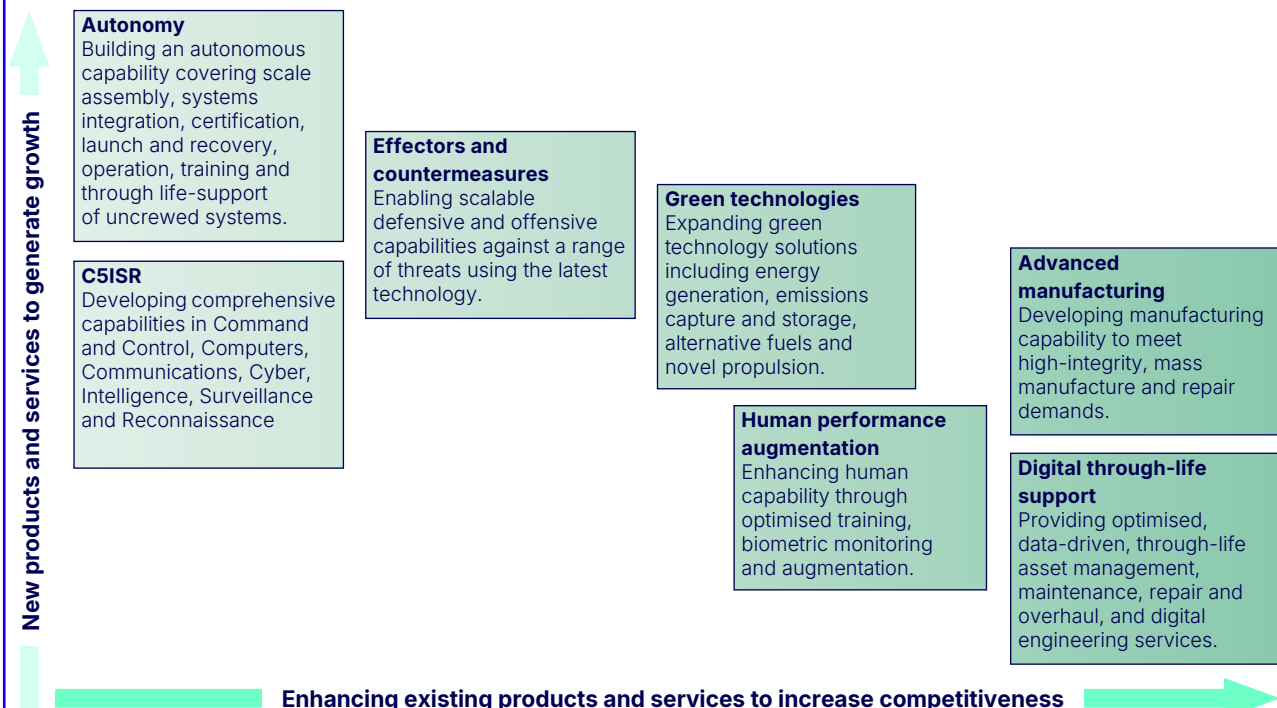
These themes drive innovation, ensure our technology relevance and empower us to deliver cutting-edge, pragmatic solutions. Solutions that deliver the capability, availability and affordability our customers require.

Our new technology team is also playing a pivotal role in fostering collaboration and knowledge exchange across the Group. By sharing our ongoing initiatives and leveraging our collective expertise, we aim to maximise the return on our innovations whilst cultivating a learning environment for our people.

Key internal initiatives include: the internal publication of our first research and development stocktake for the Group, the release of quarterly horizon scanning reports, the showcasing of our subject-matter experts and the creation of dedicated knowledge-sharing forums. These efforts are strengthening our ability to exploit emerging technologies and make full use of the wealth of expertise across the Group.

In FY26, we will be building on these initiatives, with a particular focus on developing our understanding of technology partners in the autonomy space, and in developing our own IP.

Our strategic technology themes deliver a combination of growth and increased competitiveness



Skills



Engineering the future

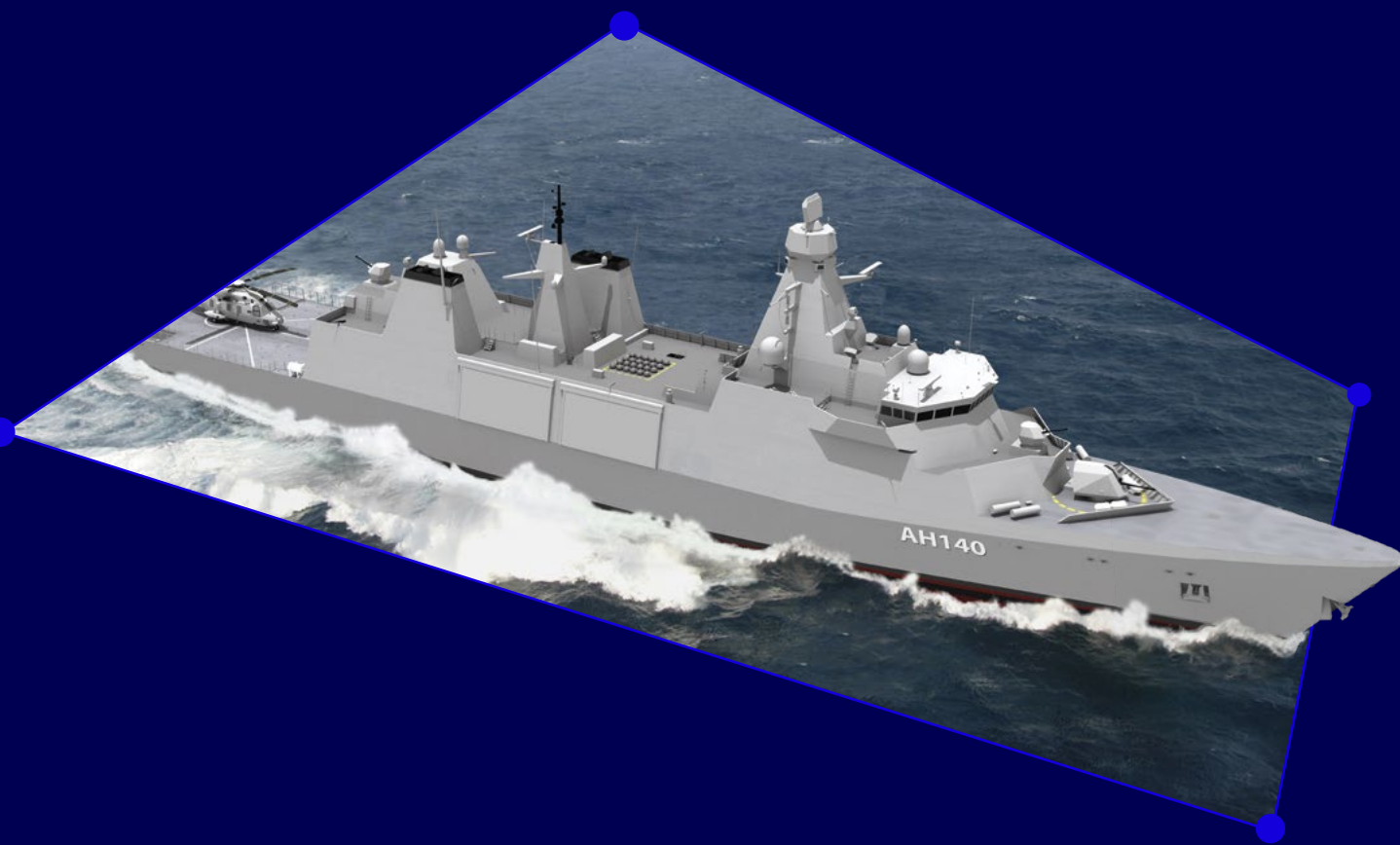
Our customers rely on us to deliver their vital defence and national security programmes. As the defence environment becomes ever more complex, we recognise the need to ensure that our people have the skills and know-how to deliver for decades to come.

We're growing and adapting our workforce to make sure we continue to do just that.

Taking a structured approach

We're investing in talent management across our people's careers, from recruitment to retirement. We've introduced a Global Competency Framework, which helps us set consistent standards for everyone across Babcock. This allows us to identify gaps in our skills so we can close them, and lets us see where we need to develop new capabilities to deliver for our customers today and in the future. It allows us to be agile and mobile across the Group, and for us to drive innovation through 'meta' competencies.

The common framework allows us to align our UK engineering skills with those of colleagues in Australia and Canada, so our engineers can move more freely to where the business need is. For example, the know-how needed for submarine support in the UK translates to the know-how needed to support submarines in Australia. We want to be able to mobilise our people to meet business requirements, whenever and wherever we're needed.



Right skills and right mindset? We'll do the rest

The complex and critical work we do means that the roles we need to fill are far from ordinary. We routinely hire for skills that are in short supply, so we've had to take an innovative approach to getting the right people for the job. We've gone beyond traditional routes, and as a result have opened up opportunities to a broader range of people.

New apprenticeships for new domains

With space and cyber becoming increasingly important elements of national security, these skills are in great demand. We've introduced new apprenticeship programmes to bolster our resilience for years to come.

Our space systems engineering apprenticeships will play an essential role in developing the skills needed to support programmes like Skynet, managing the UK's military satellite communications system. The apprentices will learn the skills needed to play a critical role in maintaining and modernising the UK's sovereign space communications capabilities.

Our cyber security engineering apprentices will work with our teams to ensure the confidentiality, integrity and availability of our customers' data is appropriately protected.

By investing in these programmes now, we're creating a talent pipeline that underpins the UK's future sovereign defence capability.

Increasing our defence skillset in Australia

We've opened a cutting-edge facility in Adelaide where over 100 engineers and technical experts will work across significant defence programmes, including future AUKUS endeavours. The move presents hands-on opportunities for engineers and graduates to perform detailed design work and apply their technical skills to create mechanical systems.

This new facility will enhance our ability to attract local, national and international talent, and support South Australia's growing defence manufacturing ambitions.

Bringing staff from different programmes together on a single, open plan floorplate will encourage knowledge sharing and the exchange of new ideas, plus create fresh avenues for career advancement.

Our business model

Delivering sustainable growth

We provide a range of products and service solutions to enhance our customers' defence capabilities and critical assets. Our business model is underpinned by a deep understanding of technology integration and engineering, infrastructure management and specialist training. We help our customers around the world to cost effectively improve the capability, reliability and availability of their most critical assets.

Strengths and resources

Our people

We rely on our people, and their experience and skills, to deliver for our customers and solve challenges every day. We aim to better support, train and empower our workforce.

Customer relationships

We are a trusted partner, critical to our customers' ability to solve complex problems. Through long-term programmes and contracts, we work collaboratively with our customers to understand their needs and identify solutions that add value.

Our assets

We own critical national infrastructure across the UK, including the Rosyth and Devonport Royal dockyards. We also operate a range of customer-owned critical assets such as naval and air force bases, complex engineering facilities and aircraft for the delivery of emergency services and military training.

Our technology and know-how

We use our technology and our highly specialised engineering know-how to solve customer challenges. We have a deep understanding of our customers' assets and are able to integrate technologies and capabilities to support their needs and provide services that add value.

Safety and regulatory compliance

This underpins all work. We and our customers operate in heavily regulated environments where the health, safety and wellbeing of all stakeholders is the number one priority.

How we operate

Our business model is focused on securing and executing long-term, high-value contracts for complex, integrated services, underpinned by rigorous commercial and technical risk frameworks.

1 Foundations

We work collaboratively with government departments, public bodies, highly regulated industries and blue chip companies, and are embedded on crucial long-term programmes. We focus on markets and customers with outsourcing models that require value-add engineering-based support and product development. Our five main markets are the UK, Australasia, France, Canada and South Africa, with operations in and exports to other countries.

2 Bidding and business development

We continually monitor opportunities across our markets, using strong reference cases and deep sector expertise to identify ways to solve new and existing customers' challenges and support their programmes. We have a multi-gate review process for contract bids to help ensure we only bid on value-creating work.

3 Contracting

A significant proportion of our business is carried out on a long-term contract or multi-year framework basis. Our contract backlog of £10.4 billion of contracted work provides a base level of revenue for the years ahead, supplemented by new business wins, framework orders, contract extensions and variations, and short-cycle work.

Revenue is recognised as we deliver on our contracts and performance obligations are satisfied. We have an established review process to manage contract risk. See page 104 for our principal risks.

4 Sustainability

Our sustainability strategy is a key component of how we deliver and increase the sustainability and growth of our business. Our business has a significant impact on society and the environment, and sustainability is an integral part of our corporate strategy and how we do business. See page 64 for our sustainability review.

5 Technology-based solutions

We apply technology-based solutions to solve complex customer problems. We invest in technologies that optimise asset utilisation, advance manufacturing, enhance support capabilities and add value to customers. Our data analytics, digital design and integration capabilities reduce costs and increase the customer's ability to adapt to technology developments.

6 Partnerships and collaboration

Partnering and collaboration are key to our success in bringing market-leading capabilities to our customers. We bring together organisations to deliver engineering and technology-based products and support solutions that add value to our customers and increase access to markets.

7 Investment and capability

The cash we generate funds selective reinvestment into the business, principally through capital expenditure to develop our unique infrastructure, equipment, IT systems and engineering talent. See page 7 for our capital allocation framework.

Creating stakeholder value

Customers

Delivering for our customers and partnering with them on the challenges they face.

Colleagues

Creating a better place to work where colleagues are valued and motivated at all times.

Investors

Creating shareholder value through growth, cash generation and the efficient allocation of capital. Delivering shareholder returns through dividends and increased share value.

Communities

Providing jobs and investment across the UK and internationally where we operate, and ensuring we act responsibly at all times in the interests of local communities around our sites.

Suppliers

Creating jobs and nurturing investment through collaboration with our supply chain.

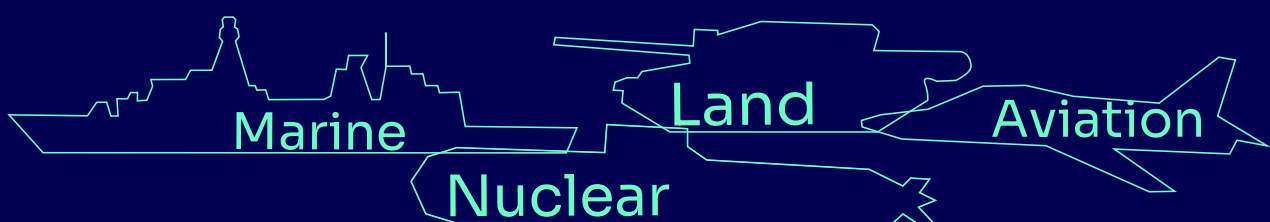
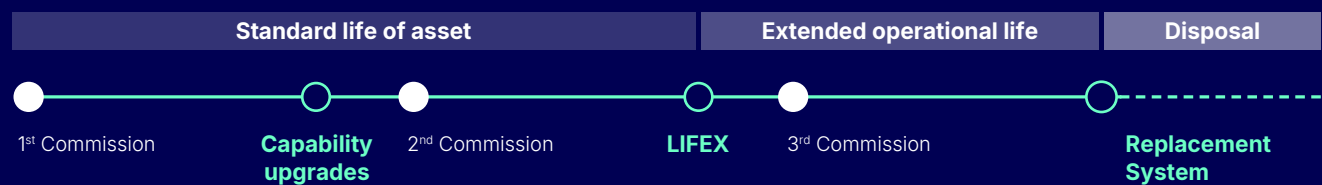
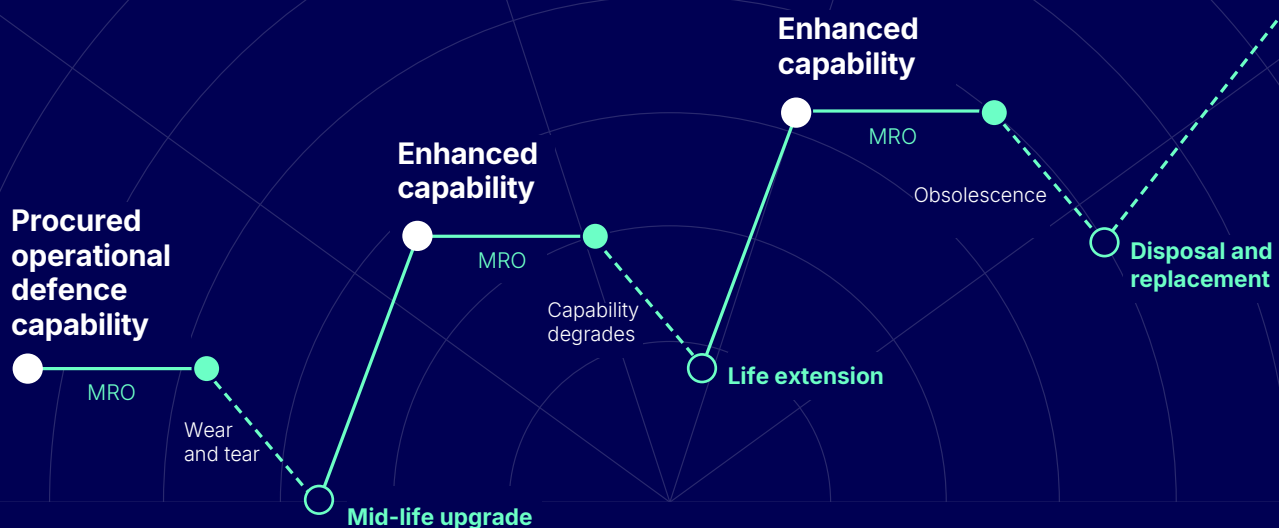
● See page 62 for more on our stakeholder engagement

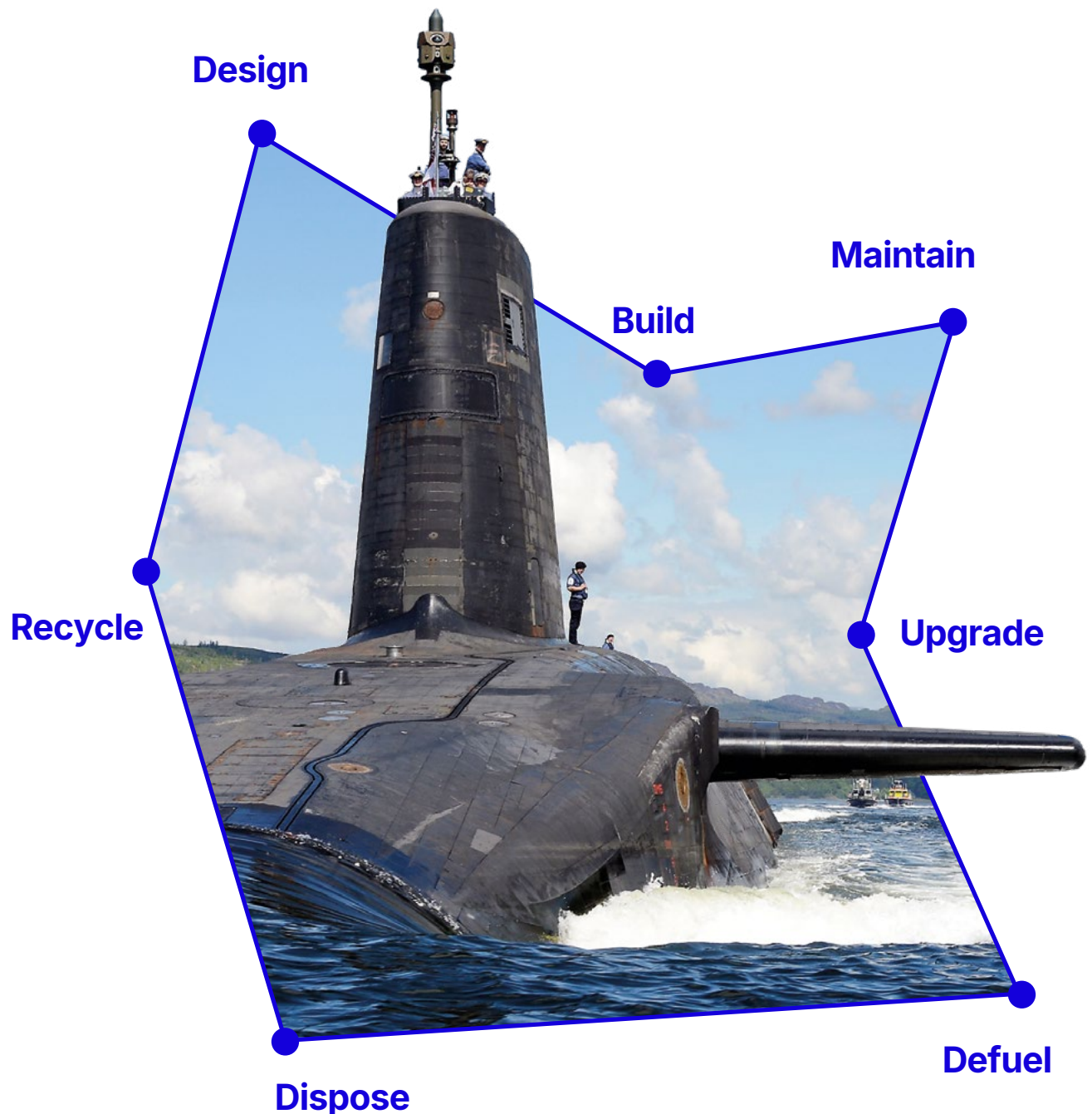
What sets us apart

Delivering lifetime engineering

We offer customers deeply pragmatic and integrated solutions, delivered in dynamic collaboration through committed partnerships. Products informed by service and services informed by product, resulting in assets that work, and work hard, year after year.

Maximising asset value and utility, with **end-to-end vision**.





**We set our
sights across
generations,
not just quarters.**

CEO review

Well-positioned for a new era of defence

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.



● 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.

David Lockwood

2025

11%

Organic revenue growth, see page 29

2025

£10.4
bn

Contract backlog

Strong results

Performance in FY25 was strong, with growth in revenue and underlying operating profit¹ above our expectations at the beginning of the year, and overall cash generation better than forecast.

Revenue grew organically¹ 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 margin¹ 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 conversion¹ of 82% despite ongoing investment in the business (capex to depreciation ratio 1.6x), resulted in underlying free cash flow¹ 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 leases¹ 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.

CEO review (continued)

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 spend 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.

CEO review *(continued)*

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

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

1. A defined Alternative Performance Measure (APM) as set out on page 1 and in the Financial Glossary on page 41.



Market review

Defence is a growing sector

Babcock is an international defence company providing support and product solutions to enhance our customers' defence capabilities and critical assets.

Geopolitical tensions are driving unprecedented growth in the global defence sector with spending reaching a record high of \$2.46 trillion in 2024.¹ Nations around the world are increasing investment in military capabilities, at a time when technological advances are driving rapid changes in how capability is developed and deployed.

In the UK, defence is undergoing considerable change to enable the MOD to deal with this rapidly changing environment. The new structures will include a full-time National Armaments Director and Directorate, who will oversee all defence procurement and export, increasing the focus on procuring equipment and technology that can be sold to allies abroad.

What sets us apart

Babcock understands what it takes for assets to perform at their best for the longest. Our approach increases asset availability and reduces cost of ownership, maximising the value and utility of assets from beginning to end.

We offer customers deeply pragmatic and integrated solutions – products informed by service and services informed by product. Engineered with pragmatism and delivered through collaborative and committed partnerships, resulting in assets that 'work' in use and over time, achieving our key customer requirements of availability, affordability and capability.

Availability – Our customers require high utilisation of complex assets, from ships and submarines to military and emergency services aircraft and vehicles. Our fleet support and sustainment models are increasingly geared to higher value-add, availability-based solutions designed to optimise asset utilisation and reduce lifetime costs.

Affordability – Our customers are also demanding value for money on support programmes and new platforms. Our deep understanding of our customers' needs, and our ability to bring suppliers and technologies together to deliver an integrated solution, enable us to provide the affordability and flexibility they require.

Capability – Our customers operate in complex and ever-changing environments, which drives a continual need to adapt and enhance capability. We apply our understanding of technology integration, infrastructure management and specialist training to improve their capability, whether it be through product, support or training solutions.

UK: a changing environment for defence

Since the General Election in July 2024, the new UK Government has increasingly focused on defence, necessitated by rising geopolitical volatility.

In February 2024, Prime Minister Keir Starmer committed to increase in defence spending to 2.5% of GDP by 2027, with an ambition for this to rise to 3% of GDP in the next Parliament. This would represent the UK's largest sustained increase in defence spending since the end of the Cold War and signals a robust commitment to both national security and industrial growth.

In its 2025 Spending Review, the Government confirmed it will increase its commitment to defence spending to 2.6% of GDP by 2027 (from 2.3%). This will include £6 billion to upgrade nuclear submarine production and £4.5 billion on munitions.

Additionally, the UK Government actively encouraged investment in the UK defence sector through a multi-pronged strategy unveiled in March 2025. This included an additional £2.2 billion allocated for defence in the 2025–2026 fiscal year. It has repeatedly framed defence investment as a tool for broader economic development, aiming to create skilled jobs and stimulate advanced manufacturing across the UK, by

encouraging increased private sector investment through initiatives such as the Defence and Economic Growth Taskforce. (See Babcock's contribution to UK GDP in FY24 on page 96)

The 2025 Strategic Defence Review marked a transformative moment for UK defence policy. It aims to re-orientate the Armed Forces towards warfighting readiness, with a strong emphasis on technological innovation and the sustainment of the Continuous-At-Sea Deterrent as the foundation of UK defence, in addition to seeking to use the UK's defence sector as a vehicle for economic growth.

The direction of travel set by the Review is expected to result in increased investment to strengthen the UK's defence posture and enhance its global competitiveness. This will create significant opportunities for UK defence firms like Babcock, due to the Government's desire to prioritise investment into British business to enhance national industrial resilience, as set out in the Defence Industrial Strategy statement of intent.

The recently agreed UK-EU Security and Defence Partnership is expected to increase access to collaborative projects and funding streams, such as the EU's SAFE initiative, while reinforcing the UK's role as a key security actor on the continent. This will enable companies like Babcock to further strengthen its partnerships in Europe.

1. The Military Balance 2025: Defence Spending and Procurement Trends.

Supportive market dynamics

The geopolitical environment continues to be unstable, resulting in a continued political focus on defence capability. This is driving increased defence budgets in our target markets, alongside greater demand for equipment modernisation, maximum asset availability, supply chain resilience and better value-add. Against this backdrop, our long experience of supporting all branches of the UK's Armed Forces is a competitive advantage, both as a supplier to government customers and as a partner to international defence companies. Net Zero and energy security are also driving greater and increasingly complex requirements around the energy transition.

UK	71% of FY25 revenue	Our defence capabilities	Opportunities
c.£64bn 2024 defence budget ¹	Our primary defence market is the UK, the third-largest defence budget in NATO, where we provide critical support to all the UK's armed forces. As part of the Strategic Partnering Programme, we are working with the UK Government and MOD across multiple critical programmes to ensure the increasingly complex needs of our armed forces are met.	• Submarine infrastructure • Submarine and systems support • Naval base management • Submarine defuel and dismantling • Submarine and systems design • Frigate design and build • Warship support • Space • Electronic warfare • High-frequency comms • Secure comms • Army vehicle build and support • Pilot training	• Next Generation Technical Training • UK Air Power Enablement programme • UK Land Mobility programme • AWE fissile support • 120mm GDAMS • AUKUS • Naval Support Integrated Global Network (NSIGN) • MRSS • T83 FADS
Asia Pacific	13% of FY25 revenue		
c.£73bn 2024 defence budgets ²	We are a key defence company in Australasia, providing maritime sustainment and defence communications capability to the Australian and New Zealand Defence Forces, with product capability exports further afield.	• AUS, NZ warship asset management and sustainment • AUS submarine onboard systems support • AUS, NZ high-frequency comms – operation, maintenance and upgrade • ROK submarine systems • IDN frigate development	• AUKUS • AH140 General Purpose Frigate • Fleet support • Defence Search and Rescue • Pilot/Aircrew training • Theatre Logistics and Vehicle MRO • Battlefield communications • UaX operations and training • Strategic communications • Shipbuilding support services • Critical Infrastructure Management
Europe	3% of FY25 revenue		
c.£115bn 2024 defence budgets ³	We have an established position in France while exporting selected capabilities to Poland, Ukraine and Spain in response to equipment modernisation, based on our strong track record in the UK.	• FRA pilot training • FRA aircraft support • FRA land support • POL frigate development • UKR warship support • UKR vehicle and equipment support • ESP submarine systems	• Flying training • RED Air • Vehicle maintenance, repair and overhaul • Marine support • AH140 frigates • General Logistics Vehicle (GLV) • Corvette design and build
North America	4% of FY25 revenue		
c.£770bn 2024 defence budgets ⁴	We have a strong history of supporting the Canadian Navy and the US Department of Defense.	• CAN submarine support • US submarine components	• Canadian Patrol Submarine Project (CPSP) • Fleet support

Sources:

1. The International Institute For Strategic Studies (IISS) 2025.

2. IISS 2025: AUS, NZL, ROK, IDN.

3. IISS 2025: FRA, POL, UKR, BEL, ESP.

4. IISS 2025: US, CAN.

Community showcase



Part of the Community

What we do in the UK doesn't just help protect the country; our presence drives growth and prosperity.

We are an intrinsic part of the areas in which we operate. We create jobs, support local businesses and contribute to the wellbeing of the communities that we're proud to be a part of. Because we know that to go far, we must go together.

Babcock in South West England

Contributed

£1.3bn

to UK GDP

Paid

£290m

to suppliers, and just under £540m
to workers in the region

Employed

12,000

staff

Sustained nearly

21,500

jobs

Figures relate to Babcock in South West England,
from *The contribution of Babcock to the UK economy*,
An independent report by Oxford Economics, March 2025



Babcock in Plymouth

We are proud to own and operate Devonport Royal Dockyard, the UK's sole licensed site for submarine maintenance, defueling, and refueling. As the largest employer in the South West outside the military, Babcock's Devonport base supports critical defence programmes and hosts two thirds of our UK workforce.

For over 50 years, we've backed the UK's Continuous-At-Sea Deterrent with the nation's largest nuclear-capable contractor workforce. Co-located with HMNB Devonport – the largest naval base in Western Europe – Devonport is vital to maintaining the UK's sovereign defence capabilities now and into the future.

Investment: In 2022, we began a £1 billion programme to develop advanced Royal Navy facilities. By September 2024, we reopened 9 Dock – the site's largest dry dock – and modernised 15 Dock. This investment aligns with a wider £4.4 billion Government defence commitment to Devonport over the next decade.

Skills: We're investing in skills development in the region, working with local partners, such as City College Plymouth and the University of Plymouth, to underpin apprentice and graduate programmes. We are also providing wider vocational opportunities and creating new career pathways.

Jobs: We're securing skilled jobs in the region. In September 2024, alongside Supacat, we won a contract to build 53 High Mobility Transporter Jackal 3s for the British Army, securing 100 jobs in the South West. Production will take place at our advanced Devonport facility within the Plymouth and South Devon Freeport.

Embedded in the local community

As a major employer in the region, we're deeply engaged with the local community in Devonport and the wider area of Plymouth, providing opportunities to a broad range of people and helping to foster a thriving community.

Our community support includes:

- Breaking down barriers to employment for Devonport's young people – changing how we assess our pre-apprenticeships, hiring candidates on characteristics and behaviours rather than just looking at their qualifications
- Supporting local charities through volunteering – our colleagues donate their time to a wide range of local causes, including the Plymouth Soup Run and working with Headway to transform its rehabilitation centre
- Sponsoring and attending key community events such as Plymouth Armed Forces Day, to inspire the next generation through STEM activities.

Partnering to support those who need it most

In 2023, we established a three-year community connection partnership with Plymouth Argyle Football Club, which includes supporting its Argyle Community Trust.

Every year the partnership delivers tailored physical, educational and social programmes to 15 primary schools and hosts the Babcock Community Cup, a football competition involving hundreds of children from across the city. At Christmas, we help create and deliver hampers to some of Plymouth's most vulnerable residents.

We're also proud to partner with the Community Hub at Foulston Park in the heart of Devonport, which opened its door to the community this year. The hub offers meeting places, a community gym, classrooms and a digital suite with the latest technology. It is an ideal location for a wide range of workshops and events to educate and inspire the engineers of the future.

Key performance indicators

How we measure progress

We have six financial and three non-financial key performance indicators (KPIs). The six financial metrics we use to monitor underlying performance are Alternative Performance Measures (APMs), which are not defined by International Financial

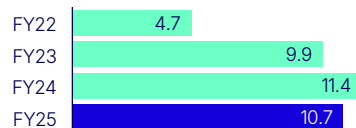
Reporting Standards (IFRS) and are therefore considered to be non-GAAP (Generally Accepted Accounting Principles) measures.

● The Group has defined and outlined the purpose of its APMs in the Financial Glossary starting on page 41.

2025 Financial performance

Organic revenue growth (%)

10.7%

**Definition**

The movement in revenue compared to that of the previous year excluding the impact of FX, contribution from acquisitions and disposals over the prior and current year.

● See note 1 of the accounts for details of our revenue recognition policy.

Commentary

Organic revenue growth was 10.7%, driven by strong growth in Nuclear and Marine, and partly offset by the expected decline in Aviation.

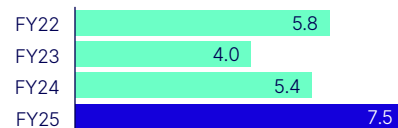
● See our operational reviews on page 46

G Organic revenue growth

T Organic revenue growth

Underlying operating margin (%)

7.5%

**Definition**

Underlying operating profit, expressed as a percentage of revenue.

● See page 31 for a reconciliation of statutory to underlying operating profit.

Commentary

Group margin was up 210 basis points year on year, due to the prior year loss on Type 31 and an out performance in Nuclear and Aviation.

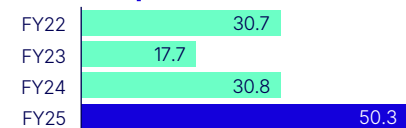
● See our commentary on page 30

G Underlying operating profit
Underlying operating margin

T Underlying operating margin

Underlying EPS (p)

50.3p

**Definition**

Underlying earnings after tax divided by the weighted average number of ordinary shares.

Commentary

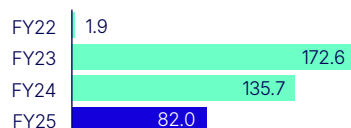
Underlying earnings per share increased due to higher underlying operating profit for the year and lower underlying net finance costs. In FY24, excluding the impacts on earnings per share of the contract loss and the profit on disposal of property, underlying earnings per share was 40.8p. The increase on this basis was 23%.

● See reconciliation on page 31

G Underlying basic earnings per share

Underlying operating cash conversion (%)

82%

**Definition**

Underlying operating cash conversion is defined as underlying operating cash flow after capital expenditure as a percentage of underlying operating profit.

Commentary

Underlying operating cash conversion of 82% reflects better-than-expected operational performance, expected unwind of working capital affording another year of accelerated £40 million pension deficit repair contribution and pension deal.

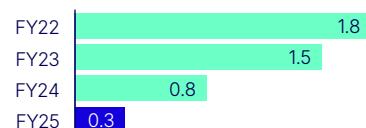
● See calculation on page 32

G Underlying operating cash conversion
Underlying operating profit
Underlying operating cash flow

T Underlying operating cash conversion

Net debt/EBITDA (covenant basis)

0.3x

**Definition**

Net debt to EBITDA as measured in our banking covenants. This uses net debt (excluding leases) divided by underlying earnings before interest, tax, depreciation and amortisation plus JV dividends received. This definition makes a series of adjustments to both Group net debt and Group EBITDA; see page 35 for a reconciliation.

Commentary

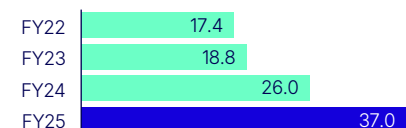
Our net debt to EBITDA (covenant basis) decreased 0.5x to 0.3x. The decrease was driven by lower net debt due to high underlying operating cash flow and underlying free cash flow performance.

● See reconciliation on page 35

G EBITDA
Net debt/EBITDA (covenant basis)

Underlying return on invested capital, pre-tax (ROIC) (%)

37%

**Definition**

Underlying return on invested capital is defined as underlying operating profit plus share of JV profit after tax, divided by the sum of net debt, shareholders' funds and retirement deficit or surpluses.

Commentary

The increase in underlying ROIC reflects a greater underlying operating profit compared to similar invested capital levels year on year. While net debt reduced, shareholder funds and leases increased.

● See calculation on page 36

G Underlying return on invested capital

Appointment key



Link to Glossary



Link to medium-term guidance

2025 Non-financial performance

Total recordable injuries rate

0.73



Definition

The Total Recordable Injury Rate (TRIR) is a 12-month rolling average that relates to the number, per 200,000 working hours (200,000 represents 100 employees working 40 hours for 50 weeks per year), of recordable work-related injuries and illnesses that require medical treatment beyond first aid. In any one year, further assessment of an injury/illness or information from an extended investigation may result in a restatement of prior year figures.

Commentary

We work in challenging environments and high-hazard industries and continuously improve our risk controls and develop our people, which has enabled us to significantly reduce the number and severity of work-related injuries and illnesses requiring medical treatment beyond first aid during FY25. Our Home Safe commitments ensure work is planned, risk-assessed and people are encouraged to stop work when things change.

Having made significant progress in reducing the number of accidents, we will continue our efforts and the focus will be to reduce absences through improvements in occupational health provision and individual case management, to support workers back to work safely. We have set ourselves the objective to reduce the number of days lost due to work-related injuries and occupational illnesses by 10% by 2030 and will use FY25 as the baseline. This will be reflected in our KPI from FY26.

● See page 83 for more information

CO₂e emissions (tCO₂e/£m)

783.9



Definition

Estimated tonnes of CO₂e emitted as a direct result of revenue-generating operations, reported as tonnes CO₂e / £m of revenue. The reporting period for our energy consumption and carbon emissions is the calendar year (1 January to 31 December).

Commentary

Scope 1 and 2 emissions reduced (year-on-year) by 6.7%, however Scope 3 emissions increased (year-on-year) by 14.3% as Group revenue also increased through the period. This has resulted in an increase of 6.7% in the Group's carbon intensity.

In order to align with our emissions target which focuses on an absolute emissions reduction, from FY26 we will move to a new KPI "Total estimated tonnes of Scope 1 and 2 CO₂e emitted from operations and activities which fall under Babcock's 'Operational Control' ". Emissions are reported in line with requirements of the Greenhouse Gas Protocol Corporate Reporting Standard.

This KPI does not include Scope 3 emissions. This is due to the volatility of Scope 3 reporting arising from changes in methodology and because we will review our Scope 3 emissions target and pathways in FY26 in line with pending SBTi updates.

Total Scope 1 & 2 tCO₂e emissions

103.5



● See page 71 for more information

Senior management gender diversity (%)

31%



Definition

Senior managers are defined as employees (excluding Executive Directors) who have responsibility for planning, directing or controlling the activities of the Group (Executive Committee) or a strategically significant part of the Group (sector or functional leadership teams) and/or who are directors of subsidiary business units (business unit leadership). We also report the gender diversity of the Executive Committee and their direct reports in line with the UK Corporate Governance Code's requirement to report on 'senior management' (see page 87).

Commentary

This increase in female representation is a result of both organisational restructuring and our continued focus on inclusive hiring practices. It also reflects our broader gender balance strategy, including initiatives like Illuminate, flexible working, targeted STEM outreach and partnerships such as Women in Defence, which are strengthening our female talent pipeline and creating a culture where women are thriving.

At Babcock, we are committed to increasing the representation of women in our senior-level roles. We are also focusing on supporting women throughout our business. To reflect this commitment, we have set a Gender Balance Target of '30% women across our workforce'; our definition of 'workforce' includes global, permanent and agency. This new target will be reflected in our KPI from FY26.

% women across total workforce

19%



● See page 87 for more information

Financial review

A year of strong financial performance

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 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 41.

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

● A strong set of results with revenue and profit growing well and ahead of our expectations. Cash flow was very strong alongside significant investment in the business, which when coupled with the pensions progress, further strengthened the balance sheet. We have also upgraded our medium-term guidance and announced a share buyback.

David Mellors



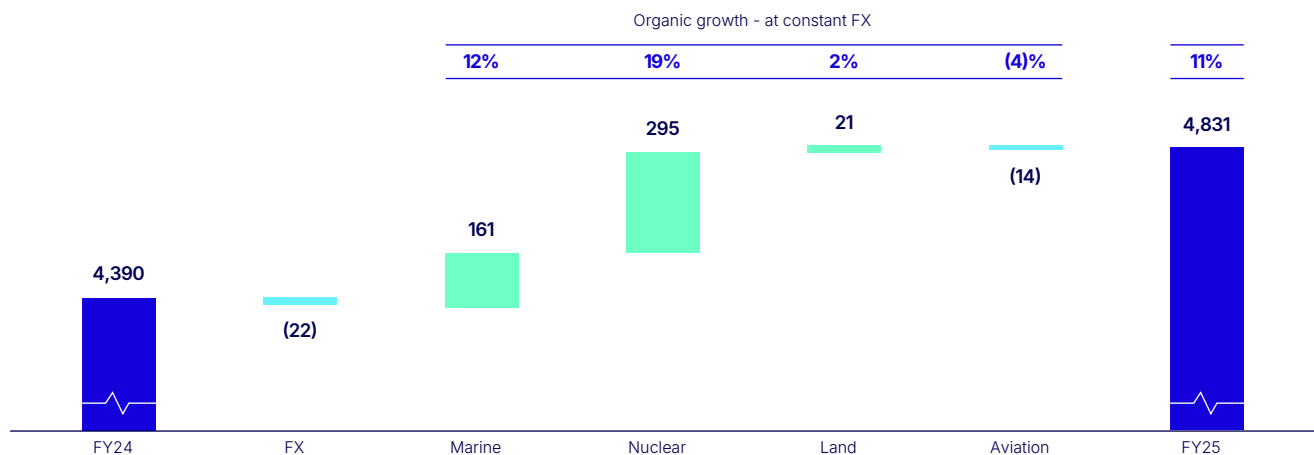
Income statement

	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 195.

As described on page 28, 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 financial statements.

Organic revenue bridge (£m)



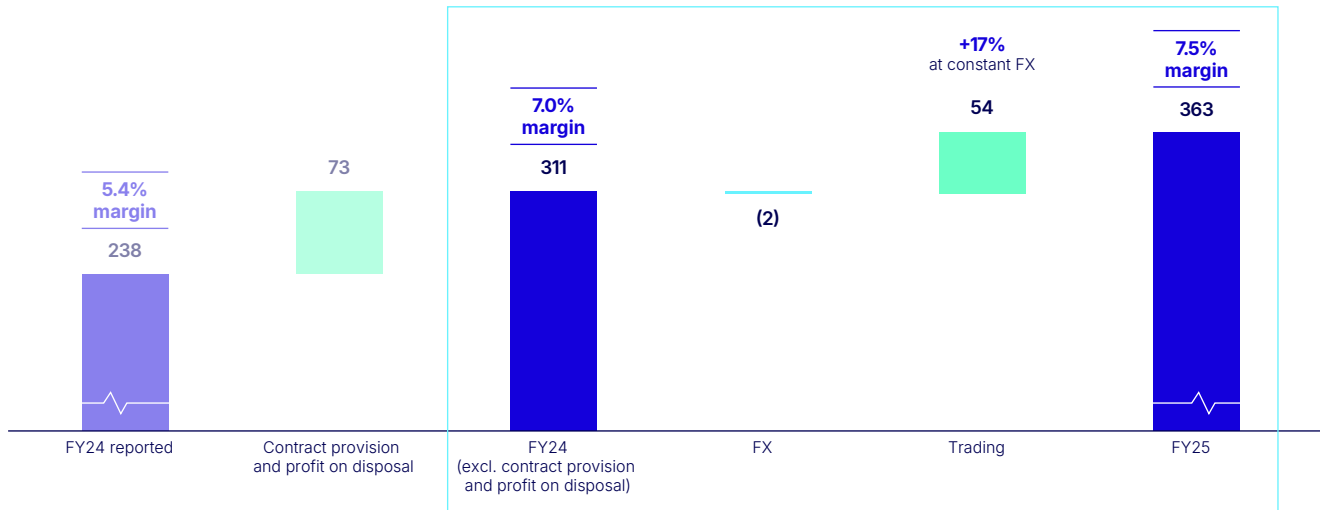
Revenue of £4,831.3 million was 11% higher than FY24 on an organic basis, driven by strong growth in Nuclear and Marine.

See segmental tables on page 40:

- 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.

Financial review *(continued)*

Underlying operating profit bridge (£m)



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 40:

- **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 project delivery 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 46.

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 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/(loss) 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.

Financial review *(continued)*

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 31)	(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 198 and a reconciliation to net debt on page 34.

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 41). 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).

Financial review (continued)

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 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.

Financial review (continued)

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 Rosyth 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

Treasury

Treasury activities within the Group are managed in accordance with the parameters set out in the treasury policies and guidelines approved by the Board. A key principle within the treasury policy is that trading in financial instruments for the purpose of profit generation is prohibited, with all financial instruments being used solely for risk management purposes. The treasury team is only permitted to enter into financial instruments where it has a high level of confidence in the hedged item occurring. Both the treasury department and the sectors have responsibility for monitoring compliance within the Group to ensure adherence to the principal treasury policies and guidelines. The Group's treasury policies in respect of the management of debt, interest rates, liquidity and currency are outlined below. The Group's treasury policies are kept under close review, particularly given the ongoing economic and market uncertainty.

Debt

Objective

With debt as a key component of available financial capital, the Group seeks to ensure that there is an appropriate balance between continuity, flexibility and cost of debt funding through the use of borrowings, whilst also diversifying the sources of these borrowings with a range of maturities and rates of interest, to reflect the long-term nature of the Group's contracts, commitments and risk profile.

Policy

All the Group's material borrowings are arranged by the treasury department, and funds raised are lent onward to operating subsidiaries as required. It remains the Group's policy to ensure the business is prudently funded and that sufficient headroom is maintained on its facilities to fund its future growth.

Updates

The Group continues to keep its capital structure under review to ensure that the sources, tenor and availability of finance are sufficient to meet its stated objective.

The Group has an existing £775 million RCF, of which £45 million matures in August 2025, and the remaining £730 million matures in August 2026.

The Group's main corporate debt comprises a £300 million Sterling bond, maturing October 2026 and a €550 million bond, maturing September 2027. Together, these provide the Group with a total of around £1.6 billion of available facilities and bonds.

Financial review *(continued)*

Debt maturity profile (£m)

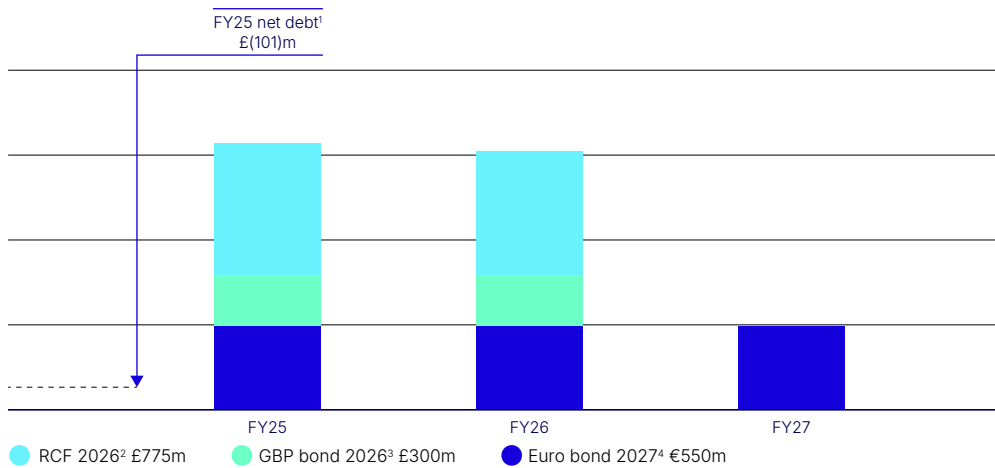


Chart shows notional value of the debt

1. Net debt shown excluding leases

2. £730m of £775m RCF extended to 2026, matures 28 August 2026

3. GBP bond 2026 £300m, matures 5 October 2026

4. Euro bond 2027 €550m, hedged at £493m, matures 13 September 2027

Interest rates

Objective

To manage exposure to interest rate fluctuations on borrowings by varying the proportion of fixed rate debt relative to floating rate debt to reflect the underlying nature of the Group's commitments and obligations. As a result, the Group does not maintain a specific set proportion of fixed versus floating debt but monitors the mix to ensure that it is compatible with its business requirements and capital structure.

Policy

Interest rate hedging and the monitoring of the mix between fixed and floating rates is the responsibility of the treasury department and is subject to the policy and guidelines set by the Board and updated from time to time.

Performance

As at 31 March 2025, the Group had 85% fixed rate debt (31 March 2024: 85%) and 15% floating rate debt (31 March 2024: 15%) based on gross debt of £793 million (31 March 2024: £793 million).

Liquidity

Objective

1. To maintain adequate undrawn committed borrowing facilities.
2. To monitor and manage bank credit risk, and credit capacity utilisation.
3. To diversify the sources of financing with a range of maturities and interest rates, to reflect the long-term nature of Group contracts, commitments and risk profile.

Policy

All the Group's material borrowings are arranged by the treasury department and funds raised are lent onward to operating subsidiaries as required.

Each of the Group's sectors provides regular cash forecasts for both management and liquidity purposes. These cash forecasts are used to monitor and identify the liquidity requirements of the Group and ensure that there is sufficient cash to meet operational needs while maintaining sufficient headroom on the Group's committed borrowing facilities.

The Group adopts a conservative approach to the investment of its surplus cash. It is deposited with financial institutions only for a short duration, and the bank counter-party credit risk is monitored closely on a systematic and ongoing basis.

A credit limit is allocated to each institution taking account of its credit rating and market information.

Performance

The Group continues to keep under review its capital structure to ensure that the sources, tenor and availability of finance are sufficient to meet its stated objectives. The Group continues to monitor the liquidity position and will seek to extend or replace committed debt as the need arises. Surplus cash during the year was invested in short term deposits diversified across several well rated financial institutions in accordance with policy.

Foreign exchange

Objective

To reduce exposure to volatility in earnings and cash flows from movements in foreign currency exchange rates. The Group is exposed to a number of foreign currencies, the most significant being the Euro, US Dollar, South African Rand, Australian Dollar and Canadian Dollar.

Policy – Transaction risk

The Group is exposed to movements in foreign currency exchange rates in respect of foreign currency denominated transactions. To mitigate this risk, the Group's policy is to hedge all material transactional exposures, using financial instruments where appropriate.

Policy – Translation risk

The Group is exposed to movements in foreign currency exchange rates in respect of the translation of net assets and income statements of foreign subsidiaries and equity accounted investments. It is not the Group's policy to hedge through the use of derivatives the translation effect of exchange rate movements on the income statement or balance sheet of overseas subsidiaries and equity accounted investments it regards as long-term investments. However, where the Group has material assets denominated in a foreign currency, it will consider some matching of those aforementioned assets with foreign currency denominated debt.

Performance

There was a net foreign exchange gain of £0.4m million in the income statement for the year ending 31 March 2025 (31 March 2024: £3.0 million loss).

Financial review *(continued)*

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%

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

Financial review (continued)

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

Financial review (continued)

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 41, excluding depreciation and amortisation and including certain covenant adjustments) plus JV and associate dividends. See page 35.

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 35.

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 36.

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 32.

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 32.

Purpose: Provides a measure of cash generated which is available for use in line with the Group's capital allocation policy.

Operational reviews

Marine

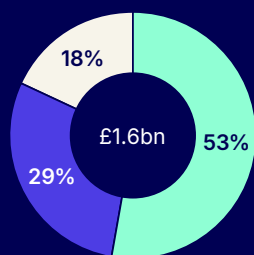
Our c.7,300 employees design, develop, build, manufacture and integrate specialist systems, and deliver technical through-life support for complex platforms in the marine sector. Over 80% of Marine's revenue is derived from defence, with the remainder primarily comprising our Liquid Gas Equipment (LGE)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

Marine – at a glance

FY25 revenue profile



- Defence UK
- Defence International
- Civil International

Revenue

£1.6bn

% of Group revenue

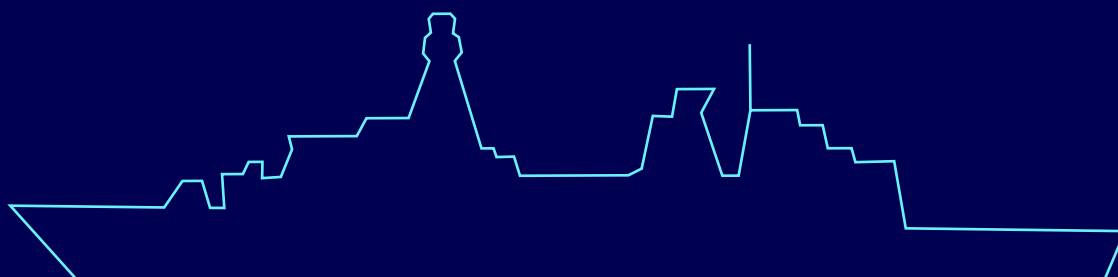
33%

Number of employees

c.7,300

Contract backlog

£3.0bn



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 41.

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 Huracan 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.

Marine (continued)

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 successfully 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 order book 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.

Leaders in advanced systems

We have more than 50 years' experience as leaders in the design, manufacture and support of advanced Weapons Handling and Launch Systems (WHLS) for both submarines and surface vessels. Our expertise has been deployed from the UK to Canada, from Spain to South Korea and Australia.

Submarine and surface ship systems

Babcock is the Technical Authority for WHLS across all classes of UK submarines. Notably, the Astute Class submarines are equipped with Babcock's Weapon Launch System which incorporates our advanced Air Turbine Pump and Programmable Firing Valve technology.

Internationally, Babcock has supplied WHLS for several submarine classes including S-80 Class (Spain), Jangbogo-III Class (South Korea), Victoria Class (Canada) and the Collins Class (Australia).

Our expertise on surface vessels includes:

- The UK's Queen Elizabeth Class Aircraft Carriers – we developed the automated system that moves palletised munitions between magazines, hangars and the flight deck.
- The UK's Type 26 Global Combat Ship – we designed, and now supply, the Air Weapons Handling System which features modular stowage and automated handling.

- Australia's Hobart Class Air Warfare Destroyers – we supplied MK32 Mod 9 torpedo launchers, demonstrating our capability to deliver comprehensive solutions for complex naval platforms.

We have also been contracted to design and assemble the Weapons Handling System for Australia's new Hunter class frigates.

Innovation and support

We continue to develop and integrate cutting-edge technologies like the Air Turbine Pump and Programmable Firing Valve, reducing noise impact while providing compatibility with a wide range of torpedoes, mines and missiles.

We are a trusted partner delivering technology design, engineering build, systems integration and platform management. As such, we are actively pursuing product supply into numerous future surface ship and submarine programmes around the world, including as the Canadian Surface Combatant, AUKUS, Orka (Poland) and the Canadian Patrol Submarine Programme.



Operational reviews

Nuclear

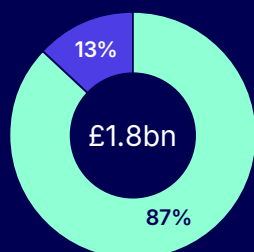
Our c.10,000 employees provide complex through-life engineering support to the entirety of the UK's nuclear submarine fleet. We own and manage critical national infrastructure and provide engineering integration support to AWE. We operate across UK civil nuclear, including new build, generation support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

Nuclear – at a glance

FY25 revenue profile



- Defence UK
- Civil UK

Revenue

£1.8bn

% of Group revenue

37%

Number of employees

c.10,000

Contract backlog

£2.0bn



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 41.

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.

Nuclear *(continued)*

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.

Tackling the need for clean energy

Civil nuclear has a key role to play in tackling climate change, particularly given the growing demand for energy from new technologies such as AI and quantum computing.

At the same time, governments are becoming increasingly concerned to onshore energy generation and ensure the security of the fuel for those facilities.

From enrichment to storage

Babcock's Cavendish Nuclear business is involved in all aspects of the civil nuclear industry: from enrichment to fuel fabrication, electricity generation, and dealing with legacy assets and waste material storage.

With 2,600 skilled employees, and experience supporting all 36 of the UK's nuclear licensed sites, we are the country's largest civil and defence nuclear services provider.

We are involved in the design of new reactors, such as small modular reactors (SMRs) and large modular reactors. We provide operational support to the entire UK operating reactor fleet.

When those assets come to the end of their life, we support the decommission and cleanup of those redundant facilities,

which involves the design and build of complex facilities to handle and process waste, and to store radioactive material.

We support the decommissioning and clean-up of those redundant facilities in the UK, and also in our international markets in the US and in Japan.

Future growth

We're designing new nuclear plants for Westinghouse at Springfield and Urenco at Capenhurst to support their fuel development aspirations. We're also helping to optimise the replication of Hinkley Point C (HPC) at Sizewell C. HPC is under construction and enabling works have commenced at Sizewell C, and they're procuring long-lead items.

We're a key alliance partner at HPC, where today we have 600 people integrating and installing 350 kilometres of pipework, 35,000 valves and 7,500 rooms. Over the next few years, we expect that team to more than double in size.

Potentially there could be two further gigawatt power stations in the UK, in addition to SMRs and AMRs. We expect the modular reactor opportunity to accelerate over the next few years, with real potential beyond this period.



Operational reviews

Land

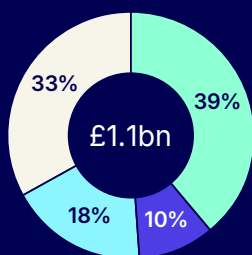
Our c.6,300 employees provide essential services to our customers through three core capabilities: build, support and train. We do this through the delivery of through-life engineering support and systems integration for military vehicles and equipment. We provide individual and collective training for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

Land – at a glance

FY25 revenue profile



- Defence UK
- Defence International
- Civil UK
- Civil International

Revenue

£1.1bn

% of Group revenue

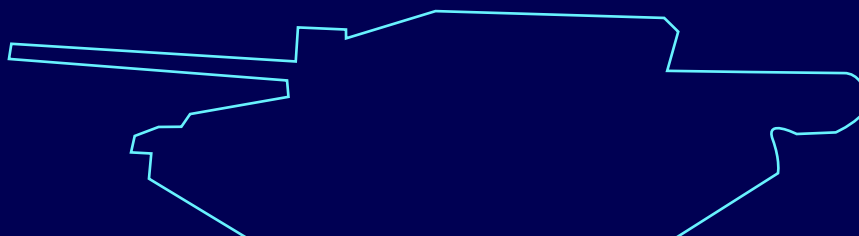
23%

Number of employees

c.6,300

Contract backlog

£3.5bn



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 41.

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 in 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.

Land *(continued)*

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 ARMCCEN 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 futureproof 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.

Delivering product solutions

We play a critical role in helping the Armed Forces rise to the challenge of an uncertain world. Through strategic partnerships and innovative engineering, Babcock's Land sector has contributed to the build, integration and support of several key platforms.

Supporting the British Army's capabilities

Last year, together with Devon-based SME Supacat, we began production of High Mobility Transporters (HMT 400 series) for the British Army. The initial order of 70 vehicles is well underway at our state-of-the-art production facility within the Devonport Freeport Zone. The award of a subsequent contract in September 2024 is testament to the close working relationship between the British Army, the Ministry of Defence, Babcock and Supacat.

Initially developed for Afghanistan, the British Army has made Jackal integral to its tactics and operations, with variants used for deep battlespace reconnaissance, rapid assault, fire support roles and convoy protection.

Transformational innovation and technology have been optimised throughout the production line at our advanced manufacturing site, including bespoke 'Pulse' software which maximises efficiency during vehicle assembly.

The programme is also delivering social value, securing 100 new jobs and helping people back into employment, through our Skills-based Work Academy Programme.

Our groundbreaking GLV series

Our series of General Logistics Vehicles (GLV) can fulfil a multitude of tasks across the world. This hugely reliable GLV family provides military and security forces with a complete value-for-money solution for light-utility vehicles, increasing the availability of these critical assets.

We have applied our deep understanding of the needs of the Armed Forces to our engineering, to offer the best possible vehicle for operational success. The GLV family includes the long wheelbase and the medium wheelbase variant, with the heavy-duty variant expected in FY26.

Partnering with Patria

Babcock and Patria are working together to offer the Patria 6x6 Armoured Personnel Carrier to the British Army, combining the highest-quality British and Finnish engineering to make sure the Army is ready for its next mission. Babcock will provide the sovereign build solution, and develop a platform support package that will maintain operational readiness of the vehicle throughout its life.



Operational reviews

Aviation

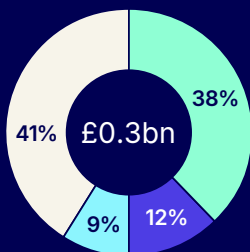
Our c.2,600 employees deliver military pilot training support for the two largest Air Forces in Europe (France and the UK), through-life support to operational military flying assets and critical air operations for government customers.

Operational highlights

- Awarded Mentor 2 contract, for up to 17-years, to deliver military air training solutions for 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

Aviation – at a glance

FY25 revenue profile



- Defence UK
- Defence International
- Civil UK
- Civil International

Revenue

£0.3bn

% of Group revenue

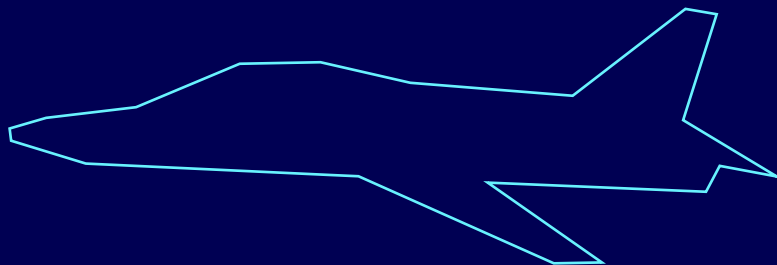
7%

Number of employees

c.2,600

Contract backlog

£1.9bn



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 41.

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.



Aviation (continued)

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, worth up to €800 million including around €200 million of options, 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 2 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.

Securing the skies

We play an important role in training military pilots for the demands of modern worldwide operating environments.

In the UK

In the UK, Ascent Flight Training, our 50/50 joint venture with Lockheed Martin, is responsible for delivering the UK Military Flying Training System (UKMFTS), in partnership with the MOD. UKMFTS delivers fast jet, rotary wing, fixed wing multi-engine and rear crew training across the Royal Air Force, Royal Navy and Army Air Corps.

In FY26, Babcock was awarded a contract to deliver new infrastructure facilities as part of a £300 million defence contract to deliver the Future ISTAR (Intelligence, Surveillance, Target Acquisition and Reconnaissance) and Rear Crew Training System.

We will manage the build of two state-of-the-art training facilities at RAF Cranwell in Lincolnshire and RNAS Culdrose in Cornwall that prepare RAF and Navy trainees for the demands of modern worldwide operating environments.

Supporting Ukraine

We also provide vital support to the Ukrainian Air Force. We supply the Grob Tutor aircraft, including all the technical

and operational support functions, ensuring aircraft availability is 100%. Aircraft availability is crucial to military operations and our team is by the RAF's side, ensuring the UK's best flying instructors have everything they need to train Ukraine's next generation of fast-jet pilots.

In France

In France, we continue to support military fighter pilot training under the FOMEDEC and Mentor 1 contracts. Our world-class programme prepares future jet pilots and weapons systems officers to operate today's increasingly sophisticated aircraft. We are extremely proud to have reached a key milestone of 60,000 flight hours on our PC-21 fleet.

This year we expanded our activity in France with the award of Mentor 2, a new 17-year contract for the provision and support of military air training solutions for the French Air and Space Force, and the French Navy. We will provide aircraft, simulators and initial pilot training as well as the through-life support of the aircraft, and infrastructure.

We see more opportunities to expand our pilot training in mainland Europe, including an opportunity to provide Belgium fighter pilot training.



Stakeholder engagement

Building strong and lasting relationships with our global stakeholder groups is not only vital to our success, it's central to our Purpose: *to create a safe and secure world, together.*

We're not just here for the short term; delivering lifetime engineering means setting our sights across generations. That's why we're committed to forging close and committed partnerships with our stakeholders. Because we know that to go far, we must go together.

s172(1) statement

The Directors confirm that they, both individually and collectively, have acted in a way that they consider, in good faith, to be most likely to promote the long-term success of the Company for the benefit of the shareholders as a whole, while having regard for all stakeholders. By considering key stakeholder groups and aligning our activities with our strategic plan, as well as the Company's culture and values, we aim to act fairly, transparently and in the best interests of the Company over the long term.

More information on how stakeholders are factored into our decision-making and the Board's engagement with stakeholders can be found in the Governance section in the Chair's introduction on page 126 and on page 136 to 138, which form part of this statement. Further information on how the Board addressed the different matters set out in s172(1) in performing its duties during the year can be found as follows:

s172(1) factor	Relevant disclosures
a. the likely consequences of any decision in the long term	- Driving sustainable growth (pages 6 and 16) - Sustainability strategy (page 64)
b. the interests of the Company's employees	- Investing in skills (pages 10 and 89) - Building an inclusive, diverse and resilient workforce (page 85)
c. the need to foster the Company's business relationships with suppliers, customers and others	- Stakeholder engagement (page 62) - Commercial integrity (page 97)
d. the impact of the Company's operations on the community and environment	- Supporting our communities (page 92) - Protecting the natural environment (page 82)
e. the desirability of the Company maintaining a reputation for high standards of business conduct	Responsible business (page 96)
f. the need to act fairly between members of the Company	Investors (page 63)



Customers

Our deep understanding of the needs of our customers and the challenges they face allows us to help them to succeed. We have long-term relationships with our customers, including as a Strategic Supplier to the UK Government. We seek to deliver deeply pragmatic and integrated solutions for our customers' critical programmes and services, working together for our mutual success.

What matters to them

- Health and safety
- Operational excellence
- Affordability, Availability, Capability
- Integrated solutions
- Innovation
- Collaboration

How we engaged

In the UK we reaffirmed our commitment to the Government's Strategic Partnering Programme (SPP) with a jointly signed Charter.

- Regular engagement with customers at all levels
- Held up as a strategic partnering role model by UK Cabinet Office
- Hosting UK Government's **One Government Day** in FY26
- Collaborating on joint initiatives
- Maintained Corporate Resolution Planning certification
- Implementing improved contracting models

Oxford Economics report

An independent report by Oxford Economics in March 2025 found the Group made a total contribution of £4.3 billion to UK GDP in FY24, positively impacting all of our stakeholders. This included a total contribution of £510 million in Scotland and £1.3 billion in the South West. Additionally, Babcock contributed AU\$758 million to Australia's GDP.



Colleagues

Babcock's value, first and foremost, is in its people. Our collective know-how is the key to our success, both now and in the future. Our people deserve an environment in which they can thrive – one that requires an unwavering commitment to their health, safety and wellbeing, and a culture where talent is recognised, supported and developed through meaningful action so that everyone can reach their full potential.

What matters to them

- Fair pay and reward
- Opportunities for career development
- Health, safety and wellbeing
- An empowering, inclusive culture with strong leadership
- Collaboration

How we engaged

In 2024, our annual Global People Survey had its highest ever participation rate of 80%.

- Regular engagement with leaders at all levels
- Our designated Director for workforce engagement, Lord Parker, held 12 meetings with colleagues, including group-based forums
- Improving systems and processes
- Internal communication channels, including intranet and weekly senior management vlogs
- 'Safety Starts with Me' and Safety Stars programmes
- New colleague recognition Ignite Award scheme
- Regular training programmes
- Introduced 'Mentor Match' to support career development for women

Investors

The support of our equity and debt investors and continued access to capital is vital to the long-term success of the Company. We work hard to provide clear and transparent information to the market which enables informed decisions, delivered by our active Investor Relations and Treasury teams.

What matters to them

- Creation of shareholder value
- Clarity of communications
- Appropriate access to management
- Responsive Investor Relations
- Leadership
- Strategy and business development
- Capital allocation model
- Governance

How we engaged

Babcock won 'Best Investor Communications' at the prestigious UK PLC Awards in February 2025 and was promoted to the FTSE100 in March 2025.

- Improved transparency and consistency of formal communications
- Increased tempo of investor meetings
- Increased engagement with analyst community
- Developing programme of analyst 'teach-ins' for FY26
- Treasury team engagement with banks, noteholders and credit rating agencies
- Investor roadshows with management and IR team
- Chair and NED engagement with top shareholders

Communities

Babcock is a major employer, often operating in deprived areas. We have the power and responsibility to provide positive benefits to the places where we live and work, not only through employment but also by working with local suppliers, local community groups and charities, through volunteering and STEM outreach. We seek to work in partnerships with the communities we serve so that we can thrive together.

What matters to them

- Employment opportunities and economic contribution
- Health, safety and wellbeing
- Making a positive impact on the community, including through volunteering
- Engagement in local education and STEM activities
- Sustainability and protection of the local environment
- Support for indigenous people
- Support for the armed forces community
- Broad community engagement

How we engaged

Independent report by Oxford Economics conducted in March 2025.

- In December 2024, established a city-wide partnership with Plymouth City Council and the Royal Navy to focus on future growth
- Regular dialogue at our largest sites on matters of mutual interest
- Working with local SMEs to support local economies
- Colleague volunteering
- University and skills partnerships
- Sponsorship and donations
- STEM outreach
- Engagement with and support for local community programmes

Suppliers

Our sustainable growth requires an efficient and highly effective supply chain. This means we need to foster trusted and collaborative relationships with suppliers who share our appetite to drive operational improvement through innovation and best practice. These partnerships allow us to ensure continuity of supply, minimise risk and bring integrated solutions to our customers.

What matters to them

- Collaboration
- Fair treatment and respect
- Transparent communication
- Access to opportunities
- Prompt payment and predictable supplier cash flows

How we engaged

In FY24, we published a Supplier Assurance Handbook.

- Regular open and honest two-way communications
- Supplier Code of Conduct and Supplier's Guide
- Supplier conferences and workshops
- Supplier due diligence
- Implemented ESG ratings for our suppliers

Sustainability: our refreshed strategy

For our world to be safe and secure it must also be sustainable. Consequently, we see sustainability as a key enabler to achieving Babcock's Purpose.

Since outlining our ESG strategy in 2020 our ambition has grown, but the level and complexity of requirements placed on the business have also increased. Therefore, we have undertaken a full review and refresh of our sustainability strategy, to prepare us for the years ahead.

This new strategy is

- **Simpler** – giving clear guidance on our priorities.
- **More focused** – driving action in the areas where we can have the greatest impact.
- **Deliverable** – empowering the business to effectively allocate resources to build a more sustainable enterprise.

Our new sustainability strategy takes a twin track approach

First, we will focus our action on six strategic priorities where the business can have the greatest impact, ensuring compliance and business improvement (see graphic below). These are supported by six 2030 sustainability targets, each of which has associated delivery plans in place. Non-core sustainability targets will no longer be reported on, as explained in the following pages.

Second, we are building capability within the business to embed sustainability principles across Babcock for the long term, to ensure compliance with evolving regulations and to build a culture of continuous improvement.

Good governance is critical and remains core to the delivery of our whole business strategy, including sustainability.

The sustainability strategy is overseen by the Corporate Sustainability Committee, a new sub-committee of the Executive Committee, to ensure robust governance of its implementation. The Board also continues to play an active role in oversight of our sustainability strategy (see page 126).



Our view of sustainability

Just as the Purpose of Babcock is focused on people and planet, so too is our view of sustainability. Babcock plays a critical role in the communities in which we operate, as well as acting as stewards of the environment.

For this reason, our view of sustainability at Babcock is **to help safeguard our planet and support our people and communities**.

Based on an updated materiality assessment which is outlined on the following page, we have identified six strategic priorities which are of the greatest importance to Babcock as a whole, three in the environmental sphere and three in the social sphere.

- **Tackling climate change** – We recognise Babcock's operations produce significant greenhouse gas emissions. Climate change also has the potential to significantly impact our business. This means that we not only have a responsibility to reduce our emissions but must also have a mature understanding of how we will respond to the impacts of climate change (see page 66)
- **Managing our resources responsibly** – Babcock is a significant consumer of natural resources through our supply chain and operations. We have a responsibility to work with our suppliers and on our own sites to ensure we use resources effectively and efficiently (see page 80)
- **Protecting the natural environment** – Many of Babcock's operations are in areas of environmental sensitivity. Not only is it important to comply with laws and regulations, but where possible we want to enhance the environments we operate in, providing both ecological and social benefits (see page 82)
- **Ensuring the health, safety and wellbeing of our people** – Our first duty as a business is to look after our own people. This is not just in relation to matters of safety, but also their physical and mental health. Doing so not only improves the quality of life of our workforce, but it makes us a more productive and successful business (see page 83)
- **Building an inclusive, diverse and resilient workforce** – Inclusion and diversity in Babcock not only benefits our communities, but it also enables us to build a stronger, more innovative business. We want to nurture and support talent throughout people's careers, regardless of background (see page 85)
- **Supporting our communities** – Babcock is a major employer, often operating in deprived areas. We provide positive benefits to the places in which we operate, not only through employment, but also by working with local suppliers, local community groups and charities, through volunteering and STEM outreach (see pages 92 and 96)

Double materiality

This year we conducted our first double materiality assessment examining the impact of our operations on environmental, social and governance factors, while also considering the financial risks and opportunities posed by these factors.

Based on an assessment of over 90 topics, we identified 19 sustainability and governance factors which are material to Babcock. Depending on sector or jurisdiction, each of these factors may have greater or lesser levels of importance; the matrix included here assesses the materiality of these factors to the business as a whole. The most material factors form the basis of the six strategic priorities outlined in our new sustainability strategy. See previous page.

This analysis was carried out based on the double materiality principle established by the Corporate Sustainability Reporting Directive (CSRD).

Process

Identify

- Framework, standards and regulatory requirements identified
- Key ESG issues for Babcock shortlisted

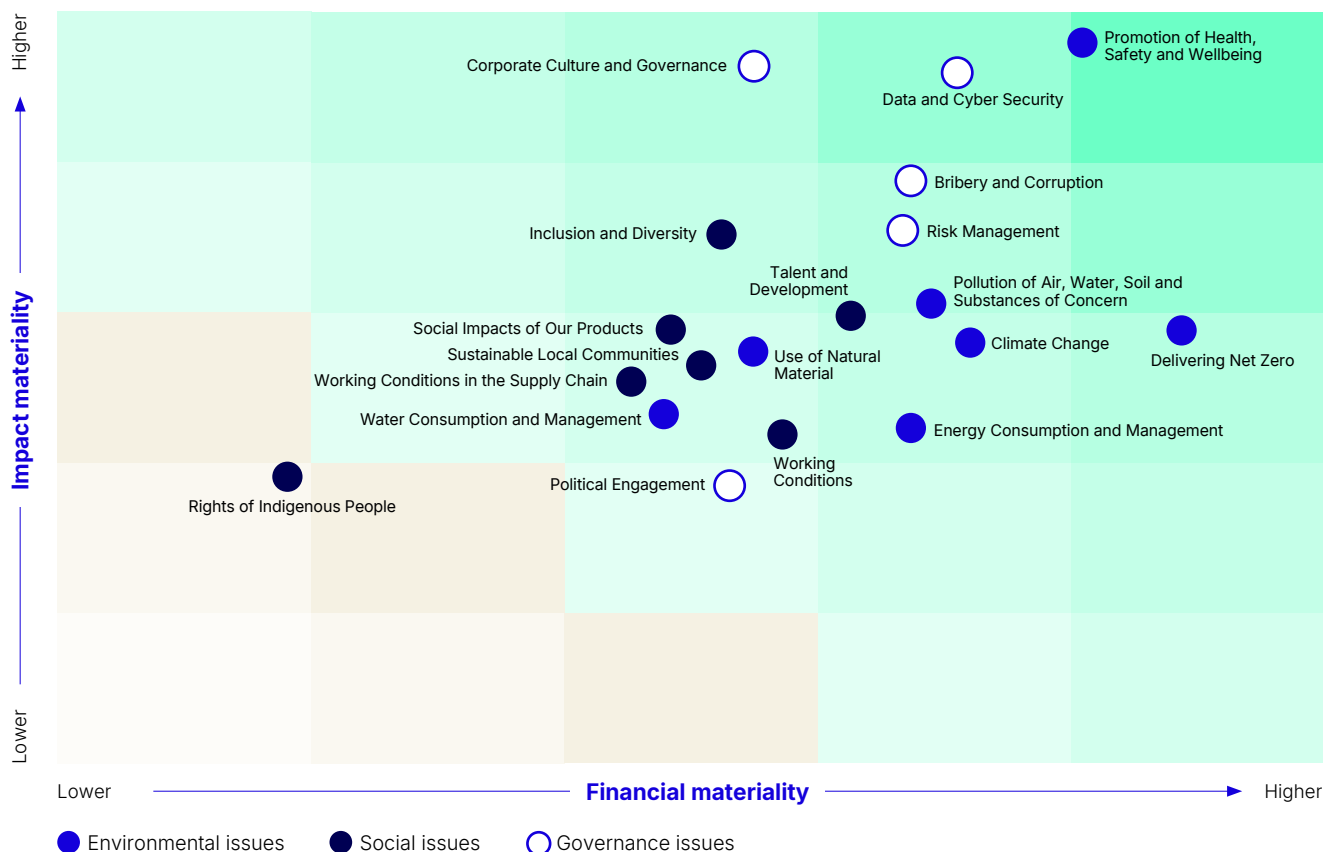
Consult

- Internal stakeholders consulted via survey
- Subject Matter Experts reviewed input to assess opportunities and risks

Analyse

- Corporate Sustainability Committee survey validated results

Our materiality issues relating to ESG



SDG framework

The work on our double materiality assessment has a natural progression to identify seven Sustainability Development Goals which Babcock most closely aligns with.



Full methodology and details of our double materiality assessment are available on our website

Sustainability (continued)



Tackling climate change

Climate change poses a significant global threat, with far-reaching consequences for the environment, society and economies. Babcock is committed to reducing its environmental impacts. We believe taking firm action and transitioning to a Net Zero and sustainable economy will deliver long-term value to our stakeholders.

In 2021, we launched our decarbonisation strategy, Plan Zero 40, where we committed to delivery of a 2030 Science Based Target in line with a 1.5-degree pathway, delivering Net Zero across our own operations (Scope 1 and 2) by 2040 and delivering total Net Zero (Scope 1, 2 and 3) by 2050. In 2024, we gained validation of our targets from the Science Based Targets initiative (SBTi).

As part of our new sustainability strategy, we are reaffirming our commitment to our long-term emission reduction targets which are:

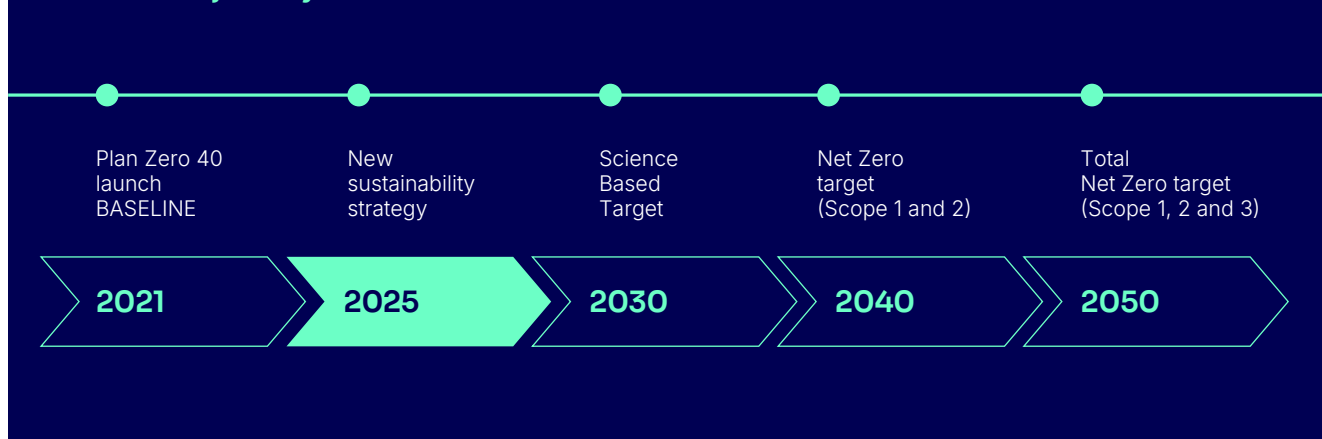
- Reduce absolute Scope 1 and 2 greenhouse gas emissions (GHG) 90% by 2040 from a 2021 base year.
- Net Zero greenhouse gas emissions across the value chain by 2050.

We also remain committed to our short-term target.

A 42% reduction by 2030 in our Scope 1 and 2 emissions against a 2021 baseline.

This has been validated by SBTi and we are currently reviewing our short-term Scope 3 targets in line with the SBTi standard.

Our Net Zero journey



Estate and assets

Babcock operates a complex estate across its global portfolio, including critical assets and infrastructure. Based on the nature of our land, air and sea operations, our estate portfolio is diverse, from dockyards and aircraft hangers to offices and manufacturing facilities. The emission profiles of our estate vary depending on site-specific operations.

Over the past few years, we have worked to develop comprehensive greenhouse gas inventories across our estate to understand our emission sources. Estate and asset-related emissions equate to 2.1% of our total footprint and arise from a variety of sources, including:

- Gas and electricity used across our sites
- Fuels (stationary combustion)
- Fugitive emissions
- Waste generated through our operations

Estate and assets emissions

Baseline emissions – 94,298 tCO₂e

FY25 emissions – 77,003 tCO₂e

Since our baseline, we have been working to deliver energy and carbon-saving improvements across our estate, including a range of 'low hanging fruit' initiatives and renewable energy installations. We continue to investigate further opportunities to improve the efficiency of our operations.

Having a strong understanding of our emissions has allowed us to develop targeted decarbonisation plans which aim to address the most carbon-intensive parts of our operations. Our Carbon Reduction Plans cover over 95% of Babcock's related emissions.

Within our new sustainability strategy, we have taken the insights and intelligence gained from the comprehensive works carried out to date, and refined the strategy to focus and target the most significant emissions sources across our operations. Whilst we continue to deliver environmental improvements across all of our estate and integrate sustainability into our estate developments, we have identified six key 'Enterprise Projects' which are critical to the decarbonisation of Babcock. The focused Enterprise Projects include initiatives related to estate management, energy demand, energy sources and energy infrastructure. Our dedicated teams are developing and implementing the delivery plans to meet our targets.

Woodville North facility in Australia

Babcock's state-of-the-art, carbon-neutral facility in South Australia opened in October 2024. The defence maintenance and manufacturing facility features a range of sustainable technologies such as solar array, ground water harvesting, electric vehicle charging stations, energy-saving lighting and intelligent controls.



Sustainability (continued)

Transport

Sustainable transport is key to our transition to Net Zero. Across the organisation, we operate a diverse range of vehicles from helicopters and fixed wing planes to delivery bikes, cars and trucks. Transport-related emissions equate to 2.1% of our total footprint and arise from a variety of sources, including:

- Aviation fuels
- Fleet vehicles
- Business travel
- Fuels used as part of distribution and logistics

Over the last 12 months we have made good progress in implementing sustainable transport solutions:

- Successfully rolled out six electric assisted vehicles (EAV) at Devonport Dockyard
- Increased the proportion of UK electric vehicles in the fleet to 31%
- Continued to harness the use of Sustainable Aviation Fuels (SAF)

Transport emissions

Baseline emissions – 64,780 tCO₂e

FY25 emissions – 75,463 tCO₂e

Since our baseline, we have delivered a range of improvements to reduce the impacts associated with transport. These include initiatives such as the introduction of an electric vehicle (EV) salary sacrifice scheme, transitioning the fleet to Ultra Low Emissions Vehicles (ULEV), the installation of electric vehicle chargers across parts of the estate, and providing colleagues with greater knowledge and awareness associated with the carbon impacts of their travel activities.

The emissions associated with our transport activities have increased since our baseline due to an increase in business travel activities and also an increase in product transportation and distribution activities.

Within our new sustainability strategy, we will focus our efforts on transitioning the Babcock fleet to ULEV and reducing business travel-related emissions.

Electric assisted vehicles at Devonport Dockyard

Following a successful trial period, Devonport Dockyard added six EAVs to its fleet. For further information on the EAVs and the launch event, please scan the QR code below.



The EAV launch
at Devonport

Products and services

Babcock has a varied product portfolio. We understand the challenges posed by climate change and aim to support our customers to address their risks and unlock opportunities.

Products-and-service-related emissions equate to 74.2% of our total footprint and arise from a variety of sources, including:

- Use of sold products and services
- End-of-life treatment

We have matured our Scope 3 footprint capabilities over recent years and are continuing to refine our calculations.

Products and services emissions

Baseline emissions – 2,102,751 tCO₂e

FY25 emissions – 2,723,220 tCO₂e

Since our baseline we have been working to build a greater understanding of the carbon footprint and impacts of our products and services. This has included carbon footprinting and baselining activities, PhD research and investigations, investigating low-carbon products and funding opportunities with our customers, and providing climate awareness training to our workforce.

The emissions associated with our products and services have increased since our baseline due to growth across a number of key products, including shipbuilding production activities and sales within our LGE business.



For further
information on our
Scope 3 footprint
and methodologies

Sustainable fuel trials

Babcock involvement in hydrogen trials

HM Naval Base Devonport in collaboration with UKSTRATCOM, Babcock and Geopura have been conducting hydrogen trials on site since October 2023. Phase 1 of the trial provided an off-grid EV charging capability that generates electricity via fuel cell technology from within a hydrogen power unit.

During Phase 2, two hydrogen-fuelled fleet vehicles were successfully trialled for a month, demonstrating how hydrogen power can be used at a complex and sensitive site. Further work is planned to investigate the wider use of hydrogen.



Value chain

Babcock has an extensive value chain across its global operations. We have thousands of suppliers providing essential products and services which allow us to deliver our operations. Supporting the decarbonisation of our value chain is essential to our sustainable transition and we are working to collaborate, influence and support the value chain.

Value chain-related emissions equate to 21.6% of our total footprint and arise from a variety of sources, including:

- Purchased goods and services
- Capital goods
- Leased assets
- Investments

We prioritise responsible sourcing and sustainability to maintain strong and ethical supply chains. Collaborating closely with our suppliers, we encourage sustainable practices to reduce environmental impact while achieving business objectives. Our efforts include promoting good labour practices, minimising carbon emissions, and conserving natural resources to create long-term value for all stakeholders.

We have published our Sustainable Procurement Policy, companion Sustainable Procurement Supplier Guidance and Supplier Code of Conduct, which align with ISO 20400 principles. These guidelines outline our sustainability expectations and emphasise reducing environmental impacts, promoting resource efficiency, and supporting ethical sourcing. They focus on reducing energy use and carbon emissions, using safer materials, ensuring workforce diversity, fair treatment and wellbeing. Additionally, they uphold high

standards of business ethics, human rights, environmental protection, risk management and transparency, to create a resilient and ethical supply chain.

Sustainability considerations are integrated into our processes, from sourcing and onboarding to supplier assessments.

In 2024, we published our Supplier Assurance Handbook to enhance transparency by detailing our ESG considerations, risk management, supplier assessments, audits and development processes. This handbook aims to foster collaboration, responsible practices and sustainable supply chain management in line with ISO 44001 standards.

Reporting Scope 3 emissions is a key focus, as it represents a significant portion of our carbon footprint and offers substantial opportunity for reduction. By engaging suppliers in sustainability efforts, we enhance supply chain resilience, reduce overall emissions and contribute to global climate goals. Our new supplier sustainability assessment tool focuses specifically on measuring and reducing carbon emissions across our supply chain.

Value chain emissions

Baseline emissions – 613,501 tCO₂e

FY25 emissions – 794,595 tCO₂e

We utilise a hybrid Environmentally Extended Input-Output (EEIO) approach to calculate the emissions from our value chain. Our value chain emissions have increased since our baseline, predominantly as a result of an increase in our procurement spend, which due to the EEIO calculation approach results in a direct increase in emissions. We are investigating alternative emission calculation methodologies to address the challenges with the EEIO approach.

Climate management instruments

Climate management instruments are used within Babcock to identify risks and support the delivery of our climate-related targets. During the previous year, we implemented Internal Carbon Pricing to allow the organisation to better understand the financial implications of our carbon footprint and ensure climate considerations are embedded within our decision-making processes.

We have decided initially to utilise a shadow carbon price, and will assess whether to implement an Internal Carbon Fee over the coming years as our maturity develops.

In FY22, we aligned Babcock's Executive remuneration with the climate-related objectives of the organisation. We believe our approach showcases our commitment to delivering positive action, spearheaded by our executive leadership. We believe this instrument has supported us to foster and embed a culture of sustainability and accountability, driving positive behaviours and rewarding for sustainable decisions that deliver our climate objectives.

In FY26, the basis of the remuneration targets will be updated to reflect and align with the new sustainability strategy. Further details can be found on page 171.

Data management

Data is the cornerstone to Babcock's sustainability strategy and fundamental in allowing us to understand, monitor and report our impacts. Supported by a dedicated sustainability data team, in recent years we have made significant improvements to the accuracy and completeness of our data sets.

Having gained approval for our data management platform in FY24, over the last year we have progressed implementation of this system.

Our new system utilises an industry-leading advanced data management platform (Envizi) which has been tailored to meet Babcock's specific needs. The system includes the end-to-end processes to enable effective and efficient data collection, analysis and reporting.

Combined with a range of process and governance improvements, Envizi will deliver significant benefits to the organisation, ensuring we are able to make evidence-based decisions and allowing us to efficiently deliver our transition to Net Zero.



Babcock Group energy consumption and emissions

		2021	2022	2023	2024
UK					
Scope 1: Direct emissions from owned/controlled operations ¹	tCO ₂ e	42,079	40,268	28,574	27,196
Scope 2 location-based: Indirect emissions from the use of electricity and steam (for illustrative purposes only)	tCO ₂ e	34,101	36,423	39,356	36,493
Scope 2 market-based: Indirect emissions from the use of electricity and steam	tCO ₂ e	58,214	61,088	63,220	57,477
Total Scope 1 and 2 emissions market-based	tCO ₂ e	100,293	101,356	91,794	84,673
Underlying energy consumption	kWh	356,705,922	377,085,531	349,834,720	333,153,659
Global (excluding UK)					
Scope 1: Direct emissions from owned/controlled operations ¹	tCO ₂ e	21,099	21,296	15,937	15,518
Scope 2 location-based: Indirect emissions from the use of electricity and steam (for illustrative purposes only)	tCO ₂ e	3,659	3,241	3,279	3,339
Scope 2 market-based: Indirect emissions from the use of electricity and steam	tCO ₂ e	3,659	3,366	3,279	3,339
Total Scope 1 and 2 emissions market-based	tCO ₂ e	24,758	24,663	19,217	18,857
Underlying energy consumption	kWh	98,756,242	99,573,158	78,305,941	76,302,062
Babcock Group total² (UK and Global)					
Scope 1: Direct emissions from owned/controlled operations ¹	tCO ₂ e	63,179	61,565	44,511	42,714
Scope 2 market-based: Indirect emissions from the use of electricity and steam	tCO ₂ e	61,873	64,455	66,499	60,816
Total Scope 1 and 2 emissions	tCO ₂ e	125,052	126,020	111,010	103,530
Total Scope 3 emissions (excluding pensions)	tCO ₂ e	2,750,279	2,793,062	3,098,916	3,566,750
Total value chain emissions (excluding pensions) ³	tCO ₂ e	2,875,331	2,919,081	3,209,926	3,670,280
Adjusted revenue ⁴	£m	3,263	3,853	4,369	4,682
Intensity ratio ⁵	tCO ₂ e/ £1m Revenue	881.1	757.7	734.8	783.9

Our emissions data is reported in line with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard under the 'Operational Control' approach. The reporting period for our energy consumption and GHG emissions is the calendar year (01 January to 31 December) due to availability of data to meet annual reporting timescales. Our base year is 2021, aligned to our approved science-based targets. Our reporting exceeds the Streamlined Energy and Carbon Reporting (SECR) requirements, including a full Scope 3 footprint. Scope 3 emissions have been calculated in line with the GHG Protocol Corporate Value Chain (Scope 3) Standard and include elements of future emissions from sold products. Total emissions are based on market-based Scope 2 emissions, since they are more representative of our energy supply contracts. Our market-based Scope 2 emissions are higher than location-based due to significant energy being provided by the energy from the waste plant at Devonport (Plymouth, UK) which has a high emission intensity. Figures for UK operations follow conversion factors published by the Department for Business, Energy and Industrial Strategy (except the supplier-provided energy from waste factors). Non-UK operations utilise emission factors applicable to the fuel source and location. Appropriate conversion factors have been used to calculate the underlying energy consumption figures. In line with our base year recalculation policy, emissions data for prior years have been adjusted in line with organisational changes and include corrected or additional data unavailable in previous Annual Reports. Emissions figures include an element of estimated data. Certain data, estimated to be immaterial to the Group's emissions, has been omitted as it has not been practical to obtain (including transport fuel in South Africa). Metering and monitoring improvements are being implemented to capture these datastreams. In line with SECR requirements, figures reported for the previous period must be stated as disclosed in the report in the preceding year, (despite these figures no longer being comparable with our current reporting period or our revised baseline): UK Scope 1 emissions – 32,458tCO₂e, UK Scope 2 emissions – 73,779tCO₂e, UK underlying energy consumption – 356,948,259kWh. Global (excluding UK) Scope 1 emissions – 21,676tCO₂e, Global (excluding UK) Scope 2 emissions – 5,700tCO₂e, Global (excluding UK) underlying energy consumption – 98,725,583kWh, Babcock Group total (UK and Global) Intensity Ratio – 563.4tCO₂e/£1m revenue. For the FY24 reporting period, we disclosed the following energy-efficiency improvements: "we delivered a number of improvement initiatives including 'low-hanging fruit' energy conservation measures, reduced use of diesel, reduced aviation operations and improvements to our energy management practices". In previous periods, we implemented a range of energy conservation measures such as LED lighting, boiler replacements, metering improvements and solar panel investigations. During FY25, the reporting period, we delivered a number of improvement initiatives including 'low-hanging fruit' energy conservation measures, switching from fossil diesel to biodiesel, and solar photovoltaic installations in South Africa. See also Middlebury case study on page 81.

- Scope 1 emissions exclude biogenic emissions. Our Outside of Scopes emissions in 2024 were 7,148.
- Figures are presented rounded to the nearest whole number, so may not sum precisely to totals (which are based on unrounded figures).
- Category 15 emissions associated with pensions investments have been calculated, but we have elected not to include these in our total Scope 3 figures. Further detail is available on our website or can be viewed on the QR code below.
- The revenue figures detailed have been adjusted for disposals and acquisitions so as to align with the recalculated emissions.
- The intensity ratio is based on the recalculated total value chain emissions and adjusted revenue figures.



Find out more about
our Scope 3 footprint
and calculation
methodologies

Sustainability (continued)

Climate-related Financial Disclosures

We are committed to decarbonising the organisation, addressing climate-related risks and unlocking climate-related opportunities. We have continued to work to improve our disclosures in line with the Task Force on Climate-related Financial Disclosures (TCFD) requirements.

As per Listing Rule 6.6.6 (8), we provide disclosures against each of the TCFD's four pillars (governance, strategy, risk management, and metrics and targets) and confirm that these disclosures are consistent with 9 of the 11 TCFD recommendations and recommended disclosures, with the exception of the following matters.

Over the last 12 months we have worked to improve our consistency with the TCFD recommendations (including implementing an internal carbon price), however we do not yet provide sufficient disclosures to be fully consistent with Metrics and Targets part a, as we have not yet established

metrics associated with capital deployment, transition risks, physical risks or climate-related opportunities. We also do not yet provide potential quantification of each key climate risk presented on specific financial performance metrics (revenues, costs), and therefore are not fully consistent with Strategy part b. Our teams are working to enhance our approach to climate risk management and address gaps in our TCFD disclosures, allowing us to disclose consistently with the TCFD recommendations. The following are our priorities over the coming year:

- Continue to mature our climate risk identification and assessment processes, to ensure that the Group quantifies the specific potential cost or revenue impact of risks and opportunities.
- Continue to develop our approach to Metrics and Targets.

Our climate-related financial disclosures comply with requirements (a-h) of the Companies Act 2006 as amended by the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022.

Additional climate-related disclosures can be found in the Risk management, Governance and Financial sections, see pages 120, 127 and 204.

Pillar (and TCFD recommendation)	Response
Governance	
Board oversight of climate-related risks and opportunities <i>a) Describe the Board's oversight of climate-related risks and opportunities.</i>	The Board has ultimate responsibility for the Company's strategy and risk management. Our Board oversees climate-related risks and opportunities, and discusses Group-wide sustainability matters as an integral part of Board strategic discussions, with a dedicated session once a year as a minimum. Climate and environmental sustainability is one of Babcock Group's principal risks (for more information please refer to page 120) and therefore climate-related risks are appropriately reviewed and considered when reviewing business strategy, the annual budget and five-year plan. During FY25, the Board or the Executive Committee had several reviews on Group-led sustainability workstreams including updates on the new sustainability strategy, decarbonisation, and Energy Saving Opportunities. The Executive Committee has direct oversight of climate-related risks and opportunities via the Risk Committee and Corporate Sustainability Committee. These matters are then in turn reported to the Board. See page 132 for further details on our organisational governance framework.
Management's role in assessing and managing climate-related risks and opportunities <i>b) Describe management's role in assessing and managing climate-related risks and opportunities.</i>	Babcock's management has direct ownership and accountability for sustainability matters across the organisation, including climate-related risks and opportunities, through the Risk Committee and the Corporate Sustainability Committee (CSC). Babcock's CSC is a Principal Management Sub-Committee to the Group Executive Committee. The CSC is responsible for Group-wide sustainability initiatives, the management of climate-related issues and driving the wider sustainability agenda. The CSC meets on a quarterly basis and is attended by Sector and Direct Reporting Country (DRC) CEOs along with other Executive Committee members. The CSC is chaired by Babcock's executive sponsor for sustainability, Land Chief Executive Officer, Tom Newman. Progress on TCFD compliance and our environmental targets is reported to the CSC. Actions required to further climate-related risk management activities are overseen by the Risk Committee in line with Babcock's Risk Management System (RMS). Babcock's approach to sustainability and climate risk management is directed and co-ordinated by the Group Sustainability Team, working closely with operational sustainability professionals throughout the business.

Pillar (and TCFD recommendation)	Response
Strategy	
How the Company is responding to short-, medium- and long-term risks and opportunities <i>a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term; and</i> <i>b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.</i>	We identify and model climate risks over the following horizons: short term (present to 2030), medium term (2030 to 2040) and long term (2040 to 2100). The horizons are aligned with our short-term 2030 science-based targets, medium-term 2040 decarbonisation targets and our longer-term 2050 Net Zero targets. Modelling risks over a long-term horizon allows us to identify and assess impacts which may materialise up to the end of the century, depending on the global climatic conditions. Babcock continues to operate a top-down, bottom-up approach to climate risk management, with the policy and strategy set at Group level, and responsibility for delivery within the sectors and direct reporting countries (DRCs). Sectors and regions consider the insight and outputs from the climate-related risk assessments, and identify the actions required to deliver corporate climate impact reduction commitments. Such risks and actions are considered in forecasts including in the annual budget and five-year strategic plan. In addition, consideration has been given to the climate risks and opportunities register as potential areas of material financial reporting impact on critical accounting judgements or key sources of estimation uncertainty, with no current perceived material impact on such judgements or estimates. While climate-related matters are not considered to have a material impact on the Group's critical accounting judgements or key sources of estimation uncertainty, the Group is working to implement an effective approach to identify, assess and respond to climate risks appropriately to ensure the continuing resilience of the business model. The climate risk identification and assessment approach is currently being updated to ensure that the Group quantifies the specific potential cost or revenue impact of risks and opportunities.
Scenario analysis that the Company considers to assess risks and inform strategy <i>c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.</i>	In line with the prior year, the Company considers two potential future climate scenarios which use economic constraints associated with the International Panel on Climate Change's (IPCC's) Shared Socioeconomic Pathway 2, middle-of-the-road scenario: a Paris-aligned 1.5°C for the best-case scenario and a business-as-usual 4°C scenario for the baseline scenario. The 1.5°C scenario simulates a potential future pathway of the world economy assuming a successful introduction of climate policies, thereby reducing the likelihood of severe climate-related weather events. The 4°C baseline, utilised and agreed by climate modelling experts within the IPCC, assumes the scenario in which no further intervention on climate change is taken, leading to a global-mean temperature rise of 4°C above pre-industrial levels by 2100 and an associated increased likelihood of climate change-related weather events. Climate risks are evaluated from physical and transition perspectives and are assessed over the two scenarios (1.5°C and 4°C). Physical risks: assessed against eight climate hazards. Acute physical risks were considered, which are event-driven, including increased frequency and severity of extreme weather events including: river flooding, forest fires, extreme wind, soil subsidence, surface water flooding and freeze-thaw effects. Two chronic physical risks were also considered which refer to longer-term shifts in climate patterns: extreme heat and coastal inundation. Transition risks: our assessment disaggregates these economic considerations to a market level, producing price and volume impacts on commodities and sectors across the global economy, against which our supply chain cost structure was assessed. As outlined in the climate risks and opportunities table on (page 76), we have assessed the impact of physical and transition climate change risks on the relevant parts of the business, and also outlined how identified climate-related issues are considered in our business decisions and how these may shape future strategy. As part of our risk management process, we have a process for identifying and assessing climate change risks and opportunities and responding appropriately to ensure resilience of the overall business strategy. A summary of our perceived exposure to climate risk and opportunities against the above scenarios is outlined in the climate risks and opportunities table on (page 76) and details of the control measures are also provided.

Sustainability (continued)

Pillar (and TCFD recommendation)	Response
Risk management	
Identification, assessment and management of climate-related risks <i>a) Describe the organisation's processes for identifying and assessing climate-related risks.</i> <i>b) Describe the organisation's processes for managing climate-related risks.</i> <i>c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.</i>	Climate risk identification and assessment is integrated into our Enterprise Risk Management Framework for reporting, escalation and corporate oversight. On a quarterly basis, climate-related risks and opportunities are reported and reviewed by Group Risk and Group Sustainability teams to monitor individual and thematic risks and opportunities across the Group. Quarterly reporting and review include proposed control measures, and updates against prior control measures. Specific sector and country-identified climate risks are reviewed quarterly by the Risk Committee, as well as being reported into the Audit Committee quarterly and the Board annually. Our Enterprise Risk Management Framework provides a consistent basis for assessing the severity of risks against different classes of risk impact, such as those relating to financial or people impacts. For more information on our Enterprise Risk Management Framework please refer to page 107. We previously identified the maturity of climate risk management as low and our approach has not changed for the current assessment; however, our Climate Risk Working Group has been working with industry specialists over the past 12 months to refine and enhance our approach. Following investigations, we have refined our approach to the identification of physical and transitional climate-related risks and opportunities, and we shall continue to roll out this improved approach during 2025. These enhancements will allow us to be fully compliant with the 11 TCFD recommendations.
Metrics and targets	
Metrics and targets used to assess climate-related risks and opportunities <i>a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.</i> <i>b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions and the related risks.</i> <i>c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.</i>	We monitor and report against the following cross-industry metrics: Greenhouse gas emissions are reported externally in line with the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard. Throughout the year, we have matured the understanding of our Scope 3 footprint and we now have a detailed view of our entire value chain footprint. We are continuing to develop the maturity of our Scope 3 footprint calculations. For Scope 1, 2 and 3 greenhouse gas emissions and details on calculation methodology, please refer to page 71. Details of the target and our progress is detailed on page 66. Electricity from renewable sources is an externally reported metric. In 2024, electricity from renewable sources equated to 30% across our global operations. This is an increase from 29% in 2023. Executive remuneration – In FY26, the basis of the remuneration targets will be updated to reflect and align with the new sustainability strategy. Further details can be found on page 69. For further details on remuneration linked to sustainability-related targets, please refer to page 171. Capital deployment is a metric used internally to assess progress against our Carbon Reduction Plans. In addition, Babcock's Net Zero targets and decarbonisation plans have now been validated by the SBTi. Internal carbon price – During the previous year we introduced Internal Carbon Pricing into the organisation, initially opting to utilise a Shadow Carbon Price. We used a March 2025 spot price of the UK Emission Trading Scheme (UKETS) to set the shadow carbon price for FY25. The spot price of £43.51 per tonne was applied to the Group's Scope 1 and 2 emissions (103,653 tCO₂e) to calculate the FY25 shadow cost of carbon for the organisation, equating to £4.505 million. We are working as part of our improvement plan to develop metrics associated with transition risks, physical risks and climate-related opportunities. ● Details on our environmental sustainability targets can be found on pages 66, 80, 82

Climate-related risks and opportunities

Physical risks

Physical risks are assessed against eight climate hazards. Acute physical risks were considered, which are event-driven, including increased frequency and severity of extreme weather events:

- Riverine flooding
- Forest fire
- Extreme wind
- Soil subsidence
- Surface water flooding
- Freeze-thaw

Two chronic physical risks were also considered which refer to longer-term shifts in climate patterns: extreme heat and coastal inundation.

Transitional risks

Economic analysis was used in FY23 to assess transition risks. The global economic model analysed the potential carbon emissions of economic activities and the consequential impact on macroeconomics of constraining these emissions, in order to achieve the target global-mean temperature at 2100. The economic model disaggregated these economic considerations to a market level, producing price and volume impacts on commodities and sectors across the global economy, against which our supply chain cost structure was assessed. Our approach has not changed since our previous assessment, however our climate risk working group is working to update our assessment during 2025.

Opportunities

Over the last few years, we have pushed to capitalise on opportunities which will support the development of a greener economy:

- Babcock's Liquid Gas Equipment (LGE) business has won a milestone contract from a ship owner in South Korea to deliver its first cutting-edge ecoCO₂® cargo handling system for two 22,000m³ liquefied CO₂ (LCO₂) carriers. In an exciting development for the business, the ecoCO₂® cargo handling system is the world's first cargo handling and reliquefaction system for a low-pressure cargo tank design. LGE is also investigating bulk marine transportation of hydrogen, in the form of ammonia (rather than pure liquid hydrogen), and the capture, transportation and storage of CO₂ from current emitters (ie end-to-end solutions for liquefied CO₂ carriers).

- Across our UK operations, we have identified energy-and-cost-saving opportunities as part of our Energy Saving Opportunity Scheme (ESOS) Phase 3 compliance works. We will work to deliver on our Energy Action Plans during 2025. We are continuing to develop Marine R&D programmes to capitalise on potential new markets, and our PhD student is conducting studies to identify sustainable maritime opportunities. Within our aviation business, we are working with the RAF to demonstrate how new technologies to minimise the environmental impact of flying training can be certified for wider use. Significant milestones have been maturing the aircraft design, production of the net carbon zero synthetic fuel that will power it, and completion of a Life Cycle Assessment of the environmental impact of producing light training aircraft. Early concept work on a hybrid powertrain has produced better-than-expected results, prompting the RAF to request further information on how this may be developed.
- Babcock's helicopter emergency services business is investigating the use and environmental impact of Sustainable Aviation Fuel with an air ambulance charity.
- Babcock UK Aviation is working with Defence to evaluate how to develop materials circularity in a circular economy model. Together with a UK SME we are aiming to demonstrate and assess the scalability of extracting critical materials from composite materials in defence equipment across sea, land and air. This will provide resilient material supply chains and reduce the environmental impact of current disposal methods.
- Across the organisation, we continue to work with a variety of customers to support their decarbonisation journeys which presents commercial opportunities for Babcock; however due to sensitivities, we are not able to disclose further information.

Sustainability (continued)

Climate risk and opportunity	Description	Affected sectors and regions	Impact horizon
People welfare (Physical risk) Disruption to operations	Disruption to staff and operations due to weather conditions with difficult/unsafe working conditions.	All (Global)	Short / medium
Cost of business (Transition risk) Supply chain disruption	Increased climate-related regulation, such as taxes on fossil fuels, may affect Babcock's supply chain cost base or viability of supply chain companies.	All (Global)	Short / medium
Business delivery and continuity (Physical risk) Asset damage and operational disruptions	Dockyards owned/operated by Babcock may be flooded due to an increase in sea level and higher frequency of extreme weather, resulting in storm surges.	Marine Nuclear (UK & Australasia)	Medium / long
Future services (Transition and physical risks) Global energy mix changes	Demand impact to LGE, Civil Nuclear services and emergency services.	All (Global)	Medium / long

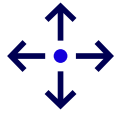
	Findings	Control measures
	Site disruptions due to physical risks are dominated by flooding at Bristol Ashton Vale and forest fires in Manitoba. The likelihood of extreme heat increases at other sites. Although physical hazards represent a greater percentage of revenue in the 4°C scenario, we could experience greater overall growth in the 1.5°C scenario. Therefore, physical hazards could still result in high levels of lost revenue in both scenarios.	Our control measures are unchanged from the previous year. At our three sites exposed to extreme heat risk, occupational health assessments have identified those working in higher-risk scenarios such as field service mechanics and confined space maintenance operatives. Training, hazard notices and health guidance are installed at these sites to recognise early signs of temperature-related health conditions, such as heat stroke.
	Labour cost changes drive the risk within Babcock's supply chain. Direct carbon costs also increase significantly as a result of government pressure on decarbonisation. Variations in other costs are seen to be less significant up to 2050. Cost increases could be greater in the 1.5°C scenario because of larger labour and carbon cost increases as well as greater growth overall. Supply chain disruption because of the transition to a Net Zero economy is therefore considered a significant risk.	In 2024, we broadened our analysis to encompass 1,000 of Babcock's key suppliers. This comprehensive analysis allowed us to map the trajectories of six critical physical hazards and socioeconomic risks. Despite the extensive nature of our study, we did not identify any immediate significant impacts. To enhance our risk resilience, we have updated our tool to map our supply chain against vital climate change indicators. This proactive approach enables us to identify and address vulnerabilities effectively. In our continuous effort to improve our operations, we have implemented a new spend management platform. This platform standardises our sourcing and onboarding processes, ensuring a consistent approach across the majority of our operations. Furthermore, we have updated our Supplier Code of Conduct to incorporate sustainable practices as a standard requirement. This step reaffirms our commitment to sustainability and responsible business practices.
	Dockyard disruption due to coastal flooding has not been identified as a significant physical risk in terms of business interruption or value at risk. However, the scope of this desktop assessment does not consider all aspects of dockyard construction and further on-site analysis for key sites is recommended. Similar to the dynamics of "People welfare", sea level rise is greater in the 4°C scenario. However, potential greater demand for services in the 1.5°C scenario could result in higher levels of lost revenue from a coastal inundation event. Therefore, in both scenarios coastal inundation could cause similar levels of financial impact.	Across parts of our operations, we use natural external hazards assessments to consider the impact of low-probability risks, such as extreme weather events. Devonport mandates these assessments onsite as part of our requirement to ensure full through-life management of our nuclear facilities and to meet established nuclear safety standards, subject to both Defence and Civil Nuclear regulation. To then appraise the best environmental options for infrastructure designs, Devonport works with industry leads, our customers, and the local authority to conduct Defence-Related Environmental Assessment Methodology (DREAM) assessments and Best Available Technique (BAT) reviews where applicable. We are working to improve our understanding of physical risks as part of our Climate Risk Working Group.
	Demand for LGE's services in the 4°C scenario could see strong growth but significant reduction in the demand for gas in the 1.5°C scenario could result in reduced revenue. Demand for Civil Nuclear could fall in the 4°C scenario and grow in 1.5°C because of changes to the competitiveness of nuclear power. The transition to low-carbon fuels in the 1.5°C scenario may limit the global demand for gas, potentially reducing demand for LGE's services. Higher carbon taxes may also impact the competitiveness of nuclear power, increasing demand for Civil Nuclear services. In 2050, the combined impact of these changes in demand results in a significant difference between scenarios. In the medium term, there will likely be an increased demand for emergency services, search and rescue, and emergency firefighting activity in Canada due to extreme weather. Similarly, South Africa has also identified the long-term opportunity to enter the firefighting sector due to extreme weather. As a further result of extreme weather, Babcock Australia has identified the opportunity to provide Emergency Medical Support and aid to new geographies in Australia. Babcock Canada has identified the opportunities associated with infrastructure development, resource extraction, and marine access due to melting ice.	Our control measures are unchanged from the previous year. We aim to continue to develop our ammonia fuel gas supply system, as well as solutions for the transportation and storage of CO₂ in line with customer and legislative requirements. This will ensure that we are optimising efficiency while developing zero-carbon solutions and increasing business resilience against carbon pricing and its potential result of falling liquefied natural gas demand. To maximise these opportunities, the given sectors have identified the need to monitor any changes or surges in requirements, the need to conduct careful feasibility planning/assessment, and the need to respond rapidly and agilely to customer requirements, such as the redeployment of assets, in the medium to long term.

Sustainability (continued)

Climate risk	Description	Affected sectors and regions	Impact horizon
Increased regulation and demand for low-carbon solutions (Transition risk)	Regulatory pressures and low-carbon requirements cause changes to customer contracts and business models, leading to demand reduction for Babcock services and rendering existing technology unable to meet requirements.	All (Global)	Short / medium
Shifting energy generation markets (Transition risk)	Shifting energy generation markets result in disruption to customer base and demand for Babcock services. Customers change business models because of regulatory/physical impacts on operations and demand reduces for Babcock services/products.	South Africa	Short / medium
Technology adaptation (Transition risk)	Babcock may need to increase its spend on R&D and new technology activities to adapt to climate change.	All (Global)	Short / medium
Failure to decarbonise Devonport (Transition risk)	Low-carbon electricity will be required to deliver Babcock's decarbonisation targets.	Marine Nuclear (UK)	Medium / long

Findings	Control measures
Under both scenarios, the air transport sector may grow, albeit at different rates. Falling carbon intensity of the air transport sector occurs under both scenarios with the greatest decarbonisation in the 1.5°C scenario. Failure to decarbonise in line with the increased rate and extent of decarbonisation within the aviation sector in the 1.5°C scenario could result in greater lost market share when compared with the 4°C scenario. We are working to identify risks of changes in stakeholder attitudes towards climate change which will likely be coupled with increased regulation. The Marine sector has identified increased regulation to be a risk in the short term, whilst on a similar timescale, both Marine and Land have identified the requirement to provide low-carbon solutions. In the medium term, South Africa has identified an increased demand for construction equipment and plant services for low-carbon energy developments because of changes in powerplant regulations, an increase in electricity production requirements, and the increase in mining of wider materials. In the medium term, Canada has identified likely new low-carbon fuel opportunities with existing and new clients associated with this transition.	We are investing to ensure regulatory compliance within new sustainable fuel and platform contracts, such as Project MONET, currently mobilised to investigate synthetic fuel application within Defence, specifically light aircraft for elementary flight training. Babcock Aviation is also continuing to work with industry leaders such as Vertical Aerospace, to look at the applications of Electric Vertical Take off and Landing (eVTOL) aircraft within our current and future capabilities. Marine has invested in the Engineering Concept and created the Clean Maritime Subject Matter Expert (SME) group. Land is pursuing both Zero Fuels and the electrification of emergency service vehicles / EV conversion capability, including delivery of a pilot project for electrifying Land Rovers, and has developed working relationships with leading electric propulsion technology partners. South Africa will continue to monitor the offering of new Original Equipment Manufacturer (OEM) technologies to customers as and when they become available. Canada is monitoring the realistic possibility of government funding and incentives to capitalise on low-carbon fuel opportunities, whilst the business continues to investigate synthetic fuel applications in Defence and eVTOL aircraft.
In Africa, electricity generating technologies may vary between the 1.5°C and 4°C scenarios. Babcock's established support services with steam-based energy generators is seen to be constrained in the 1.5°C scenario. The potential shift from thermal electrical generation to renewables in the 1.5°C scenario may result in reduced revenues for Babcock's South Africa engineering services when compared with the 4°C scenario. In the short term, the opportunity is identified to own and/or operate part of a 100MW power plant with the possibility of producing renewable energy in certain areas of the plant. It has also identified the opportunity for energy storage and green hydrogen storage deployment in the long term.	We currently undertake emissions abatement projects such as an enhancement strategy to maximise all opportunities within nitrogen oxides (NOx), sulphur oxides (SOx) and particulate matter (PM), and are working with technological partners to identify further abatement projects. Possible further opportunities are now being assessed such as the conversion of fossil fuel boilers to "Clean Coal Technologies" over the next 10 to 20 years, the repurposing of current coal-fired stations, and the next steps to evaluate the nuclear energy market regarding our entry levels and required qualifications. South Africa's market opportunity in power generation is being investigated through the engagement with local initiatives, forums, and the creation of a specific Customer Relationship Management system. Exploring the opportunity for energy storage and hydrogen storage is being managed with the early engagement of potential energy technology partners.
Under both scenarios the water transport sector may grow. However, growth will be greater under a 4°C scenario. Nonetheless, decarbonisation occurs under both scenarios with greater decarbonisation in the 1.5°C. Failure to decarbonise in line with the increased rate and extent of decarbonisation across the economy in the 1.5°C scenario could result in greater lost market share when compared with the 4°C scenario. Climate-related regulation, policy, and physical risks arising from climate change will require new technical approaches. The transition to a low-carbon economy is likely to introduce disruptive new low-carbon solutions. Babcock's R&D into low-carbon technologies and resilience measures against physical changes to the environment likely places Babcock in a leading position.	Through projects such as Neptune, Babcock Marine is building our market awareness of new marine-based technologies available. Our newly formed Clean Maritime SME Group is the knowledge focal point in marine engineering for new green technologies and low-emission fuels. The combination of our high-level engineering skill, with LGE and the Nuclear expertise, provides Babcock with the opportunity of being at the forefront of the green technology race, with potential capitalisation in IP and skills.
The Devonport site experiences significant cost increases under a 1.5°C scenario due to the impact of direct carbon prices. Energy and gas costs would increase, most notably following the expiry of the Energy from Waste contract in 2040 and a switch to the market mix. The introduction and increase in carbon taxes in the 1.5°C scenario could result in higher costs to Babcock when compared with the 4°C scenario. In the medium term, not achieving our decarbonisation targets could result in Babcock failing to meet customer expectations.	Across the organisation we are developing carbon reduction plans, which map out the decarbonisation activities required to deliver our emission reduction objectives. We have also identified opportunities for the installation of renewable energy assets across various sites which will drive operational efficiency.

Sustainability (continued)



Managing our resources responsibly

Babcock uses a wide range of resources across its global operations, and the consumption of materials and resources is a significant contributor to Babcock's environmental footprint. We understand our responsibility to minimise the impacts of our operations. Therefore, delivering responsible resource management is one of our sustainability priorities, yielding improved cost and efficiency benefits as well as reduced environmental impacts.

Our approach to resource management considers our use of materials and interaction with natural resources. We are working to ensure all aspects of responsible resource management are embedded throughout our product lifecycles and integrated into our business operations.

We previously communicated a range of issue-specific targets and commitments including:

- Preparing waste management plans across all significant sites by 2024 – 41% delivered
- Preparing water management plans across all significant sites by 2024 – 40% delivered
- Achieving zero controlled waste to landfill by 2025 – data on progress not available
- Eliminating the use of avoidable single-use plastic by 2027 – data on progress not available

Whilst these remain key enablers to our sustainable transition, moving forward we have decided to focus our external reporting on the six sustainability priorities and associated targets.

Within our new sustainability strategy, our Group-wide targets are initially focused on reducing the consumption of energy across our global operations.

We have set a 15% energy efficiency improvement target by 2030 against a 2024 baseline.

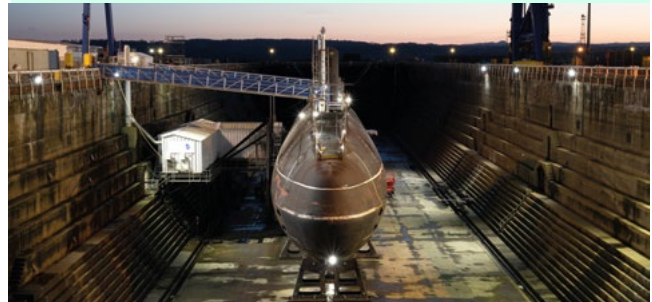
This new energy efficiency target is the equivalent of the Group achieving an energy intensity of 51kWh consumed per £1k revenue generated by 2030, down from the 2024 baseline of 60kWh per £1k revenue.

Over the coming 12 months, our focus is to deliver the Energy Action Plans across the organisation and to run an awareness-raising and behaviour change campaign to highlight opportunities to improve efficiency and eliminate energy leakage.

Innovating to deliver high levels of recycling – submarine dismantling project

Through collaboration with our supply chain, Babcock has applied a new and innovative methodology which will enable around 90% of the dismantled submarine structure and components to be reused or recycled.

Babcock's innovation will lead the way for the UK, providing a proven approach for recycling of the current UK decommissioned fleet of submarines.



IT re-use energy efficiency

We're proud to work with suppliers that align with our environmental priorities and support our mission to identify trends and opportunities to re-use and recycle our IT services where feasible.

Over the last year, we have saved the equivalent of 70 tonnes through the re-use and recycling of IT equipment alone. We have remained consistent with our previous year (71 tonnes) and we have achieved over a one-third increase in saved landfill from the previous year (from 306m³ to 433m³).

This was driven in part by refresh equipment initiatives, particularly for laptops, that enabled us to modernise our estate for the future, create increased opportunity for re-use of equipment and support our agile working environment.

Looking forward, we are identifying further opportunities to increase our use of re-useable, sustainable IT equipment that will support the functionality delivered to our users through our Athena programme.

Data 06/04/2024 – 31/03/2025



A total of
2,346 trees

would be needed to offset
the carbon emissions



The carbon emissions saving is
equivalent to the yearly emissions of
112 cars



The energy saving is equivalent
to the annual energy supplied to
136 homes



A total saving of
433m³ landfill
space, avoiding a cost of **£45,010**
in landfill tax



Babcock Africa's commitment to sustainable energy solutions

At our Middelburg site, one of our largest operational hubs, we invested in a solar power system that became fully operational in April 2024. The system consists of a 150-kilowatt hybrid inverter and 198 x 550-watt solar panels. Since its installation, it has generated 100,489 kWh of electricity, reducing our CO₂ emissions by 109.73 tonnes. This system not only reduces our reliance on the grid during the day but also integrates battery storage to ensure power availability at night and during power outages, effectively reducing the need for diesel-powered generators.

Further reinforcing our commitment to sustainability, Babcock Africa supported the installation of a solar energy solution at our Bedfordview head office. This system, featuring 106 x 525-watt solar panels, has generated 81,133 kWh to date, reducing CO₂ emissions by 82.3 tonnes. This initiative complements our broader efforts to transition to renewable energy, enhance operational resilience, and reduce carbon emissions across our operations.

Sustainability (continued)



Protecting the natural environment

Throughout our global operations, we interact with a diverse range of habitats. We recognise their value to society and the planet. Preserving and enhancing the biodiversity of the environments in which we operate is a priority that underpins our efforts to safeguard the environment.

Our efforts are guided by global drivers which introduce targets for businesses to assess their interactions with nature. We are actively exploring new disclosure regimes including the Taskforce on Nature-related Financial Disclosures (TNFD), applying the Locate, Evaluate, Assess and Prepare (LEAP) framework across our key estates and assets to better understand and address nature-related risks and opportunities.

As a member of the UK Business and Biodiversity Forum, we continue to engage with UK companies to understand new legal and voluntary requirements and to assess the value of biodiversity and nature for business. By drawing upon frameworks such as the TNFD, we aim to systematically manage our nature-related dependencies, while proactively identifying and mitigating risks, and unlocking opportunities that foster long-term sustainability.

We implement environmental management systems across our operations to minimise our impact on, and address risks around, the natural environment. As our awareness of nature-related impacts and dependencies evolves, and as new legislation comes into force, we continue to identify innovative opportunities to enhance natural habitats and integrate nature-based goals and objectives into our governance and operational frameworks.

We previously communicated a range of commitments and targets which include:

- Conduct biodiversity assessments across all significant sites by 2024 – 31% complete
- Deliver a 10% biodiversity increase across the estate by 2030 – data on progress not available

Our new sustainability strategy reinforces the Group-wide priority to protect and enhance the natural environment.

Our new natural environment target is to deliver a 10% biodiversity Net Gain across our most significant sites (where we have full operational control) by 2030

Building on our previous biodiversity assessments, our teams are developing evidence-based guidance and implementing plans to enhance the habitats across these key locations.

Progress against our nature targets will be reported in a qualitative manner whilst we develop our plans and mature our calculation methodologies.

As sustainability becomes ever more integral to our decision-making processes, we will continue to explore how nature-related priorities can align with a wider range of commitments including supporting mental health and wellbeing issues, addressing climate change, and enabling resource efficiency. Notably, our nature-based improvements are being developed in tandem with these wider objectives and commitments, ensuring an interconnected and holistic approach to sustainability.

Cavendish Nuclear partnership with The Eden Foundation



In FY25, Cavendish Nuclear set up a partnership with a social enterprise organisation, The Eden Foundation (previously called Eden Greenspace), in order to enable the opportunity for staff to support a range of UK-based environmental improvement projects. Three projects have been identified through the partnership:

1. Climate – peatland restoration, Scottish Lowlands
2. Nature – wildflower meadows, Wales
3. Pollution – marine plastic removal, Cornwall

Work will continue over FY26 to support these three projects. Furthermore, Babcock is increasingly establishing partnerships with local charities to put nature at the heart of action in key locations:

- Working with the Bristol Avon Rivers Trust, where over the past year volunteers have donated 315 hours in support of balsam bashing, river restoration and clearing.
- Volunteering with the South West Peatland Partnership on Dartmoor, to increase the water table and to provide conditions for new peat to generate.



Environmental protection

Babcock is committed to upholding the highest standards of environmental management across all operations.

We ensure the protection of the environment through the implementation of Environmental Management Systems (EMS) across our sites. Using EMS, Babcock is able to deliver a wide range of environmental improvements, such as:

- Reducing energy demand
- Restoring and enhancing biodiversity
- Improving waste management practices
- Managing water consumption
- Reducing pollution events

We are driving the adoption of ISO 14001-certified Environmental Management Systems across our business.

Currently, Babcock operates 24 ISO 14001-certified EMS that cover 66% of the business, with over 90% EMS coverage when factoring in non-certified EMS. This demonstrates our dedication to embedding robust practices that continually improve our environmental performance, while addressing risks and opportunities related to sustainability.

We have also introduced Group-wide Environmental Management Requirements that provide a clear framework to ensure consistency, accountability and progress across all our Environmental Management Systems. These requirements are reviewed annually along with our Group-wide programme of activities under the Environmental Protection Working Group.



Ensuring the health, safety and wellbeing of our people

Babcock's Purpose – to create a safe and secure world, together – includes our unwavering commitment to the health, safety and wellbeing of our people. We strive to achieve the highest standards in all areas to ensure everyone can go home safe every day.

Having made significant progress in reducing the number of accidents, we are now broadening our focus to reduce absences through improvements in occupational health provision and individual case management to support colleagues back to work safely.

Therefore, as part of the new sustainability strategy we have set ourselves the target:

Reduce the number of days lost due to work-related injuries and occupational illnesses by 10% by 2030 using FY25 as the baseline.

Governance and assurance

Working across the enterprise, we continue to collaborate across sectors, functions and throughout the value chain to embed consistent processes and share good practices that support safe operations. We have completed the baseline organisational assurance of all sectors and Direct Reporting Countries, transitioned to a single certifying body for ISO 9001, 45001 and 14001 accreditations across Babcock, and continue to expand the use of Synergi Life, our integrated management information system. We have conducted reviews across our working environments, including where we are co-located with customers and suppliers, and are working together to raise the workplace standards.

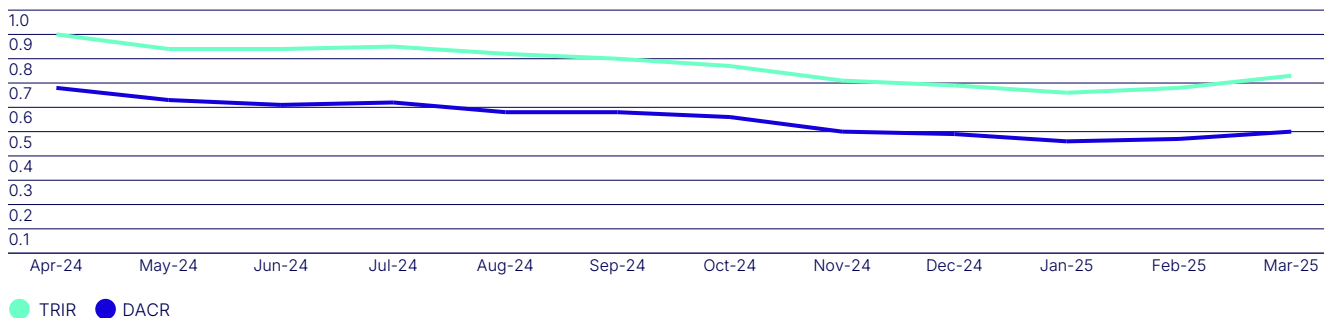
Setting Babcock expectations and embedding common approaches have strengthened our risk controls and brought multiple benefits.

Through building an assured risk picture across Babcock, we have identified areas for targeted interventions and shared lessons to enable continuous improvement.

Having introduced a consistent framework for operational resilience, we are identifying focus areas to improve resilience and responsiveness, including emergency response. We have developed and are delivering impactful Senior Leader safety and compliance training to our leaders from across the business, reinforcing the importance of including health and safety considerations in every decision and action.

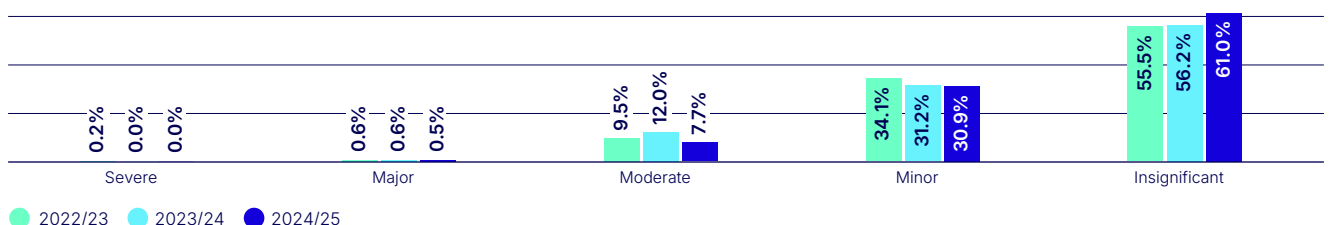
Maturing as a learning organisation, we learn from assurance, events and proactive observations. By taking actions to continuously improve we have successfully reduced the number of work-related injuries and illnesses, as evidenced by the significant reduction in TRIR, DACR and severity of injuries during the year.

Total Recordable Injury (TRIR) and Days Away Case (DACR) Rates



- Number of recordable work-related injuries and illnesses multiplied by 200,000/total working hours (200,000 hours represents 100 employees working 40 hours for 50 weeks per year).
- Number of recordable work-related injuries and illnesses resulting in one or more days away from work multiplied by 200,000/total working hours (200,000 hours represents 100 employees working 40 hours for 50 weeks per year).

Severity of reported injuries



Sustainability (continued)

Home Safe Every Day

Home Safe Commitments

Building upon the **Safety Starts with Me** behaviours programme, we set out on a campaign to engage everyone in **seven core safety behaviours**, and for every leader to create the right environment for those behaviours to thrive.

These behaviours are our Home Safe Commitments and they reinforce the personal safety behaviours that

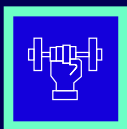
'I always...'



plan work with safety in mind



protect myself, others and the planet from safety, health and environmental hazards



make sure I am **fit and trained** to safely carry out my work



assess and control risks before I **set to work**



use the correct and safest **tools and equipment** for the job



speak up if I see something unsafe



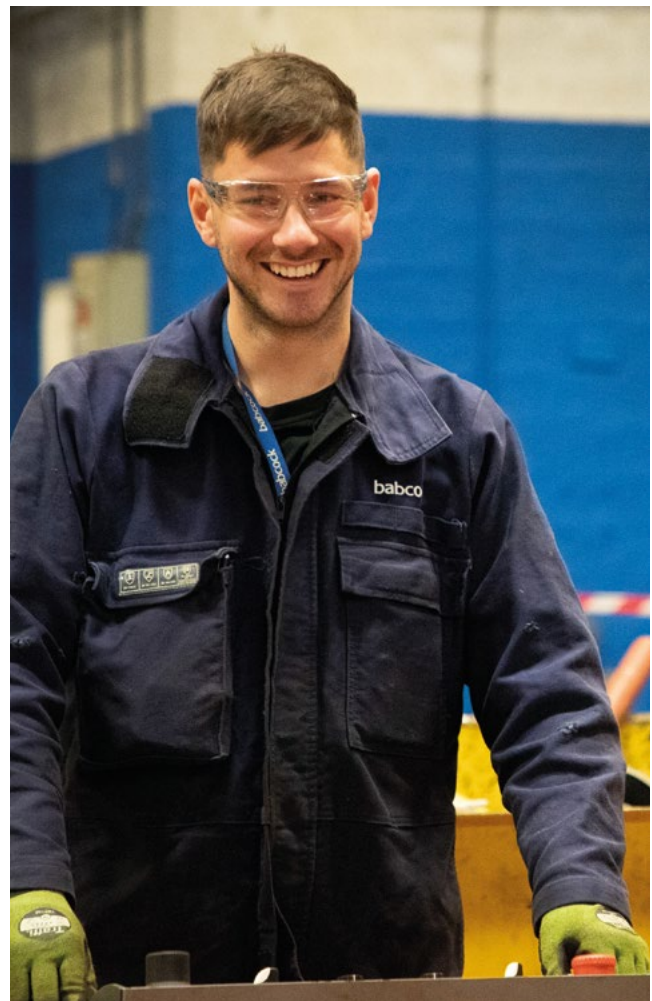
pause or stop work if things change, or I have a safety concern

We launched common Home Safe Awareness and Human Factors training for all, leaders held team discussions about each commitment, and the Home Safe Summit in November saw more than 3,500 people participate globally in interactive learning by applying the commitments in realistic scenarios.

We continued to celebrate positive safety behaviours through our Safety Stars recognition scheme with Stars across the globe.

The annual Safety Stand-down theme was 'looking after our health at work' and this started with a live-streamed Executive Committee Question and Answer session. We encouraged teams to discuss the potential impacts of physical and mental health hazards and how the commitments help to manage these. The Home Safe campaign was commended in the UK Safety and Health Excellence Awards.

In line with our new sustainability target on reducing days lost due to work-related injuries and illnesses, we will continue to develop our focus on health and wellbeing. We will validate our absence data from multiple sources to baseline and give insights for targeted plans for supporting our people back to work safely. Developing the Whole Person Approach, which recognises the interconnectedness of mental and physical health as well as internal and external factors that affect our people, we will continue to collaborate across the enterprise to drive improvements to our working environments.





Building an inclusive, diverse and resilient workforce

Our people are the foundation of our success. Our ability to deliver for our customers and stakeholders depends on the skills, resilience and diversity of our workforce. In a dynamic world, we are committed to fostering an inclusive, equitable and high-performing culture where every colleague can thrive.

As part of our ongoing commitment to building an engaging and rewarding colleague experience, we are excited to launch a free share award programme for all colleagues. This initiative will allow eligible colleagues to share directly in Babcock's success, recognising their contributions and strengthening their connection to the Company's future. By offering shares, we aim to foster a deeper sense of ownership, boost morale, and align colleague and shareholder interests. Over time, colleagues could benefit financially from the appreciation of Babcock shares, receive dividends, and enjoy associated tax advantages where applicable, helping them to build personal wealth while contributing to a culture of shared success.

Our strategy continues to prioritise inclusion and diversity (I&D), leadership and wider capability development, wellbeing and early careers, supported by robust governance and measurable goals. Through targeted initiatives, strategic partnerships and inclusive policies, we are creating a workplace where talent is recognised, supported and developed, reflecting the communities in which we operate.

Embedding lasting change

Diversity strengthens our business. It enables innovation, supports decision-making, and reflects the customers and communities we serve. We are embedding I&D across our operations by taking action throughout the colleague lifecycle, focusing on attraction, recruitment, career development, leadership and cultural change.

This year, we reinforced our commitment to I&D through a range of initiatives. We continued to grow our eight colleague networks, which include B4ME (Babcock for Minority Ethnic), the Gender Balance Network, the Disability & Carers Networks and Pride in Babcock, our colleague network that represents the LGBTQ+ community. All our networks play a vital role in amplifying colleague voices, shaping inclusive policy and fostering belonging.

Colleague wellbeing is embedded in our approach, with continued investment in initiatives such as our Employee Assistance Programme, mental health first aiders and proactive wellbeing support.

As part of our new sustainability strategy, a core priority remains increasing female representation. We are actively working towards our target of:

30% women in our workforce by 2030

In calendar year 2024, women represented 19.5% of our total workforce, up from 18% in 2023. While progress is evident, we recognise the need for continued focus to attract, retain and develop women at all levels of the organisation.

To support this, we launched tailored initiatives. This included our 'Mentor Match', a digital platform designed to inspire and support the professional growth of our people. We piloted 'Illuminate', a women's empowerment and development programme designed to enhance confidence, capability and career mobility. We also sponsored the Women in Manufacturing event in Bristol and supported multiple industry forums aimed at increasing female participation in STEM.

"The mentoring scheme has been exceptional; I've learned some invaluable lessons; developed a great working relationship with my mentor; and achieved the goals I had set out for myself."

"This has been extremely valuable for my growth and development over the past year. My mentor has enabled me to build my confidence, have an independent person to speak to outside my team with any concerns I had, and this has significantly helped me as someone new into Babcock. I do not think I would feel as I do now without the support and conversations of my mentor."

We continue to build inclusive recruitment processes, including the use of diverse interview panels and targeted outreach to underrepresented communities. Our commitment extends to veterans, early careers, and individuals with disabilities. In FY25, we welcomed over 727 veterans and service leavers, recognising the unique skills and perspectives they bring to Babcock.

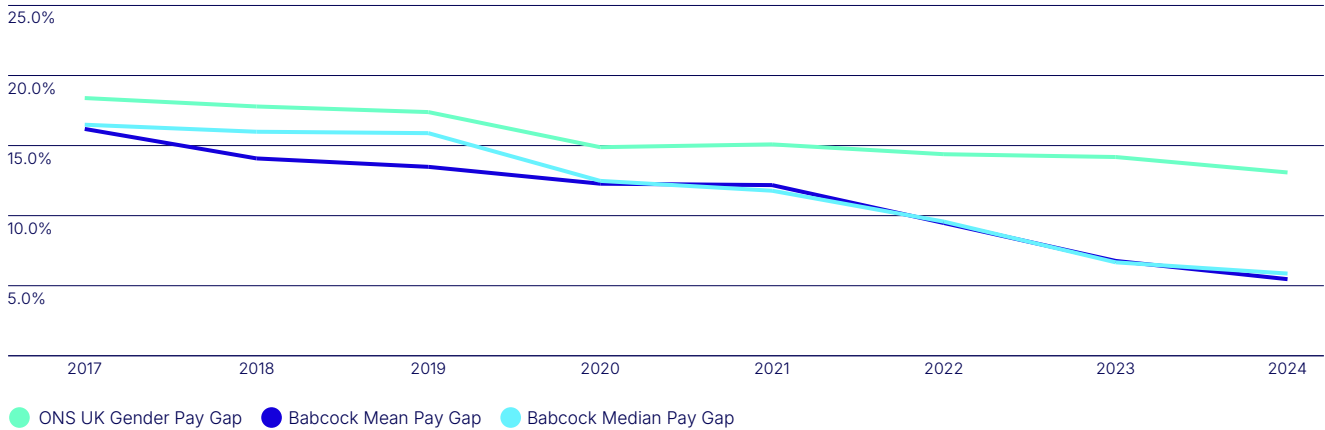
We achieved Level 2 accreditation in the UK Government's Disability Confident scheme and are working towards Level 3, demonstrating our commitment to attracting, recruiting, on-boarding and retaining disabled people and those with caring responsibilities, and supporting them in the workplace to achieve their full potential.

Sustainability (continued)

Gender Pay Gap report

Our 2024 Gender Pay Gap report reflects the ongoing work to address representation and progression. We are pleased to report our median gender pay gap has once again narrowed, down from 6.7% to 5.9% this year. This figure stands well below the UK national average of 13.1%, reflecting our ongoing efforts towards gender parity.

Gender Pay Gap (2017–2024)



Our commitment to change

We recognise that the gender pay gap is primarily an issue of representation rather than equal pay for equal work. Our efforts to improve gender balance therefore include:

- Expanding outreach programmes to encourage more women into STEM careers
- Strengthening career development initiatives to support women's progression
- Continuing our focus on inclusive hiring practices and leadership development
- Enhancing policies such as flexible working and inclusive leave

We are also committed to strengthening our pathways for career progression and ensuring gender balance through structured succession planning and leadership accountability.

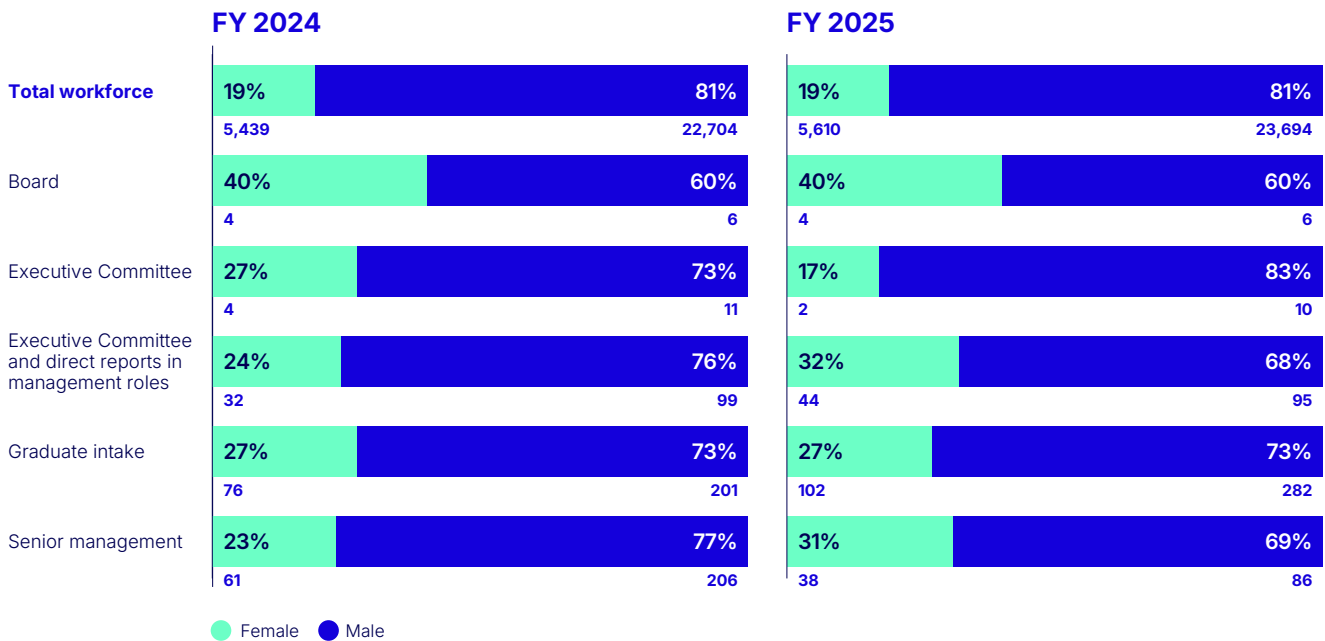
Looking ahead

We remain committed to driving meaningful change and fostering a culture of inclusion where all colleagues can thrive. While progress continues, we acknowledge there is more work to do. Our focus remains on improving gender representation, creating pathways for career progression, and building an equitable workplace for all.



Please see our Gender Pay Gap report to learn more

Gender Balance



1. Our total workforce is 29,381, which includes 23,694 men, 5,610 women, 20 people identifying as non-binary, or 'I use another term', 20 who 'did not specify' and 37 who chose 'prefer not to say'. This figure includes both permanent staff and agency employees.
2. Executive Committee total is 12. This figure excludes Executive Committee members on the Board.
3. Executive Committee and direct reports in management roles total 139. This excludes Executive Committee members on the Board.
4. Senior management is defined as colleagues (excluding Executive Directors) who have responsibility for planning, directing and controlling the activities of the Group (Executive Committee) or a strategically significant part of the Group (sector/functional leadership teams) and/or who are directors of subsidiary business units (BU leadership).
5. Senior management total is 124.
6. Graduate intake is 388 (264 UK, 111 Australasia, 11 South Africa, 2 Poland).
7. Non-Executive Directors are only included in total headcount and Board figures.

We have redefined our senior leadership communities. In addition to our Senior Leadership Team (SLT), we are also focusing on increasing female representation across our broader leadership community, which currently stands at 28%. Our goal is to reach 30% female representation within this group.

Building an inclusive, diverse and resilient workforce is a priority. We are driving gender balance through targeted efforts in recruitment, succession planning, support, retention and celebration – ensuring all colleagues can thrive.

Illuminate has been more than a development programme – it has been a learning journey for participants and us as a business. It has shown what's possible when we back our people, create space for growth, and amplify potential.

And it connects directly to our wider ambition: to have 30% women in our business by 2030.

Illuminate is one of the ways we're making that happen – by supporting, investing in, and championing women at every level.

“I have been inspired and feel valued by the business for this!”

“Ultimately, the programme has been amazing. The time frame felt good – if anything, I'd say it was too short but that's just because I have loved it so much that I am sad it needs to end.”



Sustainability (continued)

Ethnicity and Global Inclusion

In the UK, we are signatories of the Race at Work Charter and continue to promote diversity education and awareness through our B4ME network.

We have previously targeted 80% disclosure of diversity data by 2025. In line with the new sustainability strategy, we will stop reporting on this metric, focusing our efforts on promoting ethnic diversity.

Promoting inclusive leadership is essential to this, ensuring our managers are educated on diversity and equipped to address unacceptable behaviours, while our policies and processes remain inclusive and fair. Beyond our organisation, we are focused on sharing best practices with our customers, suppliers and industry peers. We also recognise the importance of supporting our local communities, engaging in initiatives across STEM, skills development and charity partnerships to foster greater inclusion.

The appointment of John Howie (Chief Corporate Affairs Officer) as the Executive Committee sponsor for the B4ME network marks an important step in strengthening inclusion and diversity at Babcock. His sponsorship elevates the visibility and impact of the work the network is doing, providing leadership support to accelerate our strategy. This demonstrates our commitment at every level of the organisation – from the workshop floor to the Executive Committee – ensuring that inclusion and diversity remain a priority (see page 133).

We recognise the importance of indigenous and historically disadvantaged communities within our global operations. Their diversity brings a richness of ideas and perspectives to the business and provides us with a unique competitive advantage.

These initiatives are just a few examples of our commitment to supporting and uplifting these communities:

South Africa

Corporate Social Responsibility (CSR) strategy: Our CSR initiatives align with Broad-Based Black Economic Empowerment (BBBEE) objectives, focusing on socio-economic transformation through inclusive education, enterprise development and community upliftment. These efforts enhance our BBBEE scorecard and sustainability agenda.

Community upliftment: Supporting local communities through school infrastructure development and economic investment, including the provision of over 700 chairs and tables for under-resourced schools, and direct business investment in small enterprises.

STEM education: Partnering with the Thandulwazi Trust to uplift women in leadership and engineering, sponsoring high-potential learners from disadvantaged backgrounds, and participating in the Eskom Science Expo to inspire future STEM leaders.

Supply chain development: Running the Entrepreneurial Development Programme to support small businesses within our supply chain, providing tools, training and mentorship for long-term success.

Our CSR strategy demonstrates our commitment to helping to build a more inclusive, equitable and sustainable South Africa, contributing to national transformation goals and strengthening our business resilience.

Australia

Babcock supports indigenous communities through long-term partnerships with Engineering Aid Australia (EAA) and Yalari, enabling access to engineering education and scholarships.

Engineering Aid Australia (EAA): EAA is a non-profit organisation dedicated to increasing the participation of First Nation young people in engineering and technology. It conducts week-long Indigenous Australian Engineering Schools (IAES) in Sydney and Perth, provides financial assistance for high school and university studies, and helps students find work experience and career opportunities. Babcock has sponsored EAA since 2018, supporting the IAES programme, which has benefited 1,000 students to date.

Yalari partnership: Yalari offers secondary education scholarships at leading boarding schools for indigenous children from regional, rural and remote communities. Babcock has supported Yalari since 2015, providing full scholarships and sponsoring its Gala Dinner. To date, Babcock has supported four indigenous students.

Sustainability governance: Babcock has established new internal sustainability governance structures, including Australian and Torres Strait Islander and Māori and Pasifika Working Groups, to engage staff and drive performance in these areas.

Canada

Indigenous people's engagement: Babcock strives to be inclusive, reflecting the communities it serves. In Canada, Babcock participates in the CCIB's Partnership Accreditation in Indigenous Relations (PAIR) programme, achieving Committed status in 2024 and working towards full certification.

Investment in indigenous skills and education: Babcock Canada supports indigenous youth in STEM education through multi-year sponsorship agreements with academic institutions, the Verna J Kirkness foundation, and by promoting STEM career awareness via co-op terms, internships and apprenticeships.

Supply chain commitment: Babcock Canada is expanding its supply chain, focusing on indigenous suppliers, particularly for the Emergency Health Services Rotary Wing Air Ambulance contract in British Columbia.

Across our global footprint, we are embedding inclusive practices and celebrating cultural diversity, ensuring our organisation reflects the communities we serve. We are working towards improved ethnicity data transparency. In 2024, we enhanced our HR systems to enable better tracking of ethnic representation across our workforce.

Looking ahead, we aim to improve our data disclosure rates working in partnership with our B4ME network.

Skills and Babcock Academy

In 2024, the UK Government, in partnership with industry, announced a £763 million investment in nuclear skills, jobs and education to help the sector fill 40,000 new jobs by the end of the decade. In collaboration across the UK enterprise, the Government and industry developed the 10-year National Nuclear Strategic Plan for Skills (NNSPS) which sets out how this will be achieved and identifies regional collaboration as a key enabler to delivering this successfully.

The Right Honourable Maria Eagle MP, Minister of State for Defence Procurement and Industry, opened the Babcock Engineering & Nuclear Skills building at City College Plymouth in September. As part of the Babcock Skills Academy, this modern facility enhances our growing workforce's capabilities in the UK's nuclear programmes by continuing to build a new pipeline of talent, while upskilling the existing workforce on the complex skills required to perform deep submarine maintenance.

The Jackal Skills-based Work Academy Programme (SWAP) was developed in conjunction with Plymouth City Council, On Course South West, and the local Department for Work and Pensions. The objective of SWAP is to help people back into employment, providing opportunities for individuals to gain qualifications and skills, with the potential for securing employment with Babcock after completion of the programme. Twenty seven individuals were welcomed across two programmes, with eleven finding opportunities to work on the Jackal Programme. With tranche two of the follow-on order for 53 Jackal 3 Extenda Variant, the contract continues to support those successful in securing a position following the SWAP. This model has also been replicated and successfully run within Babcock Vehicle Engineering, Walsall.

As part of our commitment to skills development and recruitment, we partnered with the Air and Space Institute (ASI) to provide industry work experience. This collaboration aimed

to boost the educational journey of ASI students by providing practical experience and insight into working in the aviation industry within Babcock.

We supported two of the largest student engineering events in Europe by teaming up with the Institution of Mechanical Engineers on its Uncrewed Aerial Systems (UAS) challenge and Formula Student as its official AI partner. Thousands of undergraduate engineering students from all over the world took part in the competitions. Supporting events like these meant we could directly work with future talent and help them transition from university to the workplace, providing real-world experience.

We continue to align our learning and development strategy with business goals to deliver a modernised, fit-for-purpose skills strategy. Our goal is to grow capability, enhance our colleague experience and ensure we can deliver for our customers. Expanding and rebranding the Babcock Academy will make learning accessible and relevant for all across Babcock. **The Learning Hub**, our new learning platform launching in 2025, will offer personalised, interactive and modular training aligned with evolving customer and workforce needs. Improving our systems and processes will align best practices and reduce duplication.

Embedding our principles has been a focus this year, enabling leaders to role model them. During the period, principled leadership was launched through our performance management process. For senior leaders, a part of their annual incentive is now aligned with how effectively and frequently principled leadership is demonstrated in their habits and practices.

Working with our suppliers ensures we get value for money and improve the quality of the products we buy. Embedding learning into the flow of work supports individual growth through structured and informal development opportunities.

Early careers

We welcomed a record intake of early careers colleagues this year across the Group with large numbers forecast to join us within our nuclear sector, as part of our commitment to the Government's National Nuclear Endeavour.

We have continued to widen the entry pools for our early careers talent. In **Devonport**, we welcomed 18 people onto our new engineering pre-apprenticeship programme. Delivered in partnership with City College Plymouth, the programme is aimed at providing an alternative route into Babcock for a broader range of talented people that just need a little additional support to start their career. At the end of the year-long programme, those taking part are guaranteed a place on our apprenticeship programme in the following year, assuming they meet the requirements of the programme.

In addition to this, we are launching eight new apprenticeship programmes across Levels 2 – 6 as part of our 2025 campaign, which will attract a broader talent pool from the local area and beyond, and significantly raise our annual intake numbers.

This year at **HMNB Clyde**, Babcock has doubled its apprentice intake, and is recruiting additional roles for the 2025 programme. Alongside these opportunities, at Clyde this year we have welcomed 24 people onto our second year-long pre-apprenticeship programme. Delivered in partnership with West College Scotland, the pre-apprenticeship programme increases social mobility, diversity and access to a broader range of talented people. Last year, the programme saw 90% of those who completed the course successfully offered a modern apprenticeship with Babcock.

More than one hundred apprentices joined our Naval Marine business in **Rosyth** in 2024, and we will continue to recruit large numbers, including the expansion of the Graduate Apprenticeship Programme to include Commissioning. Babcock apprentices have also been gaining international experience through an exchange programme connecting Babcock's Rosyth site with academic institute CKZiU in Gdynia, Poland. The exchange runs alongside Babcock's support to the Miecznik frigate programme in Poland, following the successful agreement to export the Arrowhead 140 licence for three frigates, supporting the country's investment in defence.

We have continued to expand our Group-wide graduate development programme, welcoming a number of engineering disciplines to the Group programme, as well as more business-led disciplines.

The intent of the Group-wide programme is to encourage and support mobility.

Sustainability (continued)

Support for armed forces, veterans and reservists

Babcock remains a trusted partner to the armed forces community. In 2024, we received the 'Employer of the Year' award at the British Ex-Forces in Business Awards, and ranked third in the Top 50 Great British Employers of Veterans.

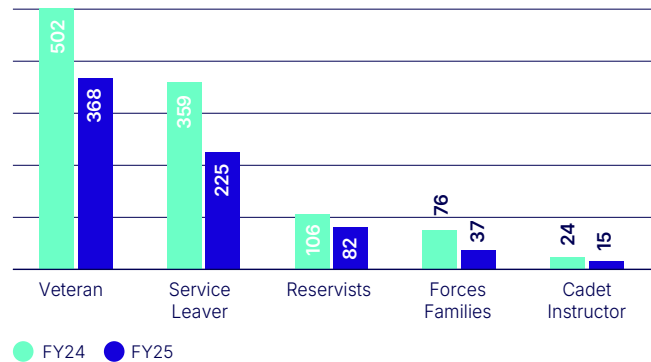
Since signing the Armed Forces Covenant in 2013, we have upheld our promise to support the armed forces community. Our Gold Award status in the Ministry of Defence's Armed Forces Covenant Employer Recognition Scheme, held since 2015, reflects our active role in championing defence support and encouraging similar commitments across other organisations.

To enable reservist colleagues to balance their military and civilian responsibilities, we offer up to 10 days of special paid leave annually for reservist duties. We also continue to expand our sponsorship of the Inter-Service Rugby Championship, now supporting the U23, Veterans, Men's and Women's categories – helping to develop emerging talent and strengthen bonds within the armed forces community.

Furthering our support, we have established a multi-year partnership with the Army Benevolent Fund (ABF) (see also pages 93 and 95).

Through these efforts, we remain committed to recognising, supporting and empowering those who have served in the armed forces.

Armed forces hires FY25



Colleague recognition and awards

Recognising and valuing our people is fundamental to our culture. In FY25, we introduced BRAVO – Babcock Recognition for Achievement, Value and Outstanding contribution – our new UK recognition platform. BRAVO was designed to enable peer-to-peer recognition and celebrate excellence through the lens of our principles, whether that's delivering a complex project or a simple act of kindness. We want to ensure that every contribution matters and that all colleagues feel seen and heard.

We also celebrated exceptional contributions through the 'Ignite' pilot, our Group-wide awards programme that highlights individuals and teams who go above and beyond to deliver outstanding results. The Ignite Awards showcase achievements across multiple categories, reflecting our principles as well as safety and a special CEO Award.

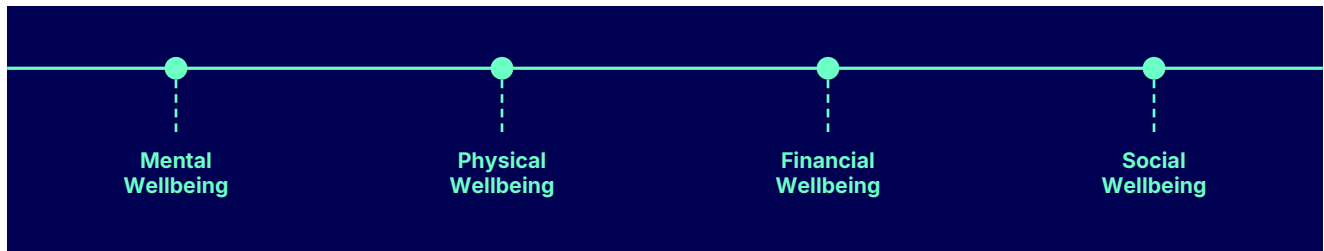
Ignite will be rolled out in FY26 to the whole of Babcock, giving every colleague a chance to nominate a colleague for exceptional work.

This focus on listening and recognition is also reflected in our Global People Survey, where we achieved an outstanding 80% participation rate with over 106,000 individual comments. Our positive engagement score demonstrates that our people are increasingly engaged and connected to our Purpose.

In addition to local recognition schemes across our markets, our colleagues and teams have received external honours that highlight their excellence and commitment. This year:

- Babcock was named 'Employer of the Year' at the British Ex-Forces in Business Awards
- We were ranked third in the Top 50 Great British Employers of Veterans
- Several colleagues were recognised in industry awards for their leadership, innovation and technical achievements.

These accolades reflect the extraordinary work our people deliver every day and the culture of excellence we are committed to cultivating.



Taking a proactive approach to our people's wellbeing

We care about our people's wellbeing and want them to feel their absolute best. This helps improve business performance and encourages colleagues to make a long-term commitment to the Company.

This year, using insights from our Global People Survey and in collaboration with colleagues across the organisation, we have worked to enhance our provisions across our four wellbeing pillars (Mental, Physical, Financial, and Social). We promote a proactive approach to wellbeing wherever possible, whilst providing support to our people in those moments that matter. Examples include:

Enhancing our colleague benefits provisions:

- Introducing annual health assessments, online GP appointments and nutritional consultations to all UK colleagues.
- Launching a new recognition programme, encouraging peer-to-peer recognition for living up to our principles in our day-to-day work.

Delivering proactive and engaging wellbeing tools and events:

- Covering a range of topics from menopause to mindfulness to suicide prevention.
- Inspiring our people across the Group to be active through our global 'Move More' challenge.

Developing wellbeing conversation guides:

- Inspiring our managers to create a positive and supportive work environment for their teams.
- Introducing neonatal paid leave to support our colleagues during the challenging times when their newborns require neonatal care.

Continuing to invest and support our Mental Health First Aiders network:

- Ensuring they feel connected, confident and empowered to effectively support our people.
- Expanding our clinical mental health by rolling out our Colleague Assistance Programme and proactive wellbeing platform to colleagues in Australasia and France.



Collaborate



Own & deliver



Be courageous



Be curious



Think: outcomes



Be kind

Sustainability (continued)



Supporting our communities

As a major employer, we have the power to provide positive benefits in the communities in which we operate. Not only through employment but also by working with local suppliers, local groups and charities, through volunteering and education.

While the needs of the communities we operate in are varied, and therefore the type of actions we take are decided at a local level, we are proud of the culture of volunteering within Babcock which is common across the business.

Working with SMEs

Babcock continues to recognise the vital role of SMEs in building a sustainable and resilient supply chain. Partnering with SMEs can enhance our resilience through flexibility, innovation and cost efficiency, as these smaller enterprises can quickly adapt to changing market conditions and offer specialised expertise in areas such as advanced materials, cyber security, unmanned aerial systems, AI and additive manufacturing.

This collaboration fosters robust and prosperous relationships, ensuring high levels of customer service and reliability. Additionally, working with local SMEs supports job creation and economic growth within our communities, as money spent with these businesses tends to stay within the local economy.

This not only strengthens the regional economy but also promotes community development and sustainability, contributing to a more resilient and socially responsible supply chain.

In 2024, we have increased our engagement with SMEs, with our SME spend rising from 28% in FY24 to 31% in FY25.

Volunteering

We continue to emphasise the importance of volunteering, recognising the mutual benefits it brings to both our communities and our colleagues. Since launching our global volunteering policy, **Be Kind Day**, we have provided every colleague with one paid day per year to support a charity or community organisation of their choice.

Building on the success of Be Kind Day, we have seen growing engagement across the business and achieved key milestones, with 8,800 hours of volunteer time being requested in FY25.

This year, we are setting a new target of

50,000 hours of volunteering per year in our communities by 2030

to further embed a culture of giving back.

To increase participation, we are improving awareness, simplifying the process of getting involved, and tracking the impact more regularly.

Our colleagues used their Be Kind Day in partnership with Eat-Up, an Australian non-profit organisation that provides healthy and free lunches to vulnerable children.



By sharing stories of how our colleagues are making a difference, we aim to inspire even more people to take part.

Volunteering is an integral part of how we contribute to the communities where we live and work. As we continue to expand and evolve our approach, we remain committed to making a meaningful and lasting commitment.

Colleagues at Rosyth have the opportunity every month to use their Be Kind Day to support The Big House Multibank. Typical tasks include sifting and organising donations from the large deliveries, and creating tailored packages for those in the local community.



Devonport colleagues used their Be Kind Day to transform the facilities of Headway Plymouth, a charity to improve life after brain injuries. Watch this video for more information

Charity

Our donations and charitable sponsorship policy is designed to support our communities.

Babcock has always supported our armed services and it remains core to our values. We work with several charities which support both the serving and veteran community across all services, for example:

- **Soldiers', Sailors' and Airmen's Families Association (SSAFA)** – Babcock has been a sponsor of SSAFA since 2016, and became a Corporate Partner in 2025, providing funds for volunteer mentor training to support veterans transitioning to civilian life
- **Army Benevolent Fund (ABF)** – We sponsored two of its flagship fundraising events, the Catoren Yomp and Operation Bletchley
- **Royal Navy and Royal Marines Charity (RNRMC)** – Babcock has joined its Bridge Partnership scheme as a platinum partner, supporting it to work towards its vision of a world in which our sailors, marines, and their families are valued and supported, for life

But we recognise that serving personnel also have families who are another community that also need support, especially when the worst happens. Consequently, we also support:

- **Families' Activity Breaks (FAB)** – This is our second year helping the charity to provide fun and challenging activity camps around the UK for bereaved military families
- **Scotty's Little Soldiers** – We are entering our first year supporting the charity to provide long-term, holistic care for bereaved military children

We also support our local communities, partnering with charities operating where we have our sites and attract our employees from. For example:

- **Rapaid** – Actively enabling and participating in its roll out of life-saving pressure bandages in Plymouth taxis
- **Plymouth Argyle Community Trust** – We sponsored both the development of its new Foulston Park Community hub and integral Babcock Esports Arena, a fantastic community space for young people (see also page 24).

We are part of the global community and our international operations also support their communities, for example:

- **Thandulwazi Trust** – in South Africa, we have partnered with the trust to uplift women in leadership and engineering
- **Canadian Forces Base Esquimalt Military Families Resource Center** – in addition to a donation, Babcock Canada participated in a charity hockey game between colleagues and the Canadian Armed Forces

We also continue our long-standing support for:

- **The Vine Trust** – We converted a former UK Royal Navy patrol ship into a medical vessel which is expected to provide one million medical consultations over the next 20 years to remote island communities in Tanzania



Sustainability (continued)

STEM and future talent

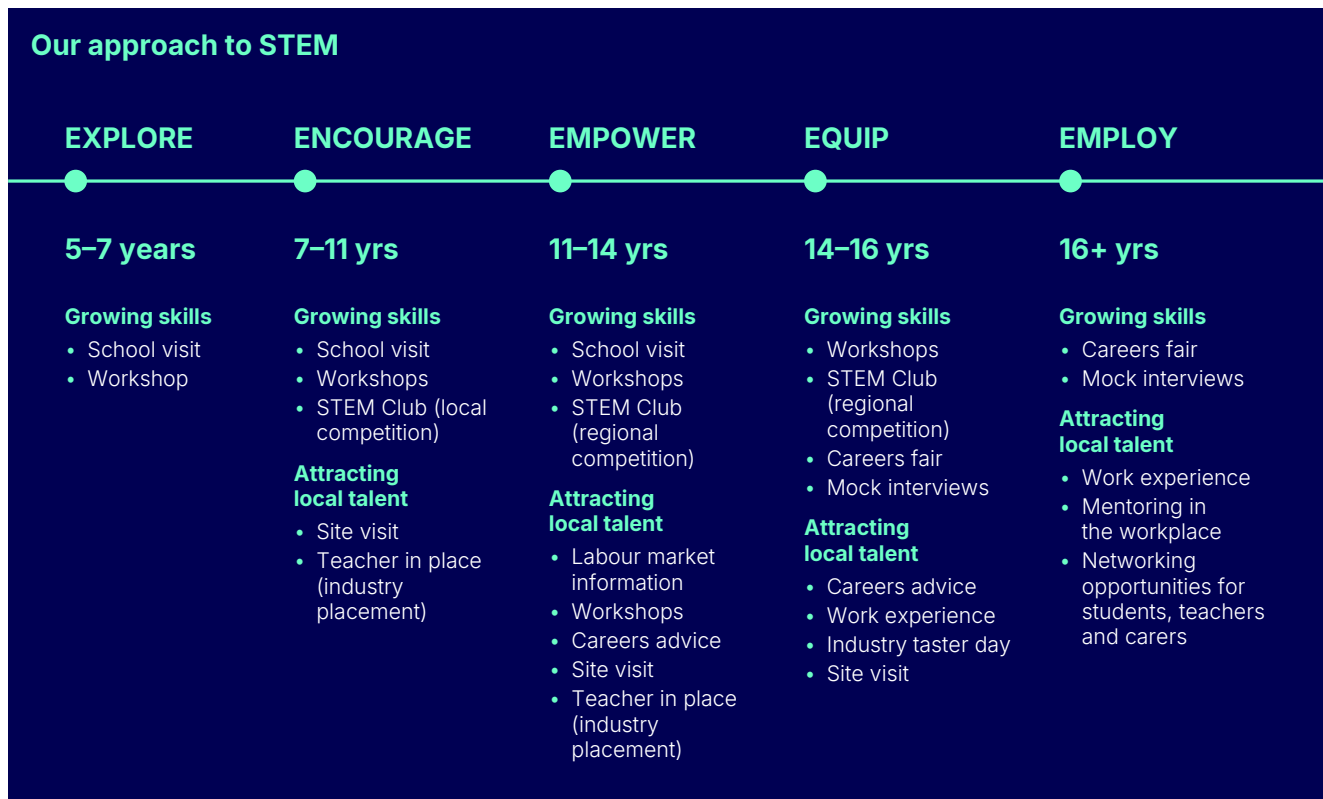
Babcock is helping to address the UK's STEM skills shortage through strategic outreach.

Research has shown that not enough young people are studying the STEM subjects needed to pursue a STEM career. To help tackle this, Babcock has External Engagement Teams situated across the UK. They are responsible for collaborating with our volunteer STEM ambassadors, young people, parents and teachers to raise awareness, engagement and inspiration with the intent of sparking interest in STEM.

Our STEM strategy is based on three objectives:

1. Increase diversity and inclusion in STEM
2. Drive early careers applications through engagement
3. Build relationships with educational institutions in areas of high social deprivation

We use a 5E engagement model, developed with Plymouth City Council, to create age-appropriate and inclusive content, and have an objective of delivering over 300 targeted activities within the South West alone.



Festival of engineering

During FY25, Babcock delivered the Festival of Engineering across three major locations: Devonport, Bristol and Rosyth, welcoming approximately 900 eager schoolchildren from multiple local schools to immerse themselves in the two-day celebration. The Festival of Engineering was a powerful platform that allowed Babcock to challenge preconceptions that children might have held about the world of engineering. We do this through engaging and interactive experiences, with the aim of increasing their understanding of what STEM is and inspiring them to enter a STEM career path.



Partnerships and memberships

Collaboration is at the heart of our approach, enabling us to drive innovation, strengthen industry capabilities, and foster a more inclusive and diverse workforce. Through strategic partnerships and memberships, we work with leading organisations across defence, engineering, education and inclusion to create meaningful impact.

Our commitment to gender balance and inclusion is reflected in our partnerships with **Women in Defence UK**. As a signatory to the **Women in Defence Charter**, we are dedicated to improving gender representation at all levels in the sector. Our role as a **Pankhurst Partner** allows us to actively support initiatives like the **Critical Mass Summit 2024**, promoting diversity across the defence industry. Additionally, Babcock Australasia is a **Platinum Sponsor of the Women in Defence Association (WiDA)**, furthering gender equity through programmes and events across the region.

Beyond gender diversity, we work closely with educational institutions and industry bodies to advance innovation and develop future talent. Our strategic partnership with the **University of Strathclyde** focuses on cutting-edge research in nuclear, advanced manufacturing, space and security-related technologies. Similarly, our three-year partnership with **EngineeringUK** is designed to inspire young people to pursue STEM careers, engaging with students from primary school through to apprenticeships and graduate programmes.

We are also committed to supporting the wider armed forces community. As a **Platinum Partner of the Royal Navy & Royal Marines Charity (RNRMC)**, we help fund initiatives that improve the lives of Royal Navy and Royal Marines personnel and their families. Our participation in the **Armed Forces Covenant** reinforces our dedication to those who serve. Additionally, our work with the **Army Benevolent Fund (ABF)** ensures continued support for soldiers, veterans, and their families. See also pages 90 and 93.

Our engagement extends to the evolving space sector through our membership of the **Space Data Association (SDA)**, where we collaborate on the responsible use of space and the safety of satellite operations.

Further reflecting our commitment to responsible business practices, we are proud members of **The Valuable 500**, **The Prince's Responsible Network**, and **ADS (Aerospace, Defence, Security & Space)**, aligning ourselves with industry-leading organisations that share our values of sustainability, inclusion and innovation.

These partnerships and memberships are integral to our success, enhancing our ability to influence positive change across our industry, supply chain and communities.

Responsible business

Oxford Economics Impact Assessment

Published April 2025

THE CONTRIBUTION OF BABCOCK TO THE UK ECONOMY



Scan here to
find out more
about the
Oxford
Economics
report

ECONOMIC IMPACT

Direct Indirect Induced

£4.3bn
Total UK GDP contribution

£1.4bn | £1.3bn | £1.5bn



67,000
Total UK jobs supported

25,400 | 22,000 | 19,600



£1.1bn
Total UK tax revenues

£330m | £320m | £430m



IMPACT IN SOUTH WEST ENGLAND AND SCOTLAND



Scotland
£510m total
contribution to GDP
9,500 jobs supported

South West England
£1.3bn total
contribution to GDP
21,500 jobs supported

BUSINESS AREA ECONOMIC IMPACT

Nuclear
£1.9bn contribution to GDP
30,200 jobs supported

Marine
£1.3bn contribution to GDP
20,400 jobs supported

Land and Aviation
£1.1bn contribution to GDP
16,400 jobs supported



SOCIOECONOMIC IMPACT



503 graduates and
1,273 apprentices in
training schemes.



£550m spent with
3,800 SME suppliers.



£420m spent with suppliers
in local authorities classed as
high priority for regeneration.



3,000 people directly employed
and **£350m** spent with suppliers
in the 20% most deprived
local authority areas in the UK.

Results relate to the 2023 financial year which ran from 1 April 2023 to 31 March 2024.

Commercial integrity

We are committed to conducting business honestly, transparently and with integrity. It is the right and proper way to behave, ensuring we uphold high ethical standards across the Group. It also supports our long-term success. We understand our reputation and good name are amongst our greatest assets and could easily be lost by actual or suspected unprincipled behaviour.

Our policies

To support good governance and ethical behaviour across our Group, our actions and those of our colleagues, suppliers and partners are guided by a series of Group policies. These include our Code of Business Conduct and Ethics policy (see page 100) and Human Rights policy (see page 101), which are available on our website.

Our policies are periodically reviewed to ensure that they continue to meet current best practice principles and legislative needs. By establishing transparent policies and procedures, we can reduce risk to our business and to our customers. We treat breaches of our Codes or associated guidance seriously.

We implement appropriate training and procedures designed to ensure that we, and others working for us, understand what our Code of Business Conduct and our Suppliers' Code of Business Conduct (see also page 101 and our website) mean in practice.

This training includes mandatory completion of courses on an annual basis in all our geographies, translated where applicable, such as anti-bribery and corruption, security and data protection. Completion of these courses is monitored.

Whistleblowing

Colleagues can raise any concerns that our Code or its associated guidance is not being followed without fear of unfavourable consequences for themselves.

To ensure that anyone with a concern is able to access advice and support, our independent whistleblowing hotline, EthicsPoint (operated by NAVEX Global), allows for confidential and anonymous reporting and is available 24 hours a day, seven days a week, in all territories where we are based (see also page 102). Further details are available on our website.



Responsible business *(continued)*

Supply chain governance

Effective supply chain governance is key to Babcock's business strategy, promoting integrity as well as ethical, sustainable and transparent operations. In FY25, we published our Supplier Assurance Handbook to improve transparency. This handbook provides our suppliers with detailed insights into our assessments, audits and development processes, to help enhance collaboration and responsible practices across our supply chain.

We have also implemented ESG ratings for our suppliers, assessing their environmental impact, social responsibility and governance practices. These ratings provide suppliers with the guidance required to improve their scores, thereby strengthening our commitment to sustainability, enhancing supply chain resilience, reducing environmental impact, and contributing to global sustainability goals.

Our diverse portfolio of over 10,500 suppliers continues to be a key strength. Rigorous due diligence and continuous improvement efforts ensure compliance and risk management across our supply chain. This involves thorough supplier assessments, regular audits and continuous monitoring to ensure adherence to our standards.

Our AI-driven risk resilience solution that provides real-time monitoring of our supply chain is continually developed to provide the most up-to-date and relevant tracking of our supply chain, allowing us to proactively address potential disruptions.

Ethical practices are at the core of our supply chain governance. By adhering to our Supplier Code of Conduct, we ensure that our suppliers engage in fair labour practices, respect human rights and commit to environmental stewardship. This ethical foundation helps mitigate risks, safeguard our reputation and promote long-term value creation.

Combining ethical practices with on-time delivery, cost efficiency, compliance and quality is essential for Babcock's success. Reliable and timely delivery ensures that our projects stay on schedule, while cost efficiency helps us remain competitive. High-quality standards aim to assure that we deliver exceptional products and services to our customers.



**See our Supplier
Assurance handbook
for more information**

Cyber security

Babcock acknowledges the significant threat posed by cyber-attacks and the potential consequences, such as operational disruption, unlawful access or theft of information, and damage to its reputation. To mitigate and reduce cyber-related risks, Babcock has established a Cyber and Information Security Framework that provides governance, direction and assurance that the Company's security posture is both appropriate and effective.

Collaboration with both external stakeholders and the internal Group Executive Risk and Controls Committee ensures that cyber and information risk management is appropriately managed across all levels of the organisation. Our security risk appetite is underpinned by a set of unified security controls which can be implemented across our corporate technology stack. Processes and controls are pragmatic, replicable and auditable to protect Babcock and our customers' assets through their lifecycles, and adhere to the principles of secure-by-design.

Babcock adheres to all required international and government security standards for the secure installation and operation of information systems. Cyber security operations are in place to identify threats and protectively monitor risks to information, systems and networks.

Our core IT services maintain certification to ISO 27001 (Information Security) and ISO 22301 (Business Continuity) standards, as well as Cyber Essentials Plus, a requirement for UK Government work.

We engage with our internal and external customers and our supply chain to ensure that security principles are embedded within programmes of work. Security enables the effective and efficient delivery of projects and programmes, and provides our customer community with confidence in our security practices and capabilities.

Babcock informs and empowers our colleagues to be knowledgeable about information security risk and cyber threat both at work and at home, to better prepare them for an increasingly interconnected digital environment. Babcock actively seeks to address the challenges faced by the cyber industry to source suitably qualified experts through investment and development of its own workforce.

Fair operating practices

At Babcock, we are committed to fair operating practices throughout our supply chain, ensuring all business activities are ethical and comply with our Supplier Code of Conduct. This commitment maintains the integrity, transparency and sustainability of our operations, fostering trust and accountability among suppliers, customers and stakeholders.

We expect our supply chain to be ethical and compliant, which mitigates risks, safeguards reputations and promotes long-term value creation. Our suppliers are required to engage in fair labour practices, environmental stewardship, social responsibility and respect for human rights. We conduct thorough compliance checks during supplier onboarding and periodic revalidations to maintain these standards.

In the UK, we use the Joint Supply Chain Accreditation Register (JOSCAR) due diligence tool to maintain high standards of accountability and sustainability. In 2024, we also implemented JOSCAR in Australia, enhancing supply chain transparency and efficiency.

Babcock treats suppliers with fairness and respect, providing clear guidelines, timely payments and development support. This strengthens partnerships, enhances collaboration and contributes to a resilient and responsible supply chain.



Payments to suppliers

Babcock adheres to the UK Prompt Payment Code to demonstrate our commitment to ethical business practices and corporate responsibility. By processing timely payments to our suppliers, we build and maintain strong, trust-based relationships that are essential to maintain a stable and resilient supply chain. Timely payments ensure that our suppliers have the necessary cash flow to sustain their operations, invest in innovation and continue delivering high-quality products and services.

We continue to encourage our suppliers to adopt prompt payment throughout their supply chains, promoting financial stability and trust. In FY25, we achieved an average payment term of 16.3 days to our suppliers, which has remained consistent year to year.



Non-financial and sustainability information statement

Reporting on material yet non-financial measures is important in understanding the performance, opportunities and long-term sustainability of Babcock and our ability to generate value for all our stakeholders. We disclose non-financial information in the Sustainability report and throughout the Strategic report.

The following summarises where to find further information on each of the key areas of disclosure required by Sections 414CA and 414CB of the Companies Act. This includes the requirement to include Climate Financial Disclosures (CFD) within the Annual Report and Financial Statements. These have been incorporated throughout our TCFD disclosures. See page 72.

	Policy / Statement	Description
Environment	Safety, Health and Environmental Protection policy	Babcock aims to ensure the highest Safety, Health and Environmental Protection (SH&EP) standards, in all its activities, by meeting and exceeding global regulatory requirements associated with SH&EP and those additionally pertinent to Aviation and Nuclear. The SH&EP policy ensures we manage the risks of harm to people and the planet through organisational arrangements, and competent people working within an engaged safety culture. Our risk controls are assessed by routine and risk-based, internal and external assurance to verify compliance and identify areas of learning and improvement. ● Learn more on page 83
	Environmental statement	Our Group Environmental statement clarifies that Babcock will strive to achieve and maintain the highest standards in the management of environmental matters. We recognise the impact our operations may have on the environment and will seek to minimise or eliminate adverse effects. Accreditation to the appropriate standard will, wherever within Babcock's reasonable control, be obtained and maintained by each operation. The statement also clarifies that our Sectors and DRCs shall devise and implement procedures appropriate to their specific business and in line with this policy. ● Learn more on page 64
	Sustainable Procurement policy	Our supply chain is key to successfully delivering our sustainability plan. When selecting suppliers and subcontractors, we seek evidence of their ability to meet our requirements against 12 priorities for sustainable procurement. The effectiveness is assured through our Supplier Information Management process, where suppliers are required to agree to our sustainability standards. To further ensure adherence, we have incorporated sustainability criteria into our supplier audits and assessments, and maintain continuous engagement with our suppliers. ● Learn more on pages 69, 92 and 98
	CFD disclosures s414CB(2A)	See Climate-related Financial Disclosures. ● Learn more on page 72
Employees	Code of Business Conduct	The Code of Business Conduct states clearly that Babcock will conduct its business to the highest standards of honesty and integrity. It sets out the minimum expectations for the behaviour of our colleagues, business advisors and business partners. This includes treating others with respect, ensuring the safety of others at work, being honest in our dealings and complying with the law. The Code of Business Conduct must be displayed at all Babcock facilities and be included in all new colleagues' induction packs. See also Anti-Bribery and corruption below. ● Learn more on page 97
	Be Kind Day – volunteering policy	'Be Kind Day' is our way of encouraging and supporting our colleagues to volunteer their time and skills when they want, where they want. Our policy provides guidance for colleagues on how to use their 'Be Kind Day', enabling us to make a positive difference to our local communities. The usage of the policy is tracked on a quarterly basis by sectors and DRCs. This policy is also associated with social reporting requirements. ● Learn more on page 92
	Gender Pay Gap report	Our Gender Pay Gap report reflects our continued commitment to creating and maintaining a working environment that is inclusive, diverse and supportive and that provides opportunities for all our colleagues. This is assured by setting and implementing inclusive policies, supporting employee networks, promoting women's mentorship programmes and engaging in industry partnerships. ● Learn more on page 86

	Policy / Statement	Description
Human rights	Supplier Code of Conduct	This responsible sourcing policy outlines the principles and expectations we hold for our suppliers, reflecting our commitment to ethical, responsible and sustainable business practices. Aligned with global best practices, this details our shared responsibility in creating a transparent, inclusive and resilient supply chain. The effectiveness of our policy is assured through our Supplier Information Management process, where suppliers are required to agree to our policy or provide equivalent standards they will adhere to. To ensure further adherence, we conduct regular audits and maintain continuous engagement with our suppliers. ● Learn more on page 98
	Human Rights policy	We recognise our responsibility to conduct our dealings with the utmost integrity. We are committed to the protection of human rights, and we comply with all national laws in the jurisdictions in which we operate, in our operations across the world. Where national law and international human rights standards differ, we will where possible follow the higher standard; where they are in conflict, we will adhere to national law, while seeking ways to respect international human rights to the greatest extent possible. The effectiveness of our policy is assured by assessing actual and potential human rights impacts, integrating and acting upon the findings, tracking responses, and communicating how impacts are addressed.
	Modern Slavery Transparency statement	Our annual Modern Slavery Transparency statement sets out the approach taken to understand the potential modern slavery risks associated with our business, and explains the actions taken to prevent slavery and human trafficking within the Group's operations and supply chains. We continue to believe that our exposure to the risks of modern slavery is low within our own business and supply chain. This assessment is under continuous review so that we can determine if circumstances change that require us to take additional actions. Our strategic Risk Resilience tool enables real-time monitoring through AI and machine-learning technology. It enables us to map our supply chain ecosystem, monitor activities, and proactively identify hidden risks in our sub-tier supply chain, tracking and generating alerts for indicators such as unethical labour practices including modern slavery. Additionally, approximately 1,000 suppliers are monitored for their ESG scores, inclusive of individual attribute scores for forced and child labour as well as human rights, to identify any exposures in our supply chain. Our statement is available on our website or through the QR code at the end of this section.
Social	Australasia Indigenous Peoples Engagement policy	This policy outlines the overarching Indigenous Peoples Engagement commitments for the region. Babcock Australasia strives to improve social and economic outcomes for indigenous peoples within the region, to create a more equitable and fair future for all, and is committed to embedding opportunities for indigenous peoples and their businesses in our day-to-day business. We recognise that specific initiatives are required for the geographic areas in which Babcock Australasia operates. For the geographic area of Australia, this refers to Aboriginal and Torres Strait Islanders, and for New Zealand, Māori and Pasifika. ● Learn more on page 88
	Canada Indigenous People policy	As a corporate citizen doing business within Canada and working in areas that are protected and lived on by indigenous people, Babcock Canada is committed to strengthening relationships with indigenous people and their communities. Babcock Canada is recognised by the Canadian Council for Indigenous Business (CCIB) as achieving Partnership Accreditation in Indigenous Relations (PAIR) Committed Status. Aligned with those CCIB PAIR criteria, our policies and actions focus on corporate leadership action, indigenous workforce investment, business engagement with indigenous communities and community outreach to strengthen existing relationships. These are responsive to the spirit and intent of the reconciliation frameworks within the United Nations Call to Action 92 to Canada's corporate sector and leaders. Oversight of the operation of the Indigenous People policy is managed by the Indigenous Relations and Participation Governance Committee. It, along with the Canada EXCO, ensures that awareness training and functional strategies support the Company's continual improvement against the CCIB PAIR certification objectives. ● Learn more on page 88
	Charities policy	Babcock is committed to the communities in which we operate and the broader interests of the customers we serve. We want to make a positive impact on the communities in which we operate. Sectors and DRCs retain responsibility and management of their charitable donations / sponsorship from their own budget, to ensure it goes where it can serve the greatest need and be of most value to that community within our guidelines and criteria. Our Group Charities policy aligns with Babcock's corporate Purpose "To create a safe and secure world, together", permitting donations and charitable sponsorship under two broad criteria: military charities and events; and supporting our local communities. Oversight of the operation of the policy is managed by the Corporate Sustainability Committee. ● Learn more on page 93

Non-financial and sustainability information statement *(continued)*

	Policy / Statement	Description
Anti-bribery and Anti-corruption	Anti-Bribery and Corruption / Ethics policy	The intent of this policy is to ensure that Babcock at all times acts responsibly and ethically when pursuing and awarding business, and that we fulfil the principles expressed in our Code of Business Conduct relating to avoiding acts of bribery and corruption. The policy contains rules, procedures and guidelines that Babcock colleagues must follow in order to help ensure that we do not become involved, either directly or indirectly, in bribery or corruption and that we do what we reasonably can to reduce the risk of those we work with engaging in corrupt or unethical activities in connection with their dealings for us. It sets out the Group's zero tolerance policy in relation to bribery and corruption, including prohibitions on improper and facilitation payments, and penalties for breach of policy. The effectiveness of the Code of Business Conduct and Anti-Bribery and Corruption Policy is assured by the annual training of our staff and the monitoring of compliance through full-year and half-year letters of representation from all Sectors and Direct Reporting Countries. Whistleblowing lines are in place in all jurisdictions for reporting any wrongdoing. See also Code of Business Conduct above. ● Learn more on page 97
	Whistleblowing policy	Encourages colleagues to report any concerns they may have in relation to health and safety matters, the environment, or any other unethical, unfair, dangerous or illegal behaviour and sets out how to do so. The policy also confirms no action will be taken against a colleague who alerts management to these concerns if they turn out to be unfounded so long as the information and any allegations made were passed on in good faith; in the genuine belief that they were substantially true; with no intention of personal gain; and without malice. The effectiveness of our policy is assured by the availability and promotion of the whistleblowing lines throughout the business, ongoing review by the Group Company Secretary and regular reporting to the Board. During the year, our Whistleblowing policy and processes were subject to an Internal Audit. ● Learn more on page 97
	Data Protection policy	Babcock International Group PLC and its subsidiary undertakings need to collect and use certain information about individuals in order to run our businesses effectively. This information comes from colleagues, workers, job applicants, students, customers, suppliers, and other individuals with whom Babcock communicates and does business. Our Data Protection policy sets out Babcock's commitment to its colleagues, other personnel and individuals whose information Babcock processes, and the ways in which each colleague must process personal data to ensure that Babcock, and the colleagues themselves, do not breach their obligations under the data protection laws. In support of our policy, specialist staff have been appointed and colleagues are required to complete mandatory data protection training on an annual basis.
	Supply Chain Cyber Security policy	As part of the Babcock commitment to creating a safe and secure world, our supply chain security is vital. Any compromise of information poses a serious threat to the reputational and economic standing of Babcock and our customers. Our Supply Chain Cyber Security policy ensures that the cyber security arrangements among delivery partners, third-party suppliers and supply chains are appropriate to the requirements of the goods and services being procured. This includes appropriate governance and management arrangements to manage risk, monitor compliance, report and respond effectively to any security incidents. Babcock's approach to ensuring security in our supply chain includes through-life management. All purchases of goods and services must follow the appropriate Babcock process, ensuring due diligence is carried out and managed throughout the supplier's relationship with Babcock in accordance with policy requirements. The effectiveness of our policy is assured by external certification audit (ISO27001). ● Learn more on page 98

	Policy / Statement	Description
Description of principal risks and impact on business activity	Group Risk Management policy	See "Our principal risks and management controls" ● Learn more on page 104
Description of our business model		See "Our business model" ● Learn more on page 12
Non-financial KPIs		See "Key Performance Indicators" ● Learn more on page 27



Please see our Modern Slavery Transparency statement.



Principal risks and management controls

Our principal risks and management controls



“FY25 has been a further year of advanced risk maturity to aid our delivery and overall resilience, with a focus on the enhancement of our internal control’s structure”.

David Lockwood

Chief Executive Officer

Risk and internal control enhancement highlights in the year

- Continued enhancement of the Group, Sector, Direct Reporting Countries (DRCs) and Function Risk Registers including context and evidence to support control effectiveness and controls prioritisation
- Further enhancement of the outputs of the Risk Leads community, leading to more granular risk data shared to inform risk-based decisions
- Investment in Fraud Risk Management Framework, facilitated through the Risk Leads community
- Training delivered to aid understanding of the new Economic Crime and Corporate Transparency Act (ECCTA) with enhanced understanding of fraud categorisation
- A programme of risk workshops to support Sectors, DRCs and functions in understanding their risk maturity journey, and defining current and target position
- Initial identification of material controls in advance of the revised UK Corporate Governance Code
- Review and update to the controls contained within the Document of Controls
- Addition of controls as a competency across all management layers within the Global Competency Framework (GCF)
- Exercise to review Governance Risk Compliance (GRC) tool options which resulted in partnership with a global GRC platform provider

Heightened risk control to support risk resilience

The Risk Management Framework exists to manage the risk and opportunities inherent within the Group’s strategy. As explained at our 2024 Capital Markets Day, risk management is at the core of the Group’s management practice and an integral part of all our activities, helping us to deliver our commitments to customers, colleagues and communities.

FY25 saw further valuable enhancements in the quality of the Group’s Risk Registers and heightened understanding of the importance of effective risk mitigation. There has been an enhanced understanding of the benefits of Enterprise Risk Management (ERM) across the Group’s senior leadership team. The Risk and Controls Committee has continued to develop ERM practice with a healthy level of cross-functional challenge around principal risks and their collective mitigation.

Effective risk management starts with the right conversations, to enable better risk-based decision-making. The Group’s Risk Management Framework considers management of risk in the round, top-down and bottom-up correlated through a series of risk conversations with the members of the Group Executive Committee and critical risk influencers.

Risk is considered regularly at Board level. As part of its business planning and annual strategy review process, the Board conducted a robust assessment of principal and emerging risks.

FRC revisions to Corporate Governance Code

The Financial Reporting Council (FRC) has published the 2024 UK Corporate Governance Code and associated guidance. Provision 29 of the new Code relating to risk management and internal control comes into effect for the Group for the year ending 31 March 2027. The Audit, Risk and Internal Controls section of the updated Code now includes the requirement for a declaration on the effectiveness of the material controls at the balance sheet date, a requirement effective for the March 2027 Annual Report. The Group continues to proactively assess current maturity and develop plans to specifically address requirements under Provision 29 for Board declaration of effectiveness of risk management and internal controls.

Risk Management Framework

The Risk Management Framework (below) is used consistently across the Group, clarifying ownership and the differing levels of assurance. The risk framework includes a Risk and Controls Committee where all principal risks are comprehensively challenged throughout the year, providing leadership and oversight of the Group’s risk profile. The Group have invested in continuous improvement of the Global Risk Management policy and User Requirements manual, which are embedded via tailored training and awareness sessions across the Group.

The Board sets the Group's strategy on page 8. To help deliver this strategy, the Board has in place procedures for identifying, evaluating and managing the inherent risks in our strategy, alongside the emerging risk landscape. As part of those procedures, the Board reviews and approves the principal risks on an annual basis. It makes this determination using a consistently applied risk-rating matrix, which assesses the likelihood and impact of each risk occurring and its target state, after taking into consideration the controls and mitigations in place. Work has continued on clearly detailing the path to reaching effective controls within articulated timescales.

Co-ordinated by a network of Global Risk Leads, the Group builds the hierarchy of risk by bringing together the Risk Registers of our Sectors, DRCs and functions. These Risk Registers include principal, strategic, operational and emerging risks and are compiled using the Global ERM Framework for consistency in approach. The framework requires the risks to be described along with the measures in place to control or manage each risk and an assessment of their effectiveness. The Group Risk function consolidates the Risk Registers to prepare the Group's Risk Register. The Risk Registers show the inherent and current rating of each risk as well as the target state. Risks are monitored for adherence to risk tolerance ratings and those that fall outside of this are managed back to tolerance with oversight from Group Risk. Risk ratings measure risks for likelihood and impact, using a five-by-five matrix. Please see the following graphic for definitions.

Likelihood	Very likely More than 90% chance	Impact	Severe
	Likely 60–90% chance		Major
	Possible 30–60% chance		Moderate
	Unlikely 10–30% chance		Minor
	Very unlikely Less than 10% chance		Insignificant

Group Risk engages with Sectors, DRCs and functions at least quarterly, providing guidance and ensuring a common approach as to how to measure likelihood and impact. The Group has included the current rating for each principal risk alongside its description on page 111.

On an annual basis, the Risk and Controls Committee reviews the scoring matrix. Following the Risk and Controls Committee evaluation, the Board, on an annual basis, considers the matrix and reviews the Group's principal and emerging risks. The review includes a description of the risk, as well as the mitigating controls and the associated risk appetite. In addition to the review of the risk-rating matrix, the Board also undertakes 'deep dives' bi-annually on specific risks.

Our internal control environment

In FY25, the Group has continued to make progress in its internal control environment which aims to protect the Group's assets and to check the reliability and integrity of the Group's information, thereby providing assurance that the Group appropriately manages the risks in our business model and the delivery of our strategy.

Internally published policies set the framework for the Group's internal controls. These policies cover a range of matters intended to mitigate risk, such as health and safety, project management, information security, trade controls, contracting requirements, financial transactions and financial reporting.

The Document of Controls continues to be the cornerstone of internal control systems over financial, reporting and compliance controls operating as the risk and control matrix for the Group, defining the risk, control design and control owners. Internal audit performed a review of the Document of Controls process during the year and work is ongoing to respond to those findings. The key areas of focus have involved a reduction in the number of controls, clarification of the control descriptions and review of the control owners.

The Blueprint Fundamentals – 15 key contract review, bid review and financial reporting controls – were designed and implemented in late FY23 and have continued to operate throughout the year as part of the Document of Controls. The standardisation of the contract review process has been rolled out across all contracts during FY25 and further enhancements are planned for FY26. A central repository and dashboard monitoring process has been established for all Group and Sector watchlist reviews.

During the year, IT general controls have continued to be enhanced through the migration of operational areas onto the central Neptune estate, and by the review and strengthening of controls around segregation of duties.

Following the publishing by the FRC of the 2024 UK Corporate Governance Code and associated guidance in January 2024, the Group has continued to develop its response to the Code. An initial assessment of material controls has been performed and shared with the Audit Committee together with a roadmap to ensure compliance with Provision 29 at 31 March 2027. The key areas planned for FY26 relate to the enhancement and development of the material controls and development of the proposed assurance plan.

In addition, the Group has enhanced its Fraud Risk Management Framework following an external assessment in response to the publication of the Economic Crime and Corporate Transparency Act 2023. The key activities undertaken as part of this review involve Sector, DRC and Function submissions of material fraud risks via the quarterly risk returns, conducting fraud risk training to Sector, DRC and Function Risk Leads, formalising a Fraud Risk Management Policy (including a definition of fraud), completing a Group led fraud risk assessment exercise linking specific controls to each of the identified fraud risks and updating relevant training materials.

In FY25, the newly insourced internal audit function continued to operate as an independent third line of assurance. The status of the internal audit work programme and the results of each audit are presented at every Audit Committee meeting.

Principal risks and management controls *(continued)*

Risk assurance

The Group use the three lines model to assure ourselves about the management of the risks that we face. The first line is management control, policies and procedures, together with management oversight. The second line is internal assurance activities including Group risk management and compliance teams who deliver functional oversight. The third line is independent assurance activities, such as internal audits.

Risk management and internal control annual review

To provide assurance, the Audit Committee performs an annual review of our risk management and internal control systems to assess their effectiveness. After this year's review, the Committee concluded the Company has implemented several control improvements and has a structured plan to implement further control enhancements covering lessons learnt and progressively meeting the 2024 UK Corporate Governance Code requirements. The Board, following robust assessment, concluded that the risk management process within the Group provides effective management of the principal, emerging and underlying risks. This assessment allows the Board to monitor and review the effectiveness of these processes in adherence to the UK Corporate Governance Code.

Group Executive Risk and Controls Committee

The Risk and Controls Committee provides executive management leadership and oversight of the Group's ERM Framework, acting as an interface between the Audit Committee and the business. This Committee has developed from the Risk Committee to become the Risk and Controls Committee in acknowledgement of the Committee's heightened focus on controls design and effectiveness, driven in part by the new requirements listed in provision 29 of the UK Corporate Governance Code. The Committee has as its principal deliverable the review and challenge of the mitigation and control of the principal risks. All principal risks have an allocated Committee member owner and are presented and discussed on a rolling annual basis. Discussion includes the risk, risk appetite, mitigating controls and their associated effectiveness. The Committee also has standing agenda items, considering Corporate Governance Code requirements and a review of significant operational risks as articulated in the bottom-up risk register process.

The Committee undertook a dedicated thought leadership session with an external specialist on AI ethics entitled "Why AI Ethics matter for effective risk oversight", to reduce the likelihood of unintended consequences.

The Committee also commissions 'deep dives' in relation to the businesses' Risk Registers submitted within the Group's quarterly reviews, commissions externally focused emerging risk reports (produced by the Group Risk team) and reviews the Group's approach to high-impact, low-likelihood, black swan, and grey rhino events.

A 'black swan' event refers to an unforeseen and unlikely occurrence that typically has extreme consequences. A 'grey rhino' event is a slowly emerging, highly probable and high-impact threat that is ignored.

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.

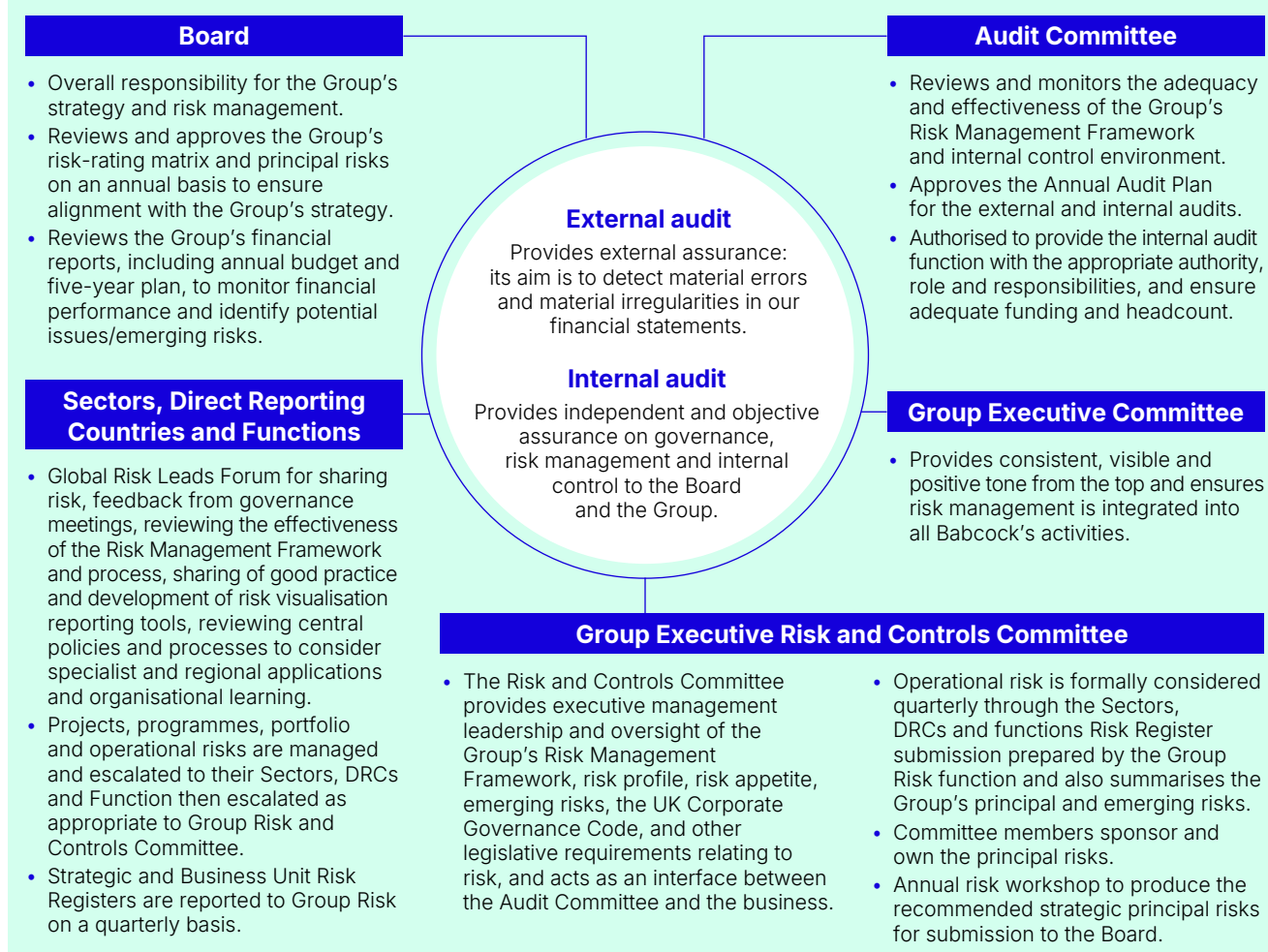
Medium – A degree of risk is tolerated with some appetite for risk and a balance of mitigation effects, with a view of the potential rewards and opportunities.

High – Open to opportunities that may result in a higher residual risk where we have the capability and capacity to manage that risk.

Forward-looking risk and control priorities – FY26

- Enhancement and development of material controls
- Development of the proposed assurance plan to underpin the declaration of effectiveness
- Continued review and refinement of the Document of Controls
- Further refinement of the Fraud Risk Management Framework and its operational effectiveness under the 2024 UK Corporate Governance Code
- Embedding of the GRC ERM and Internal Audit platform
- Further investment in the risk maturity journey to support stakeholders in achieving target risk maturity level

Our ERM framework and internal control environment



Our risk assurance – Three Lines Model

First line – management

The Group has written policies covering a range of matters to mitigate risk, such as health and safety, information security, contracting requirements and accounting policies. The Group underpins these policies with a comprehensive scheme of delegated authorities, which the Board annually reviews and approves. Twice a year, the Sectors and DRCs complete a letter of representation to provide confirmation of compliance with the Group's policies.

Management reports up from the Group's business units through the Sectors and DRCs to the Board on operational and financial performance.

Second line – internal assurance

The Board and the Group Executive Committee review the Group's financial and operational performance on a regular basis through the monthly reporting packs, which include monthly management accounts, and can compare that performance against the Group's budget, which the Board approves on an annual basis.

Group reviews the Sectors' and DRCs' letters of representation and Document of Control compliance submissions to identify any control weaknesses.

Group functions and specific committees monitor certain risks, such as health and safety, finance, tax and treasury.

The Group maintains a comprehensive international insurance programme. The Group Director of Internal Audit, Risk Assurance & Insurance reports to the Board annually on the strategic approach to that programme.

Third line – independent assurance

The Internal Audit function, which reports to the Audit Committee, provides assurance of the effectiveness of the Group's control environment.

The Audit Committee agrees both the external and internal audit plans on an annual basis.

A number of external regulators and other bodies, such as national Civil Aviation Authorities, the UK Office of Nuclear Regulation, and the International Office for Standardisation, regularly inspect parts of the Group.

All colleagues have access to a whistleblowing line to allow them to report any concerns that they may have. The Board receives all the reports to the line along with an explanation of how the Group is investigating them and the outcome of the investigation.

Principal risks and management controls (continued)

The Risk Leads case study

Furthering of enterprise risk management



Enterprise Risk Management is delivered throughout the Group supported by a network of Risk Leads representing Sectors, DRCs and principal functions such as HR and IT. The Risk Leads network was established in early 2023 with a mandate to embed a solid risk culture within the Group and drive consistency of approach, to better enable risk data to support our risk-based decision-making. The Risk Leads meet six times a year with meetings chaired by the Group Director of Internal Audit, Risk Assurance & Insurance.

The Risk Leads are the ambassadors for the promotion of effective enterprise risk management practices, the eyes and ears on the ground for an embedded risk culture. They have as a key output the collation of their operational and strategic risk registers on a quarterly basis. They support Executive Committee members to deliver their target risk maturity action plans and maintenance of principal risks, ensuring consistency of quality and format — they are the risk 'go to' for their Senior Leadership Team.

Training and knowledge sharing

Key to the success of the network is a programme of training and knowledge sharing from both internal subject matter experts and external specialists, examples of which include:

- Cyber risk (incident and response) organisational learning and costing model
- Security risk management and assurance process
- Trade controls
- Climate risk
- Group Project Management Framework
- Global engineering
- Operational resilience and crisis management
- Fraud risk framework
- Material controls

Open and transparent sharing of relevant risk information from all governance committees such as the Audit Committee and the Risk and Controls Committee is included as a standard agenda item for Risk Lead meetings to ensure that they are apprised of current risk matters. Sharing of knowledge and lessons learnt is also a standard agenda item. An example of this is sharing of lessons learnt from a recent successful major SAP implementation, with the project lead sharing outputs from on-site learning from experience events, and importance of devised non negotiables, ongoing training and business engagement.

The Risk Leads are engaged in key decisions for risk practice, ensuring that the risk frameworks and policies we operate to are best in class and operating effectively. They were a key component of the final decision on our choice of Governance Risk and Compliance (GRC) tool.

“Embracing the role of a risk champion empowers me to proactively identify, assess, and mitigate risks. This not only sharpens my personal risk management skills but also fosters a culture of resilience and strategic foresight within my sector and function. By leading by example, I inspire others to prioritise risk management, ultimately driving better outcomes and sustainable success.”

Wayne Read

IT Security and Compliance Risk Lead

“As a DRC Risk Lead, I champion the embedding of effective and consistent risk management practices. The Risk Leads forum provides a space for us to share knowledge and practices, support the development and embedding of better practice frameworks across the organisation and provide assurance that the Group’s risks are owned, better understood, and proactively managed.”

Suzanne James

Australasia Risk Lead



Principal risks and management controls *(continued)*

Our principal and emerging risks

The Risk Management Framework is described on page 107. Using this framework, the Board has identified on pages 112 to 123 the principal risks that it currently believes to be of greatest significance to the Group, as they have the potential to undermine our ability to achieve our strategic goals and to have a detrimental effect on our financial performance. As part of the Group's ongoing risk analysis, two emerging risks have been identified which are kept under review by the Risk and Controls Committee.

Emerging risks are considered by the Risk and Controls Committee, Risk Leads and through the Group's ERM Framework formally on a bi-annual basis by Group Risk and bi-monthly through the Risk Leads Forum. Identification and reporting of emerging risk themes or issues is encouraged across Babcock with the process detailed in the ERM Group Manual including the tools to support emerging risk identification. Last year's emerging risks were geopolitical tension, supply chain global sanctions circumvention, artificial intelligence, and personal security, all of which remain on the Groups risk radar; however, the following two risks are demanding particular focus.

Emerging risk	Description and management
Geopolitical tension	We mostly operate in, or export to, stable and peaceful democracies, closely allied with the UK through NATO or other structures. Nevertheless, the international geopolitical situation is constantly evolving, so we keep abreast of developments globally, working with governments and independent advisors. For new territories, this due diligence includes country risk reports and a formal approval process requiring Board-level authorisation to proceed. In the short to medium term, there are many factors causing volatility within domestic and global markets. These include, but are not limited to, the ongoing wars in Ukraine and the Middle East, growing instability in the Euro-Atlantic and Indo-Pacific, and changes to the foreign and trade policy of the new US Administration. This volatility could increase commodity prices, disrupt supply chains and increase cyber threats from state actors. The changing threat environment is driving a significant increase in expenditure on defence globally, although some markets, including the EU, are also adopting a more protectionist approach to defence procurement. The changing nature of warfare may also see a reprioritisation of budgets away from traditional large, complex platforms to smaller, uncrewed platforms and cyber.
Speed of technology advancement including AI	The speed of technology evolution across multiple domains, including AI, is unprecedented and this brings with it unprecedented levels of risk and opportunity. Opportunities can include productivity gains, new and enhanced capabilities, and speed to market, among others. However, if adequate time is not given to identifying, understanding and managing the potential risks to within acceptable levels, the benefits of new technology will be offset by potentially significant negative unintended consequences arising from privacy, ethical, sustainability, data and information security, technical integrity, product safety, cost and compliance issues. The Group is adopting a proactive and responsible approach to development and adoption of advanced technologies through appropriate technical governance and assurance processes, and a 'responsible-by-design' approach where potential risks are identified and mitigated early in the engineering and technology lifecycle.

Changes to the principal risks

Last year's principal risks and uncertainties remain valid. Of last year's thirteen principal risks, three have decreased in risk score as follows:

- Contract and project performance likelihood has decreased with the enhanced review and gating processes, ensuring alignment with the Group's capabilities and risk appetite.
- Defined benefits pension likelihood has decreased due to closure of the Devonport and Babcock International Group PLC defined benefit schemes to future service accruals.
- Corporate technology disruption impact has decreased due to the advancement of the mitigation programme in place, including the delivery of the Group's cyber and information security strategies.

One principal risk has increased in risk score as follows:

- Supply chain management likelihood has increased due to the volatile geopolitical climate, which has introduced new challenges and heightened risks. Despite targeted controls and enhanced governance, continuous monitoring and adaptive strategies are necessary to mitigate potential disruptions.

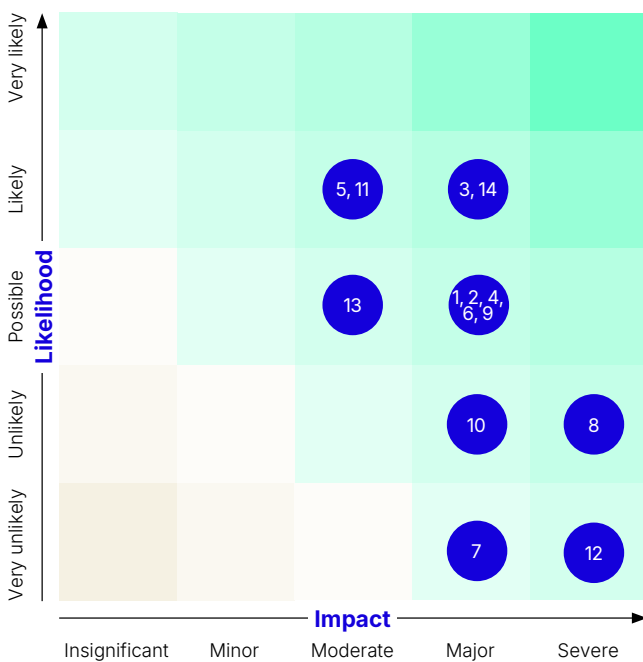
One new principal risk has been identified:

- Engineering integrity, product technology disruption and product safety principal risk reflects a re-grouping of product safety and product technology disruption risk together with an explicit articulation of engineering integrity risk. While the engineering integrity risk, resulting from our engineering and technical risk management approach, has always been present, the Group's increasing focus on Systems Integration Programmes, such as Arrowhead, Type 31 Frigates and C5ISR Programmes, which have inherently high levels of technical complexity and risk, has increased the Company's risk exposure in this area, with both an increased likelihood of the risks being encountered, and increased consequence if the risks are realised. The product safety risk and product technology disruption risks had previously been incorporated into the health, safety and environment risk and technology disruption risk respectively, but since the root causes of these risks, and the types of controls and mitigations required to manage these risks, are synonymous with those for the Engineering integrity risk, and different from the HSE and IT technology disruption risks, the decision was made to combine these three technical risks into a single principal risk, which allows a coordinated and consistent risk management approach to be applied to effectively to manage these three risk elements.

Principal risk trend

The Group operates in a complex global environment and is exposed to a wide range of risks that may undermine our ability to execute our strategy.

Enterprise Risk Management is an evolving and dynamic process; therefore, the Group might identify new risks, or better understand the significance of existing risks, or identify a change in a risk. This means that the risks identified on pages 112 to 123, which are listed as per the table below, are not and cannot be an exhaustive list of all principal risks that could affect the Group. Risks are plotted on a net basis including current mitigations.



	2024 Principal risks	2025 Principal risks	Overall annual risk score trend
1	Contract and project performance	Contract and project performance	↓
2	Market	Market	↔
3	IT and cyber security	Cyber and information security	↔
4	Defined benefit pensions	Defined benefit pensions	↓
5	Supply chain management	Supply chain management	↑
6	Operational resilience and business interruption	Operational resilience and business interruption	↔
7	Financial resilience of the Group	Financial resilience of the Group	↔
8	Safety, health, and environmental protection including product safety	Safety, health, and environmental protection	↔
9	Climate and environmental sustainability	Climate and environmental sustainability	↔
10	Corporate technology disruption	Corporate technology disruption	↓
11	Resourcing, retention and skills	Resourcing, retention and skills	↔
12	Compliance with legislation or other regulatory requirements	Compliance with legislation or other regulatory requirements	↔
13	Acquisitions and divestments	Acquisitions and divestments	↔
14	N/A	Engineering integrity, product technology disruption and product safety	N

Key

- ↑ Increased
- ↓ Decreased
- ↔ No movement
- N New

Principal risks and management controls *(continued)*

Principal risks, their impact and mitigation

1. Contract and project performance

Likelihood: **Possible** ↓Impact: **Major** ↔

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 the defence and emergency services sectors. As a Company, we are in the business of strategically accepting and managing risks that are within 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.

Potential impact

The Group's business model revolves around securing and executing long-term, high-value contracts for complex, integrated programmes. These contracts often involve outcome-based agreements, and our medium risk appetite is rewarded with appropriate margins.

Contract terms from the Group's customer base can be stringent, with strict conditions and clauses. Underestimating or under-pricing risk exposure, unforeseen costs or supply chain disruptions can impact our contract delivery costs. Fixed-price contracts can exacerbate this, especially if actual costs exceed projections due to factors like inflation or extended programme durations.

The nature of the complex work the Group performs and the terms under which industry contracts with government departments (and the sometimes onerous terms and conditions that apply) mean there is a residual risk. Additionally, as we drive to move up the integration value chain, this will require the Group to accept, manage and mitigate more complex risks.

The Group's projects and extensive supply chains expose the Group to risks such as shortages in raw materials or electronic components, which can lead to increased costs or missed deadlines. Furthermore, long-term contracts often undergo changes in scope or emergent work, requiring diligent change management to avoid additional costs and maximise contract opportunities. If key risks materialise, they can escalate the Group's delivery costs, trigger penalties or damage our reputation, jeopardising current and future contracts.

International conflicts and geopolitical changes are driving increased management of supply chain risks which, if left unmanaged, could significantly influence contract and performance risks in defence. Such conflicts often escalate costs due to heightened security measures, leading to uncertainties in project planning and execution. Sub-contractors may face challenges in interpreting and fulfilling contractual obligations amidst legal uncertainties and reputational risks.

Mitigation

To mitigate these risks, the Group has significantly enhanced our review and gating processes, ensuring alignment with our capabilities and risk appetite. The Group conducts thorough reviews at contract, business unit, sector and (where appropriate) Group executive level, continuously managing risks and opportunities throughout contract lifecycles.

The Group closely monitors contractual performance at various levels of the organisation, identifying high-risk contracts for special attention and implementing remediation plans when performance falls short.

To further enhance the Group's business controls and active risk management, we have been actively embedding deep dives, conducted by resources independent of the business area, in order to challenge assumptions and maintain best practices.

In summary, navigating the complexities of the defence and emergency services sectors requires a proactive approach to risk management, thorough contract evaluation, and continuous performance monitoring to ensure successful project delivery. Whilst residual risk remains in complex contracts and programmes, our controls and drive for awareness and knowledge share are having a positive effect throughout the organisation. This is critical to successfully deliver the objective to move up the value chain and accept more integration risks within the Group's future contracts.

2. Market risk

Likelihood: **Possible** ↔Impact: **Major** ↔

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.

Potential impact

Major customers, particularly those government-owned or with government backing, have significant bargaining power and can exert pressure to change, amend or even cancel programmes and contracts. As governments own, fund or are many of our major customers, political and public spending decisions may have a significant impact on our contracts and pipeline. For example, the UK Government's national security and international policy objectives control the budget of the MOD.

Whilst changes in customer policy or budgets can potentially offer more opportunities, they can also present risks in terms of spending which may include:

- Reductions in the number, frequency, size, scope, profitability and/or duration of future contract opportunities
- In the case of existing contracts, early termination, non-extension or non-renewal or lower contract spend than anticipated and pressure to renegotiate contract terms in the customer's favour
- Favouring small or medium-sized suppliers or adopting a more transactional rather than a cooperative, partnering approach to customer/supplier relationships
- Favouring overseas competitors, potentially benefitting from lower production costs and state ownership or subsidies
- Imposing new or extra eligibility requirements as a condition of doing business with the customer that we may not be able readily to comply with, or that might involve significant extra costs, thereby affecting the profitability of doing business with them

All defence contracts have regulations covering contract terms and pricing. A number of the Group's contracts with the MOD are subject to the Single Source Contract Regulations (SSCR), which the Single Source Regulations Office (SSRO) administers. The SSRO sets the baseline profit rate for single source contracts let by the MOD on an annual basis. These regulations and their implementation are subject to review by the UK Government, which could lead to lower returns for industry.

The Group may face challenges in securing contracts in new markets. These include the risk of failing to ensure the required level of market understanding or customer intimacy to anticipate and shape future market requirements; failure to align approaches with customer expectations; and a preference for, or state funding of, domestic suppliers. The delivery of contracts may be further challenged by commercial, legal and licensing issues which have the potential to impact bidding success, operations, recruiting, etc.

Factors which may affect existing and new markets equally, some of which have been evident in recent years, include:

- Unforeseen regional or global economic developments
- International conflict and subsequent impacts on global and regional economy, trade and defence requirements
- Changes in governments resulting in changing political priorities, geostrategic relationships and defence posture
- Change in competitor landscapes

Mitigation

The Group's focus on defence, aerospace and security markets, together with our geographical presence, provides a degree of portfolio diversification and potential up-side to changing market dynamics. The Group pursues ongoing dialogue with key customers to understand their requirements, objectives and constraints, so that we can develop the necessary customer intimacy and remain as aligned to them as possible. The Group monitors expenditure changes in our markets to allow us to make the appropriate adjustments. In the UK, we maintain a public listing, as we believe it is an important factor in winning contracts and retaining our business position, particularly with government customers.

The Group has a clear business strategy to maintain a substantial bid pipeline, both in the UK and, increasingly, internationally. The Group bids for contracts we consider are aligned to the Group strategy and where we believe we stand a realistic chance of success due to our market offering, customer intimacy and value proposition. As appropriate, the Group invests in the development of our capabilities, innovation and people, to ensure our products and services are competitive, and meet global market and customer requirements.

The Group maintains consistent engagement with our current and prospective customers in our markets. Nearly all of the Group's customers are governments in established, stable democracies. They face regular elections, which often lead to changes in leadership, policy and spending priorities. In our principal markets, we use in-house and external advisors to monitor developments from across the political spectrum. Instability in the Euro-Atlantic region, the Indo-Pacific and the Middle East will continue to create volatility within domestic and global markets, and we keep abreast of developments globally, working with governments and independent advisors. When seeking business in new territories, our due diligence includes country risk reports and a formal approval process requiring Board-level authorisation to proceed.

Principal risks and management controls *(continued)*

3. Cyber and information security

Likelihood: **Likely** ↔Impact: **Major** ↔

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.

Potential impact

The impact of an IT or cyber security breach or compromise may be loss of reputation, loss of business advantage, disruptions in business operations or inability to meet contractual obligations.

The nature of the Group's operations and the requirement to hold and process sensitive and confidential information on behalf of our customers makes the Group a target for cyber attackers. Despite controls designed to protect such information, there can be no guarantee that security measures will be sufficient to prevent security attacks being successful in their attempts to breach or compromise IT systems and misappropriate sensitive and confidential information, or otherwise cause destructive or disruptive harm to the Group.

The Group may be seen as a threat target for attack by 'state actors' from overseas countries because of the nature of the Group's activities for its government customers. In addition, failure to invest in our IT infrastructure, for example in replacing legacy systems or introducing new technologies, could create vulnerabilities that may lead to a breach.

The risk of loss of information or data by other means (such as physical loss) is also a risk that we cannot entirely eliminate. Significant data breaches or losses could lead to litigation and fines for breach of applicable regulations such as data protection laws. This could have an adverse effect on the Group's operations and its ability to win future contracts, which may affect our overall financial condition.

Mitigation

The Group continues to build on the historical investments made to enhance our IT security, and work has also been undertaken in boosting the security awareness to further increase our cyber resilience. Work on the next-generation security platform is underway and this will be correlated directly to future business needs for secure collaboration and sharing of resource and knowledge, in support of the international growth strategy.

The Group seeks to assure our data security through a multi-layered approach that provides a hardened environment, including robust physical security arrangements and data resilience strategies. We have formal security and information assurance governance structures in place to oversee and manage IT, cyber and information security-related risks. We employ specialists in threat intelligence and conduct comprehensive internal and external testing and remediation of potential vulnerabilities. To maintain organisational awareness around cyber security, the Group provides cyber security education to our staff, which includes awareness of social engineering and insider threat. The Group maintains business continuity plans that cover a range of scenarios (including loss of IT availability) and we regularly test the plans that relate to IT and cyber security.

4. Defined benefit pensions

Likelihood: **Possible** ↓Impact: **Major** ↔

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 pensions 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.

Potential impact

Member and employer contributions paid into pension scheme funds and the investment returns made in those funds over time have to meet the cost of the defined benefit obligations.

Various assumptions underpin the level of our contributions. These assumptions are subject to change, such as life expectancy of members, gilt yields, investment returns, inflation, and regulatory changes. Based on the assumptions used at any time, there is always a risk of a significant shortfall in the schemes' assets below the calculated cost of the pension obligations. For example, pension liabilities can increase due to rising life expectancy, higher-than-expected inflation rates in the future and lower interest rates.

If the pension trustees believe that the assets in the pension schemes are insufficient to meet pension liabilities or if the Group's balance sheet strength does not meet the pension trustees' expectations, they may require us to make increased contributions and/or lump sum cash payments into the schemes or provide additional security from the Group. The toughening stance of the UK Pensions Regulator may influence our pension trustees' perspectives. Increased contributions or lump sum cash payments may reduce the cash available to meet our other obligations or business needs and may restrict our future growth.

Accounting standard rules governing the measurement of pension liabilities can lead to significant accounting volatility from year to year, due to the need to take account of macroeconomic circumstances beyond the control of the company. Companies, including Babcock, do not calculate actuarial valuations used for funding on the same basis as IFRS accounting standards. This means the future cash contributions are difficult to derive from the Group's IFRS balance sheet.

When accounting for the Group's defined benefit schemes, corporate bond-related discount rates are used to value the pension liabilities. Variations in bond yields and inflationary expectations can materially affect the pensions charge in our income statement from year to year, as well as the value of the net difference between the pension assets and liabilities shown on our balance sheet.

There is a risk that future accounting, regulatory and legislative changes may also adversely impact pension valuations, both accounting and funding, and, hence, costs and cash for the Group.

Mitigation

The Group's senior management undertakes continuous strategic monitoring and evaluation of the assets and liabilities of the pension scheme. Management aims to increase its engagement with the scheme trustee chairs and with the UK Pensions Regulator.

The pension scheme mitigates the risk of liability increases by having investment strategies that hedge against interest rate and inflation risk, by using longevity swaps to limit exposure to increasing life expectancy. The Trustees also use professional advisors to assist in the hedging of risks.

Principal risks and management controls (continued)

5. Supply chain management

Likelihood: **Likely** ↑Impact: **Moderate** ↔

Supply chains today face a variety of risks that can disrupt operations. The global financial market has been marked by persistent inflation, an 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.

Potential impact

Potential impacts include inflation, geopolitical tensions, supply chain disruptions, cybersecurity threats and parts obsolescence, all of which can affect industry growth, productivity and operational stability.

Persistent inflation poses risks to industry growth and productivity. Tight labour markets with ongoing wage inflation, fluctuating energy prices, constrained global supply chains and heightened demand contribute to economic uncertainties. Global tariff adjustments and perceived “trade wars” are increasing input costs and adding complexity to cross-border procurement. These conditions can also stress suppliers, impacting their ability to meet contractual obligations and maintain operational stability.

Ongoing global conflicts and rising tensions in regions such as the Middle East, Eastern Europe and the Taiwan Strait pose significant risks to the global economic outlook. The evolving landscape of global trade, marked by reciprocal tariffs and trade wars, adds further uncertainty to international relations. The United States’ influence on the geopolitical landscape remains uncertain as it navigates these complex challenges. These disruptions impact oil markets and commodities, potentially introducing additional inflationary pressures.

Supply chain disruptions can arise from various factors including natural disasters like earthquakes, hurricanes or floods that damage infrastructure and cause transportation delays. Industrial actions, such as strikes, can severely disrupt business operations. Additionally, global supply constraints can jeopardise the ability to secure supplies within agreed lead times, potentially resulting in missed delivery schedules.

Cybersecurity threats present notable risks to supply chains, as increasingly sophisticated attacks, such as ransomware and AI-powered cybercrime can disrupt operations and compromise sensitive data. Weak security protocols, reliance on sub-tier suppliers and outdated technologies can also increase these vulnerabilities.

Maintaining older customer assets presents challenges when key parts become unobtainable due to high costs or extended lead times, impacting the ability to ensure timely repairs and continued functionality.

Mitigation

Effective controls are essential for reducing strategic procurement risks, ensuring compliance, safeguarding assets and enhancing operational efficiency. The Group’s identified risks are managed through the Supply Chain management risk register and governance process.

To minimise the impact of market volatility, inflation and global tariff charges, the Group aims to negotiate flexible contract terms, monitor supplier performance and strengthen our supplier relationships. The Group conducts ongoing surveillance of financial alerts within the supply chain using risk resilience and credit monitoring tools.

To moderate geopolitical risks, including those arising from global trade wars and tariff adjustments, the Group monitors supplier business alerts and geopolitical developments using risk resilience tools. The Group also conducts supplier information management and due diligence, including verification of new suppliers and periodic revalidation to review commitments to ethical behaviour and compliance with international regulations.

To alleviate interruptions caused by natural disasters, logistics issues and economic disruptions, we employ several controls. These include continuous monitoring of supplier disruption alerts utilising risk resilience tools and conducting supplier quality assurance processes, including audits and assessments of supplier business maturity and resilience.

Controls include continuous monitoring of cyber alerts within the supply chain using risk resilience tools, tracking incidents in collaboration with the Group’s Security Operations Centre and maintaining a dedicated supplier cyber incident hotline for self-reporting cyber incidents. These measures help identify and mitigate cybersecurity vulnerabilities, such as malware and ransomware attacks, and facilitate timely responses to potential threats.

The Group manages parts for older assets through obsolescence management terms in contracts, our risk management process and supplier performance monitoring.

6. Operational resilience and business interruption

Likelihood: **Possible** ↔Impact: **Major** ↔

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.

Potential impact

Operations can be disrupted by the loss of key dependencies, including people, infrastructure, utilities, information, technology and supply chain provisions. In highly regulated domains, approvals to operate are critical dependencies, requiring robust resilience measures to maintain compliance.

Following any safety or operational incident, the Group's ability to respond and recover effectively is vital to minimising operational, financial and reputational consequences. Ineffective response and recovery measures can amplify business disruption, leading to increased costs, regulatory scrutiny and potential penalties.

Without strong resilience arrangements, financial and regulatory repercussions could be severe. Business interruptions can result in significant revenue losses, regulatory non-compliance and reputational harm, impacting long-term brand value, market position and future business opportunities.

Mitigation

The Group recognises the importance of an integrated and robust Operational Resilience programme. The Group maintains established resilience disciplines – including Business Continuity, Emergency Response, and Crisis Management – to protect its operations. Across Sectors, DRCs and sites, various emergency response and business continuity plans are in place, aligned to the specific risks and regulatory requirements of each operational area.

With the introduction of the new Operational Resilience Strategy and Framework, The Group is focused on increasing standardisation, alignment and proactive resilience activities across the Group. The identification of Key Control Indicators (KCIs) provides clear metrics to measure and enhance resilience performance. The formation of the Operational Resilience Working Group and Leads across the business ensures stronger governance, collaboration and accountability for resilience initiatives.

The Group's IT services continue to provide secure technology and access to information, supported by a range of IT Disaster Recovery Plans accredited to the ISO 22301 standard, ensuring critical systems and data can be restored within agreed recovery time objectives.

To mitigate reputational risks, the Group's crisis communication protocols remain embedded within the organisation. These protocols define clear processes for internal and external communications, ensuring information is shared accurately, transparently and in a timely manner with stakeholders, customers and regulatory bodies.

Additionally, operational resilience plans and procedures continue to be tested through regular exercises and drills, conducted in collaboration with key stakeholders and relevant authorities. These exercises ensure that resilience capabilities remain effective, well-practised and continuously improved.

Principal risks and management controls *(continued)*

7. Financial resilience of the Group

Likelihood: **Very unlikely** ↔ Impact: **Major** ↔

The Group is exposed to a number of financial risks, some of which are of a macroeconomic nature (for example, foreign currency and 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 the 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 always require management.

Potential impact

A lack of financial resilience may hinder us in raising debt funding to invest in existing or future business. The weakness also may cause our existing banks to increase the cost of our funding. If our debt is denominated in a currency other than Sterling, movements in exchange rates may make that debt more costly when we repay it.

Customers and/or suppliers may question our long-term sustainability if we have a weak balance sheet. This may tighten the terms of business on which they are prepared to contract with us or, in the extreme, cause them to not award work to Babcock due to their perception of risk. Credit rating agencies may downgrade our rating, which could increase our cost of borrowing.

The lack of financial resilience may trigger certain pension scheme financial thresholds, requiring us to allocate further resource to the schemes.

The Group could face capital allocation constraints and consequently have reduced capital to invest in the business to meet all our obligations or to pay a dividend.

In addition, if companies working in the defence or nuclear sectors were deemed not suitable for investment by certain investment funds (eg due to extremely strict ESG policies) the cost and/or availability of capital to the Group could be adversely affected.

Mitigation

The rationalisation of the Group's portfolio, raising proceeds from disposals, and ongoing improvement in trading performance has strengthened our balance sheet, resulting in the only material debt of the Group being long-term Eurobonds, which are uneconomic to repay.

In respect of immediate liquidity, the Group has a committed bank revolving credit facility of £775 million which was not drawn as of 31 March 2025.

The Group is proactive in its dealings with credit rating agencies and lenders. The Board reviews the financial position of the Group on a monthly basis against the Board-approved three-year plan.

The Group has a very proactive ESG agenda and regularly communicates Group activities to assist in more-informed investment decisions by providers of capital.

8. Safety, health and environmental protection

Likelihood: **Unlikely** ↔Impact: **Severe** ↔

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.

Potential impact

Many parts of the Group's business involve colleagues and contractors working in potentially hazardous environments, including work with hazardous materials, high-energy systems and in challenging locations. Furthermore, many of the activities that we undertake are in high-hazard industries with inherent risk of harm, such as aerial emergency services and heavy industrial production including shipbuilding. The risks associated with the Group's activities and workplace can cause harm to our people, those affected by our operations and the environment; we work to minimise the risk exposure to as low as reasonably practicable.

The Group has moral, regulatory and legal obligations to prevent harm to people and the planet, and there could be significant impacts if we fail to reach the standards and mandated requirements to adequately mitigate safety, health and environmental risks. Accidents and debilitating health conditions can have major, long-term impacts on the lives of those directly affected, and on their families, friends, colleagues and community. Releases of harmful chemicals and emissions can have significant effects on our local environments and wildlife. The Group may face criminal and civil prosecution, which could result in substantial penalties and fines (some of which are uninsurable); and there may also be serious damage to our reputation with both the public and with our customers (whether justified or not). The Group could be prevented from operating due to colleagues being unavailable for work, workplaces being unusable, investigations being conducted, or if regulatory approval, permits and certification are withdrawn. These could potentially lead to contractual penalties due to loss of productivity or inability to deliver the contract, which could lead to a loss of business or future opportunities.

These impacts could occur if we cause or contribute to an incident due to a failing on our part; or it is found that we have failed to meet the requirements to adequately mitigate these risks, even if an incident did not occur. These could be caused by failing to prevent critical equipment failure; inadequate information and communication; poor training and supervision; or the inadequate management of change and learning from previous events.

Mitigation

Harm to individuals and the environment may arise from issues with the working environment, the tools and equipment in use, people's behaviours or the organisation and its processes. Many situations have elements of all of these, so our mitigations strive to work across these areas to reduce the probability of occurrence and the severity of the impact. Safety, health and environmental protection is our priority with a low tolerance for risk of harm. It has oversight by the Babcock Board and Executive Committee through monthly review of events and monitoring of leading and lagging performance indicators, and a quarterly Executive Safety Committee where performance and improvement actions are reviewed in-depth. The function is centrally led, with teams in each Sector and DRC working under the direction of the Group Director and the Corporate Safety Leadership Team to support operations to implement improvements in safety, health and environmental protection performance through both central and local improvement plans. Induction and task-specific training builds competency of personnel, health surveillance and support programmes assist workers to protect themselves in the short and long term, whilst at home, on sites and working away. The Group's Home Safe commitments can be applied across all activities to support our people to protect themselves, one another and the environment, and our communications and behaviours programmes are developing an engaged culture of openness and fairness.

The Group's global management system enables reporting and investigation of all events, near misses, observations and findings to identify and address issues and causes, and to share lessons. The development of standardised processes and ways of working provide continuous improvements and greater consistency and quality across the Group.

These mitigations are integral to our management systems, which are delivered and certified to international standards, and assured through a programme of internal and external assurance activities. These mitigations enable everyone to go 'Home Safe Every Day'.

Principal risks and management controls *(continued)*

9. Climate and environmental sustainability

Likelihood: **Possible** ◀Impact: **Major** ◀

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 working to continually improve our understanding of climate and environmental risks, and we are committed to mitigating risks, unlocking opportunities and reducing our environmental impacts.

Potential impact

Climate-related risks may materialise and cause a wide range of adverse impacts to the Group over the short, medium and long term. Unmitigated risks are forecast to deliver financial, commercial, reputational and operational impacts. The severity of the impacts varies depending on the climate scenario and a range of local and macro factors. Climate and environmental sustainability risks to the organisation have been categorised into physical and transition risks.

Physical risks related to climate change can be considered as shocks and stresses:

- Shocks are generally short-term impacts from extreme weather events such as extreme heat, flooding, wildfires, hurricanes etc
- Stresses are generally longer-term risks such as sea level rise, global rise in temperatures and biodiversity loss.

Transition risks relate to risks associated with the transition to a low-carbon economy, including policy and legal changes, technological advancements and market movements to address mitigation and adaptation requirements. Transition risks are commonly broken down into four aspects:

- Policy and legal risks are associated with climate policies, carbon pricing and regulations that restrict negative contributors to climate change
- Technology risks are driven by the development of new technology to support a low-carbon economy
- Market risks are driven by economic and social changes that impact supply and demand, such as changing consumer preferences around supporting fossil fuels
- Reputational risk refers to the impact of negative public perceptions of high-emissions sectors or organisations which are not deemed to be supporting the Net Zero transition.

Mitigation

Within each of our international entities, The Group is regulated by, and adheres to, increasing levels of national and international climate-related legislation, as well as strict disclosure requirements pertaining to key sustainability themes such as environmental protection, employee safety, community engagement, commercial integrity and responsible procurement. The Group's workforce is protected by the required insurance and standards, and it will continue to be fundamental for us to provide a safe environment for all the Group's employees and future generations. Climate and environmental sustainability risks are recorded by the business on a quarterly basis, with mitigation plans developed to mitigate risks.

Whilst the Group's approach to climate risk management is currently at a lower level of maturity, our Climate Risk Working Group has been working with industry specialists over the past 12 months to refine and enhance our approach. Following investigations, we have refined our approach to the identification of physical and transitional climate-related risks and opportunities, and we shall continue to embed this approach into our Enterprise Risk Management system during FY26.

The Group's new Sustainability Strategy provides clear direction to the organisation, ensures we have the resource in place to deliver on our sustainability targets, and positions Babcock to effectively address risks, unlock opportunities and deliver the Net Zero transition.

10. Corporate technology disruption

Likelihood: **Unlikely** ↔Impact: **Major** ↓

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 the risk appetite being set at low. Exploiting new technology in an appropriate manner can open new markets. However, the Group surveys 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.

Potential impact

Failure to respond to developing trends may reduce opportunities to augment existing contracts or build new commercial offerings. Digital change is our response to the advancement of modern IT and solutions. The Group's ability to be responsive to these developments, in a commercially sensitive way, has a material impact on our ability to unlock new business and enhance existing contracts. The Group's products/services will lag behind competitors and customer requirements if we are unable to incorporate appropriate data and technology-enabled capabilities. If the Group lags behind in our ability to embrace change and exploit a range of new products and capabilities, then staff retention may also be an issue, exacerbating the risk of losing important knowledge.

Mitigation

Focus is retained on developing key programmes to increase the resilience and effectiveness of our corporate IT solutions, information management and data analytics. The Group is also continuing to work in partnership with our key suppliers to understand the potential of new technologies on the market, and to develop and maintain roadmaps for our key products and platforms. This includes understanding how best to safely exploit relevant emerging technologies such as machine learning, automation and artificial intelligence.

11. Resourcing, retention and skills

Likelihood: **Likely** ↔Impact: **Moderate** ↔

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.

Potential impact

The Group's business delivery and future growth depend on our ability to recruit, develop and retain an experienced, highly skilled and diverse leadership team and workforce across a broad range of disciplines. A number of the competencies and skills we rely on are deeply specialist and in scarce supply in the territories we operate in.

This is exacerbated by the additional restrictions related to our sector including security and nationality. Changes to visa requirements have also impacted our ability to easily transfer people from EU nations and to deploy our people internationally. If the Group has insufficient qualified and experienced employees, this could impair our service delivery to customers or our ability to pursue new business, with consequent risks to our financial results, growth, strategy and reputation, and the risk of contract claims. Industry salary benchmarks are increasing due to both scarcity of supply and increased demand, which could impact contract profitability.

Mitigation

The Group has a People Strategy, which is being delivered through our people programme, led by the Group's Chief People Officer. This programme is informed by workforce planning and includes the upskilling of our workforce to meet future requirements; reinforcing of leadership capability; enhancing our ability to attract talent; investment in early careers; engagement and reward strategies to improve retention; and building better career development opportunities for our colleagues.

The Group has a number of specific targeted programmes running to drive attraction and retention of a more diverse pool of talent, and to deliver accelerated development to our people to enable them to progress their careers and add more value to the Company and our communities.

Principal risks and management controls *(continued)*

12. Compliance with legislation or other regulatory requirements

Likelihood: **Very unlikely** ⬅️ Impact: **Severe** ➡️

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 is subject to include anti-bribery laws, import and export controls, tax, procurement rules, human rights laws, and data protection regulations.

Potential impact

The laws and regulations that we are subject to include, but are not limited to, anti-bribery laws, import and export controls, tax, procurement rules, human rights laws, and data protection regulations. Failure to maintain compliance with applicable requirements could result in fines and criminal prosecution; the removal of a licence to operate; reputational damage; cost of rectification; debarment from bidding; loss of access to markets; loss of substantial business streams; possible damages claims; and opportunities for future business. If an applicable law or regulation changes, it may cause the Group substantial expenditure to comply, which may not be recoverable (either fully or at all) under customer contracts.

Compliance with some regulatory requirements is a precondition for being able to carry on a business activity at all, for example in our Nuclear business and our Aviation business. Given the nature of the Group's customers and the markets in which we operate, as well as the services that we provide, the Group believes that our reputation, not only in terms of delivery but also in terms of behaviour, is a fundamental business asset.

Failings or misconduct (perceived or real) in dealing with a customer or in providing services to them or on their behalf could substantially damage our reputation with that customer or more generally.

Mitigation

The Group maintains internal policies and procedures to ensure compliance with all applicable laws and regulations. The Group has suitably qualified and experienced colleagues and expert external advisors to assist on regulatory compliance. The Group's management systems comprise competent personnel with clear accountabilities for operational regulatory compliance.

Senior management at Group and sector level are keenly aware of reputational risks, which can come from many sources. The Group's Code of Conduct, together with our Ethics policy, sets out the clear expectations that we have of our employees. We seek to reinforce these values with all employees through a number of different processes, for example our training. We encourage all our employees to use our whistleblowing reporting lines if they see evidence of behaviour which is not in keeping with our values.

The Group holds indemnities from the UK Nuclear Decommissioning Authority and the UK MOD for nuclear risks to protect against liability for injury or damage caused by nuclear contamination or incidents.

The Board monitors and reviews all reports and their investigations.

13. Acquisitions and divestments

Likelihood: **Possible** ⬅️ Impact: **Moderate** ➡️

The Group has built its 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 believes 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.

Potential impact

If the Group acquires companies, we may not realise the financial benefits of the acquisition as expected, due to poor integration execution or to acquisition business cases relying on market conditions or other business assumptions that subsequently do not materialise, challenging the logic of the acquisition decision. Those companies that the Group considers to be non-core, and therefore disposal candidates, may become distracted or demotivated or lose key employees, which may lead to poor performance whilst also undermining their value to their customers and a potential buyer.

Mitigation

While the Group's focus remains primarily on operational execution, we continue to review potential acquisition opportunities that align with our strategy. We will work to enhance our acquisition and integration capability so that we are ready at the appropriate time in the future.

14. Engineering integrity, product technology disruption and product safety

Likelihood: **Likely** NImpact: **Major** N

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 works 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.

Potential impact

It is important that the Group, our customers and shareholders have confidence that all our technical products (goods and services) have high levels of technical integrity, meaning that they are safe for our customers and end-users to own, operate, maintain, store and dispose of over their life, perform as they are intended to, are secure from physical and cyber threats, and are high quality to ensure that they perform to expectations. Without that confidence, we expose ourselves and others to potentially significant safety, compliance, financial, reputational and legal risk.

Safety risks can materialise if our technical products cause harm to people or the environment. Financial risks can result from re-work and product recalls as well as from non-compliance. Legal risks, including to our licence to operate in regulated areas, can arise from Product Safety issues or contractual issues associated with a non-compliant product. Reputational issues can arise from any of these, or from poor quality and/or poor performance of products, for example, if our products do not meet customer expectations and requirements around capability, reliability or availability (among others).

The nature of the complex technical work the Group undertakes also means that we need to be embedded in the forefront of advanced technology deployment. However we must do this in a responsible way. This means identifying, understanding and managing the uncertainties and potential risks and opportunities associated with rapidly evolving technologies. These considerations include areas such as privacy, ethics, sustainability, data and information security, technical integrity, product safety, cost and compliance.

Mitigation

To mitigate the risks and successfully deliver our projects and technical products, the Group requires a network of suitably qualified and experienced people, within our teams and across our extensive network of partners and supply chains, working with access to the appropriate processes, materials, tools and systems, and within enabling organisations with appropriate accountabilities and technical governance and assurance systems in place.

Accordingly, the Group is implementing a rigorous Technical Risk Management framework consisting of the following elements:

1. The Group's Technical Governance & Assurance (TG&A) Framework ensures we are identifying, understanding and managing technical risk to within acceptable levels through independent technical assurance management systems, with a focus on Product Safety, Product Security, Product Quality and Responsible AI Use, and reporting across a range of technical performance metrics to enhance our understanding of the technical risk profile across our Company, and to inform and prioritise controls and mitigations.
2. The Group has an increased focus on the development of our engineering people, processes and tools, including a global set of engineering policies and processes, common enterprise and engineering digital tools and a tailored capabilities and skills matrix supported by capability-building initiatives across critical skills needs such as systems engineering.
3. The Group is putting an increased focus on ensuring projects and contracts have the required resources and organisational capacity/capability through an Independent Technical Authority network, designing effective engineering organisations and operating models, and managing engineering resources effectively and efficiently across the organisation including through technical Strategic Workforce Planning (SWP).
4. To ensure the Group understands and can access relevant advanced technologies, our Technology function has been strengthened, including through the implementation of a Technology Horizon Scan activity; strengthened and focused engagement with academia, research establishments and SMEs, and expanding our reach back into our global footprint, to develop our advanced technology capability in a coordinated way that draws on best practice globally.

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 on page 104. 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 8, 12 and 22 of this 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' (ie 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 (eg 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.

Chair's introduction to Governance

Dame Ruth Cairnie
Chair



Dear fellow Shareholder

I am pleased to start my introduction to our Governance report by saying that we have continued to make significant progress over the year.

The Board's governance focus through FY25 has been to continue delivery of our control enhancement plan and to drive improvements in operational delivery. Our progress made over several years provides the solid platform from which we can now develop the growth opportunities we see before us, as well as the tools to navigate the uncertainties arising in an increasingly turbulent world.

Risk and controls

Since FY21, we have been focused on improving our risk management and control environment. Over this time, we have made significant steps to achieve our ambition to be in line with the best-in-class peer FTSE companies. We have invested in our risk management capability, establishing a dedicated function to improve the quality of risk data and assurance evidence for both controls and overall risk performance. We have designed and implemented our Blueprint Fundamentals, 15 key controls covering contract reviews, bid reviews and financial reporting controls.

Statement of compliance

The Board confirms that for the year ended 31 March 2025, the principles of good corporate governance contained in the 2018 UK Corporate Governance Code (the Code) have been consistently applied and all provisions complied with.

Further information on the Code can be found on the Financial Reporting Council's website at: www.frc.org.uk.

We have structured this Governance report to describe how the Company has applied the Code principles in line with its five categories:

- 132-138 **Board leadership and company purpose**
- 139 **Division of responsibilities**
- 140-145 **Composition, succession and evaluation**
- 146-149 **Audit, risk and internal control**
- 150-177 **Remuneration**

In FY25, we have been building on these and other improvements to prepare for the changes introduced by the Financial Reporting Council in its 2024 UK Corporate Governance Code. Provision 29 of the new Code will require the Board to identify material controls over financial and non-financial reporting as well as our principal risks, and then to provide a declaration of effectiveness as at our balance sheet date.

In response, we have undertaken an exercise led by the Audit Committee to review our material transactional and broader framework controls. We have made an initial identification of our material controls, which we will continue to refine, and are now building out our control activities as well as defining the testing and assurance plan. We aim to have our process designed and operational well in advance of the implementation of Provision 29 in FY27.

As well as working on our risk management and internal controls programme, the Audit Committee has led on the appointment and on-boarding of our new auditors, Forvis Mazars. I would like to thank the Audit Committee for all their hard work in ensuring a smooth transition.

Growth and stakeholder engagement

Now that the changes we have implemented over the last five years are embedded in the organisation, we can increasingly focus on our strategy for growth. We believe that we are well positioned in markets that show sustainable growth potential. Over the year, we have developed our strategy by refining our strategic framework, against which we can evaluate the Company's growth opportunities. Building on this, we are now enhancing our approach to monitoring our strategic progress. This will be an important aid to help us navigate an increasingly uncertain world with transparency and discipline.

As we develop our strategy and look at growth opportunities, the interests of our stakeholders are an important consideration. We engage with our stakeholders in numerous ways, including face-to-face meetings with shareholders, multiple channels to hear from colleagues such as our site visits, our Director designated for workforce engagement, and our Global People Survey. In respect of our customers, we understand their priorities through the direct contact we have with them as well as the regular business updates that we receive.

Board membership and effectiveness

At a time of uncertainty, a critical driver of a board's effectiveness is how well it works together to address new and unforeseen issues, effectively harnessing the skills of all its members. This was a particular focus of our Board review during last year, which was externally led. The review concluded that the Board had continued to operate effectively with a collegiate and transparent culture, and made some helpful recommendations about how to enhance further the Board's performance. We will provide an update on progress against these recommendations in next year's report.

There were no changes to Board membership during the year. Looking ahead, after seven years of service Lucy Dimes has decided to retire from the Board and will not seek re-election at this year's AGM. I would like to thank Lucy for her commitment and advice over the last seven years and wish her well for the future. We will be looking to appoint a new Non-Executive Director and a recruitment process is underway.

People and culture

Babcock is a people business. For us to succeed, we must ensure that we have the right people, with the right skills and experience, to deliver the products and services that our customers require. Over the year, the Board agenda (via the Nominations Committee) includes a number of sessions focused on different aspects of our People Strategy, including the restructuring of our People function and its priorities, to ensure its alignment with the priorities of our businesses.

This year, in response to the Global People Survey findings, we have focused on leadership and talent development. The development programme for the Senior Executive team has been refreshed and will be used as a template for a consistent approach to leadership and its development throughout the Group. This new approach will give us a closer view of the talent we have across the organisation and naturally feeds into our succession planning, which has been significantly enhanced during the year.

Sustainability

ESG remains important to our stakeholders: our people want to work for responsible employers, our customers want help in delivering their ESG targets, and our shareholders want to invest in a sustainable business. In FY21, we set ourselves a target to achieve Net Zero carbon emissions for our estate, assets and operations by 2040. This year, we decided the time was right to review our strategy to deliver this and other sustainability objectives, as our approach had been evolving with the inclusion of additional commitments and targets. Recognising the importance of simplicity and prioritisation, we have updated the strategy to focus on just six specific targets.

These targets reflect both regulatory requirements and business imperatives: emissions reduction, improvement of energy efficiency, increased biodiversity, reduced number of lost workdays, increased volunteering, and increased female representation. We believe that each of these resonates with our stakeholders and adds value to our proposition as a responsible business. The simpler strategy will enable us to harness resources across the Group more effectively.

The year ahead

The business is demonstrating strong momentum and our plan is to continue to build on this. To support this, we will be careful to maintain and further strengthen our governance, from the continued focus on risk management and controls I have discussed, to ensuring rigour and discipline in our evaluation and, where appropriate, execution of growth opportunities to secure benefit for our stakeholders.

I hope this summary has given a good sense of the Board's activities during FY25 and our ambitions for the future. I look forward to meeting you at our AGM on Thursday, 25 September 2025.

Dame Ruth Cairnie

Chair

Board of Directors



Creating a safe
and secure world,
together



1. Dame Ruth Cairnie DBE
Chair

2. David Lockwood OBE
Chief Executive Officer

3. Carl-Peter Forster
Senior Independent Director

4. John Ramsay
Independent Non-Executive Director

5. David Mellors
Chief Financial Officer

**6. The Right Honourable The Lord
Parker of Minsmere, GCVO, KCB**
Independent Non-Executive Director

7. Lucy Dimes
Independent Non-Executive Director

8. Sir Kevin Smith CBE
Independent Non-Executive Director

9. Jane Moriarty
Independent Non-Executive Director

10. Dr Claudia Natanson MBE
Independent Non-Executive Director

Board of Directors (continued)

Dame Ruth Cairnie DBE

Chair



Appointed

April 2019

Nationality
British

Key contribution: Extensive experience of the engineering sector, strong strategic vision and leadership.

Skills and experience: Ruth brings experience of the engineering sector gained from a 37-year international career spanning senior functional and line roles at Royal Dutch Shell plc. She has also advised government departments on strategic development and capability building. She has been a Non-Executive Director of Rolls-Royce Holdings plc, Associated British Foods plc, ContourGlobal plc and Keller Group PLC as well as a member of the finance committee of the University of Cambridge. Ruth is a Master of Advanced Studies in Mathematics from the University of Cambridge and holds a BSc Joint Honours in Mathematics and Physics from the University of Bristol.

Current appointments: Non-Executive Director of BT Group plc and Serendipity Capital, a venture capital investor focused on critical technologies. She is a patron of the Women in Defence Charter and a member of the CBI Board.

John Ramsay

Independent Non-Executive Director



Appointed

January 2022

Nationality
British

Key contribution: Extensive financial, international and boardroom experience.

Skills and experience: John, a Chartered Accountant, brings with him over 30 years of international business and finance experience. He served as Chief Financial Officer of Syngenta AG from 2007 to 2016, and interim Chief Executive Officer of Syngenta from October 2015 to June 2016. Prior to joining Syngenta, he held senior international finance roles with Zeneca Agrochemicals and ICI. He was also the chair of the Audit Committee for Croda International Plc.

Current appointments: Member of the Supervisory Board at DSM Firmenich AG and Non-Executive Director of RHI Magnesita N.V. He is Audit Committee Chair at each of these companies.

David Mellors

Chief Financial Officer



Appointed

November 2020

Nationality
British

Key contribution: Extensive CFO experience in defence, aerospace, and commercial markets.

Skills and experience: David was previously CFO of Cobham plc and prior to that he was CFO of QinetiQ Group plc from 2008 to 2016, where he also served as interim Chief Executive for a period. His career includes several roles at Logica PLC, CMG plc and Rio Tinto PLC. David has a degree in Physics from Oxford University and is a member of the Institute of Chartered Accountants in England and Wales.

Current external appointments: None.

Carl-Peter Forster

Senior Independent Director



Appointed

June 2020

Nationality
German and British

Key contribution: Extensive manufacturing and international experience.

Skills and experience: Carl-Peter held senior leadership positions in some of the world's largest automotive manufacturers, including BMW, General Motors and Tata Motors (including Jaguar Land Rover). He was also previously a Non-Executive Director of Rexam PLC and Rolls-Royce plc, and Senior Independent Director of IMI plc, as well as being Chair of Chemring Group PLC.

Current appointments: Chair of Vesuvius plc and Keller Group Plc.

David Lockwood OBE

Chief Executive Officer



Appointed

September 2020

Nationality
British

Key contribution: Wide-ranging knowledge of defence and aviation markets, and a wealth of experience in both technology and innovation.

Skills and experience: David was CEO of Cobham plc (from 2016 to March 2020), and prior to that he was CEO of Laird PLC (from 2012 to September 2016). His career includes senior management roles at BT Global Services, BAE Systems and Thales Corporation. He received an OBE for services to industry in Scotland in 2011. David has a Degree in Mathematics from the University of York and is a Chartered Accountant. He is a Fellow of the Royal Aeronautical Society and the Royal Society of Arts and Commerce.

Current external appointments: President of ADS, the UK trade association for the aerospace, defence, security and space industry.

Appointment key

E Executive Committee

R Remuneration Committee

D Director designated for workforce engagement

A Audit Committee

N Nominations Committee

○ Board Committee Chair

**The Right Honourable
The Lord Parker of
Minsmere, GCVO, KCB**
Independent Non-Executive
Director

N D

Appointed
November 2020

Nationality
British

Key contribution: Extensive experience of working at the highest level of public service, including a focus on new technology-centred change and championing inclusion.

Skills and experience: Lord Parker has had a long career in a wide range of national security and intelligence roles in the UK, which culminated in him becoming the Director General of MI5, the UK Government's national security agency, in 2013. He retired from this role in 2020 after which he served as Lord Chamberlain (head of the Royal Household).

Current appointments: Member of the House of Lords, a Non-Executive Director of Vertical Aerospace and Board Adviser to Telicent Ltd. Lord Parker is a Distinguished Fellow at the Royal United Services Institute.

Lucy Dimes
Independent Non-Executive
Director

R A N

Appointed
April 2018

Nationality
British

Key contribution: Experience in industries at the forefront of growth and technology-based innovation, and an understanding of complex outsourcing and global strategic partnerships.

Skills and experience: Lucy has been the CEO of Iomart plc, the Chief Strategy and Transformation Officer of Virgin Money UK Plc, the CEO of UBM EMEA and Chief Executive Officer, UK & Ireland, of Fujitsu. She has also held senior roles at Equiniti Group, Alcatel Lucent (now Nokia) and BT. Lucy was a Non-Executive Director of Berendsen PLC and a member of its Audit, Remuneration and Nominations Committees. Lucy holds an MBA from London Business School and a degree in Business Studies from Manchester Metropolitan University.

Current appointments: None.

Sir Kevin Smith CBE
Independent Non-Executive
Director

A N

Appointed
June 2023

Nationality
British

Key contribution: Expertise in aerospace, defence and engineering sectors and board room experience.

Skills and experience: Sir Kevin spent almost 20 years at BAE Systems plc predominantly in its Military Aircraft Division and BAe Defence, before becoming Group Managing Director with responsibilities for new business and international strategy. Following this, Sir Kevin joined the Board of GKN PLC, the FTSE-listed global engineering and manufacturing company, initially leading the Aerospace and Defence businesses, and then serving nine years as Group Chief Executive. He went on to spend four years in Hong Kong as a Partner at Unitas Capital. His non-executive career includes eight years at Rolls Royce where he served as Senior Independent Director.

Current appointments: Member of L.E.K. Consulting's European Advisory Board.

Dr Claudia Natanson MBE
Independent Non-Executive
Director

N

Appointed
March 2024

Nationality
British and Jamaican

Key contribution: Extensive information and cybersecurity expertise.

Skills and experience: Claudia works internationally as an information and cybersecurity professional, and brings over 20 of experience in this field across globally diverse industries in the public and private sectors. She has previously held senior roles in cyber security, as security strategic advisor and chief security officer with Aramark Corporation in the USA, the Department for Work and Pensions, Smiths Group plc and Diageo Global. Claudia holds a PhD in computing and education from the University of Birmingham. In 2022, she was awarded an MBE for services to the cyber security profession.

Current appointments: Chair of the Board of Trustees of the UK Cyber Security Council, Board member of the UK National Cyber Advisory Board and a registered European Commission Security and Cyber expert.

Jane Moriarty
Independent Non-Executive
Director

A R N

Appointed
December 2022

Nationality
Irish

Key contribution: Extensive international business and finance experience.

Skills and experience: Jane, a Chartered Accountant, brings with her over 30 years of international business and finance experience. After a long executive career with KPMG, where she was a senior advisory partner, Jane has held a number of Non-Executive roles, including Quarto Group Inc where she was Vice-Chair and Chair of the audit and remuneration committees.

Current appointments: Non-Executive Director, Chair of the audit committee and Senior independent Director of Mitchells & Butlers plc.

Board leadership and company purpose

Board leadership

Maintaining the highest standards of governance is integral to the successful delivery of our strategy. Our governance framework ensures that the Board provides effective leadership in both making decisions and maintaining oversight, mapping where accountability resides and playing a key role in our internal controls.

The Board

The Board's role is to lead the Group for the long-term sustainable success of Babcock, by setting our strategy and supervising the conduct of the Group's activities within a framework of prudent and effective internal controls.

The Board has adopted a schedule of matters reserved for its, or its Committees', specific approval (see page 136). For other matters, authority is delegated to management according to a delegation matrix.

Principal Board Committees

Audit Committee

Responsible for overseeing the Company's systems for internal financial control, risk management and financial reporting.

● See pages 146 to 149

Remuneration Committee

Determines and applies the Remuneration policy for the Executive Directors, as well as the Group Executive Committee, and is responsible for oversight of the remuneration policies and practices relating to the wider workforce.

● See pages 150 to 177

Nominations Committee

Reviews the composition of the Board and leads on Board appointments, as well as considering succession planning at both Board and senior management level and leading on the Company's Diversity and Inclusion policy.

● See pages 144 to 145

Group Executive Committee

Reviews and discusses all matters of material significance to the Group's management, operational and financial performance, as well as strategic development. The Committee consists of the CEO, the CFO, the Chief Corporate Affairs Officer, the Chief Executive Marine, the Chief Executive Nuclear, the Chief Executive Land, the Chief Executive Aviation and France, the Chief Executive Mission Systems, the Chief Executive Africa, the Chief Executive Australasia, the Chief People Officer, the Chief Engineering & Technology Officer, the Chief Delivery Officer and the Group Company Secretary and General Counsel.

For more information see www.babcockinternational.com/who-we-are/leadership-and-governance

Principal Management Committees

Corporate Sustainability Committee

Responsible for Group-wide sustainability initiatives, the management of climate-related issues and driving the wider sustainability agenda. The Committee is chaired by the Chief Executive Land and members include the Chief Financial Officer, sector Chief Executives, Chief People Officer, the Group General Counsel, the Group Director of Sustainability and the Group Health and Safety Director.

● See page 64

Executive Safety Committee

Provides direction and executive management of the safety, health and environmental protection framework controls to ensure risks are as low as reasonably practicable and our approach is coherent to enable continuous improvement in performance across Babcock. The Committee is chaired by the Group Health & Safety Director and members include sector and DRC CEOs, the Chief People Officer and the Chief Delivery Officer.

● See page 119

Group Executive Risk and Controls Committee

Provides leadership and oversight of the Group's Enterprise Risk Management Framework, acting as an interface between the Audit Committee and the business. The Committee has as its principal deliverable the review and challenge of the mitigation and control of the principal risks. The Committee membership includes the Executive Committee, Group Financial Controller, Group Director of Internal Audit, Risk Assurance & Insurance and the Group Director of Controls.

● See page 106

Company purpose

The Board sets the Company's Purpose and reviews how the Company aligns to it, including assessing how the Company's strategy is set to fulfil the Purpose. Our principles of be curious, think: outcomes, be kind, collaborate, be courageous, and own and deliver underpin our Purpose and the culture the Board is seeking to embed in the Company.

Effective decision-making and oversight

The Board has an annual plan of business around which the Chair, CEO and Company Secretary structure agendas and consider the status of projects, strategic workstreams and the overarching operating context. Standing agenda items and papers are presented at each Board meeting; other matters are considered on a less frequent but regular basis. Appropriate amounts of time are allocated to items of business to allow for open and frank debate and encourage informed decision-making.

All scheduled meetings consider:

- Health and safety reports
- Operational update
- Financial update
- Investor relations update
- Legal/governance reports
- Conflicts of interest review
- Reports from Chairs of Remuneration, Audit and Nominations Committees.

The Board regularly considers:

- Strategy update, including Sustainability
- Review of major risks and emerging risks
- Review of financial and non-financial controls
- Delegated authorities
- Committee terms of reference
- Annual ethics review
- Whistleblowing reports (with an additional annual review in the context of the ethics review)
- Tax policy
- Treasury arrangements
- Modern Slavery Transparency Statement
- Deep-dive presentations from sectors, direct reporting countries and Group Functions, for example IT and cyber security, procurement and pensions
- Results announcements, Annual Report and Notice of Annual General Meeting.

Setting and overseeing strategy

The Board held its dedicated strategy review meeting in June 2024, offsite. At the meeting, the Board reviewed the Company's strategic aims and tested their alignment to the interests of the Company's stakeholders. In addition to its dedicated review, the Board has regular updates throughout the year, as the Board believes that strategy should be a dynamic process, benefiting from regular Board engagement and supported by dedicated deep-dive review sessions.



How the Board monitors culture

The Board believes that a company's culture must align with and support its strategy. The Board monitors the Company's culture throughout the Group in the following ways:

Leading by example

Our Directors and senior managers act with integrity and lead by example, promoting our culture to our colleagues through living our principles and demonstrating them in action.

Listening to our people

Our Non-Executive Directors regularly visit our sites. At least once a year, the Board holds one of its meetings at a site to give the Non-Executive Directors the opportunity to engage with colleagues together. As well as the Board site visit, individual Non-Executive Directors take time to visit other sites to engage with colleagues. In addition, our designated Non-Executive Director for workforce engagement has his own programme of site visits. His programme includes extensive engagement with colleagues and he feeds back the key themes to the Board. As well as visiting sites, the Non-Executive Directors engage in other ways with colleagues, such as meeting with different colleague groups such as the upcoming talent cohort and attendance at leadership events. The Board also hears from colleagues through the questions and feedback received by the CEO's dedicated email 'Ask David', as well as from employee forums and surveys. This year, the Company conducted its third Group-wide employee engagement survey. The Board reviewed the results of the survey along with an action plan for responding to the key themes.

● See page 134

Ethics and whistleblowing

Whistleblowing lines are available throughout our business for reporting any departure from our principles. The Board reviews all whistleblowing reports, together with their outcomes, on a regular basis as well as via an annual review.

Other cultural indicators

The Board regularly receives health and safety metrics and thematic reviews through its regular 'People' sessions. These sessions also cover Diversity and Inclusion.

● More information on the implementation of the strategy overseen by the Board can be seen on pages 8 and 9 and throughout the Strategic report.

Board leadership and company purpose (continued)

Board leadership

To deliver the best outcome for the Company, we seek to understand our stakeholders' priorities and factor these into our decision-making. Accordingly, the Board works to establish and maintain strong stakeholder relationships. An understanding of stakeholder views at Board level is gathered via a combination of direct and indirect engagement.

Details of how the Directors receive information on our key stakeholders, and how they engage with them directly to support effective decision-making and oversight, are set out below.

This section, through to page 138, forms part of the s172(1) statement which can be found in the Strategic report on page 62.

● Further information on how the Company engages with its stakeholders can be found on pages 62 and 63.

How the Board engages

	Information flow to the Board	Direct Board engagement	Measures reviewed by the Board to assess effectiveness of engagement ¹
Customers	- Monthly written reports from Executive Directors include material customer matters - Sector CEOs and the Executive Directors give briefings at Board meetings	During the year the Executive Directors had regular meetings with the Group's key customers. These meetings happen throughout the year and across all levels of our key customers.	Order intake by sector Safety balanced scorecard Major operational programmes' RAG status
Investors	- Reports from Investor Relations - Treasury reports - Investor meetings/roadshow - AGM	The Board engaged directly with its investors, principally through meetings with the Executive Directors and the Chair. In addition, the Board receives regular feedback from the Group Head of Investor Relations. The Committee Chairs are available to meet shareholders when required. This year, the Chair of our Remuneration Committee consulted with shareholders on the Committee's proposals to amend its Remuneration Policy. Please see pages 161 and 162 for more details. Our AGM gives the Board an annual opportunity to meet with private investors and for them to ask questions directly to the Board.	Underlying operating profit Operating cash flow Analysis of share register movements - Investor feedback from results presentations and investor meetings - AGM feedback and voting from shareholders and proxy agencies
Employees	- Bottom-up reports from Lord Parker, the Director designated for workforce engagement - Global People Survey, our Group-wide employee survey - Top-down reports from the Chief People Officer - Principal trade union meeting with the CEO and the Chief People Officer - Whistleblowing reports	Lord Parker visited four sites during the year and engaged with over 200 colleagues over 12 meetings. After his visits, Lord Parker gave an overview of his findings to the Board. Other members of the Board meet with colleagues during their visits to our sites. Additionally, the CEO engages with colleagues Group-wide via vlogs, and colleagues can contact him directly via a dedicated email address. Members of the senior leadership team regularly present to the Board.	- Participation rate and engagement score in Global People Survey Safety balanced scorecard together with monthly overview of significant safety events and Total Recordable Injury Rate - Ethics training compliance rate - Gender pay gap - Subject matter of whistleblowing reports

	Information flow to the Board	Direct Board engagement	Measures reviewed by the Board to assess effectiveness of engagement ¹
Communities	• Health, safety and environment updates • Material issues are included in the monthly reports from Executive Directors or in sector CEO briefings • Annual Report review	In the main, the sectors hold these relationships at a local level where the most relevant knowledge is concentrated, with no direct engagement by the Board of Directors. The Board continues to believe that this level of engagement is appropriate as any material issues are brought to the Board's attention through the monthly operational reports or the functional reports to the Board. However, the Board does take the opportunity to engage when appropriate. For example, on site visits, the Board seeks to engage the community leaders as well as colleagues.	• Safety balanced scorecard including Total Recordable Injury Rate and updates on any environmental issues • Diversity performance against target • Performance against carbon emissions target
Suppliers	• Briefings from the Chief Delivery Officer on an annual basis • Supply chain risk considered in reports on major tenders • Approval of the Modern Slavery Transparency Statement	Principal engagement is undertaken by operational management, which reports annually to the Board to give it oversight of the function and its operation.	• Subject matter of whistleblowing reports • Modern slavery review

1. Measures in bold are reviewed at every Board meeting, others at least once a year.



Board leadership and company purpose (continued)

How the Board took stakeholders' interests into account in its decision-making

When the Board makes its decisions, it seeks to consider the Company's stakeholders and their interests. Sometimes these interests are aligned, but on other occasions the Board must balance different stakeholder interests and take the decision that it believes is most likely to promote the long-term success of the Company in accordance with its duties under s172 of the Companies Act 2006. In all its decisions, the Board keeps in mind the Company's Purpose and principles to ensure alignment. Set out below is a description of how the Board addressed stakeholder interests in its discussions and decision-making in relation to the Board's key areas of focus.

Matters considered	Discussion and outcome	Stakeholders most affected and relevant s172 (1) a-f factors ¹	More information
1 New Sustainability Strategy	The approach to corporate sustainability has evolved since the Board adopted a new Sustainability Strategy in FY21. Over this period, the Company has added additional commitments and targets, while our focus now is increasingly on delivery and harnessing our resources to achieve our goals. As a result, the Board decided that it was an appropriate time to review the Company's strategy to ensure that it meets the demands of stakeholders as well as the needs of the Company. As inputs, the Board considered how stakeholder demand has developed, building on insights from its engagement with them (please see pages 134 and 135 for more information as to the ways in which the Board engages with its stakeholders). The Board's assessment was that: (i) shareholders continue to expect the Company to focus on compliance with current and emerging regulations, they want to understand the financial risks and opportunities that sustainability may pose, and to see focused action; (ii) our colleagues (and the communities in which we operate and they live) expect the Company to provide environmental and social improvements alongside the economic benefits the Company provides through its employment; and (iii) our customers want to see continued improvement in sustainability performance, to support them in their sustainability strategies but without incurring excess cost as a result. The Board concluded that, while the sustainability demands of our stakeholders might have evolved, their level of ambition remains the same. The Board then assessed the effectiveness of its strategy and decided that it would focus on six strategic priorities reflecting both regulatory requirements and business imperatives: emissions reduction, improvement of energy efficiency, increased biodiversity, reduced number of lost workdays, increased volunteering, and increased female representation. For more information on the six strategic priorities, please see page 164. The Board believes the simpler strategy will enable better engagement with our stakeholders as well as driving business improvement.	• Shareholders • Employees • Customers • a, b, c, d, e, and f	• Pages 64 and 65

1. s172(1) a-f factors are detailed in the s172(1) statement on page 62.

Matters considered	Discussion and outcome	Stakeholders most affected and relevant s172 (1) a-f factors ¹	More information
2 People Strategy	In FY21, the Board decided that, while the Company had key fundamental strengths, it needed to adapt its business model to meet the needs of a changing market. Part of this change was the implementation of a new People Strategy. The aim of this strategy was to create an agile and inclusive workplace with harmonised processes and policies, improved diversity, and a new approach to talent management. Stakeholders supported this strategy as it was one of five strategic actions to unlock the Company's potential: for shareholders it would lead to improved returns; for customers to improved delivery; and for colleagues, a better place to work. Over the last five years, the Board has worked hard to implement its People Strategy and in FY25 took further decisions to continue its work. A focus for FY25 was the Company's early careers programmes. The Board approved a record intake of early careers colleagues across the Group, with a significant investment in our nuclear sector as part of our commitment to the Government's National Nuclear Endeavour. We also opened the Babcock Engineering & Nuclear Skills building in Devonport. This modern facility will enhance our growing workforce capabilities in the UK's nuclear programmes by building a new pipeline of talent, while also upskilling the existing workforce with the complex skills required to perform our work at Devonport. We have also expanded our successful pre-apprenticeship programme at Clyde, which saw a 90% success rate of participants continuing onto our modern apprenticeship programme, with further plans to roll this out at Rosyth. These programmes provide an alternative route into Babcock for a broader range of talented people to start their career. We have also formally signed up to Interchange, a collaborative secondment initiative enabling the sharing of skills and talent across the nuclear enterprise, providing development and upskilling opportunities for our people. However, before making any decision regarding its People Strategy, the Board considered the interests of the Company's stakeholders and agreed that those decisions were aligned with stakeholder interests, as shareholders want to invest in organisations that have access to the best talent; colleagues want to work in organisations that support and develop talent that reflects the communities they serve; and customers want to receive their services from the best talent available.	• Shareholders • a, b, and c	● Pages 19 and 86

1. s172(1) a-f factors are detailed in the s172(1) statement on page 62.

Board leadership and company purpose (continued)

Matters considered	Discussion and outcome	Stakeholders most affected and relevant s172 (1) a-f factors ¹	More information
3 Our capital allocation strategy	In FY23, the Board set out its refreshed capital allocation framework, which was underpinned with a commitment to maintain a strong balance sheet and an investment-grade credit rating. If there was any capital available after investing organically in the business and adhering to these commitments, the Board would apply it to three clearly identified areas: bolt-on M&A, pensions, and returns to shareholders. In developing the framework, the interests of stakeholders had been taken into account: shareholders appreciated the alignment of the framework with our strategy to maximise value, while customers and colleagues recognised how the Board's commitment to maintaining a strong balance sheet and investment-grade credit rating would make the Company a more stable and sustainable business. As the Company has returned to growth, over FY25 the Board has considered possible M&A opportunities. Bearing in mind the priorities of our stakeholders, the Board has applied strict discipline in its review of these opportunities: a strong fit with the Company's strategy and existing portfolio is seen as essential, and strong scrutiny is applied to assure that any opportunity will strengthen the business in accordance with stakeholder interests and will not undermine the Board's commitment to balance sheet strength and an investment-grade credit rating. To ensure that this discipline is reflected throughout the Company, during the year the Board has refreshed its governance requirements for M&A. The Board has retained the right of approval for all acquisitions or disposals above £10 million. Over the year, the disciplined approach has led to several decisions to decline M&A growth opportunities that were being considered.	• Employees • Shareholders • Customers • a, b, c, d, e, f	● Pages 7 and 19 to 20

1. s172(1) a-f factors are detailed in the s172(1) statement on page 62.

How the Board keeps s172 on its agenda

The Board makes sure that in its decisions it considers the long-term success of the Company and considers the interests of its stakeholders as follows:

- The Board sets the Company's Purpose and strategy. Every year, it carries out an annual strategy review to assess the long-term sustainable future of the Group and its impact on key stakeholders. As part of those discussions, it considers the matters the Directors must have regard to as part of their Section 172 duties
- The Board's risk management procedures identify the principal risks facing the Group and the mitigations in place to manage the impact of these risks. Many of these risks relate to our stakeholder groups
- The Board's standing agenda covers areas of stakeholder interest, such as sector operational reports, functional reports, financial reports, health and safety reports, and litigation reports, to ensure that the Board receives relevant updates on matters of interest to our stakeholders
- There are regular reports from the Audit Committee Chair and the Remuneration Committee Chair on items within their remit
- When making decisions which require judgement to balance the interests of different stakeholder interests, the Board is careful to consider the interests of each different stakeholder in the context of the long-term consequences: for examples, please see above. Members of the Board regularly engage with our investors and colleagues, and the Board uses the stakeholder engagement summarised on pages 62 and 63 and on pages 134 and 135 to ensure that it understands the priorities of each stakeholder group and then uses that understanding to inform its decision-making process.

Division of responsibilities

Defining Board responsibilities

The role specifications below set out the clear division of responsibility between the Executive and Non-Executive members of the Board, which supports the integrity of the Board's operations.

A more detailed description of these roles is available online at www.babcockinternational.com.

Non-Executive	Executive
Chair • Independent on appointment; • Leads the Board and sets the tone and agenda, promoting a culture of openness and debate; • Ensures the effectiveness of the Board and that Directors receive accurate, timely and clear information; • Ensures effective communication with shareholders; • Acts on the results of the Board performance evaluation and leads on the implementation of any required changes; and • Holds periodic meetings with Non-Executive Directors without the Executive Directors present. Senior Independent Director • Acts as a sounding board for the Chair; • Available to shareholders if they have any concerns which require resolution; • Leads the annual evaluation of the Chair's performance; and • Serves as an intermediary to other Directors when necessary. Independent Non-Executive Directors • Support and constructively challenge the Executive team; • Contribute to the development of the Company's strategy; • Provide an external perspective and bring a diverse range of skills and experience to the Board's decision-making; • Contribute to Board discussions on the nature and extent of the risks the Company is willing to take to achieve its strategic objectives; • Satisfy themselves as to the integrity of financial information; • Ensure financial controls and systems of risk management are robust and defensible; and • Play a primary role in appointing and, where necessary, removing Executive Directors, setting their remuneration and succession planning. Designated Non-Executive Director for workforce engagement • Gauges the views and feedback of the workforce and identifies any areas of concern; • Communicates the views of the workforce to the Board; • Ensures the views of the workforce are considered in Board decision-making; and • Ensures the Board takes appropriate steps to evaluate the impact of any proposals that influence the experiences of the workforce, and considers what steps the Board should take to mitigate any adverse impact.	Chief Executive Officer • Oversees the day-to-day operation and management of the Group's businesses and affairs; • Responsible for the implementation of Group strategy as approved by the Board, including driving performance and optimising the Group's resources; • Accountable to the Board for the Group's operational performance; and • Takes primary responsibility for managing the Group's risk profile, identifying and executing new business opportunities, and management development and remuneration. Chief Financial Officer • Accountable to the Board for the Group's financial performance; • Responsible for raising the finance required to fund the Group's strategy, and servicing the Group's financing whilst maintaining compliance with its covenants; and • Maintains a financial control environment capable of delivering robust financial reporting information to indicate the Group's financial position.

Composition, succession and evaluation

Articles of Association

The powers of the Directors are set out in the Company's Articles of Association (the Articles), which the members of the Company may amend by a Special Resolution. The Board may exercise all powers conferred on it by the Articles, in accordance with the Companies Act 2006 and other applicable legislation. The Articles are available for inspection online at www.babcockinternational.com.

The Board has established a formal schedule of matters specifically reserved for its approval. It has delegated other specific responsibilities to its Committees. These are clearly defined in their terms of reference (available online at www.babcockinternational.com). Other responsibilities are delegated to management under a delegated authorities matrix.

Summary of key matters reserved for the Board

- Group strategy
- Interim and final results announcements and the Annual Report
- Dividend policy
- Acquisitions, disposals and other transactions outside delegation limits
- Significant contracts not in the ordinary course of business
- Major changes to the Group's management or control structure
- Changes relating to the Company's capital structure or status as a listed PLC
- Annual budgets
- Major capital expenditure
- Major changes in governance, accounting, tax or treasury policies
- Internal controls and risk management (advised by the Audit Committee)
- Major press releases and shareholder circulars

Meetings and attendance

Each financial year, the Board has eight scheduled full Board meetings held in person, which includes a meeting dedicated to strategy, and two operational updates held by video conference or in person. The Chair also meets separately with Non-Executive Directors without Executive Directors or other managers present. See the table opposite for further information about the meetings held during the year. There was 100% attendance at scheduled Board and Nominations Committee meetings and 95% and 97% respectively for Audit and Remuneration Committees.

Conflicts of interest and independence

Babcock has a procedure for the disclosure, review, authorisation and management of Directors' actual and potential conflicts of interest or related party transactions in accordance with the Companies Act 2006. The procedure requires Directors formally to notify the Board (via the Company Secretary) as soon as they become aware of any new actual or potential

conflict of interest, or when there is a material change in any of the conflicts of interest they have already disclosed.

A register is maintained of all the disclosures made and the terms of any authorisations granted. Authorisations can be revoked, or the terms on which they were given varied, at any time if judged appropriate.

In the event of any actual conflict arising in respect of a particular matter, mitigating action would be taken (for example, non-attendance of the Director concerned at all or part of Board meetings and non-circulation to him/her of relevant papers).

Possible conflicts of interest authorised by the Board are reviewed annually on behalf of the Board by the Nominations Committee.

The Committee also considers the circumstances set out in the Code which could compromise an individual's position of independence. The Board is satisfied that throughout the year all Non-Executive Directors remained independent and accordingly the Company is compliant with Provision 10 of the Code.

Time commitment

The expected time commitment of the Chair and Non-Executive Directors is agreed and set out in writing in their respective letters of appointment, at which point the existing external demands on an individual's time are assessed to confirm their capacity to take on the role. Further appointments can only be accepted with the approval of the Board following consideration of whether there would be an impact on the independence and objectivity required to discharge the agreed responsibilities of each role, and whether the resultant position is believed to be consistent with recognised proxy advisor guidelines.

The Board is satisfied that each Director has the necessary time to effectively discharge their responsibilities and that, between them, the Directors have a blend of skills, experience, knowledge and independence suited to the Company's needs and its continuing development.

Board and Committee membership, meetings and attendance

	Board	Nominations Committee	Audit Committee	Remuneration Committee
Number of scheduled meetings held	8	4	11	9
Dame Ruth Cairnie	8/8	4/4	–	–
Carl-Peter Forster	8/8	4/4	–	9/9
John Ramsay	8/8	4/4	11/11	9/9
Lucy Dimes ¹	8/8	4/4	10/11	8/9
Lord Parker	8/8	4/4	–	–
Jane Moriarty	8/8	4/4	11/11	9/9
David Lockwood	8/8	–	–	–
David Mellors	8/8	–	–	–
Sir Kevin Smith ²	8/8	4/4	10/11	–
Claudia Natanson	8/8	4/4	–	–

1. Lucy Dimes was unable to attend one Audit and one Remuneration Committee meeting due to prior commitments.

2. Sir Kevin Smith was unable to attend one Audit Committee due to a prior commitment.

Composition

The Nominations Committee keeps the composition of the Board under constant review to ensure a balance of skills, experience and knowledge to lead the Group. As at 31 March 2025, the Board comprised the Chair, who was independent on appointment, seven Independent Non-Executive Directors and two Executive Directors. All continuing Directors are required to offer themselves for re-election by shareholders each year at the Annual General Meeting and each appointment is put to a separate vote. Biographical details can be found on pages 130 and 131 and there is more information on appointments to the Board in the Nominations Committee report on pages 144 and 145.

Diversity policy

Our policy is that to be effective in delivering our customers' needs and our future ambitions, the Company must attract, retain, motivate and develop highly capable colleagues. Attracting talent is competitive and therefore the Company must work to ensure that it attracts potential colleagues from every part of society. This requires the Company to foster an inclusive culture where all colleagues feel valued and welcomed. Our aim is to build talented teams with a range of backgrounds, skills and experience, but all aligned around our Purpose "To create a safe and secure world, together".

Board diversity

Throughout FY25, the Board was in line with the Financial Conduct Authority's diversity and inclusion Listing Rules of having at least 40% female representation on the Board, at least one senior Board position held by a female and at least one member of the Board being from an ethnic minority background, as well as those for the FTSE Women Leaders Review (at least 40% female representation on the Board) and the Parker Review (at least one Board member being from an ethnic minority background). For more information on the Group's diversity policy and its objectives, please see pages 85 to 95.

Board and executive management ethnicity

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive Committee	Percentage of Executive Committee
White British or other White (including minority-white groups)	9	90%	4	14	100%
Mixed/Multiple Ethnic Groups	–	–	–	–	–
Asian/Asian British	–	–	–	–	–
Black/African/Caribbean/Black British	1	10%	–	–	–
Other ethnic group, including Arab	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

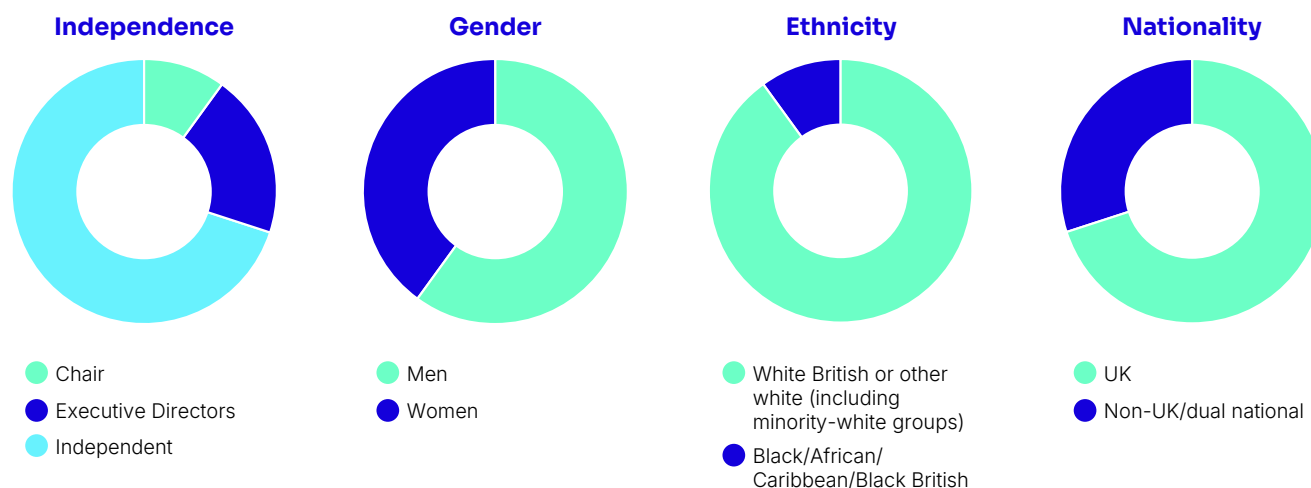
Board and executive management gender

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive Committee	Percentage of Executive Committee
Men	6	60%	3	12	86%
Women	4	40%	1	2	14%
Non-binary	–	–	–	–	–
Use another term	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

The tables and charts in this section show the position at 31 March 2025. The Company has collected the data on which the tables above are based by the individuals concerned self-reporting their data on being asked about their ethnicity and gender in the categories listed.

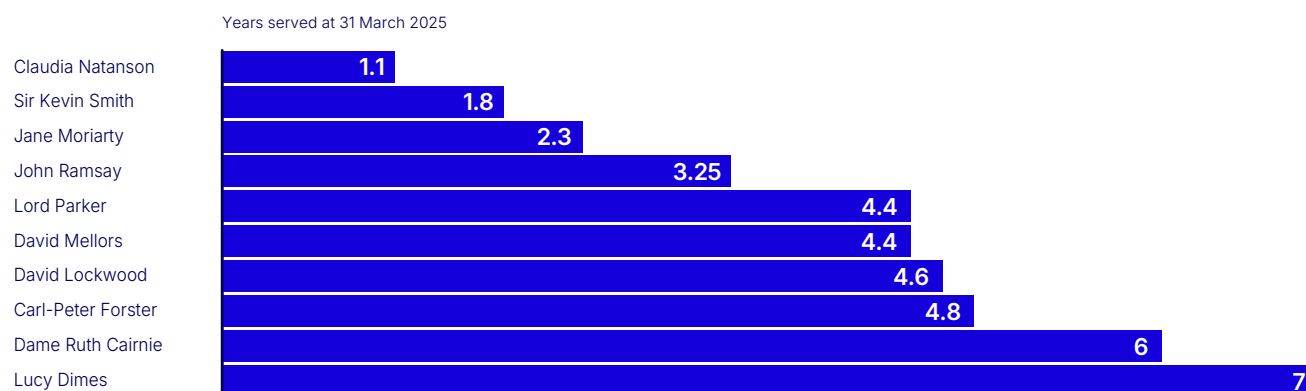
Composition, succession and evaluation (continued)

Board information



Board tenure

The average Board tenure at 31 March 2025 was four years.



Succession

The Chair, Senior Independent Director and Independent Non-Executive Directors are appointed for a three-year term, subject to annual re-election by the shareholders. At the end of the first three-year term, the Nominations Committee reviews each Non-Executive Director's tenure to make sure that renewing the appointment is the right decision. The Nominations Committee will usually renew the appointment for a further three years. After the second three-year term, the Nominations Committee reviews the appointment annually.

The ongoing replenishment of the Board is a key focus for the Nominations Committee and more information about succession planning can be found in its report on page 145.

Director training

With the ever-changing environment in which Babcock operates, it is important for our Executive and Non-Executive Directors to remain aware of recent and upcoming developments, and keep their knowledge and skills up to date. Each Non-Executive Director is expected to participate in their own continuous professional development.

Non-Executive Directors may at any time make visits to Group businesses or operational sites and are encouraged to do so at least once per year. Visits are coordinated by the Group Company Secretary's office. Presentations on the Group's businesses and specialist functions are made regularly to the Board.

Our Company Secretary also provides updates to the Board and its Committees on regulatory and corporate governance matters.

Our new Directors receive comprehensive and tailored induction programmes. The programmes for Non-Executive Directors typically involve:

- Meetings with the Executive Directors, the sector CEOs and functional leads
- An overview of the Group's governance policies, corporate structure and business functions
- Details of risks and operating issues facing the Group
- Visits to key operational sites
- Briefings on key contracts and customers

Evaluation

FY25 Board performance review

Each year we conduct an evaluation to assess the Board's ways of working as well as its skills, experience, independence and knowledge, to confirm it is able to discharge its duties and responsibilities effectively. The composition and diversity of the Board and its Committees and how well the Directors are working together is considered, as well as the individual performance of the Directors and the Chair. This year the review was externally led by Better Boards. The review identified that the key strengths of the Board were its breadth and depth of experience and knowledge, and its collegiate ways of working, with open debate between members based on mutual respect facilitated by the Chair. The review did identify actions for the Board to work on over FY26, which are discussed below:

Progress made on actions identified in the FY24 review

Recommendations for FY24	Update
As the Company moves through its turnaround, the Board should consider moving the focus of its strategy from the turnaround to the growth opportunities available to the Company and their alignment to the Company's capabilities.	The Board has refined its strategic framework against which it will evaluate future growth potential.
The Nominations Committee should consider refreshing its agenda to build visibility of talent management and succession for the senior leadership.	The Nominations Committee devoted time in FY25 reviewing a new leadership framework based on our Purpose and principles that the Company will use for career development for senior leadership. The framework makes clear the accountabilities and competencies that the Nominations Committee expects to see at all levels of leadership and will use it as a core underpin for its succession planning.
In light of the ambitious diversity targets that the Nominations Committee has set for the Company, the Committee should consider carefully reviewing the Company's progress and the plans it has in place to meet its targets.	The Nominations Committee has kept under close review the progress that the Company has made to improve its diversity performance despite the sectors and locations in which the Company operates. Notwithstanding these challenges, the Company has made progress, including over 30% of senior management (ie the Group Executive Committee and their direct reports) being female, and a further decrease in our gender pay gap.

Actions identified in the FY25 review

For FY25, the areas identified for action were:

- Review the Company's brand as a tool to establish a joint vision for the Company
- Review the Board's monthly reports to increase the focus on key KPIs
- Agree an approach to tracking progress on the steps that the Company is taking to embed the Board's plans for the Company's culture
- Continue to develop a single leadership framework for implementation across all levels of the Company
- Discuss the best way for the Board to leverage the strengths of each of its members

Composition, succession and evaluation *(continued)***Highlights**

Review of the structure, size
and composition of the Board

Review of new leadership
framework

Dame Ruth Cairnie

Chair of the
Nominations
Committee



Nominations Committee report

Dear fellow Shareholder

I am pleased to present the Nominations Committee's report for the year ending 31 March 2025.

Board composition

FY25 has been a year of consolidation for Board composition, with no changes to Board or Committee membership since Claudia Natanson's appointment in March 2024. Claudia has been completing her induction programme, with some Board members accompanying her on selected induction visits. Sir Kevin Smith continues to expand his familiarity with the business with an ongoing schedule of visits. This year's externally led Board evaluation assessed the performance and effectiveness of the Board as good, with its composition well-aligned to the Company's strategy.

Looking ahead, after seven years' service Lucy Dimes has decided to retire from the Board and will not stand for re-election at the 2025 AGM. I would like to thank Lucy for her service over the last seven years and wish her well for the future. With Lucy's departure, we will look to bring on board a new Non-Executive Director, drawing up a profile based on our recently refreshed skills matrix and some observations and suggestions from the Board evaluation. The search will be supported by an external independent recruitment consultant.

Senior leadership and succession

We have dedicated time over the year to refreshing the Company's approach to the development of our senior leadership. This started with a reinvigoration of the development framework for the Senior Executive team, with a particular focus on learning and growth plans. Having settled on our new framework for the Senior Executive team, this is now being used as a template for a consistent approach to leadership and its development throughout the Group. This work will give us a good view of the pipeline of talent deep down into the Company, and will also provide all those who have ambition to progress their careers with a clear view of the development requirements for their chosen path.

All of our colleagues on the Group Executive Committee have had the opportunity of an external, independent leadership assessment which is feeding into strengthened, bespoke development plans. This work is informing our succession planning capability for the most senior roles, with significant Committee involvement in reviewing and challenging these plans. Active work is now underway to commence the development of succession plans for a wider range of critical roles in the organisation.

Inclusion, diversity and talent

At Board level, we have three externally set targets: the FTSE Women Leaders Review target to have 40% women by 2025; the Parker Review target for at least one minority ethnic Board member; and the Financial Conduct Authority target to have at least one of the senior Board roles (Chair, SID, CEO, CFO) being a woman. We met all of these in FY25. We believe that the Board's effectiveness is enhanced by consisting of highly capable and successful individuals with a wide variety of skills and experience, who also bring other aspects of diversity including gender and ethnic background, as well as a focus on difference in styles and thought processes. Supported by a strong culture, this diversity enhances the quality of debate and protects against groupthink.

For the broader organisation, our imperative is to attract, retain, motivate, and develop the staff we need to fulfil our customers' needs and our future ambitions. Attracting talent is highly

competitive and we must ensure we are attractive to potential colleagues from every part of society; to achieve this, we focus on fostering an inclusive culture where all staff will feel welcome, valued and able to contribute, and able to learn and develop their careers. We want vibrant teams comprising outstanding people who, whatever their backgrounds and perspectives, are aligned around our Purpose "to create a safe and secure world, together" and our principles.

We have put our policy into action in a variety of different ways, from supporting veterans to fostering early career talent by expanding our STEM outreach efforts. In FY25, we welcomed a record intake of early careers colleagues, particularly in the nuclear sector as part of our commitment to the National Nuclear Endeavour. We achieved this by widening the entry pools for our early careers talent by extending our pre-apprenticeship programme. We have also given some of our apprentices the opportunity to gain international experience by partnering with a Polish institute in Gdynia.

On gender, we remain committed to increasing female representation; this is essential to enable us to compete strongly for female talent, given the need to combat perceptions of the sector and the generally low representation of women. We are making progress but have much still to do, and the Committee continues to provide challenge and advice. We are pleased to report that this year we have reduced our gender pay gap again.

Culture

The Committee has continued to monitor progress on changing the culture of the organisation, through the mechanisms highlighted on page 133: for example, site visits by Non-Executive Directors, review of the results of the Global People Survey, and reports from the Director designated for workforce engagement and the Chief People Officer.

In addition, this year the Committee has given consideration to how best to pull the multiple indicators of culture into a clearer way of tracking progress on a regular basis. We have selected a subset of measures from the People Survey which will give us a measurable indicator and trend, which we can then supplement with the more qualitative information sources we receive.

I hope this report gives you an understanding of the work of the Committee over FY25. If you do have any questions, I would welcome hearing them at this year's AGM.

Dame Ruth Cairnie

Chair of the Nominations Committee

The Committee

Dame Ruth chairs the Committee.

The other members throughout the year were all the Non-Executive Directors.

● For biographies of the members, please see pages 130 and 131

● For attendance, please see page 140

Key responsibilities

- Board and Committee composition
- Succession and talent
- Culture
- Inclusion

Audit, risk and internal control

Highlights

Review of the key management judgements and estimates for the FY25 financial statements

Oversight of the on-boarding of Forvis Mazars as our external auditor

Review of the Company's approach to the new 2024 UK Corporate Governance Code requirements



John Ramsay
Chair of the Audit
Committee

Audit Committee report

Dear fellow Shareholder

On behalf of the Committee, I am pleased to present to you our report for the work that we have done in FY25. While this has been a year requiring the Committee to support the on-boarding of a new external auditor, it has also been one of capitalising on the determined efforts of previous years to upgrade internal controls and professional standards.

FY25 audit

As we reported last year, we decided to move the external audit to Forvis Mazars. We were delighted shareholders at the 2024 AGM supported the decision with a 99.98% vote approving their appointment.

Following their appointment, our attention swiftly moved to ensuring a smooth and effective transition from Deloitte to Forvis Mazars to avoid the transition compromising our commitment to audit quality and effectiveness.

To enable the best transition possible, we took certain key steps. We agreed a scope of interaction between Deloitte and Forvis Mazars, which included Forvis Mazars attending key audit meetings and observing the FY24 audit. Alongside this workstream, Forvis Mazars had multiple meetings with key members of the Company's finance team, including the CFO, the Group finance teams and the Sector finance teams. These meetings included all-day familiarisation and ways of working sessions. They quickly helped to build a good working relationship between the Company and the new external audit team, while at the same time allowing Forvis Mazars to build their knowledge of our business. This was essential in facilitating their scoping and planning for the FY25 audit.

I have no doubt that this early work helped the transition, and we were pleased that with the relationship built up between the Company and Forvis Mazars to deliver the audit, the FY25 audit will provide a solid foundation for us to accelerate our year-end reporting without sacrificing quality.

Internal controls

As well as the FY25 audit, our other key focus was to prepare the Company for the reforms introduced last year by the 2024 UK Corporate Governance Code, in particular, the new requirement that will come into effect for our FY27 year end. This new requirement will require the Board to monitor the Company's risk management and internal control framework, and at least annually to carry out a review of its effectiveness. This review will cover all material controls, whether financial, operational, reporting or compliance controls. Following this review, on advice from the Committee, the Board will describe how it has monitored and reviewed the effectiveness of the Company's framework, and will make a declaration about the effectiveness of its risk management and material controls as at the year end, including a description of any material controls which have not operated effectively.

The work that we are doing to prepare for this new requirement is building on our internal controls improvements that I have described in my previous reports and which have continued this year. The Company has appointed a dedicated senior finance professional to lead our preparation plans, which will include "dry run" testing in the second half of FY26 and FY27 to test our readiness for the declaration as of 31 March 2027. We monitor progress through regular updates and reports on the work the Company is doing.

Priorities for FY26

Our main priority for FY26 is to continue with our improvement plan, both in controls and in the audit process, and hopefully to further advance the year-end reporting timetable without sacrificing audit quality or effectiveness. Alongside that work, we will continue to prepare for the introduction of the new 2024 UK Corporate Governance Code requirement.

As ever, I am available to all shareholders to discuss any significant matter related to our work. Alternatively, all the Committee will be at the 2025 AGM, and I hope to meet as many of you as possible there. We will be available to answer any questions you may have on this report or the Committee's activities.

John Ramsay

Chair of the Audit Committee

The Committee

John Ramsay chairs the Committee.

John is a Chartered Accountant, formerly the Chief Financial Officer of Syngenta AG, and an experienced Audit Committee chair (see page 130 for John's full biography). The Board has designated him as the financial expert on the Committee for the purposes of the UK Corporate Governance Code.

In FY25, the other members of the Committee were Lucy Dimes, Jane Moriarty and Sir Kevin Smith. All members of the Committee are Independent Non-Executive Directors. Please see pages 130 and 131 for their biographies and page 140 for attendance and number of meetings.

During the year, the Committee invited the Chair of the Board, other Non-Executive Directors, the CEO, the CFO, the Group Financial Controller, the external audit team, the internal audit team, and key senior management to attend its meetings, as appropriate.

From time to time, the Committee meets separately with the external audit lead partner as well as meeting with internal audit, to give them the opportunity to discuss matters without management being present.

In addition, the Committee Chair maintains regular contact with the external audit lead partner and internal audit between meetings, often without the presence of management.

Key responsibilities

- Ensuring the independence and quality of the audit conducted by the external auditor
- Reviewing the Company's Annual Report and Financial Statements, as well as any announcements relating to financial performance
- Challenging the accounting policies, judgements and estimates, as well as disclosures, in those statements
- Reviewing the scope, remit, objectivity and effectiveness of the internal audit function
- Reviewing the effectiveness of the Group's internal control and risk management systems

Audit, risk and internal control (continued)

Audit Committee report

Below is our report on our activities over FY25. The report, along with my letter, describes the activities during the year including meeting the requirements of the Financial Reporting Council's Audit Committees and External Audit: Minimum Standard.

Audit independence

One of our key responsibilities is to ensure the independence and objectivity of the Company's external auditors. To do this, we have set a policy to control the mandates the Company can give its external auditors outside the external audit itself. We recognise that there may be some element of non-audit services for which the Company might wish to use its external auditors. However, before instructing its external auditors, the Company must obtain prior approval as follows: for the provision of non-audit services for fees up to £10,000, the CFO may give the approval; for fees between £10,000 and £100,000, the approval must come from the Committee Chair; and, for fees of more than £100,000, the Company will need the approval of the Committee.

In addition to the protection provided by our policy, we also ask Forvis Mazars for a confirmation that they comply with their relevant ethics codes and believe themselves to be independent. Forvis Mazars have provided this confirmation. The only non-audit service that they have supplied to the Company related to Babcock Australia, which engaged Forvis Mazars to provide an audit of a grant claim for immaterial compensation in the context of the Company and the audit fee. They have also confirmed that, if any issue with their independence did arise during the audit, they would formally report this to us in their Audit Completion Report. Accordingly, we are satisfied that Forvis Mazars are independent and have the required objectivity to deliver the Company's external audit. For the FY25 audit, Louis Burns was the lead audit partner and is in his first year.

Audit quality

We are committed to doing all that we can to ensure the quality of the Company's audits. That was why, as we reported last year, we were so pleased with the conclusion of the review by the Financial Reporting Council (the FRC) of our FY23 Annual Report. Although the scope of their review is limited as it was based solely on our FY23 Annual Report without the benefit of detailed knowledge of the Company's business, or an understanding of the underlying transactions and it does not provide any assurance that the FY23 Annual Report is correct in all material respects, the review is conducted by FRC staff who understand the relevant legal and accounting framework and their conclusion was that they did not wish to raise any questions or queries with the Company, although they did make certain minor observations regarding improvements to our disclosures. The Committee has ensured that the Company addressed all these observations in its FY24 accounts, for example, by the inclusion of additional definitions in the glossary.

Our commitment to quality played a key role in the selection criteria when we were considering appointing Forvis Mazars as the Company's external auditors. As part of the process, we asked Forvis Mazars to demonstrate why they believed that they had the capability and capacity to deliver the Company's audit to the standard that we require. This included a presentation on the significant investments Forvis Mazars are making to strengthen their audit quality. At the end of the selection process, we were satisfied that Forvis Mazars did have this capability and the capacity. Since their appointment, we have asked Forvis Mazars to update us on their quality improvement plans including the investments that they continue to make to

their teams, tools and processes, to assure ourselves that they are making progress to being able to provide consistent high-quality audits.

In addition to reviewing Forvis Mazars' audit quality transformation plan, at the start of this year, as it was Forvis Mazars' first year as the Company's external auditors, we took particular care to make sure that both the Company and Forvis Mazars were agreed on the approach to the audit, its scope, and its timeline. Forvis Mazars provided us with their plan for the audit that documented the procedures that they would adopt at different stages of the audit, as well as the work they would perform on the Company's material components. They also listed the significant risks, key audit matters, and other key judgement areas that would be relevant to their work. For their audit, they set a financial statement materiality of £24 million with a performance materiality of £12 million and a "de minimis" of £0.7 million. Their plan applied a full scope of work over all key and material components of our business that covered approximately all our revenues.

Having agreed the plan, we tested its progress by monitoring Forvis Mazars' performance against certain quality indicators covering their responsiveness, their adherence to timetable, and the consistency of their team throughout the audit. At the end of the process, we were satisfied that Forvis Mazars have delivered an audit to the standard that we require.

FY25 external audit

A central responsibility for our Board is to confirm that the Company has prepared its financial statements in accordance with the relevant financial reporting framework and that those statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Company as well as ensuring that its annual report including the financial statements are fair, balanced, and understandable and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

To assist the Board in complying with this responsibility, we reviewed the Company's Annual Report and Financial Statements and recommended them for approval to the Board. Our review considered the basis for the preparation of the Company's financial statements through our consideration of the Going Concern and Viability statement (please see pages 124 and 125 for more detail). Having confirmed that the Company should prepare its financial statements as a going concern, we then reviewed the judgements and estimates that the Company had incorporated into those statements, together with the related disclosures, to ensure that the financial statements gave a true and fair view as required. Finally, we considered the totality of the Annual Report alongside the Company's financial statements to decide whether they, taken as a whole, were fair, balanced, and understandable. During our review, we ensured that we challenged and tested the positions the Company takes.

In our review, the areas that we considered most significant were:

- **The Company's Type 31 programme:** in FY23, the Company announced that its Type 31 programme would be a loss-making contract. As such, the accounting standards require the Company to base its loss provision on its best estimate of the costs of delivering the programme with no bias towards prudence or optimism. Since then, we have taken great care to review the judgements and estimates the Company has used to calculate its loss provision. This year, the key judgements and estimates that we reviewed were delay liquidated damages, performance liquidated damages, production hours, procurement actions, labour, risk, price

indexation, and wage inflation. We tested and challenged the assumptions the Company used in its calculation of the loss provision as well as the process that the Company had used to formulate it. In our review, we were aware of the complexity involved in making the judgements and estimates as not only was there a range of possible outcomes for each judgement and estimate, but, in addition, the judgements and estimates were often inter-related. This complexity could result in a material increase or decrease in the value of the programme's loss provision. The programme has about £800 million of estimated cost still to go. If actual recoveries or costs were to differ from those the Company has assumed by 10%, the potential impact on the contract outturn could be about £80 million. For more information, please see page 201.

- **The Company's Future Maritime Support Programme:** the Company has a five-year contract ending March 2026 to deliver engineering and other services to support the MOD principally at Devonport and Clyde. As part of this contract, the Company must deliver transformation savings. Failure to deliver the savings would result in a deduction to the price of the programme. We tested the Company's assumption that it would deliver almost all the savings. We considered that the Company was in its last year of the contract with the savings embedded in its cost base, and were satisfied that it was highly probable that the savings would not be reversed.
- **Other contract judgements:** we reviewed the accounting for a number of other key programmes including the Deep Maintenance Programme for the Vanguard class submarines, with work now underway on HMS Victorious, our Australian High Frequency Communications System programme (JP9101), the Defence Support Group programme to support the British Army's armoured vehicle fleet which enters a five-year extension from the end of March 2025, and our SKYNET contract to operate the UK's military satellite communications capability. We were satisfied that the key judgements and estimates applied were appropriate.

The conclusion of our review was that we were pleased to recommend to the Board that the FY25 Annual Report and Financial Statements were representative of the Company's year and presented a fair, balanced, and understandable overview of the year. A key support for our review is Forvis Mazars' audit (please see page 185 for their independent auditor's report). The total fees paid to Forvis Mazars in respect of their audit of the Company's FY25 financial statements was £9.1 million.

FY25 internal audit

This was the first year that the Company had conducted its internal audit with its in-house team following the full insourcing of the internal audit function last year. We have made good progress ensuring that the function is resourced so that it can deliver effective quality reviews. At the start of this year, following the release of the new Global Internal Audit Standards, we reviewed internal audit's terms of reference and approved a new Global Internal Audit Charter. This charter defines internal audit's role, authority and responsibilities, in line with the standards set by the Internal Audit Standards Board. We will review the charter on an annual basis to ensure that our internal audit is in line with best practice.

At the start of FY25, we agreed an internal audit plan for FY25. The plan delivered 13 audits split across sectors, direct reporting countries, and Group Functions. As you would expect, these audits make recommendations for improvements. We monitor the implementation of these improvements to make sure that the Company has actioned them. We ensure that each action has an owner responsible for the implementation of the improvement as well as a date for implementation. If any action becomes overdue, the internal audit team chases progress on our behalf until the recommendation is in place, while keeping us abreast of developments.

Through our review of the internal audit plans and the reports that we receive from the internal audit team, we are satisfied that the team is both objective and effective.

Risk management and internal control systems

The Board has ultimate responsibility for risk management and internal control processes, and has delegated to the Committee the review of the effectiveness of these systems to assist it in discharging this responsibility.

We describe the Company's risk management framework in detail on pages 104 to 107. The Group's internal control processes have been under a multi-year improvement programme, which was reported upon in prior years' Committee reports. The centrepiece of our internal control framework is our Document of Controls, which summarises in one place our key reporting, financial, compliance and operational controls. Each business reports adherence to the Document on a bi-annual basis. In FY25, there was no significant non-adherence that would undermine the reported financial statements.

To carry out our review of the risk management and internal control processes for the Board, we receive regular reports on both over the course of the year, which the Director of Risk and the Group Director of Controls prepare and present to us, giving us the opportunity to challenge and test these reports. This year, like last year, we were satisfied with the progress that the Company was making both with its improvement plan and preparations for the introduction of the new reporting requirement under the 2024 UK Corporate Governance Code, in respect of effectiveness of the Company's risk management and internal controls framework. We have reviewed the exercise used to identify the Group's material controls and were pleased that the Company had delivered control enhancements against the matters raised by Deloitte in their FY24 external audit report.

FY26

The Committee has two priorities for FY26: first, to build on the on-boarding of Forvis Mazars and on their experience from their first year of auditing the Company, to hopefully advance our reporting timetable without sacrificing audit quality or effectiveness; and second, to monitor and support management in embedding the control improvements of recent years, while continuing preparations for the introduction of Provision 29 of the 2024 UK Corporate Governance Code.

Remuneration

Highlights

Review of the Company's
Remuneration policy

Engagement with shareholders
to consult on changes to the
Company's Remuneration policy

Review of FY25 remuneration
outcomes

Deciding on the FY26
implementation of the
Remuneration policy

Carl-Peter Forster

Chair of the
Remuneration
Committee



Remuneration Committee report

Dear fellow Shareholder

We as a Committee have had another busy year. This has principally been due to our review of the Company's Remuneration policy, to assure ourselves that the policy incentivises value creation for the benefit of all our stakeholders. This year we were happy that the current policy, which shareholders approved at our 2023 AGM with a 98% vote in favour, was serving us well regarding aligning pay with the fundamental drivers of value. However, following feedback from some shareholders in late 2024, we felt that we could do more to send a strong message to the market to support the Board's focus on addressing the gap between the value which the Board believe the Company's shares warrant and the Company's actual share price. Therefore, at the start of 2025, we engaged with our shareholders as to whether we could make changes to our policy to reinforce the confidence that the Board has in the Company's prospects, without diluting our focus on the sustainable growth and margin expansion that underpins the Company's warranted value.

In January, we wrote to shareholders representing approximately 60% of the Company's share capital, to invite feedback on our proposals. This gave us the opportunity to test whether our proposals aligned with shareholder priorities and interests, and we were delighted with the responses and engagement that we received. We incorporated all the feedback we received into our final proposals, set out in detail below, which the Committee signed off in principle in March. However, in the intervening period up to the date of finalising this report, the Group's share price has performed strongly and the valuation gap to our closest FTSE comparators has reduced. This caused the Committee to re-evaluate whether our proposed changes, conceived in late 2024 in response to the prevailing and persistent valuation gap at the time, retained their merit. We concluded from this in-depth assessment that the proposals remain valid and should be submitted for shareholder approval at the 2025 AGM; while the valuation gap has narrowed, as a Board we believe that there remains a significant opportunity ahead for the creation of further and material shareholder value by executing and striving to outperform our ambitious medium-term strategic plan. By proceeding with our proposals, we are seeking to ensure that our well-regarded and strong-performing management team is incentivised and rewarded to deliver our strategic ambitions in a manner that creates sustainable and material value for shareholders. As a result, we are proceeding to put our proposals to all shareholders for took part in our consultation for their contributions.

Proposed changes to the Remuneration policy

Following our consultation, we propose the following changes to our policy for shareholder approval at the 2025 AGM:

Changes to our Performance Share Plan (PSP): Our policy includes a PSP, under which we make annual awards of shares that vest according to three-year performance targets; following vesting, we require the Executive Directors to hold any awards for a further two years. In recent cycles, vesting of the awards has been based on a scorecard of measures, capturing cashflow, margin, revenue and ESG metrics. We consider the basic structure and scorecard basis of the PSP to be fit-for-purpose. However, to send a strong message about closing the valuation gap, we are proposing to introduce an additional absolute Total Shareholder Return (TSR) 'kicker' to the award opportunity.

If approved by shareholders at the 2025 AGM, we will continue to apply our existing 'core' scorecard to determine the vesting of PSP awards up to the existing 'core' opportunities (of 250% and 200% of salary for the CEO and CFO, respectively).

Starting with the FY26 awards, an additional multiplier, based on the Company's absolute TSR performance, would then be applied to the vested core PSP awards. At 10% pa absolute TSR, the multiplier would be 1.0x, meaning that there would be no increase in value beyond that earned under the core PSP award. The maximum multiplier of 2.0x (ie we would double the core PSP award outcome) would require absolute TSR to be at least 30% pa. The performance periods for the core scorecard measures and the TSR kicker would be the same (ie 1 April 2025 to 31 March 2028 for the FY26 awards), in line with our past practice and our preference to align the performance periods for all measures captured in a single PSP cycle.

Analysis of historical returns across FTSE companies indicates that the performance range for the TSR kicker would be broadly equivalent to median (10% pa) to upper decile (30% pa) outcomes. Based on the current salaries of the Executive Directors, the cumulative value of the maximum PSP kicker in any one PSP cycle would be approximately 0.2% of the incremental value created. Furthermore, as the kicker is a multiplier to the core award, the kicker's value also relies on Babcock achieving strong vesting against the measures captured in the core PSP scorecard. It is for this reason that we are proposing to introduce absolute TSR as a kicker to the existing PSP core award opportunity. We debated whether instead to add TSR as a further measure to the scorecard for the core award, but concluded that it was not desirable to have to downweight the other measures to accommodate the linkage to TSR. The multiplicative combination of the measures also creates a sharper link between performance and pay, because strong vesting outcomes under the PSP require both the achievement of the stretch targets set for the core measures as well as upper decile shareholder returns. As the maximum kicker, earned at 30% pa absolute TSR, would double the current PSP award opportunity, we are proposing to raise the PSP award opportunity in the policy to 500% of salary, which requires shareholder approval, to be sought at the 2025 AGM, for a revised Remuneration policy and PSP rules.

Shareholders' feedback on the proposed TSR kicker ranged from support for increasing the maximum kicker even further, to a preference for the kicker to apply on a one-off basis in FY26. We also welcomed the support indicated for calibrating the TSR kicker on an absolute, rather than relative, basis. Having considered this feedback in the round, the Committee proposes to maintain the proposed maximum kicker of 2.0x, which we feel provides the right balance between reinforcing the drivers of our strategy (through the 'core' award scorecard) and closing the valuation gap (through the kicker).

The Committee

Carl-Peter Forster has chaired the Committee since September 2022 and has been a member of the Committee since joining the Board in June 2020. The other Committee members are currently John Ramsay, Lucy Dimes and Jane Moriarty. Please see pages 130 and 131 for biographies and page 140 for attendance.

Key responsibilities

- Setting the Company's Remuneration policy
- Oversight of reward matters across the Group
- Maintenance of a strong link between strategy, stakeholder experience and Executive Director reward
- Approval of reward outcomes for the Executive Directors

Remuneration (continued)

Illustration of kicker approach

Up to 250% of salary (200% CFO) can be earned for achieving the PSP scorecard...

Core PSP scorecard

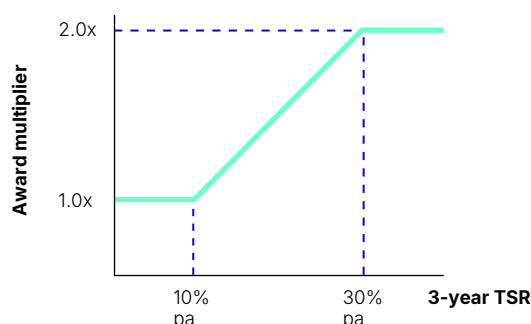
Measure	Weighting*
Underlying free cash flow	30%
Underlying operating margin	30%
Organic revenue growth	25%
ESG	15%

* weighting proposed for FY26 cycle

X

...and this would be subject to a kicker which could double the core award if strong TSR is delivered over the three years of the PSP performance period

TSR kicker



The kicker also provides additional performance leverage in the package while ensuring the aggregate incentive opportunity remains within the range seen in the UK market. If approved by shareholders, we will apply the kicker to the FY26 PSP award. However, in response to the preference expressed for the kicker to be a one-off in FY26, for future years of the policy we are committed to carefully reviewing whether it is still appropriate to apply the kicker before doing so.

Changes to our annual bonus scheme: We are proposing two changes to our annual bonus scheme: (i) to increase the annual bonus opportunity for the Executive Directors from 150% to 180% of salary to ensure competitiveness with companies of similar size and in our market; and (ii) to retain a requirement for mandatory bonus deferral provisions (currently 40% of earned bonus deferred into shares for three years), but to disapply the deferral provision for those Executive Directors who have achieved their shareholding requirements. In such a scenario, we would pay any bonus earned in cash. The overwhelming majority of shareholders who were consulted did not express any concerns about this proposal.

The changes to the annual bonus structure would be effective from the FY26 bonus cycle (ie they would not be applied to the current FY25 cycle). In respect of the waiver of the mandatory bonus deferral, both the CEO and the CFO have already exceeded their shareholding guidelines, so we would expect to pay any bonus for FY26 and future years in cash. As a reminder, the CEO is required to maintain a shareholding of 300% of salary, and the CFO 200%.

Regarding the waiver, we view bonus deferral as a means of aligning the interests of shareholders and executives over the medium term through exposure to Babcock's share price. Where an Executive Director has acquired (through self-purchases) or earned (through share-based incentives) a significant total holding of Babcock shares, we believe it is appropriate to waive the mandatory deferral requirement and instead allow the bonus earned to be paid entirely in cash. We believe this approach is fairer overall, without diluting our clear emphasis on the importance of an alignment of executive and shareholder interests through meaningful share ownership. We are also satisfied that, notwithstanding this change, we retain sufficient powers to exercise malus and clawback which apply to the cash bonus (and PSP awards during the three-year performance

period and mandatory two-year post-vesting holding period) should the need arise.

Conclusion: We are convinced that these changes will help drive an enhanced focus on shareholder returns. As mentioned above, the Board believes that the proposals remain appropriate notwithstanding the re-rating of our share price since January 2025, with only modest increases in the costs of the pay arrangements; our modelling suggests that the proposals would increase overall target pay for the Executive Directors by c.19% (CFO 10%) and bring pay to around the upper quartile of sector peers, reflective of the proven experience, quality and performance of our Executive Directors. We consider this to be an appropriate trade-off given the PSP kicker will have value only if significant further returns have been delivered to shareholders; based on the Company's closing market capitalisation on 31 March 2025, threshold performance (absolute TSR of 10% pa, for which no incremental reward will be delivered relative to the existing PSP arrangement) would deliver c.£1.2 billion of shareholder value at the end of the FY26 PSP performance period; full vesting of the TSR kicker opportunity would result in c.£4.4 billion of shareholder value created over the three-year period. We also considered very carefully the feedback received from one shareholder about whether TSR should be measured from the date of grant, rather than the start of FY26, given the strong share price performance in recent months. As a Committee, we concluded that our proposal as originally designed (ie to align the performance period with three financial years commencing 1 April 2025) remains appropriate; the value of the proposed PSP awards remains conditional on achieving the stretching three-year performance targets set for each core award measure, as well as further improvements in TSR being delivered – and sustained – over the remaining c.34 months of the performance period. Our preference is to measure TSR using starting and ending values based on an averaging period of at least three months, to ensure incentive outcomes are not unduly impacted by short-term volatility in share price. However, in recognition of the share price appreciation through the months of 2025, we have resolved to use a one-month average (to 31 March 2025) as the starting point for the FY26 PSP TSR kicker calculation; this is c.20% higher than the three-month average we would set ordinarily. Our intention is also to apply these changes to our Remuneration policy for other members of the senior leadership team as appropriate to ensure alignment of interest down through the organisation.

Remuneration in FY25

When we discuss the implementation of our Remuneration policy over the year, we always consider the business context to assure ourselves that our remuneration outcomes reflect the Company's performance and the broader context, including shareholders' experience and interests.

Following our discussions, in summary, we approved the following outcomes:

FY25 salary: In my letter last year, we reported that, due to his consistently strong performance and the limited salary increases that he had taken since his appointment, we had granted Mr Lockwood an increase in salary of 11% with effect from 1 July 2024. We were pleased to note that shareholders overwhelmingly supported this decision by voting (97%) in favour of our remuneration report at last year's AGM. In respect of Mr Mellors, the Committee increased his salary by 4%, in line with the average increase for those UK colleagues not subject to collective pay bargaining.

FY25 annual bonus: As we reported last year, we kept the same structure for the FY25 annual bonus for Executive Directors as used over the last three years. Underlying financial performance measures comprise 80% of the bonus, split equally between underlying operating cash flow (OCF) and underlying operating profit (OP) with the remaining 20% allocated to non-financial measures. As in previous years, we adopted a wide range for the performance targets and retained discretion to ensure that the outcome aligned to the experience of the Group's stakeholders. We as a Committee, and as a Board more generally, are delighted to report the strong OCF and OP performance as described on page 26, which resulted in an annual bonus payout for FY25 of 100% of maximum being awarded to David Lockwood and 100% of maximum being awarded to David Mellors. This outcome was approved by the Committee, following our assessment of the formulaic outcome in the wider performance context for the Company, and the experience of our key stakeholders. Please see page 165 for more detail.

FY23 PSP vesting: We granted the FY23 PSP award in August 2022 with the same performance measures as the FY21 and FY22 PSP grants – underlying FCF and relative TSR, equally weighted and both over the same three-year performance period ending on 31 March 2025. As we do every year, at the time of grant, we reviewed the Company's share price performance to satisfy ourselves that the award of the full opportunity (then 200% of salary) was appropriate. We are pleased to say that the outturn for the FY23 PSP award will be 100% of the overall award, reflecting Babcock's strong performance over the performance period. In approving this vesting outcome, we undertook our normal assessment for windfall gains, using a range of quantitative tests to do so. These tests supported our view that the value at vesting which we are reporting for the FY23 PSP in respect of the Executive Directors is not a windfall, but instead reflects the intrinsic value of the business following its successful reset and transformation under the leadership of David Lockwood and David Mellors. For more information, please see page 168.

FY25 PSP grant: We granted the FY25 PSP award for the Executive Directors in August 2024. In line with our approach to the FY24 PSP grant, we set the award opportunity for the CEO at 250% of salary and at 200% for the CFO (within the limits approved by shareholders at the 2023 AGM). We retained the same PSP measures to align closely with the drivers of the Company's long-term performance and strategy. The measures include underlying free cash flow (an indicator of cash generation), underlying operating margin (an important indicator of operating efficiency), organic revenue growth (an indicator of business growth) and ESG (reflecting the strategic importance of visible improvements, due both to shareholder sentiment that companies need to play their part in improving the UK's performance in this area and to the increasing importance of the ESG agenda to our people). We have set the

targets for each measure to ensure that they are appropriately stretching. For more detail, please see page 169.

Remuneration for FY26

I have explained the changes that we are proposing to our Remuneration policy at the start of my letter. If shareholders approve these changes at the 2025 AGM, we will implement them for FY26. Subject to receiving shareholder approval, we propose the following, which balances the wish of shareholders that we incentivise our Executive Directors to deliver the Board's strategic actions with the need to align the implementation of the policy with shareholder interests.

FY26 salary increase: In keeping with our usual practice, we reviewed the Executive Directors' base salaries at the same time as other UK colleagues not covered by collective bargaining, being the population that we believe is the best internal comparator for the Executive Directors. Our review was informed by the range of increases awarded to those colleagues of up to 5% for our highest performers (and 3% on average). We believed that both the Executive Directors merited consideration for a maximum award of 5% following their performance over the year. However, as the Committee had awarded Mr Lockwood a 11% increase last year, the conclusion of our review was to award Mr Lockwood a salary increase of 3% to £932,933. Mr Mellors was awarded a salary increase of 5% to £645,582, which remains below that which would have resulted if increases had been awarded annually at a lower rate than the average workforce increase over his tenure. Mr Mellors' salary is considered appropriate in the context of his contribution to Babcock as well as competitive practice in our key talent markets.

FY26 annual bonus: We will keep the structure of the Executive Directors' annual bonus consistent with that for FY25, with measures based on underlying OCF, underlying OP and non-financial objectives. If shareholders approve our proposed policy changes, we will set the maximum award opportunity at 180% of salary and will pay the bonus in cash, provided the Executive Directors continue to meet their shareholding guidelines. We will disclose the targets in full in our report next year. Please see page 170 for more detail.

FY26 PSP grant: We will grant awards under the PSP to the Executive Directors after the 2025 AGM and, subject to shareholder approval, introduce the absolute TSR kicker. The award will cover the three-year period FY26 to FY28. Vesting of the core PSP award will continue to be based on the measures we adopted for the FY24 and FY25 PSP awards (underlying free cash flow, underlying operating margin, organic revenue growth and ESG), as we believe they still align closely with the drivers of the Company's long-term performance and strategy. We have set the targets for each measure to ensure that they are appropriately stretching. For more detail, please see page 171.

Focus for FY26

We hope that you find our description of the work done by the Committee to further the interests of shareholders helpful. We believe that the changes we are proposing are in the best interests of all our shareholders, as not only will they continue to incentivise a strong and high-performing executive team to continue to deliver value for shareholders, but they will also send a strong message to the market of our underlying view of the value of the Company. On behalf of the Committee, I recommend and hope that you do vote in favour of the changes.

I will be at the 2025 AGM and would be happy to discuss any aspects of this report at the meeting.

Carl-Peter Forster

Chair of the Remuneration Committee

Remuneration (continued)

Remuneration at a glance

This section provides an overview of the Company's performance over FY25, and the remuneration received by our Executive Directors. You can find full details in the Annual report on remuneration on pages 163 to 177.

FY25 remuneration outcomes

FY25 annual bonus

The Committee based the FY25 bonus on a mix of financial and non-financial measures; the performance targets for which (and actual performance against these) are set out below. For a full description of the FY25 annual bonus, please see page 165.

Measures	Warranted payout (% of maximum bonus)				Performance targets	
	D Lockwood		D Mellors			
Underlying operating profit (OP) ¹	40% Max	40% Outturn	40% Max	40% Outturn	Threshold	£313.5m
					Target	£330.0m
					Stretch	£363.0m
					Outturn	£365.3m
Underlying operating cash flow (OCF) ¹	40% Max	40% Outturn	40% Max	40% Outturn	Threshold	£170.0m
					Target	£200.0m
					Stretch	£230.0m
					Outturn	£296.1m
Non-financial ²	20% Max	20% Outturn	20% Max	20% Outturn		
Total	100% Max	100% Outturn	100% Max	100% Outturn		

1. For definitions, please see the fuller description of the FY25 bonus on page 165.

2. The Committee has merged several measures into an overall assessment in this table for disclosure purposes.

FY23 PSP

The Committee approved the FY23 PSP grant in August 2022. Vesting was based 50% on underlying free cash flow (FCF) and 50% on relative Total Shareholder Return (TSR), both over three years to 31 March 2025. Performance against both measures warranted 100% vesting.

	% weighting	Threshold performance (16.7% vesting)	Stretch performance (100% vesting)	Outturn	Vesting (% of overall award)
3-year FCF post exceptional items	50%	£176m	£264m	£389m	50%
3-year TSR vs FTSE 350 (excluding investment trusts and financial services)	50%	Median TSR	Median TSR + 9% pa	Median TSR + 27.4% pa	50%
				Total vesting	100%

Implementation of the Remuneration policy in FY26

For the current financial year, the Committee intends to implement the Remuneration policy as set out in the table below.

Base salary	Pension	Benefits
David Lockwood: £932,933	10% of salary	Unchanged from FY25
David Mellors: £645,582	10% of salary	Unchanged from FY25
The Committee reviewed the base salary of the Executive Directors in June 2025 and increased Mr Lockwood's salary by 3% and Mr Mellors' salary by 5%.		

Annual bonus and Deferred Bonus Plan (DBP)	PSP
The bonus structure will be consistent with that used for FY25, but, subject to shareholder approval at the 2025 AGM, with awards of up to 180% of salary based on the achievement of financial targets (underlying operating profit (OP) and underlying operating cash flow (OCF), each a 40% weighting) and non-financial measures (a 20% weighting).	PSP 'core' awards of 250% and 200% of salary for the CEO and CFO respectively, with vesting based on measures the Committee believes are most appropriate: underlying FCF (weighted 30%), underlying operating margin (weighted 30%), organic revenue growth (weighted 25%, and subject to a discretionary operating margin underpin) and ESG (weighted 15%).
Subject to shareholder approval, the bonus will be paid in cash if an Executive Director continues to meet their shareholding guidelines. For more information about the guidelines please see page 160.	Subject to shareholder approval, an absolute TSR "kicker", of up to 2.0x, will be applied to the core award. For more information, please see pages 151 and 152.

Compliance statement

This report has been prepared in compliance with all relevant remuneration reporting regulations in force at the time and in respect of the financial year under review.

This report contains both auditable and non-auditable information. The information subject to audit is marked.

Remuneration (continued)

Remuneration policy report

Shareholders approved our current Remuneration policy at our 2023 AGM with a vote in favour of 98%. Following consultation with our shareholders, we now wish to make certain changes to the policy. The changes require shareholder approval, which we will seek at the 2025 AGM. We set out the changes to the Remuneration policy for Executive Directors in italics below. We also set out a minor change to the Remuneration policy for Non-Executive Directors to include additional flexibility to pay travel allowances. You can find the current policy at www.babcockinternational.com/who-we-are/leadership-and-governance.

Key principles of the Remuneration policy

Our Remuneration policy for Executive Directors reflects a preference that we believe the majority of our shareholders share – to rely more heavily on the value of variable performance-related rewards than on the fixed elements of pay, to incentivise and reward success. The Committee, therefore, weights the focus of executive remuneration towards performance-related pay with a particular emphasis on long-term performance. The Committee believes that, properly structured and with suitable safeguards, variable performance-related rewards are the best way of linking pay to strategy, risk management and shareholders' interests.

Remuneration policy for Executive Directors

Base salary	
Purpose and link to strategy	To recruit and retain the best executive talent to execute our strategic objectives at appropriate cost.
Operation	The Committee reviews base salaries annually, with reference to the individual's role, experience and performance; salary levels at relevant comparators are considered, but do not in themselves drive decision-making.
Opportunity	The Committee anticipates that increases in salary for the wider employee population over the term of this policy will guide it on any increases for the Executive Directors. In certain circumstances (including, but not limited to, a material increase in job size or complexity, market forces, promotion or recruitment), the Committee has discretion to make appropriate adjustments to salary levels to ensure they remain fair and competitive.
Performance metrics	Business and individual performance are considerations in setting base salary.
Pension	
Purpose and link to strategy	To provide market-competitive retirement benefits.
Operation	Cash supplement in lieu (wholly or partly) of pension benefits for ongoing service and/or membership of the Group's defined benefit or defined contribution pension scheme.
Opportunity	Executive Directors receive pension benefits up to the value (10% of salary, as of FY25) equivalent to the maximum level of pension benefits provided under the Company's regular defined contribution pension plans as offered to the wider workforce in the relevant market as may be in effect or amended from time to time.
Performance metrics	Not performance-related.

Benefits

Purpose and link to strategy	Designed to be competitive in the market in which the Group employs the individual, or to meet costs effectively incurred at the Company's request.
Operation	The Group provides a range of benefits, which may include (but are not limited to): life insurance; medical insurance; car and fuel benefits and allowances; home-to-work travel and related costs; and accommodation benefits and related costs. The Group may offer other benefits (eg relocation) if the Committee considers it appropriate and reasonable.
Opportunity	Benefit values vary by role and are periodically reviewed and set at a level that the Committee considers appropriate in light of relevant market practice for the role and individual circumstances. The cost of the benefits provided changes in accordance with market conditions, which will determine the maximum amount that the Company would pay in the form of benefits during the period of this policy. The Committee retains discretion to approve a higher cost in certain circumstances (eg relocation) or in circumstances where factors outside the Company's control have changed materially.
Performance metrics	Not performance-related.

Annual bonus

Purpose and link to strategy	To underpin delivery of year-on-year financial performance and progress towards strategic non-financial objectives, being structured to motivate delivery against targets and achievement of stretching outperformance, whilst mindful of the achievement of long-term strategy and longer-term risks to the Company. The requirement to defer a substantial part of the bonus into Company shares, <i>while building up a holding to meet the in-post shareholding guideline</i>, strengthens the link to long-term sustainable growth.
Operation	Performance targets are set at the start of the year and reflect the responsibilities of the Executive Directors in relation to the delivery of our strategy. At the end of the year, the Committee determines the extent to which the Group has achieved these targets. The Committee has the discretion to adjust the outcome (up or down) within the limits of the plan for corporate transactions, unforeseen events, factors outside reasonable management control, and changes to business priorities or operational arrangements, to ensure targets represent and remain a fair measure of performance. In addition, the Committee considers health and safety performance and may reduce or cancel any annual bonus otherwise payable if it considers it appropriate to do so in light of that performance. At least 40% of annual bonus payments for Executive Directors are deferred into Company shares for three years. Dividend equivalents accrued during the deferral period are payable in respect of deferred shares when (and to the extent) these vest. <i>The Committee may waive the requirement to defer any element of annual bonus in respect of any Executive Director who has met their shareholding guideline.</i> Malus and clawback provisions apply to cash and deferred bonus awards until the third anniversary of the payment/vesting date: if the accounts used to determine the bonus level have to be materially corrected; if the Committee subsequently comes to a view that bonus year performance was materially worse than originally believed; in the event of gross misconduct; or if the award holder leaves employment in circumstances in which the deferred bonus did not lapse and facts emerge which, if known at the time, would have caused the deferred bonus to lapse on leaving or would have caused the Committee to exercise any discretion differently.
Opportunity	Maximum bonus opportunity is <i>180% of salary, increased from 150% subject to shareholder approval at the 2025 AGM</i>. For achievement of threshold, the Executive Directors earn up to 15% of maximum bonus; for achievement of target, they earn up to 55% of maximum bonus.
Performance metrics	The Committee determines performance on an annual basis by reference to Group financial measures, eg underlying operating profit, underlying OCF, as well as the achievement of non-financial objectives. The weighting of non-financial objectives is limited to 20%, unless the Committee believes exceptional circumstances merit a higher weighting. The Committee retains discretion to vary the financial measures and their weightings annually, to ensure alignment with the business priorities for the year.

Remuneration (continued)

Performance Share Plan (PSP)

Purpose and link to strategy	To incentivise delivery of sustainable value creation over the longer term. Long-term measures guard against the Company taking short-term steps to maximise annual rewards at the expense of future performance.
Operation	The Committee has the ability to grant nil-cost options or conditional share awards under the PSP. The Committee reviews award levels and performance conditions, on which vesting depends, from time to time to ensure they remain appropriate. Participants will receive cash or shares equal to the value of any dividends that they would have received over the vesting period on awards that vest. The Committee has the ability to exercise discretion to override the PSP outcome in circumstances where strict application of the performance conditions would produce a result inconsistent with the Company's remuneration principles. An additional two-year holding period will apply to Executive Directors' vested PSP awards, <i>whether or not these are exercised before the expiry of the period</i>. Malus and clawback provisions apply to PSP awards until the third anniversary of the payment/vesting date: if there is a misstatement of the Group's financial results for any period; if the Committee subsequently comes to a view that performance was materially worse than originally believed; in the event of gross misconduct; or if the award holder leaves employment in circumstances in which the award did not lapse and facts emerge which, if known at the time, would have caused the award to lapse on leaving or caused the Committee to exercise any discretion differently. <i>Subject to shareholder approval at the 2025 AGM, the Committee will introduce an absolute "TSR kicker", acting as a multiplier to the core PSP awards based on the Company's absolute Total Shareholder Return.</i>
Opportunity	The maximum annual PSP award opportunity is, <i>whether or not these are exercised before the expiry of this period, 500% of salary if the TSR kicker is applied in full to the core PSP award. This represents an increase from 250% of salary under the 2023 Remuneration policy.</i> <i>The core PSP award for the CEO is 250% of salary, with a further 250% of salary if the TSR kicker is applied. It is the current intention that the CFO's core award will be set at 200% of salary, with an overall maximum of 400% of salary after application of the TSR kicker.</i> <i>The TSR kicker will be a feature of the FY26 PSP cycle. The Committee will reserve the discretion at each subsequent award cycle as to whether that PSP cycle will be subject to the TSR kicker.</i> 16.7% of the core award will vest for threshold performance.
Performance metrics	Vesting of PSP awards is subject to continued employment and Company performance over a three-year performance period. Core PSP awards made during the life of this policy will vest on the achievement of stretching targets that align to key drivers of strategy (including, but not limited to, free cash flow, operating margin, organic revenue growth and ESG). <i>The vesting of the TSR kicker will be based on absolute total shareholder return, with full vesting of the TSR kicker at 30% pa and with no kicker below 10% pa (with a straight-line sliding scale between these points).</i> The Committee will review the performance measures, their weightings and performance targets annually to ensure continued alignment with Company strategy.

All-employee plans – Babcock Colleague Share Plan

Purpose and link to strategy	To encourage employee ownership of Company shares.
Operation	Open to all UK tax-resident employees, including Executive Directors, of participating Group companies. The plan is an HMRC-approved share incentive plan that allows an employee to purchase shares out of pre-tax salary. <i>The Company can also make matching awards on purchased shares as well as make awards of free shares that are not conditional on employees purchasing shares. If held for a period approved by HMRC (currently three to five years) awards are taxed on a favourable basis.</i>
Opportunity	Participants can purchase shares up to the prevailing HMRC limit from time to time. The Company currently offers to match purchases made through the plan at the rate of one free matching share for every 10 shares purchased. The Committee reviews the matching rate periodically, but it will remain bound by the prevailing HMRC limit. <i>The Company may also make awards of free shares to eligible employees, the value of which will be determined by the Committee within the prevailing HMRC limit.</i>
Performance metrics	Not performance-related.

Approach to recruitment remuneration

In the case of hiring or appointing a new Executive Director, the Committee may make use of any of the components of remuneration (and subject to the same limits) set out in the policy above.

In determining appropriate remuneration for new Executive Directors, the Committee will take into consideration all relevant factors (including quantum, the nature of remuneration and from where the Company recruited the candidate) to ensure that arrangements are in the best interests of the Company and its shareholders. The Committee may also make an award in respect of a new external appointment to 'replace' incentive arrangements forfeited on leaving a previous employer over and above the limits set out in the policy in the table above. In doing so, the Committee will consider relevant factors, including any performance conditions attached to these awards, time to vesting and the likelihood of those conditions being met. The fair value of the compensatory award would not be greater than the awards the Company was replacing. In order to facilitate like-for-like compensatory awards on recruitment, the Committee may avail itself of the relevant Listing Rule, if required.

When appointing a new Executive Director by way of promotion from an internal role, the pay structure will be consistent with the policy for external hires detailed above. Where an individual has contractual commitments, outstanding incentive awards and/or pension arrangements prior to their promotion to Executive Director, the Company may honour those arrangements; however, where appropriate the Committee would expect these to transition over time to the arrangements stated above.

When recruiting a new Non-Executive Director, the Committee or Board will structure pay in line with the existing policy, namely a base fee in line with the current fee schedule, with additional fees for fulfilling the role of Senior Independent Director, Chair of the Audit and Remuneration Committees, and Director designated for workforce engagement.

Payments from existing awards and commitments

Executive Directors are eligible to receive payment from any award or other commitment made prior to the approval and implementation of the Remuneration policy detailed in this report.

Performance measure selection and approach to target setting

The Committee selects measures used under the annual bonus plans annually to reflect the Group's main strategic objectives for the year. They reflect both financial and non-financial priorities.

The Committee sets performance targets to be stretching but achievable, considering the Company's strategic priorities and the economic environment in which the Company operates. The Committee sets financial targets taking into account a range of reference points, including the Group's strategic and operating plan.

The Committee considers at length the appropriate financial conditions and non-financial objectives to attach to annual bonus awards as well as the financial targets to attach to share awards to ensure they continue to be: (i) relevant to the Group's strategic objectives and aligned with shareholders' interests, mindful of risk management; and (ii) fair by being suitably stretching whilst realistic.

The Committee has discretion to adjust the calculation of short- and long-term performance outcomes in circumstances where application of the formula would produce a result inconsistent with the Company's remuneration principles. Such circumstances may include changes in accounting standards and certain major corporate events such as rights issues, share buybacks, special dividends, corporate restructurings, acquisitions and disposals.

The Committee reviews the performance conditions for share awards prior to the start of each cycle to ensure they remain appropriate. The Committee would not make a material reduction in long-term incentive targets for future awards without prior consultation with our major shareholders.

Executive Director and general employee remuneration

The policy with regard to the remuneration of senior executives below the Board is broadly consistent with that for the Executive Directors, in that it weights remuneration to variable components which are delivered through an annual bonus and equity-based incentives, albeit that the Company reserves the discretion to use restricted stock awards, and not the PSP, for some participants below Board level, when appropriate. The Committee considers the Remuneration policy for our Executive Directors with the remuneration philosophy and principles that underpin remuneration for the wider Group in mind. The remuneration arrangements for other employees reflect local market practice and the seniority of each role. As a result, the levels and structure of remuneration for different groups of employees will differ from the policy for Executive Directors as set out above, but with the common intention that remuneration arrangements for all groups might reasonably be considered to be fair having regard to such factors.

Remuneration (continued)

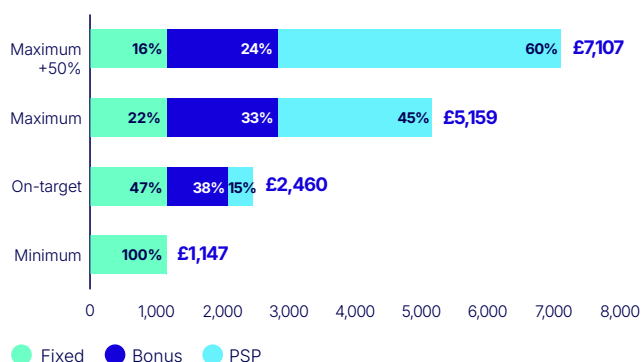
Balance of remuneration for Executive Directors

The charts below provide an estimate of the potential future reward opportunities for the Executive Directors, and the potential split between the different elements of remuneration under four different performance scenarios: 'Minimum', 'On-target', 'Maximum' and 'Maximum+50%'.

Potential reward opportunities are based on the Company's Remuneration policy and implementation in FY26, as outlined in the Committee Chair's statement and later in the Annual report on remuneration, applied to base salaries as at 1 July 2025. Note that the projected values exclude the impact of any share price movements except in the 'Maximum+50%' scenario.

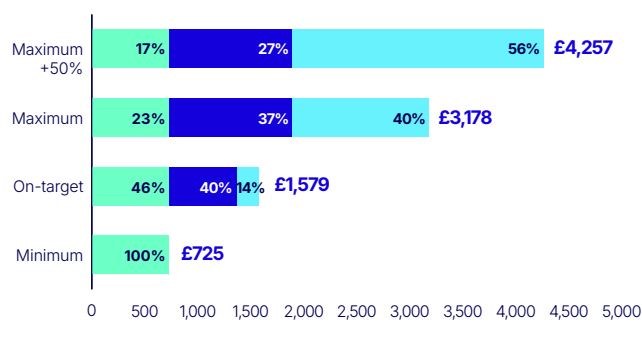
Chief Executive

David Lockwood (£'000)



Chief Financial Officer

David Mellors (£'000)



The 'Minimum' scenario shows base salary, pension (and/or pay in lieu of pension) and taxable benefits (ie fixed remuneration). These are the only elements of the Executive Directors' remuneration packages that are not at risk.

The 'On-target' scenario reflects fixed remuneration as above, plus a payout of 55% of the annual bonus and threshold vesting of 16.7% of the maximum core award under the PSP (ie c.42% of salary for the CEO, c.33% for the CFO).

The 'Maximum' scenario reflects fixed remuneration, plus full payout under the annual bonus (of 180% of salary), and full vesting of the core PSP award (250% of salary for the CEO and 200% for the CFO). None of the PSP TSR kicker, which is based on absolute TSR, vests in this scenario given the assumption of no share price growth.

The 'Maximum+50%' scenario reflects fixed remuneration, full payout under the bonus, plus full vesting of the core PSP award (250% of salary for the CEO and 200% for the CFO) and a c.1.22x TSR kicker (equivalent to a further PSP award of 56% of salary for the CEO and 45% for the CFO), with PSP awards also reflecting an increase of 50% in the share price from grant. Note: under this scenario the TSR kicker does not fully vest as this would require the share price to grow by c.120% (assuming no dividends) over the three-year performance period.

Shareholding guidelines for Executive Directors

The Committee sets shareholding guidelines for the Executive Directors. The current guideline is to build and maintain, over time, a personal (and/or spousal) holding of shares in the Company equivalent in value to at least twice the Executive Director's annual base salary (three times for the CEO). Executive Directors are expected to retain at least half of any shares acquired on the exercise of a share award that remain after the sale of sufficient shares to cover tax and national insurance triggered by the exercise (and associated dealing costs) until the guideline level is achieved and thereafter maintained.

The shareholding requirements include a post-cessation extension such that departing Executive Directors will be required to hold vested Company shares, received through incentive plans granted from FY21 onwards, for two years at a level equal to the lower of their actual shareholding on cessation and the in-post shareholding requirement. Any shares purchased by an Executive Director will not be part of this holding requirement.

Details of Directors' service contracts and exit payments and treatment of awards on a change of control

The following summarises the key terms (excluding remuneration) of the Executive Directors' service contracts:

Executive Directors

Name	Date of service contract	Notice period
David Lockwood (Chief Executive)	29 July 2020	12 months from Company, 12 months from Director
David Mellors (Chief Financial Officer)	29 September 2020	12 months from Company, 12 months from Director

The latest service contracts are available for inspection at the Company's registered office and will also be available at the Company's Annual General Meeting.

The Company's policy is that Executive Directors' service contracts should be capable of being terminated by the Company on not more than 12 months' notice. The Executive Directors' service contracts entitle the Company to terminate their employment without notice by making a payment of salary and benefits in lieu of notice. Under the Executive Directors' contracts, the Company may choose to make the payment in lieu by monthly instalments and mitigation applies such that the Committee may decide to reduce or discontinue further instalments.

In addition to the contractual provisions regarding payment on termination set out above, the Company's incentive plans contain provisions for termination of employment, where the Committee has the discretion to determine the level of award vesting as described in the table below.

Name	Treatment on a change of control	Treatment for a good leaver*	Treatment for other leavers
Annual bonus	Will be paid a time pro-rated proportion, subject to performance during the year, generally paid immediately, with Committee discretion to treat otherwise.	Will be paid a time pro-rated proportion, subject to performance during the year, generally paid at the year end, with Committee discretion to treat otherwise.	No annual bonus entitlement, unless the Committee exercises discretion to treat otherwise.
Deferred bonus awards	Participants may exercise award in full on the change of control, with Committee discretion to treat otherwise.	Entitled to retain any award, which will generally vest at the normal vesting date, with Committee discretion to treat otherwise.	Outstanding awards are forfeited unless the Committee exercises its discretion to treat otherwise.
PSP	Awards generally vest immediately and, for performance-related awards, will be pro-rated for time and remain subject to performance conditions, with Committee discretion to treat otherwise.	Entitled to retain a time pro-rated proportion, which remains subject to performance conditions tested at the normal vesting date. In very exceptional circumstances, the Committee has discretion to allow immediate vesting, but time pro-rating will always apply.	Outstanding awards are forfeited unless the Committee exercises its discretion to treat otherwise.

* An individual would generally be considered a 'good leaver' if they leave the Group's employment by reason of injury, ill-health, disability, redundancy or retirement. The treatment of share awards held by Directors who leave on other grounds is entirely at the discretion of the Committee, and in deciding whether (and the extent to which) it would be appropriate to exercise that discretion the Committee will have regard to all the circumstances.

External appointments of Directors

The Directors may accept external appointments with the prior approval of the Chair, provided that such appointments do not prejudice the individual's ability to fulfil their duties for the Group. Any fees for outside appointments are retained by the Director. The Chair will approve such appointments, as the Board believes it is beneficial for Directors to gain experience of practice in other organisations. However, before approving any appointment, she must satisfy herself that there are no conflict issues with the Company (or they can be appropriately dealt with) and the Director will have sufficient time to devote to the Company.

Chair and Non-Executive Directors

Name	Date of appointment as a Director	Date of current appointment letter	Anticipated expiry of present term of appointment (subject to annual re-election)
Dame Ruth Cairnie (Chair)	3 April 2019	25 March 2025	AGM 2026
Lucy Dimes	1 April 2018	25 March 2025	AGM 2026
Carl-Peter Forster	1 June 2020	30 March 2023	AGM 2026
Lord Parker	10 November 2020	30 March 2023	AGM 2026
John Ramsay	6 January 2022	25 March 2025	AGM 2028
Jane Moriarty	1 December 2022	25 March 2025	AGM 2028
Sir Kevin Smith	1 June 2023	26 April 2023	AGM 2026
Claudia Natanson	1 March 2024	12 February 2024	AGM 2027

The Group's Non-Executive Directors serve under letters of appointment as detailed in the table above, normally for no more than three-year terms at a time; however, in all cases appointments are terminable at will at any time by the Company or the Director. All Non-Executive Directors are subject to annual re-election by the Company in general meeting in line with the UK Corporate Governance Code.

The latest written terms of appointment are available for inspection at the Company's registered office and at the Company's Annual General Meeting. The expected time commitment of Non-Executive Directors is set out in their current written terms of appointment.

Details of the Non-Executive Directors' terms of appointment are shown in the table. The appointment and re-appointment, and the remuneration, of Non-Executive Directors are matters reserved for the Nominations Committee and Executive Directors, respectively. The remuneration of the Chair is a matter reserved for the Remuneration Committee.

The Non-Executive Directors' fees have been set at a level to reflect the amount of time and level of involvement required in order to carry out their duties as members of the Board and its Committees. The Non-Executive Directors are not eligible to participate in the Company's performance-related incentive plans and do not receive any pension contributions.

Remuneration (continued)

Details of the policy on fees paid to our Non-Executive Directors are set out in the table below:

Function	Operation	Opportunity	Performance measures
To attract and retain high-calibre Non-Executive Directors with commercial and other experience relevant to the Company	Fee levels are reviewed against market practice from time to time (by the Chair and the Executive Directors in the case of Non-Executive Director fees and by the Committee in respect of fees payable to the Chair). Additional fees are payable for additional responsibilities such as acting as Senior Independent Director, Chair of the Audit Committee, Chair of the Remuneration Committee and Director designated for workforce engagement. <i>Allowances may also be paid to reflect the time commitment of travel required to fulfil the role.</i> Non-Executive Directors do not participate in any incentive schemes, nor do they receive any pension or benefits (other than the cost of travel and accommodation expenses). The Company reviews fee levels by reference to FTSE-listed companies of similar size and complexity. It takes into account time commitment, level of involvement required and responsibility when it reviews fee levels. This may result in higher fee levels for overseas Directors.	Non-Executive Director fee increases are applied in line with the outcome of the periodic fee review. Any increases to the Non-Executive Director fee will typically be in line with general movements in market levels of Non-Executive Director fees. In the event that there is a material misalignment with the market or a change in the complexity, responsibility or time commitment required to fulfil a Non-Executive Director role, the Board has discretion to make an appropriate adjustment to the fee level.	None

Consideration of employee views

When reviewing Executive Directors' remuneration, the Committee is aware of the proposals for remuneration of all colleagues. When considering executive pay, the Committee takes into account the experience of colleagues and their pay. The Committee considers these matters when it conducts its annual review of executive remuneration.

The Company seeks to promote and maintain good relationships with employee representative bodies as part of its employee engagement strategy and consults on matters affecting colleagues and business performance as required. The Committee engages with colleagues through its Annual Report, which sets out in detail executive pay. However, in addition, the Company also engages directly with colleagues through the Global People Survey and through the 'ask David' email. The Committee takes any feedback it receives into account in its decision-making on executive remuneration.

Consideration of shareholder views

When determining remuneration, the Committee takes into account the views of shareholders and best practice guidelines issued by institutional shareholder bodies. The Committee welcomes feedback from shareholders on the Remuneration policy and arrangements. It commits to consulting with leading shareholders in advance of any significant changes to the Remuneration policy. In developing the policy set out in this report, we consulted with shareholders representing c.60% of our issued share capital, and also engaged shareholder representative bodies. We had a good level of engagement and are pleased to report that virtually all investors who provided feedback indicated support for the approach initially proposed.

The Committee will continue to monitor trends and developments in corporate governance and market practice to ensure the structure of executive remuneration remains appropriate.

Annual report on remuneration

The Committee

The Board appoints the members of the Committee on the recommendation of the Nominations Committee. In accordance with the UK Corporate Governance Code, only independent Non-Executive Directors are members of the Committee.

In total there were nine meetings in the year to 31 March 2025. The Chair and the CEO attend meetings by invitation, as does the CFO on occasion, but they are not present when their own remuneration is being decided. The Chief People Officer also attends meetings.

The terms of reference for the Committee are available for inspection on the Company's website. The Committee reviewed them during the year. Duties of the Committee include the setting of the policy for the remuneration of the Executive Directors and the Chair, as well as their specific remuneration packages. In determining the Remuneration policy, the Committee takes into account all factors which it deems necessary to ensure that the Company provides members of the senior executive management of the Group with appropriate incentives to encourage strong performance and rewards them for their individual contributions to the success of the Company in a fair and responsible manner. The composition of the Committee and its terms of reference comply with the provisions of the UK Corporate Governance Code.

Advisors

Ellason advised the Committee during the year. Ellason reports directly to the Committee Chair and provides objective and independent analysis, information and advice on all aspects of executive remuneration and market practice, within the context of the objectives and policy set by the Committee. A representative from Ellason typically attends Committee meetings. Ellason also provides participant communications, performance reporting and Non-Executive Directors' fee benchmarking services to the Company. Ellason is a member of the Remuneration Consultants Group and a signatory to the Code of Conduct for consultants to remuneration committees of UK listed companies. Please see www.remunerationconsultantsgroup.com for details.

Ellason adheres to this Code of Conduct. The Company paid fees to Ellason in respect of work for the Committee carried out in the year under review totalling £125,988 based on time and materials, excluding expenses and VAT.

The Committee reviews Ellason's involvement each year and considers any other relationships that it has with the Company that may limit its independence. Ellason has no relationship with the Company or its Directors beyond those formed in its capacity as appointed advisor to the Committee. The Committee is satisfied that the advice provided by Ellason is objective and independent.

Matters considered

The Committee considered a number of matters during the year to 31 March 2025, including:

- renewing the Remuneration policy bearing in mind market trends and corporate governance best practice
- reviewing the Committee's terms of reference
- considering trends in executive remuneration, remuneration governance and investor views
- reviewing share ownership guidelines for senior executives
- approving the Directors' Remuneration report
- reviewing the continued appointment of the Committee's independent advisors
- making share awards under the Company's share plans
- approving the performance measures and targets to be applied under the Company's PSP
- approving Executive Director salaries for the financial year
- considering performance targets and non-financial objectives for the FY26 annual bonus plan
- approving the level of vesting of the FY22 PSP awards
- considering performance against the measures applied to, and level of payout of, the FY24 annual bonus
- agreeing the level of, and targets for, FY26 PSP awards

Summary of shareholder voting

The following table shows the results of the last binding shareholder vote on the Remuneration policy (at the 2023 AGM), as well as the advisory vote on the Annual report on remuneration (at the 2024 AGM):

Votes cast	2023 Remuneration policy		2024 Annual report on remuneration	
	Total number of votes	% of votes cast for and against	Total number of votes	% of votes cast for and against
For (including discretionary)	363,326,457	98.29%	364,997,185	97.11%
Against	6,310,888	1.71%	10,857,090	2.89%
Total votes cast (excluding withheld votes)	369,637,345	100%	375,854,275	100%
Votes withheld	230,578		4,349,953	
Total votes cast (including withheld votes)	369,867,923		380,204,228	

Remuneration (continued)

Single total figure of remuneration for Executive Directors for FY25 (audited)

The table below sets out a single figure for the total remuneration received by each Executive Director.

	David Lockwood		David Mellors	
	FY25 £'000	FY24 £'000	FY25 £'000	FY24 £'000
Fixed remuneration				
Salary ¹	883	816	609	586
Benefits in kind and cash ²	120	120	15	15
Pension ³	88	82	61	59
Annual variable remuneration				
Annual bonus (cash) ⁴	795	438	548	306
DBP (deferred annual bonus plan) ⁵	530	292	365	204
Long-term incentives				
PSP ⁶	2,918	2,391	2,042	1,674
Dividends ⁷	33	23	23	16
Total (of which)	5,367	4,162	3,663	2,860
Total fixed remuneration ^{1,2,3}	1,091	1,018	685	660
Total variable remuneration ^{4,5,6,7}	4,276	3,143	2,978	2,200

The figures have been calculated as follows:

- Salary: Base salary amount paid in the year.
- Benefits in kind and cash: The value of benefits and salary supplements (other than those in lieu of pensions) including medical insurance, home to work travel expenses incurred at the request of the Company, accommodation-related benefits, and car and fuel benefits. David Lockwood in FY25 received £98k in connection with his accommodation costs in London, which were, at the Company's request, to enable him to lead the business effectively.
- Pension: The numbers above represent for each year the value of the cash supplement, which for David Lockwood and David Mellors was 10% of base salary.
- Annual bonus (cash): This is the 60% of total annual bonus earned for performance during the year (see pages 165 to 167) that is not required to be mandatorily deferred into shares under the DBP (see page 157) and is paid in cash.
- DBP: This is the mandatorily deferred element of the annual bonus earned for performance during the year (40% of earned bonus), which will vest after three years.
- PSP: The FY23 PSP award was granted in August 2022 with a three-year performance period to 31 March 2025 and will vest in August 2025. The values in the table are based on 100% of the award vesting at an average share price for the three months to 31 March 2025 of 615.02p. The values attributable to share price appreciation over the FY23 PSP vesting period are presently estimated to 31 March 2025, at £1,286k and £900k for David Lockwood and David Mellors, respectively. The PSP FY24 value has been updated to reflect the share price of 528.50p on the vest date of the FY22 PSP award.
- Dividends: Since HY24 the Company has returned to the dividend list. All dividends accrued to the FY23 PSP will be payable in cash on exercise of the award. The FY24 PSP value has been updated to reflect the August 2024 dividend of 3.3p which accrued to awards prior to vesting.

Neither of the Executive Directors participated in a Group pension scheme or otherwise received pension benefits from the Group for service during the year to 31 March 2025. They instead received a cash supplement equal to 10% of salary. There are no additional early retirement benefits.

Supplements paid in lieu of pension do not count for pension, share award or bonus purposes.

Directors benefit from life assurance cover of four times base salary. The cost of providing that life assurance cover was:

Director	FY25 £'000 pa	FY24 £'000
David Lockwood	5	4
David Mellors	3	3

FY25 annual bonus (audited)

The Committee based the FY25 annual bonus on a mix of financial and non-financial measures. The financial element, weighted 80%, was based equally on Group underlying operating profit performance and Group underlying operating cash flow (based on budgeted foreign exchange rates). There was a 100% payout under the underlying operating profit element due to the Company's strong performance over the year. The payout under the underlying operating cash flow element was equally strong at 100%. Please see pages 26 to 39 for more information on the Company's performance. The non-financial measures were principally the themes that the Committee considers to be of material importance to the continued success of the Company. The Committee concluded that the outturn for the non-financial measures should be a 100% payout for Mr Lockwood and a 100% payout for Mr Mellors. The Committee was satisfied that the total outturn of the FY25 bonus, of 100% of maximum for Mr Lockwood and 100% of maximum for Mr Mellors, reflected the Company's performance over the year and aligned to shareholders' experience.

The table below summarises performance against each financial measure, and the bonus outcome.

Bonus element	Threshold ¹	Target	Maximum	Outturn		David Lockwood	David Mellors
Achieving budgeted underlying operating profit ²	£313.5m	£330.0m	£363.0m	£365.3m	Maximum potential (% of salary)	60%	60%
					Outturn (% of salary)	60%	60%
Achieving budgeted underlying operating cash flow ³	£170.0m	£200.0m	£230.0m	£296.1m	Maximum potential (% of salary)	60%	60%
					Outturn (% of salary)	60%	60%
Non-financial objectives ⁴					Maximum potential (% of salary)	30%	30%
					Outturn (% of salary)	30%	30%
Total					Maximum potential (% of salary)	150%	150%
					Outturn (% of salary)	150%	150%

1. Threshold vesting is 18.8% of maximum for the operating profit and cash flow elements, and 0% for non-financial measures. In line with our policy, overall vesting at threshold is no more than 15% when all measures are considered. Vesting outcomes are determined on a straight-line sliding scale for performance outturns between threshold and target, and between target and maximum.

2. For the definition, please see page 1.

3. For the definition, please see page 1.

4. Further details on the non-financial objectives set for FY25 are given below.

Remuneration (continued)

FY25 annual bonus non-financial measures

The Committee set non-financial objectives for David Lockwood and David Mellors at the start of the year around strategic management 'Themes' of strategy, people and culture, and ESG, as the Committee believed these themes align to the Company's turnaround.

David Lockwood

Theme	Progress	Assessment
Strategy	Provided visible and unifying leadership during a year of exceptional strategic momentum, including Babcock's promotion to the FTSE 100: • H&B Defence launched, a JV with HII, supporting AUKUS priorities and securing the first contract win in Australia. • Led the strategic reset of organisational capability to enable future international growth. Aligning structure, leadership, and ambition to drive global business winning.	Exceeded Expectations
Performance	Led a step change in performance focus across all sectors and major programmes. Driving alignment between ambition, delivery and accountability: • Provided visible support and challenge to accelerate maturity in risk management practices both at corporate and programme levels. • Promoted a culture of proactive issue identification, championing the use of tools like the Global and Sector watchlist to identify earlier insight and intervention.	Exceeded Expectations
Growth	Provided strategic oversight to drive strong, profitable growth across all sectors, both in the UK and internationally: • DSG contract extension secured including additional option years, and follow-on contract to build additional 53 High Mobility Transporter Jackal Vehicles. • Supported expansion in Civil Nuclear through the build and decommissioning opportunities, and strengthened strategic relationships in Submarine Support.	Exceeded Expectations
People and Culture	Continued tangible improvement in performance culture: • Sponsoring the development of the Leadership Framework and supported the relaunch of learning access to global colleagues. • Championed the embedding of our Purpose and Principles, ensuring they shape behaviours and leadership standards at all levels. • Building a stronger performance and leadership culture across the organisation. Significant increase in the use of formal performance ratings connected to reward.	Exceeded Expectations
Sustainability	Provided strategic leadership in the re-setting of our Sustainability Strategy. Focusing the agenda on fewer, higher-impact goals aligned with our Purpose: • Reset Sustainability Strategy with high-impact goals. • Achieved 30% women in the Senior Leadership Team. • Prioritised climate accountability with clear expectations and ownership.	Exceeded Expectations

David Mellors

Theme	Progress	Assessment
Strategy	Supported exceptional strategic delivery through strong financial governance and disciplined planning during Babcock's promotion to the FTSE 100: • Provided financial and risk oversight for the formation of H&B Defence as a key board member, and the successful bid for the initial AUKUS-related contract in Australia. • Signing of the DSG contract extension including additional option years.	Exceeded Expectations
Performance	Drove significant improvements in performance focus across Babcock through enhanced financial oversight and reporting: • Led the advancement of risk management maturity. Embedding consistent practices at both the corporate and programme levels. • Successfully de-risked the pension position, and further strengthened the balance sheet through disciplined financial planning. • Strengthened the internal controls environment and enhanced the effectiveness of the Global and Sector watchlist as an early warning mechanism for emerging risks.	Exceeded Expectations
Growth	Enabled strong profitable growth through disciplined commercial oversight and robust financial evaluation of all substantial growth opportunities: • Ensured financial planning and controls supported strong growth in new build and decommissioning work in Civil Nuclear, and the scaling of submarine support operations. • Played a key role in ensuring financial visibility and risk management of the extended Miecznik frigate programme contract in Poland through to 2031. • Some organic and potential inorganic opportunities passed due to disciplined approach.	Exceeded Expectations
People and Culture	Continued tangible improvement in performance culture including: • Supported the development and implementation of the Leadership Framework. • Played a key role in succession planning for critical roles across Finance and other functions, focusing on continuity, depth and leadership strength.	Exceeded Expectations
Sustainability	Provided financial oversight and governance to support the re-set of the Sustainability Strategy, ensuring a focus on achievable, high-impact goals: • Supported tracking and uptake of "Be Kind" days, through reporting and data on volunteering engagement. • Oversaw the detailed mapping and baselining of carbon emissions. Delivering credible plan, measurement and investment to support long-term carbon reduction.	Exceeded Expectations

Remuneration (continued)

As it does every year, the Committee reviewed the Company's health and safety performance as it is an underpin for the annual bonus. The Committee considered the totality of the Group's health and safety environment over the year and decided not to exercise its discretion.

The FY25 bonus outcomes for each Executive Director are as follows (40% of which will be deferred under the DBP):

	Payment for financial targets (% salary)	Payment for non-financial targets (% salary)	Total bonus (% salary)	Total bonus (£'000)
David Lockwood	120%	30%	150%	1,325
David Mellors	120%	30%	150%	913

Long-term incentive scheme (PSP) awards vesting during the year (audited)

FY23 PSP

The Committee granted the Executive Directors PSP awards in August 2022 over 474,418 shares for David Lockwood and 332,093 shares for David Mellors. Vesting of the awards is based on cumulative underlying free cash flow (FCF) and relative Total Shareholder Return (TSR), equally weighted. The performance period for these awards was the three financial years 1 April 2022 through to 31 March 2025.

	% weighting	Threshold performance (16.7% vesting)	Stretch performance (100% vesting)	Outcome	Vesting (% of overall award)
3-year underlying FCF	50%	£176m	£264m	£389m	50%
3-year TSR vs FTSE 350 (excluding investment trusts and financial services)	50%	Median TSR	Median TSR + 9% pa	Median TSR + 27.4% pa	50%

In line with its standard practice, the Committee considered whether any windfall gains have arisen on this vesting PSP cycle. After assessing the vesting of the FY23 PSP from a range of perspectives, the Committee was satisfied that the outcomes against the measures were reflective of the strong underlying performance of the Company and there were no windfall gains. Accordingly, there was no requirement for the Committee to apply its discretion. As a result, the Executive Directors' FY23 awards will vest in full in August 2025 (though subject to a two-year holding period from that date). Dividends were accrued on these awards, which will also vest in August 2025.

Long-term incentive scheme (PSP) award granted during FY25 (audited)

The Committee granted PSP awards in the form of nil-cost options in August 2024 to the Executive Directors, consistent with the Remuneration policy.

Director	Number of shares ¹	Face value ²	Face value (% of salary) ³	% of award receivable for threshold performance
David Lockwood	425,905	£2,264,409	250%	16.7%
David Mellors	231,287	£1,229,684	200%	16.7%

1. Awards are in the form of nil-cost options.

2. Based on three-day average share price (of 531.67p) at time of grant.

3. Expressed as a percentage of salary at the date of the award (1 August 2024).

The FY25 PSP awards are subject to a scorecard of measures comprising underlying free cash flow (weighted 30%), underlying operating margin (30%), organic revenue growth (25%, subject also to a discretionary underpin if operating margin performance is below threshold), and ESG (15%). The performance period for these awards is the three financial years 1 April 2024 through to 31 March 2027.

	% weighting	Threshold performance (16.7% vesting)	Stretch performance (100% vesting)
3-year organic revenue growth	25%	15.0%	23.0%
3-year weighted average underlying operating margin ¹	30%	8.0%	9.0%
3-year cumulative underlying free cash flow	30%	£394.4m	£591.6m

1. Weighted to focus more heavily on the final year of the performance period: FY25 and FY26 each accounts for 25% of the measure whereas FY27 accounts for 50%.

Awards vest on a straight-line sliding scale between threshold and stretch.

The targets for the ESG measures are:

- A reduction in the Company's carbon emissions in FY27 within a range of (9.4)% and (11.8)% from 2020 baseline. This measure will have a weighting of 7.5% (ie half of the ESG total weighting of 15%). A reduction of (9.4)% will result in 16.7% vesting of this portion of the ESG element, with a reduction of (11.8)% warranting full vesting.
- The achievement of senior management gender diversity range in FY27 of between a threshold of 29.5% and a maximum of 32.6%. This measure will have a 7.5% weighting, with 16.7% vesting at threshold and full vesting at maximum. The definition of senior management is employees, excluding Executive Directors, who have responsibility for planning, directing or controlling activities of the Group or a strategically significant part of the Group (sector/functional leadership teams) and/or are directors of subsidiary business units (business unit leadership).

Remuneration (continued)

Deferred Bonus Plan awards made during FY25 (audited)

In 2024, the Committee approved the payment of annual bonuses to both Executive Directors under the FY24 annual bonus plan. For more detail, please see the single total figure table on page 164.

Single total figure of remuneration for Non-Executive Directors (audited)

The table below sets out the total remuneration received by each Non-Executive Director. For details of the fees that applied during FY25, please see page 172:

	Base fee		Additional fee ¹		Total ²		Total fixed remuneration		Total variable remuneration	
	FY25 £'000	FY24 £'000	FY25 £'000	FY24 £'000	FY25 £'000	FY24 £'000	FY25 £'000	FY24 £'000	FY25 £'000	FY24 £'000
Fixed remuneration										
Dame Ruth Cairnie	346	336	–	–	346	336	346	336	–	–
Lucy Dimes	65	62	–	–	65	62	65	62	–	–
Carl-Peter Forster ³	76	73	15	15	91	88	91	88	–	–
Lord Parker	65	62	15	12	80	74	80	74	–	–
John Ramsay ⁴	65	62	23	22	88	84	88	84	–	–
Jane Moriarty	65	62	–	–	65	62	65	62	–	–
Sir Kevin Smith	65	52	–	–	65	52	65	52	–	–
Claudia Natanson	65	5	–	–	65	5	65	5	–	–

1. Relating to role as Chair of the Audit Committee (John Ramsay), Remuneration Committee (Carl-Peter Forster), and Director designated for workforce engagement (Lord Parker).

2. Non-Executive Directors did not receive any taxable benefits in FY24 or FY25.

3. Carl-Peter Forster is the Senior Independent Director and Remuneration Committee Chair.

4. A Committee of the Chair and the Executive Directors decided to grant John Ramsay additional ex gratia payments of £5,000 in FY24 and FY25 in thanks for the material additional time and commitment shown by John, which was significantly above that expected in his letter of appointment.

Sourcing of shares

Shares needed to satisfy share awards for Directors are shares that the Company either newly issues to the Group's employee share trusts or are shares that those trusts purchase in the market using funds advanced by the Company. The Company finalises the source selection on or before vesting, depending on the Board's view of the best interests of the Company at the time, within the limits of available headroom and dilution restrictions.

Executive Directors' remuneration for FY26

The Committee has set the remuneration for Executive Directors for FY26 in line with the 2025 Remuneration policy being presented for shareholder approval at the 2025 AGM.

Fixed pay

As explained in the Committee Chair's opening remarks at the start of the Remuneration Committee report on page 153, the Committee reviewed the Executive Directors' base salaries and resolved to increase Mr Lockwood's salary by 3% and Mr Mellors' salary by 5% from 1 July 2025.

Salary	1 July 2025	1 July 2024	1 April 2024
David Lockwood	£932,933	£905,760	£816,000
David Mellors	£645,582	£614,840	£591,192

The Executive Directors will receive the same pension arrangements (ie at 10% of salary) and the same benefits as in FY25.

FY26 annual bonus

The scorecard of the Executive Director annual bonus for FY26 is consistent with that for FY25, with measures based on underlying operating cash flow, underlying operating profit and non-financial objectives. The Committee has agreed the targets but, due to their commercial sensitivity, it will only disclose them in next year's Annual report on remuneration.

Following our consultation with shareholders, we are proposing certain changes to the FY26 bonus. These changes are subject to shareholder approval at the 2025 AGM. If shareholders approve the changes, we will increase the annual bonus opportunity for both Executive Directors from 150% to 180% of salary and we will disapply the 40% deferral provision for those Executive Directors who, at the time of deciding the FY26 bonus outcome, have achieved their shareholding requirements.

FY26 PSP awards

The Committee intends to grant awards under the PSP to the Executive Directors in 2025 covering the three-year period FY26 to FY28, with the measures for the core award scorecard being underlying free cash flow (weighted 30%), underlying operating margin (30%), organic revenue growth (25%, subject also to a discretionary underpin if operating margin performance is below threshold), and ESG (15%), as follows:

	% weighting	Threshold performance (16.7% vesting)	Stretch performance (100% vesting)
3-year organic revenue growth	25%	16.9%	25.4%
3-year weighted average underlying operating margin ¹	30%	8.0%	9.2%
3-year cumulative underlying free cash flow	30%	£538.4m	£807.6m

1. Weighted to focus more heavily on the final year of the performance period: FY26 and FY27 each account for 25% of the measure whereas FY28 accounts for 50%. In determining the range for the underlying operating margin measure, the Committee approved the setting of threshold in line with the Company's medium-term guidance, to incentivise achievement of this goal.

Awards vest on a straight-line sliding scale between threshold and stretch.

The targets for the ESG measures are:

- **Environment:** The last two PSP cycles have incorporated a measure based on reduction in the Company's carbon emissions. On reviewing the mechanics of this measure again this year, the Committee noted that it was heavily reliant on only one or two of the Company's sites, and concluded that it is no longer an appropriate measure for a pan-Group scheme, as only a limited subset of the participants in the scheme would have any influence over the delivery of the measure. Therefore, the Committee is proposing for the FY26 PSP cycle to align the environmental measure to the new energy efficiency improvement target that the Company has adopted (please see page 80 for more detail). The new target will not only support our journey to Net Zero but also deliver cost savings by incentivising efforts across the Group to improve energy efficiency and reduce energy waste. This measure will have a weighting of 7.5% (ie half of the ESG total weighting of 15%). The target range is a cumulative reduction over the three-year performance period of (8.6)% to (9.5)%. A reduction of (8.6)% will result in 16.7% vesting of this portion of the ESG element, while a reduction of (9.5)% will warrant full vesting.
- **Gender diversity:** we want to build on the good work that the Company has done at the senior leadership team level and for the FY26 PSP cycle have expanded the scope of this measure to take in the next level of senior management, which will include functional and business unit leadership teams that typically sit three layers below the CEO. This measure will have a 7.5% weighting, with 16.7% vesting at threshold and full vesting at maximum. The target range will be 28.5% to 31.5% of this senior leadership community being female by FY28.

Subject to shareholder approval of the proposed Remuneration policy, the FY26 PSP core award opportunities (of 250% and 200% of salary for the CEO and CFO, respectively) will be subject to an additional TSR kicker of up to 2.0x if absolute TSR over the three-year period to 31 March 2028 is at least 30% pa. If absolute TSR over that period is 10% pa or less, the TSR kicker will be 1.0x, ie there will be no uplift to the vesting outcome approved by the Committee in respect of the FY26 PSP core award opportunity. For absolute TSR of between 10% and 30% pa, the TSR kicker will be interpolated on a straight-line sliding scale basis between 1.0x and 2.0x.

A two-year holding period will apply to Executive Directors' FY26 PSP awards to the extent that they vest. Malus and clawback provisions apply. In keeping with its typical practice, the Committee will assess for any windfall gains at vesting.

Payments for loss of office (audited)

There were no payments for loss of office during the year ended 31 March 2025.

Payments to past Directors (audited)

There were no payments to past Directors during the year ended 31 March 2025.

Remuneration (continued)

Non-Executive Directors' fees (including the Chair)

The Committee reviewed the Chair's fee and resolved to increase it by 9% from 1 September 2025. The basic fee for Non-Executive Directors was reviewed by the Chair and the Executive Directors and it was resolved to increase it by 21.2% from 1 September 2025, as set out below. These increases were deemed appropriate, following several years of fee constraint, to help ensure the fee remains competitive as well as the time commitment required of the Board Directors.

Annual rate fee	1 September 2025 £	1 September 2024 £	1 April 2024 £
Chair	381,000	349,440	336,000
Senior Independent Director (inclusive of basic fee)	91,000	77,000	74,000
Basic Non-Executive Director's fee ¹	80,000	66,000	63,000
Chair of Audit Committee ²	18,000	18,000	18,000
Chair of Remuneration Committee ²	15,000	15,000	15,000
Director designated for workforce engagement ²	15,000	15,000	15,000

- For those Non-Executive Directors who, due to their residence, have long-distance commutes to fulfil their duties, the Company has decided to pay an additional £13,000 pa on top of the basic Non-Executive Director's fee to compensate for the extra time commitment involved in attending meetings.
- The Company pays fees for chairing Board Committees in addition to the basic applicable Non-Executive Director's fee and for acting as the Director designated for workforce engagement. The Company does not pay additional fees for membership of Committees.

Percentage change in the remuneration of all Directors compared to the workforce

The table below shows the annual percentage changes in remuneration over the last five years for each individual who was a Director during the year ended 31 March 2025, compared to the average UK colleague, as required under the Companies (Directors' Remuneration policy and Directors' Remuneration Report) Regulations 2019 (the Regulations).

The Regulations require this disclosure to provide a comparison of year-on-year changes in Directors' remuneration compared to all other colleagues of the parent company in the Group. However, the Company does not have any employees, meaning there would be no data to disclose for the broader colleague population. The Committee has therefore elected to compare the change in Directors' remuneration with the change in remuneration for the average of the UK colleague population, as a suitable comparator group for this purpose.

The Committee monitors this information to ensure that there is appropriate alignment over time in fixed pay between Executive Directors, Non-Executive Directors and UK colleagues.

	Base salary/fees					Taxable benefits					Single-year variable				
	FY24 to FY25	FY23 to FY24 ¹	FY22 to FY23	FY21 to FY22	FY20 to FY21	FY24 to FY25	FY23 to FY24 ¹	FY22 to FY23	FY21 to FY22	FY20 to FY21	FY24 to FY25	FY23 to FY24 ¹	FY22 to FY23	FY21 to FY22	FY20 to FY21
Executive Directors															
David Lockwood	8%	0%	1%	1%	n/a	0%	(1)%	1%	1%	n/a	82%	1%	(25)%	n/a	n/a
David Mellors	4%	3%	1%	1%	n/a	0%	0%	0%	1%	n/a	79%	3%	(26)%	n/a	n/a
Non-Executive Directors²															
Dame Ruth Cairnie	3%	0%	0%	5%	26%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Lucy Dimes	4%	2%	0%	5%	(5)%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Carl-Peter Forster	3%	6%	16%	11%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Lord Parker	8%	10%	10%	5%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
John Ramsay	5%	11%	0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Jane Moriarty ³	4%	2%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Sir Kevin Smith ⁴	4%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Claudia Natanson ⁴	4%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Average for all UK employees ⁵	5%	7%	5%	2%	2%	0%	0%	0%	0%	0%	34%	11%	(18)%	100%	(100)%

- It should be noted that the Directors received an increase in pay or fee part-way through the year.
- A Committee, made up of the Chair and the Executive Directors, reviews the Non-Executive fees and agrees increases in the basic fee, the fee for the Senior Independent Director, the Audit Committee Chair and the Director designated for workforce engagement, as well as the one-off payment for the Audit Committee Chair in recognition of the material additional time the role required. Non-Executive Directors receive fees only. They do not receive taxable benefits and do not participate in incentive schemes.
- Jane Moriarty joined the Board in December 2022. To facilitate a comparison with FY24, her FY23 fee has been annualised.
- Sir Kevin Smith and Claudia Natanson joined during FY24. To facilitate a comparison with FY25 their FY24 fees have been annualised.
- The single-year variable figure for our UK colleagues is provided in respect of our annual bonus plan, which has been estimated based on our expected bonus outturn for FY25 at the time of disclosure. This estimate is prior to any discretionary adjustments and for prior years has been trued up once actual results known.

Relative importance of spend on pay

	FY25	FY24	% change
Distribution to shareholders	£33m	£25m	32%
Employee remuneration	£1,660m	£1,584m	4.8%

Distribution to shareholders includes all amounts distributed to shareholders.

CEO pay ratio

The table below provides disclosure of the ratio between the CEO's total remuneration and that of the lower quartile, median and upper quartile UK-based colleagues.

Figures for the CEO come from the Executive Directors' single figure table on page 164. The Committee determined total remuneration figures for the lower quartile (P25), median (P50) and upper quartile (P75) colleagues on 31 March 2025 using the 'single figure' methodology to provide a like-for-like comparison with CEO remuneration.

The reporting regulations offer three calculation approaches for determining the P25, P50 and P75 colleagues – Options A, B and C. Since FY23, the Committee has adopted Option B, in recognition of the significant workload placed on our colleagues of the previous methodology in adopting Option A. The Company used the data collected for gender pay gap reporting purposes to identify the three colleagues representing P25, P50 and P75, calculating the total full-time equivalent remuneration for these three colleagues on a similar basis to that adopted for the CEO's single figure of total remuneration.

As with last year, the Company excluded bonus payments from the calculations, because it was not feasible to identify those payments for services delivered within the financial year, and because the Company does not know all bonus pay relating to FY25 at the time of publication. Analysis of past data indicates that the three colleagues would not typically be eligible for a bonus and the exclusion of this element is unlikely to have a significant impact on the ratios reported.

To validate that the figures presented are representative of the pay and benefits of the UK workforce, the Company considered the pay and benefits of colleagues centred on each of the three colleagues. Whilst there can be variation in the pay mix for individuals throughout the organisation, the Committee believes that the information presented fairly reflects pay at the relevant quartiles amongst our UK workforce. The three individuals identified were full-time colleagues during the year and none received an exceptional incentive award, which would otherwise inflate their pay figures. The Company made no adjustments or assumptions to the total remuneration of these colleagues and calculated the total remuneration in accordance with the methodology used to calculate the single figure of the CEO.

The median CEO pay ratio in FY25 was 119:1, compared to 94:1 in FY24 (based on the restated FY24 single figure remuneration for CEO).

The Committee calculated the CEO pay ratio by comparing the CEO's pay to that of Babcock's UK-based workforce. The increase in the ratios reported for FY25, when compared to previous years, is primarily driven by strong incentive vesting outcomes received by the CEO in respect of performance periods ending in FY25.

As the remuneration of the CEO has a significant weighting towards variable pay to align his remuneration with Company performance, it is likely that there will be greater variability in his pay year to year than that observed at other levels which have a greater proportion of their pay linked to fixed components. This is consistent with market practices and the Company's reward policies across the organisation. In respect of the general workforce, Babcock understands the need to ensure competitive pay packages across the organisation. For the Committee, it considers the ratios below when making its decisions around the remuneration of the Executive Directors.

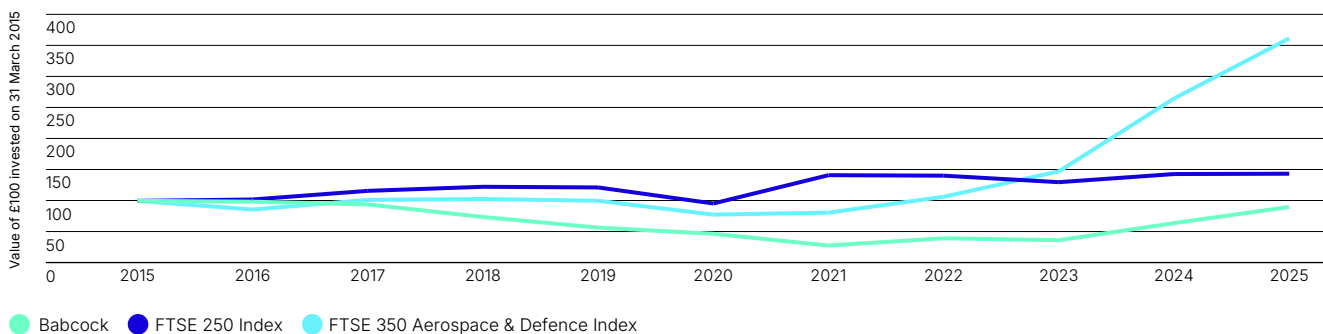
Financial year	Calculation methodology	P25 (lower quartile)	P50 (median)	P75 (upper quartile)
FY25	Option B	141:1	119:1	94:1
FY24	Option B	111:1	94:1	75:1
FY23	Option B	102:1	84:1	62:1
FY22	Option A	61:1	48:1	36:1
FY21	Option A	30:1	22:1	17:1
FY20	Option C	47:1	37:1	27:1

Financial year		P25 (lower quartile)	P50 (median)	P75 (upper quartile)
FY25	Total remuneration (£'000)	£38.2	£45.1	£57.1
	Salary (£'000)	£35.0	£42.5	£50.9

Remuneration (continued)

Performance graphs

The following graph shows the TSR for the Company compared to the FTSE 250 and FTSE 350 Aerospace & Defence index, assuming an investor invested £100 on 31 March 2015. The Board considers that the FTSE 250 Index (excluding investment trusts) and FTSE 350 Aerospace & Defence Index currently represent the most appropriate indices (of which Babcock was a constituent for much of the period under review) against which to compare Babcock's performance.



The table below details the historical CEO pay over a 10-year period.

	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Peter Rogers¹										
Single figure (£'000)	2,491	1,091								
Bonus vesting (% max)	60%	66%								
DBMP matching shares vesting (% max)	57.8%	17.0%								
PSP/CSOP vesting (% max)	37.3%	26.5%								
Archie Bethel^{2,3}										
Single figure (£'000)		1,012	2,079	1,969	1,385	334				
Bonus vesting (% max)		66%	61%	58%	14%	0%				
DBMP matching shares vesting (% max)		17.0%	20.0%	n/a	n/a	n/a				
PSP vesting (% max)		26.5%	23.9%	15.1%	0%	0%				
David Lockwood⁴										
Single figure (£'000)						547	1,975	3,288	4,161	5,367
Bonus vesting (% max)						0%	80%	59%	59.6%	100%
PSP vesting (% max)						n/a	n/a	100%	100%	100%

1. Until retirement on 31 August 2016.

2. Excludes remuneration received whilst undertaking the role of Chief Operating Officer until August 2016.

3. Until he stepped down as CEO on 14 September 2020.

4. Excludes his salary between joining the Company in August and joining the Board as CEO on 14 September 2020.

Directors' share ownership (audited)

The Committee sets out below the interests of the Directors (and/or their spouses) in the ordinary shares of the Company as at 31 March 2025:

Director	At 31 March 2024		At 31 March 2025						
	Shares held	Shares held	Options held						
	Owned outright by Director or spouse ¹	Owned outright by Director or spouse ¹	Vested but subject to holding period	Vested but not exercised	Unvested and subject to performance conditions	Unvested and subject to continued employment	S/holding req. (% salary)	Current shareholding (% of salary) ²	Req. met?
David Lockwood	276,174	719,465	–	–	1,420,731	243,905	300%	576%	Yes
David Mellors	188,679	501,017	–	–	865,008	168,791	200%	591%	Yes
Dame Ruth Cairnie	120,000	120,000							
Lucy Dimes	5,000	5,000							
Carl-Peter Forster	10,000	10,000							
Lord Parker	–	–							
John Ramsay	30,000	40,000							
Jane Moriarty	–	–							
Sir Kevin Smith	6,000	6,000							
Claudia Natanson	–	–							

1. Beneficially held shares of Director and/or spouse.

2. Current shareholdings for comparison with the shareholding requirements for Executive Directors are calculated based on salary as at 31 March 2025 and by reference to shares owned outright by Director or spouse, options vested but subject to holding periods, options vested but not exercised and options unvested but subject only to continued employment. Holdings are valued assuming options are exercised on 31 March 2025 and a three-month average share price to 31 March 2025 of 615.02p and are calculated post tax.

There have been no changes to the continuing Directors' (or their spouses') shareholdings between 31 March 2025 and 1 July 2025.

Remuneration (continued)

Directors' share-based awards and options (audited)

The tables below show the various share awards held by Directors under the Company's various share plans. The Company's mid-market share price at close of business on 31 March 2025 was 724.00p. The highest and lowest mid-market share prices in the year ended 31 March 2025 were 755.50p and 462.40p, respectively.

Director	Plan and year of award ¹	Number of shares subject to award at 1 April 2024	Granted during the year	Exercised during the year	Lapsed during the year	Number of shares subject to award at 31 March 2025	Exercise price (pence) ²	Market value of each share at date of award (pence)	Exercisable from	Expiry date ³
David Lockwood	PSP FY21	385,848		385,848		0	529.00	352.47	Aug 2024	Aug 2025
	PSP FY22	452,450		452,450		0	529.00	353.63	Aug 2024	Aug 2025
	PSP FY23	474,418				474,418		344.00	Aug 2025	Aug 2026
	DBP FY23 ⁴	112,549				112,549		344.00	Aug 2025	Aug 2026
	PSP FY24	520,408				520,408		392.00	Sept 2026	Sept 2027
	DBP FY24	76,472				76,472		377.73	Aug 2026	Aug 2027
	PSP FY25		425,905			425,905		531.67	Aug 2027	Aug 2028
	DBP FY25 ⁴		54,884			54,884		531.67	Aug 2027	Aug 2028

Director	Plan and year of award ¹	Number of shares subject to award at 1 April 2024	Granted during the year	Exercised during the year	Lapsed during the year	Number of shares subject to award at 31 March 2025	Exercise price (pence) ²	Market value of each share at date of award (pence)	Exercisable from	Expiry date ³
David Mellors	PSP FY21	270,093		270,093		0	500.58	352.47	Aug 2024	Aug 2025
	PSP FY22	316,715		316,715		0	500.58	353.63	Aug 2024	Aug 2025
	PSP FY23	332,093				332,093		344.00	Aug 2025	Aug 2026
	DBP FY23 ⁴	77,798				77,798		344.00	Aug 2025	Aug 2026
	PSP FY24	301,628				301,628		392.00	Sept 2026	Sept 2027
	DBP FY24 ⁴	52,623				52,623		377.73	Aug 2026	Aug 2027
	PSP FY25		231,287			231,287		531.67	Aug 2027	Aug 2028
	DBP FY25 ⁴		38,370			38,370		531.67	Aug 2027	Aug 2028

1. PSP is the Company's Performance Share Plan. Further details about these plans and, where applicable, performance conditions attaching to the awards listed are to be found on page 168. As stated in last year's Annual Report, the Committee decided that, in line with market practice, it would vest any PSP award, including in-flight awards, after the three-year performance period and allow the Executive Directors to exercise their awards so long as they hold them in trust for the two-year holding period, so that the Executive Directors cannot sell the net number of shares until the end of the holding period. The expiry dates have accordingly been updated to be the anniversary of the date on which awards can be exercised. The FY21 and FY22 PSP awards completed their performance period during FY24 and FY25 respectively and the awards vested in full. Both David Lockwood and David Mellors exercised their vested awards following the completion of the performance period, selling sufficient shares to pay the tax, and the remaining balance is being held in Trust until the completion of the holding period, ie the end of the five-year period from grant.
2. The PSP awards are structured as nil-priced options and are subject to the rules of the PSP, including as to meeting performance targets for PSP awards.
3. Where this date is less than 10 years from the date of award, the Committee may extend the expiry date on one or more occasions, but not beyond the tenth anniversary of the award.
4. The Company currently requires the Executive Directors to defer 40% of any annual bonus awarded into shares, which vest after three years. The remaining 60% of any annual bonus is paid in cash. If approved by shareholders at the 2025 AGM, this will no longer be a requirement with effect from the FY26 annual bonus if the Executive Directors have met their shareholding requirement.

Summary of share-based awards and options vested during the year

During the year to 31 March 2025 the following awards vested:

Director	Award	Number vesting	Vesting date	Market value of vested shares on award £	Market value of vested shares on vesting date £	Exercise price payable for vested shares (if any) £
David Lockwood	PSP FY21	385,848	Aug 2024	1,359,998	2,048,853	Nil
David Lockwood	PSP FY22	452,450	Aug 2024	1,599,999	2,402,510	Nil
David Mellors	PSP FY21	270,093	Aug 2024	951,997	1,434,194	Nil
David Mellors	PSP FY22	316,715	Aug 2024	1,119,999	1,681,757	Nil

Closing share price on the last dealing date before vesting was 531.00p (23 August 2024).

Other interests

None of the Directors had an interest in the shares of any subsidiary undertaking of the Company or in any significant contracts of the Group.

External appointments of Executive Directors in FY25

During the year and until his standing down on 18 June 2025 David Lockwood was a Non-Executive Director of John Wood Group PLC. He retained the fees payable in respect of that appointment. In January 2024, David Lockwood became President of ADS, the UK trade association for the aerospace, defence, security and space industry. There were no other fees received by Executive Directors for any external appointment during the year.

The Board approved this Remuneration report on 1 July 2025.

Carl-Peter Forster

Committee Chair

Other statutory information

Directors' report and other disclosures

The Directors' report comprises this section, the principal risks and management controls section in the Strategic report, as well as the rest of the Governance section, the Directors' responsibility statement on page 184 and those sections incorporated by reference below.

Disclosures required by UKLR 6.6.4 and which form part of the Directors' report can be found as provided in the table below:

Listing Rule	Topic	Location
6.6.4	Shareholder waivers of dividends and future dividends	Financial statements, note 23 on page 249

Other disclosure requirements set out in UKLR 6.6.4 are not applicable to the Company.

Disclosures required pursuant to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as updated by the Companies (Miscellaneous Reporting) Regulations 2018 can be located as follows:

Topic	Location
Financial risk management regarding financial instruments	● Note 22, page 242
Greenhouse gas emissions	● Page 71
Employee engagement	● Pages 63 and 134
Fostering business relationships with suppliers, customers and others	● Pages 62 to 63, 134 to 135 and throughout the Strategic report
Subsequent events	● Note 32 on page 262
Likely future developments in the business of the Group	● Pages 22 and 23
Details of important events affecting the Group	● Strategic and Directors' reports, in particular pages 16 to 20 and 28 to 45

For the purposes of DTR 4.1.5 R (2) and DTR 4.1.8 R, the required content of the Management report can be found in the Strategic report and the Directors' report including the sections of the Annual Report and Financial Statements incorporated by reference.

The Company

Babcock International Group PLC, registered and domiciled in England and Wales, with the registered number 02342138, is the holding company for the Babcock International Group of companies.

Dividends

An interim dividend of 2.0p per share was declared during the year (2024: 1.7p). The Directors are recommending that shareholders approve at the forthcoming Annual General Meeting a final dividend of 4.5 pence (2024: 3.3p) on each of the ordinary shares of 60 pence to be paid on Tuesday, 30 September 2025 to shareholders on the register at close of business on Friday, 22 August 2025.

Major shareholdings

As at 31 March 2025, the Company has been notified pursuant to the Disclosure and Transparency Rules (DTR) of the following major interests in voting rights attached to its ordinary shares.

Name	Number of 60 pence ordinary shares on date of notification	% of issued share capital on date of notification
Abrams Bison Investments, L.L.C.	29,311,332	5.80%
Invesco Ltd	25,264,613	4.99%
Fidelity International Limited	24,450,762	4.84%
Oaktree Capital Management (UK) LLP	15,330,960	3.03%

Since 31 March 2025, the Company has been notified by The Capital Group Companies, Inc. on 9 June 2025 that it had an interest of 27,874,188 shares, representing 5.51% of the share capital of the Company. The Company has also been notified by Abrams Bison Investments, L.L.C. on 16 June 2025, that it had reduced its interest to 24,564,081 shares representing 4.9% of the share capital. There have been no further notifications between then and the date of this report.

The holdings set out above relate only to notifications of interests in the issued share capital received by the Company pursuant to DTR 5 and consequently do not necessarily represent current levels of interest.

Employment of disabled persons/equal opportunities

Equal opportunities are available for all at Babcock including a commitment to providing a fair and inclusive environment for our colleagues with a disability or caring for a close family member with a disability.

We recognise that disability covers a broader range of both visible and non-visible conditions, and we define disability as: a person is disabled under the Equality Act 2010 if they have a physical or mental impairment that has a 'substantial' and 'long-term' negative effect on their ability to do normal daily activities. This does not mean a person must be registered as disabled. A long-term disability might include something physical (such as a mobility issue, hearing or sight impairment or long-term illness). It also covers people with mental health conditions. Additionally, neurodivergence (for example dyslexia, dyspraxia, Asperger's, and autism) are caught within the definition, including where someone is undergoing diagnosis.

We are committed to fostering an inclusive environment where every colleague feels supported, respected and able to be their authentic self at work. We do not tolerate discrimination in any form. Guided by our principles, we embed this commitment into our everyday practices, and across our interactions with colleagues, customers and partners. We continue to support the employment, development and progression of disabled colleagues, while also engaging all other colleagues to build awareness, challenge assumptions and remove barriers; whether physical, procedural or cultural to ensure equal opportunity for all.

We are a Disability Confident Employer Level 2, demonstrating our commitment to attracting, recruiting, onboarding and retaining disabled people and those with caring responsibilities, and supporting them in the workplace to achieve their full potential. We have a dedicated Group-wide employee-led Disability Network, supported through a number of peer-support groups delivering on members' needs.

For more information about our inclusion strategy, see pages 85 to 95.

Research and development

The Group commits resources to research and development to the extent management considers necessary for the evolution and growth of its business.

Political donations

No donations were made during the year for political purposes.

Authority to purchase own shares

At the Annual General Meeting in September 2024, members authorised the Company to make market purchases of up to 50,559,660 of its own ordinary shares of 60 pence each.

That authority expires at the forthcoming Annual General Meeting when a resolution will be put to renew it so as to allow purchases of up to a maximum of 10% of the Company's issued share capital. No shares in the Company have been purchased by the Company in the period from 19 September 2024 (the date the current authority was granted) to the date of this report. The Company currently does not hold any treasury shares.

Details of purchases of the Company's shares made during the year to 31 March 2025 by the Babcock Employee Share Trust in connection with the Company's executive share plans are to be found in note 23 on page 249.

Qualifying third-party indemnity provisions

The Company has entered into deeds of indemnity with each of its Directors (who served during the year and/or who are currently Directors) which are qualifying third-party indemnity provisions for the purposes of the Companies Act 2006 in respect of their directorships of the Company and, if applicable, of its subsidiaries.

Under their respective Articles of Association, Directors of Group UK subsidiary companies may be indemnified by the company concerned of which they are or were Directors, against liabilities and costs incurred in connection with the execution of their duties or the exercise of their powers, to the extent permitted by the Companies Act 2006.

Qualifying pension scheme indemnity provisions are also in place for the benefit of Directors of the Group companies that act as trustees of Group pension schemes.

Significant agreements that take effect, alter or terminate upon a change of control

Many agreements entered into by the Company or its subsidiaries contain provisions entitling the other parties to terminate them in the event of a change of control of the Group company concerned, which could be triggered by a takeover of the Company.

Although the Group has some contracts that on their own are not significant to the Group, several may be with the same customer. If, upon a change of control, the customer decided to terminate all such agreements, the aggregate impact could be very material. In addition, the National Security and Investment Act 2021 that came into force on 4 January 2022 provides the UK Government with new powers to scrutinise and potentially make void transactions on the grounds of national security. The legislation is part of a global trend towards introducing investment laws which has seen a number of other countries introduce similar protections.

The following agreements are those individual agreements which the Company considers to be significant to the Group as a whole that contain provisions giving the other party a specific right to terminate them if the Company is subject to a change of control.

Borrowing facilities

The Group has a Revolving Credit Facility of up to £775 million where £45 million matures in August 2025 and £730 million matures in August 2026, providing funds for general corporate and working capital purposes. In the event of a change of control, the facility provides that the lenders may, within a certain period, call for the payment of any outstanding loans and cancel the facilities.

£1,800,000,000 Euro Medium-Term Note Programme

The Company has a Euro Medium-Term Note Programme under which it has issued three tranches: €550,000,000 1.75% Notes redeemed in 2022; £300,000,000 1.875% Notes due in 2026; and €550,000,000 1.375 % Notes due in 2027.

If there is a change of control of the Company and the Notes then in issue carry an investment-grade credit rating which is either downgraded to non-investment-grade, or carry a non-investment-grade rating which is further downgraded or withdrawn, or do not carry an investment-grade rating and the Company does not obtain an investment-grade rating for the Notes, a Note holder may require that the Company redeem or, at the Company's option, repurchase the Notes.

Other statutory information *(continued)*

Share plans

The Company's share plans contain provisions as a result of which options and awards may vest and become exercisable on a change of control of the Company in accordance with the rules of the plans.

Contracts with employees or Directors

A description of those agreements with Directors that contain provisions relating to payments in the event of a termination of employment following a change of control of the Company is set out on pages 160 and 161.

Articles of Association of DRDL and RRDL

The Articles of Association of Devonport Royal Dockyard Limited (DRDL) and Rosyth Royal Dockyard Limited (RRDL), both subsidiaries of the Company, grant the MOD as the holder of a special share in each of those companies certain rights in certain circumstances. Such rights include the right to require the sale of shares in, and the right to remove Directors of, the company concerned. The circumstances in which such rights might arise include where the MOD considers that unacceptable ownership, influence or control (domestic or foreign) has been acquired over the company in question and that this is contrary to the essential security interests of the UK. This might apply, for example, in circumstances where any non-UK person(s) directly or indirectly acquire control over more than 30% of the shares of the relevant subsidiary, although such a situation is not of itself such a circumstance unless the MOD in the given situation considers it to be so.

Surface Ship Support Alliance Agreement (SSSA) dated 23 September 2009 between (1) The Secretary of State for Defence, (2) Devonport Royal Dockyard Limited and (3) BAE Surface Ships Limited (as amended)

Any change of control of Devonport Royal Dockyard Limited must be approved in advance by the Secretary of State for Defence. Consent may be withheld to prevent an unsuitable third party taking control. Breach may result in exclusion from the alliance.

Terms of Business Agreement (ToBA) dated 25 March 2010 between (1) The Secretary of State for Defence, (2) Babcock International Group PLC, (3) Devonport Royal Dockyard Limited, (4) Babcock Marine (Clyde) Limited and (5) Rosyth Royal Dockyard Limited (as amended)

The ToBA confirms Babcock as a key support partner of the MOD in the maritime sector and covers the 15-year period from 2010 to 2025. The MOD may terminate the ToBA in the event of a change in control of a relevant operating company or any holding company including the Company in circumstances where, acting on the grounds of national security, the MOD considers that it is inappropriate for the new owners to become involved, or interested, in the work that is the subject of the ToBA. 'Change in control' occurs where a person or group of persons that controls the relevant company ceases to do so or if another person or group of persons acquires control.

Competitive Design Phase Contract for the Type 31 Programme dated 7 December 2018 (as amended and restated on 15 November 2019) between (1) The Secretary of State for Defence and (2) Rosyth Royal Dockyard Limited

The Secretary of State for Defence may terminate if, in its reasonable opinion, a change of control of Rosyth Royal Dockyard Limited or any holding company will be contrary to the defence, national security or national interest of the UK.

Design and Build Contract for the Type 31 Programme dated 7 December 2018 (as amended and restated on 15 November 2019) between (1) The Secretary of State for Defence and (2) Rosyth Royal Dockyard Limited

The Secretary of State for Defence may terminate if, in its reasonable opinion, a change of control of Rosyth Royal Dockyard Limited or any holding company will be contrary to the defence, national security or national interest of the UK.

Future Maritime Support Programme Lot 11 (Warehousing and Distribution at HMNB Clyde) dated 30 March 2021 between (1) The Secretary of State for Defence and (2) Babcock Marine (Clyde) Limited

The Secretary of State for Defence may terminate on certain grounds, including national security, if there is a change of control of Babcock Marine (Clyde) Limited or any other company in the Group that it objects to and in respect of which its concerns have not been addressed.

Future Maritime Support Programme Lot 1 (Naval Bases) dated 28 July 2021 between (1) The Secretary of State for Defence and (2) Devonport Royal Dockyard Limited

The Secretary of State for Defence may terminate on certain grounds, including national security, if there is a change of control of any of Devonport Royal Dockyard Limited, the Company or a critical key sub-contractor and the Secretary of State's concerns are not addressed or, if relevant, Devonport Royal Dockyard Limited does not terminate the sub-contract.

Future Maritime Support Programme Lot 2 (Ships Engineering) dated 30 September 2021 between (1) The Secretary of State for Defence and (2) Devonport Royal Dockyard Limited

The Secretary of State for Defence may terminate on certain grounds, including national security, if there is a change of control of any of Devonport Royal Dockyard Limited, the Company or a critical key sub-contractor and the Secretary of State's concerns are not addressed or, if relevant, Devonport Royal Dockyard Limited does not terminate the sub-contract.

Future Maritime Support Programme Lot 3 (Submarine Engineering) dated 30 September 2021 between (1) The Secretary of State for Defence and (2) Devonport Royal Dockyard Limited

The Secretary of State for Defence may terminate on certain grounds, including national security, if there is a change of control of any of Devonport Royal Dockyard Limited, the Company or a critical key sub-contractor and the Secretary of State's concerns are not addressed or, if relevant, Devonport Royal Dockyard Limited does not terminate the sub-contract.

Future Maritime Support Programme Lot 4 (Hard Facilities Management and Alongside Services at HMNB Clyde) dated 30 September 2021 between (1) The Secretary of State for Defence and (2) Devonport Royal Dockyard Limited

The Secretary of State for Defence may terminate on certain grounds, including national security, if there is a change of control of any of Devonport Royal Dockyard Limited, the Company or a critical key sub-contractor and the Secretary of State's concerns are not addressed or, if relevant, Devonport Royal Dockyard Limited does not terminate the sub-contract.

Integration Partner Framework Agreement relating to the provision of professional services and works at Devonport Royal Dockyard dated 2 December 2020 and pursuant to a Contract of Accession and Variation of Contract dated 13 March 2025 between (1) The Secretary of State for Defence, (2) Devonport Royal Dockyard Limited and (3) Rosyth Royal Dockyard Limited

The Secretary of State for Defence may terminate on certain grounds, including national security, if there is a change of control of any of Devonport Royal Dockyard Limited or Rosyth Royal Dockyard Limited and the Secretary of State's concerns are not addressed.

Interim Support to the AUKUS Programme agreement dated 1 March 2024 between (1) The Secretary of State for Defence and (2) Devonport Royal Dockyard Limited

The Secretary of State for Defence may terminate on certain grounds, including national security, if there is a change of control of any of Devonport Royal Dockyard Limited and the Secretary of State's concerns are not addressed.

Dreadnought Supply and Support Contract (DSSC) Dreadnought Phase 3 (DP3) agreement dated 1 October 2023 between (1) The Secretary of State for Defence and (2) Devonport Royal Dockyard Limited

The Secretary of State for Defence may terminate on certain grounds, including national security, if there is a change of control of any of Devonport Royal Dockyard Limited and the Secretary of State's concerns are not addressed.

Future Naval Design Partnership (FNDP) dated 13 September 2024 between (1) The Secretary of State for Defence and (2) Devonport Royal Dockyard Limited

The Secretary of State for Defence may terminate on certain grounds, including national security, if there is a change of control of any of Devonport Royal Dockyard Limited or Rosyth Royal Dockyard Limited and the Secretary of State's concerns are not addressed.

Ship Submersible Nuclear (AUJUS) (SSN(A)) Detailed Design and Long Lead (D2L2) – design for support contract dated 1 August 2023 between (1) The Secretary of State for Defence and (2) Devonport Royal Dockyard Limited

The Secretary of State for Defence may terminate on certain grounds, including national security, if there is a change of control of any of Devonport Royal Dockyard Limited and the Secretary of State's concerns are not addressed.

Victoria Class In-Service Support Contract (VISSC) dated 30 June 2008 between (1) Public Services and Procurement Canada (PSPC) and (2) Babcock Canada Inc (BCI)

The Minister of PSPC may terminate, either for convenience or possibly default, including on a change of control, if there is a risk of change in foreign ownership control or influence (FOCI) that the Minister considers contrary to the best interests of Canada's security needs. The Minister may also deny the assignment of contracts and subcontracts which would be required if a change of control were to be pursued.

Volvo Construction Equipment Dealer Agreement dated February 2018 between (1) Volvo Construction Equipment AB and (2) Babcock Africa Services Pty Limited

Volvo Construction Equipment may terminate on certain grounds including if there is a change of control of Babcock Africa Services without prior written consent. Share capital and rights attaching to the Company's shares.

General

Under the Company's Articles of Association, any share in the Company may be issued with such rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, as the Company may from time to time by ordinary resolution determine (or, in the absence of any such determination, as the Directors may determine). The Directors' practice is to seek authority from shareholders at each year's Annual General Meeting to allot shares (including authority to allot free of statutory pre-emption rights) up to specified amounts and also to buy back the Company's shares, again up to a specified amount.

At a general meeting of the Company, every member has one vote on a show of hands and, on a poll, one vote for each share held. The notice of general meeting specifies deadlines for exercising voting rights, either by proxy or by being present in person, in relation to resolutions to be proposed at a general meeting.

Other statutory information (continued)

No member is, unless the Board decides otherwise, entitled to attend or vote, either personally or by proxy, at a general meeting or to exercise any other right conferred by being a shareholder if they or any person with an interest in their shares has been sent a notice under s793 of the Companies Act 2006 (which confers upon public companies the power to require the provision of information with respect to interests in their voting shares) and they or any interested person have failed to supply the Company with the information requested within 14 days after delivery of that notice. The Board may also decide that no dividend is payable in respect of those defaulting shares and that no transfer of any defaulting shares shall be registered. These restrictions end seven days after receipt by the Company of a notice of an approved transfer of the shares or all the information required by the relevant Section 793 notice, whichever is the earlier.

The Directors may refuse to register any transfer of any share which is not a fully-paid share, although such discretion may not be exercised in a way which the Financial Conduct Authority regards as preventing dealings in the shares of the relevant class or classes from taking place on an open or proper basis. The Directors may likewise refuse to register any transfer of a share in favour of more than four persons jointly.

The Company is not aware of any other restrictions on the transfer of shares in the Company other than certain restrictions that may from time to time be imposed by laws and regulations (for example, insider trading laws) or by the nationality-related restrictions, more particularly described below.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities or voting rights in the Company.

At the date of this report 505,596,597 ordinary shares of 60 pence each have been issued and are fully paid up and quoted on the London Stock Exchange.

Nationality-related restrictions on share ownership

Companies which provide aviation services in the EU must comply with the requirements of EC Regulation 1008/2008 (the Regulation) which, amongst other matters, requires those companies to be majority-owned and majority-controlled by EEA nationals (the licensed companies).

At the Company's Annual General Meeting in July 2014, shareholders approved the amendment of the Company's Articles of Association (the Articles) to include provisions intended to assist the Company in ensuring continuing compliance with these obligations by giving the Company and the Directors powers to monitor and, in certain circumstances, actively manage nationality requirements as regards ownership of its shares with a view to protecting the value of the Group undertakings that hold the relevant operating licences. A summary of these powers is set out below. Reference should, however, also be made to the Company's Articles, a copy of which may be found on its website at www.babcockinternational.com. In the event of any conflict between the Articles and this summary, the Articles shall prevail.

Relevant Shares

Relevant Shares are any shares which the Directors have determined or the holders have acknowledged are shares owned by non-EEA nationals for the purposes of the Regulation (Relevant Shares). It is open to shareholders to make representations to the Directors with a view to demonstrating that shares should not be treated as Relevant Shares.

Maintenance of a register of non-EEA shareholders

The Company maintains a register (which is separate from the statutory register of members) containing details of Relevant Shares. This assists the Directors in assessing, on an ongoing basis, whether the number of Relevant Shares is such that action (as outlined below) may be required to prevent or remedy a breach of the Regulation.

The Directors will remove from the separate register particulars of shares where they are satisfied that either the share is no longer a Relevant Share or that the nature of the interest in the share is such that the share should not be treated as a Relevant Share.

Disclosure obligations on share ownership

The Articles empower the Company to, at any time, require a shareholder (or other person with a confirmed or apparent interest in the shares) to provide in writing such information as the Directors determine is necessary or desirable to ascertain such person's nationality and, accordingly, whether details of the shares should be entered in the separate register as Relevant Shares or are capable of being 'Affected Shares' (see below).

If the recipient of a nationality information request from the Company does not respond satisfactorily to the request within the prescribed period (being 21 days from the receipt of the notice), the Company has the power to suspend the right of such shareholder to attend or speak (whether by proxy or in person) at any general or class meeting of the Company or to vote or exercise any other right attaching to the shares in question. Where the shares represent at least 0.25% of the aggregate nominal value of the Company's share capital, the Company may also (subject to certain exceptions) refuse to register the transfer of such shares. The Articles also require that a declaration (in a form prescribed by the Directors) relating to the nationality of the transferee is provided to the Directors upon the transfer of any shares in the Company, failing which the Directors may refuse to register such transfer (see further below).

Power to treat shares as 'Affected Shares'

The Articles empower the Directors, in certain circumstances, to treat shares as 'Affected Shares'. If the Directors determine that any shares are to be treated as Affected Shares, they may serve an 'Affected Share Notice' on the registered shareholder and any other person that appears to have an interest in those shares.

The recipients of an Affected Share Notice are entitled to make representations to the Directors with a view to demonstrating that such shares should not be treated as Affected Shares. The Directors may withdraw an Affected Share Notice if they resolve that the circumstances giving rise to the shares being treated as Affected Shares no longer exist.

Consequences of holding or having an interest in Affected Shares

A holder of Affected Shares is not entitled, in respect of those shares, to attend or speak (whether by proxy or in person) at any general or class meeting of the Company or to vote or to exercise any other right at such meetings, and the rights attaching to such shares will vest in the Chair of the relevant meeting (who may exercise, or refrain from exercising, such rights at his/her sole discretion).

The Affected Shares Notice may, if the Directors determine, also require that the Affected Shares must be disposed of within 10 days of receiving such notice (or such longer period as the Directors may specify) such that the Affected Shares become owned by an EEA national, failing which the Directors may arrange for the sale of the relevant shares at the best price reasonably obtainable at the time. The net proceeds of any sale of Affected Shares would be held in trust and paid (together with such rate of interest as the Directors deem appropriate) to the former registered holder upon surrender of the relevant share certificate in respect of the shares.

Circumstances in which the Directors may determine that shares are Affected Shares

The Articles provide that where the Directors determine that it is necessary to take steps in order to protect an operating licence of the Group they may: (i) seek to identify those shares which have given rise to the determination and to deal with such shares as Affected Shares; and/or (ii) specify a maximum number of shares (which will be less than 50% of the Company's issued share capital) that may be owned by non-EEA nationals and then treat any shares owned by non-EEA nationals in excess of that limit as Affected Shares (the Directors will publish a notice of any specified maximum within two business days of resolving to impose such limit). In deciding which shares are to be dealt with as Affected Shares, the Directors shall be entitled to determine which Relevant Shares in their sole opinion have directly or indirectly caused the relevant determination. However, so far as practicable, the Directors shall have regard to the chronological order in which the Relevant Shares have been entered in the separate register.

Right to refuse registration

The Articles provide the Directors with the power to refuse registration of a share transfer if, in their reasonable opinion, such transfer would result in shares being treated or continuing to be treated as Affected Shares.

The Articles also provide that the Directors shall not register any person as a holder of any share in the Company unless the Directors receive a declaration of nationality relating to such person and such further information as they may reasonably request with respect to that nationality declaration.

The Directors believe that, following the restructuring of the Aviation sector, those companies in which the Company has an interest and which are required to comply with the Regulation (being those companies operating aviation services in the EU) do meet the requirement of the Regulation, including those relating to nationality.

This belief is based on the Company's understanding of the application of the Regulation. There can, however, be no guarantee that this will continue to be their assessment and that it will not be necessary to declare a Permitted Maximum or exercise any other of their or the Company's powers in the Articles referred to above.

Internal controls and risk management

There is a robust process in place to enable the Board to have assurance around the overall risk management, including the determination of the nature and extent of the Group's principal risks. Management monitors the financial reporting process and the process for preparing the consolidated accounts through regular reporting and review. Management reviews data for consolidation into the Group's financial statements to ensure that it gives a true and fair view of the Group's results in compliance with applicable accounting policies.

The Board, through the Audit Committee, reviews the effectiveness of the Group's internal control processes formally at least once a year. In FY25, the Board reviewed the enhancements made by the Group over the year, as more particularly described in pages 104 and 105, and was satisfied with the improvements made in FY25. Work in FY26 will be focused particularly on the continuing work to prepare the Group for the introduction of the new reporting requirement under the 2024 UK Corporate Governance Code in respect of effectiveness of the Company's risk management and internal controls framework that will come into effect for FY27.

For more detailed information on the improvements in internal controls, please see the Audit Committee report on page 147 and page 149. Further information on the principal internal controls and risk assurances in use in the Group can be found in the Strategic report on pages 104 to 123.

Auditor

Following appointment as Independent Auditor of the Company last year, Forvis Mazars LLP is willing to continue in office. A resolution to reappoint Forvis Mazars LLP as Independent Auditor will be proposed at the forthcoming Annual General Meeting.

Directors' responsibility statement

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

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

In preparing the parent company financial statements, the Directors are required to:

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

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of the financial reporting framework are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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

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

So far as the Directors are aware there is no relevant audit information of which the Company's auditor is unaware. The Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Responsibility statement

Each of the Directors, being each Director who is in office at the date the Directors' report is approved and whose names and functions are listed below, confirms that, to the best of their knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Dame Ruth Cairnie	Chair
Carl-Peter Forster	Non-Executive Director
John Ramsay	Non-Executive Director
Lucy Dimes	Non-Executive Director
Lord Parker	Non-Executive Director
Jane Moriarty	Non-Executive Director
Sir Kevin Smith	Non-Executive Director
Claudia Natanson	Non-Executive Director
David Lockwood	Chief Executive Officer
David Mellors	Chief Financial Officer

Approval of the Strategic report and the Directors' report

The Strategic report and the Directors' report (pages 1 to 184) for the year ending 31 March 2025 have been approved by the Board and signed on its behalf by:

Dame Ruth Cairnie
Chair

David Lockwood
Chief Executive Officer

1 July 2025

Independent auditor's report to the members of Babcock International Group PLC

Opinion

We have audited the financial statements of Babcock International Group PLC (the 'Company') and its subsidiaries (the 'Group') for the year ended 31 March 2025 which comprise the Group income statement, Group statement of comprehensive income, Group and Company statements of changes in equity, Group and Company statements of financial position, Group cash flow statement and notes to the Group and Company financial statements, including material accounting policy information.

The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted International Accounting Standards and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2025 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with UK-adopted International Accounting Standards and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Group and the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities and public interest entities and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Our audit procedures to evaluate the Directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the Group and the Company's ability to continue as a going concern;
- Determining the period covered by management's going concern assessment to ensure it extends at least twelve months from the date of the financial statements and appropriately reflects the entity's operating cycle;
- Understanding and evaluating the process used by management in preparing its going concern assessment, including the appropriateness and supportability of underlying cash flow forecasts, covenant measure and liquidity headroom calculations;
- Assessing the reasonableness of key assumptions used in management's assessment and challenging them where necessary, using both internal and external sources of evidence;
- Assessing the historical accuracy of forecasts prepared by management;
- Evaluating the feasibility of management's plans for addressing identified going concern risks and assessing whether these plans are realistic and achievable within the relevant timeframe;
- Ensuring consistency between management's going concern assessment and other areas of the audit, such as work on goodwill impairment, budgeting, and strategic planning;
- Reviewing the severe but plausible downside scenarios considered by management to ensure they capture all material and relevant risks identified during the risk assessment process;

Independent auditor's report to the members of Babcock International Group PLC *(continued)*

- Evaluating whether the downside scenarios are sufficiently severe, diverse, and include an assessment of likelihood, and whether they are proportionate to the nature, size, and complexity of the Group's business and risk profile. This included assessing the viability of mitigating actions within the Directors' control;
- Evaluating the reasonableness of management's stress testing to assess the Group's resilience under adverse conditions.
- Evaluating the appropriateness of the disclosures in the financial statements on going concern;
- Conducting industry analysis for the sectors in which the Group operates to identify any economic risks relevant to the going concern assessment;
- Evaluating market sentiment by reviewing movements in the Group's share price;
- Reviewing and challenging the contract backlog and forecasted contract wins to support the revenue pipeline included in cash flow forecasts;
- Evaluating the Group's financial performance and position, including key metrics such as cash flows, liquidity, debt structure, and covenant compliance;
- Considering whether compliance with laws and regulations presents a risk to the Group's ability to continue as a going concern;
- Evaluating the Group's contractual obligations and assessing their ability to meet these obligations as they fall due;
- Assessing the Group's supply chain management and operational risks, both current and emerging, with reference to industry analysis and identified economic risks;
- Reviewing technological risks faced by the Group, including those related to IT infrastructure and cyber security;
- Reviewing environmental risks that may impact the Group's operations or financial stability; and
- Evaluating any matters raised by component auditors that may indicate a going concern risk.

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

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

In relation to Babcock International Group PLC's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Director's considered it appropriate to adopt the going concern basis of accounting.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We summarise below the key audit matters in forming our opinion above, together with an overview of the principal audit procedures performed to address each matter and our key observations arising from those procedures.

These matters, together with our findings, were communicated to those charged with governance through our Audit Committee Report.

Key Audit Matter

How our scope addressed this matter

Contract revenue and margin recognition (Group)

Key information is provided in the following notes in the financial statements:

- Note 1(a)(i) – Critical accounting judgements
- Note 1(b)(i) – Key sources of estimation uncertainty
- Note 3 – Segmental information and revenue recognition
- Note 16 – Trade and other receivables and contract assets
- Note 18 – Trade and other payables and contract liabilities

The Group's contract portfolio comprises of a number of multi-year, highly material projects and programmes. The estimation of lifetime contract margin and the appropriate level of revenue and profit to recognise in any single accounting period requires the exercise of management judgement. We consider that revenue and margin recognition and the associated accounting for contract assets, liabilities, provisions, contingent liabilities and contingent assets, within contracts with indicators of heightened audit risk, represent a significant audit risk and a key audit matter.

We performed contract risk assessment procedures on the Group's revenue portfolio to identify contracts which exhibit indicators of heightened audit risk. An area of heightened audit risk could be illustrated by, and not limited to, one of the following characteristics:

- Fixed priced contracts which use the estimate at completion (EAC) method to determine revenue and profit margin;
- Contracts with a loss provision;
- "Design and build" contract;
- Risk of schedule delivery or technical complexity;
- Judgment of whether the Group is the principle or agent in the transaction;
- Complex IFRS 15 accounting treatment;
- Cost-plus style contracts with significant disallowed costs or costs subject to potential disallowance; and
- Variable consideration.

A number of revenue contracts were determined to be a significant risk for the group audit. There is one contract in the portfolio with a range of heightened risk factors, Type 31. This is a key contract for the users of the financial statements, and we have included this as a separate key audit matter per below.

Due to the nature of the Group's portfolio of revenue contracts and their associated risk, we developed a specific set of audit procedures to address the identified audit risks. The procedures have been designed after reflecting on control remediation activity in the year which in particular allowed reliance to be placed on IT General Controls within the SAP environment:

- Type of revenue contract
- Type of service provided
- Whether there is homogeneity between services provided
- Whether a contract has a unique audit risk, for example a cost saving assumption where the business aims to reduce expected production hours due to a technological investment. A specific procedure may be required if the unique assumption has a material impact on revenue recognition

Our audit procedures relevant across the contract portfolio included, but were not limited to:

- Gaining an understanding of the Group's accounting policy and considering its compliance with IFRS 15 "Revenue from Contracts with Customers";
- Obtaining an understanding of the design and implementation of the key controls throughout the contract cycle, including any IT-related controls;
- Where possible, supplementing our substantive procedures by tests of effectiveness on project related controls, including bid controls, project reviews, variation approvals and cost allocation controls;
- Enquiring with in-house legal counsel regarding contract related litigation and claims and analysing legal opinions where applicable; and
- Comparing underlying inflation assumptions to other relevant benchmarks.

The procedures for contracts selected for testing included, where relevant, but were not limited to:

- Meeting the contract teams to gain an understanding of the contract, including principal opportunities and risks;
- Attending contract review meetings and performing site visits;
- Evaluating the key contract terms and conditions;
- Obtaining an understanding of delivery progress against contractual timetables;
- Assessing the historic and current contract financials and understanding any significant in-year movements or changes;
- Performing an IFRS 15 assessment to assess whether management is accounting for the contract appropriately;
- Comparing forecast revenue with the signed initial contract value and any contract modifications, including signed contract amendments;
- Testing a sample of variations to contractual terms as appropriate;
- Assessing the appropriateness of the recognition of variable revenue;
- Comparing year end contract assets against subsequent evidence, including billing and cash receipts;
- Where relevant, challenging the completeness of management's EAC calculations, as well as provisions for onerous contracts, by reference to projected outturns;
- Obtaining evidence for entries included in contract risk registers and challenging management's assumptions through assessment against historical performance, known technical issues and the stage of completion of the contract;

Independent auditor's report to the members of Babcock International Group PLC (*continued*)

Key Audit Matter	How our scope addressed this matter
	• Testing the accuracy of the calculation of revenue recognised, contract asset and/or liability through reperformance; • Substantive testing on actual costs incurred in the year; • Where relevant, comparing the contractual completion date together with any agreed extension-of-time with the Group's anticipated completion date to assess any exposure to potential liquidated damages; and • Assessing any judgements made in respect of significant principle versus agent considerations where relevant to a specific contract. Our observations No material misstatement has been identified in respect of the judgements and estimates to determine revenue and profit recognition. There was a restatement identified whereby prior year contract asset and liability balances required offsetting. This has been adjusted in the comparative period within the Group financial statements.
Type 31 Estimates (Group) Key information is provided in the following notes in the financial statements: • Note 1(a) (iii) – Critical accounting judgements • Note 1(b) (i) – Key sources of estimation uncertainty The Type 31 programme is a design and build contract for the provision of five general-purpose frigates, the first of its class. It is a part of the United Kingdom Government's National Shipbuilding Strategy and is a closely monitored contract by users of the accounts. The contract is principally firm price with revenue recognised using an input method based on actual and forecast costs. The contract became onerous in previous reporting periods due to a variety of factors, including high inflation, design maturity and resource constraints. The expected loss for the contract as a whole has been stable in the current year. Management's estimate of the costs to complete totals c£0.8bn and includes a range of individually key assumptions. These assumptions include but are not limited to: • Assumptions around production norms and the expected level of re-work; • Achievability of forecasted productivity gains throughout the life of the programme; • Achievability of build schedule and vessel acceptance date (VAD) within contractual timelines relevant for liquidated damages; • Assumptions around performance related liquidated damages; • Assumptions surrounding the cost of labour, including workforce mix; • Supply chain related improvement assumptions. • Items included in the risk register; and • Price and cost inflation assumptions. The overall significance of the provision recognised coupled with the range of critical judgements and key estimates leads to a significant risk of material misstatement. Additionally, there has been heightened user focus on this contract in recent years. We have therefore identified this as a key audit matter.	Our key audit procedures to audit this contract are set out below. We have split this across the procedures applicable for the contract as a whole and then focussing on the key areas of estimation uncertainty. General • Multiple physical site visits to inspect work performed to date; • Enquiries of various operational team members including the Programme Director, Ship Directors, management experts in design, engineering, weight, Group Procurement and Group Human Resources to obtain a detailed understanding of the build schedule and planned build activities; • Inspection of the signed contract and the IFRS 15 assessment prepared by management in order to understand the contractual terms; • Obtaining an understanding of relevant controls in place to review the financial performance of the contract, including the forecast future revenue and costs and to account for the onerous contract in the Group's financial statements; • Evaluating the reasonableness of future cash flow forecasts with reference to current performance, both in year and post year end to date, and performing trend analysis, assessing historical forecasting accuracy, and forecast operational improvements in the contract to test the future build cost and schedule duration; • Comparing management's forecast inflation assumptions with reference to alternative benchmarks; • Assessing management's sensitivity analysis against our own sensitivity calculations to challenge the reasonableness of the loss provision; • Assessing the appropriateness of judgements taken due to in-year events such as offsets against the loss provision for expected benefits from the additional work relating to the Capability Insertion Period, as well as considerations around the Employer National Insurance changes; • Assessing the modelling approach taken in line with the accounting standard and industry norms, as well as testing the arithmetic accuracy of the cost model; and • Assessing the Group's onerous contract disclosures and their compliance with the requirements of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and IAS 1 "Presentation of Financial Statements".

Key Audit Matter

How our scope addressed this matter

Production hours

- Assessing lifetime contract production hour estimates to complete the build and fit-out of the five ships;
- Evaluating the achievability of forecasted operational, design and engineering improvements (including, in some cases, the learning curve to outperform norms and savings from change in build strategy) over the remaining contract term that are expected to reduce production costs. This was tested through assessing design change requests and re-work required to date; and
- Assessing programme support hour estimates against current trends and assessing the impact of planned design changes and re-work assumptions on engineering support time.

Labour assumptions

- Assessing management's resourcing plans and assumed labour cost by assessing recruitment trends and workforce mix by sampling starters and leavers and assessing whether actual staffing is in line with management workforce mix assumptions;
- Testing the assumptions per the Resourcing Model to ensure the forecasted hours and headcount are reasonable;
- Recalculating the assumptions using actual data, comparing these recalculations to the forecasted assumptions;
- Assessing the achievability of assumptions that differ from the recalculations; and
- Assessing the appropriateness of central overhead rates which are allocated to the onerous contract provision based on hours incurred.

Supply chain costs

- Assessing the achievability of assumed procurement savings by sampling forecast procurement savings to underlying evidence such as correspondence with suppliers and sub-contractors;
- Evaluating the reasonableness of the uncommitted costs held in the budget to ensure the EAC is not misstated, which involved an analytical review and testing a sample of uncommitted costs as per the breakdown. Obtaining supporting evidence including forecasted costs to incur based on actuals and the required bill of materials; and
- Testing a sample of committed costs and tracing through to signed contracts to ensure accuracy of amounts.

Schedule and final acceptance

- Challenging schedule assumptions against the current build progress, which included assessments around assumptions for typical costed timelines to complete each ship;
- Assessing the achievability of the schedule through extrapolation of actual timelines versus contractual delivery dates, considering the impact of key dependencies in the build plan. Sampling was performed on workstreams to interrogate the expected timetables; and
- Evaluating expected compliance against performance-related liquidated damages.

Our observations

No material misstatement has been identified in respect of the estimates to determine the onerous contract provision for the Type 31 programme. We consider the provision to be in accordance with IAS 37, and that the revenue and margin for this contract has been recognised in accordance with IFRS 15.

Independent auditor's report to the members of Babcock International Group PLC *(continued)*

Our application of materiality and an overview of the scope of our audit

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group materiality

Overall materiality	£24m
How we determined it	0.5% of total revenue
Rationale for benchmark applied	Total revenue was selected as the basis for materiality. The key considerations supporting our judgement for selection of this benchmark were: • Volatility of results in recent financial years; • Revenue is a key metric of user focus; • No market consensus of benchmarks selected for the audits of the Group's competitors; and • Consistency with materiality levels applied in previous audits.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. We set performance materiality at £12m, which represents 50% of overall materiality. In determining performance materiality, we considered the fact that this is our first year as auditor, together with a number of other factors such as the history of misstatements detected in previous years, and the effectiveness of the control environment.
Reporting threshold	We agreed with those charged with governance that we would report to them misstatements identified during our audit above £0.7m as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Company materiality

Overall materiality	£40m
How we determined it	1% of total assets
Rationale for benchmark applied	The Company does not trade, with its main operations being that of a holding company. We believe that total assets are the primary measure used by shareholders in assessing the performance of the entity and is a generally accepted auditing benchmark.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. We set performance materiality at £20m, which represents 50% of overall materiality. In determining performance materiality, we considered the fact that this is our first year as auditor, together with a number of other factors such as the history of misstatements detected in previous years, and the effectiveness of the control environment.
Reporting threshold	We agreed with those charged with governance that we would report to them misstatements identified during our audit above £0.7m as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

An overview of the scope of our audit

As part of designing our audit, we assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the Directors made subjective judgements, such as assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of our risk assessment, our understanding of the Group and the Company, their environment, controls, and critical business processes, to consider qualitative factors to ensure that we obtained sufficient coverage across all financial statement line items.

Our Group audit scope included an audit of the Group and the Company financial statements. The Group consists of four sectors: Marine, Nuclear, Land and Aviation, and within sectors there are more disaggregated business units across multiple geographies. Each business unit prepares individual group reporting packages. We combined reporting packages to create components based on sectors and geographies, for example Marine UK. There were 14 components in-scope for audit procedures, including the Company.

Two components of the Group were subject to full scope audit performed by the Group audit team. Under the direction and oversight of the Group audit partner, component audit teams performed full scope audit procedures on nine components and specific scope audit procedures were performed on three others. All component auditors are integrated partners of Forvis Mazars Group SC.

The Group audit team issued instructions to component auditors, once at the planning phase given this was our first year audit and another set of instructions prior to the commencement of year-end procedures. The Group audit partner visited Canada, South Africa and Australasia component teams to direct and supervise the audit procedures, as well as regularly visiting the UK-based components. There were frequent remote communications throughout the audit and the Group audit team reviewed all appendices submitted by components and directly reviewed key working papers.

The Group audit team tested certain areas centrally, such as IT-related procedures, treasury, UK defined benefit pension schemes, UK tax, assessment of incremental borrowing and discount rates, and share-based payments. The Group audit team also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information.

The components within scope of our work accounted for 99% of the Group's revenue, 99% of Group's profit before taxation, 98% of the Group's total assets and 99% of the Group's net assets.

Other information

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

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

We have nothing to report in this regard.

Independent auditor's report to the members of Babcock International Group PLC *(continued)*

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Guidance and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Group and the Company and their environment obtained in the course of the audit, we have not identified material misstatements in the:

- Strategic report or the Directors' report; or
- information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the Company.

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to Babcock International Group PLC's compliance with the provisions of the UK Corporate Governance Statement specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified, set out on page 124 to 125;
- Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why the period is appropriate, set out on page 124;
- Directors' statement on fair, balanced and understandable, set out on page 184;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks, set out on page 104;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems, set out on page 149; and
- The section describing the work of the Audit Committee, set out on page 146.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 184, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the Group and the Company and their industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation, health and safety regulation, anti-money laundering regulation, export controls and government contracting rules.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Gaining an understanding of the legal and regulatory framework applicable to the Group and the Company, the industry in which they operate, and the structure of the Group, and considering the risk of acts by the Group and the Company which were contrary to the applicable laws and regulations, including fraud;
- Inquiring of the Directors, management and, where appropriate, those charged with governance, as to whether the Group and the Company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Reviewing minutes of Directors' meetings in the year; and
- Discussing amongst the engagement team the laws and regulations listed above, and remaining alert to any indications of non-compliance.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as financial reporting legislation (including related companies' legislation such as the Companies Act 2006), Financial Conduct Authority (FCA) regulations including the Listing Rules, taxation legislation, and pensions legislation.

In addition, we evaluated the Directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to revenue recognition, inventory in the Africa component, and significant one-off or unusual transactions.

Our procedures in relation to fraud included but were not limited to:

- Making enquiries of the Directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud;
- Addressing the risks of fraud through management override of controls by performing journal entry testing; and
- For the Africa inventory, assessing the design and implementation of key controls for inventory counts, specific control environment assessments and physical verification sampling.

The primary responsibility for the prevention and detection of irregularities, including fraud, rests with both those charged with governance and management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

The risks of material misstatement that had the greatest effect on our audit are discussed in the "Key audit matters" section of this report.

A further description of our responsibilities is available on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent auditor's report to the members of Babcock International Group PLC (*continued*)

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the members on 19 September 2024 to audit the financial statements for the year ended 31 March 2025 and subsequent financial periods. The period of total uninterrupted engagement is 1 year.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company and we remain independent of the Group and the Company in conducting our audit.

Our audit opinion is consistent with our additional report to the audit committee.

Use of the audit report

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

As required by the Financial Conduct Authority Disclosure Guidance and Transparency Rules, these financial statements will form part of the electronic reporting format prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority. This auditor's report provides no assurance over whether the annual financial report will be prepared using the correct electronic reporting format.

Louis Burns (Senior Statutory Auditor) for and on behalf of Forvis Mazars LLP

Chartered Accountants and Statutory Auditor
Two Chamberlain Square,
Birmingham,
B3 3AX

1 July 2025

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	27	1.5	(3.5)
Operating profit	2,3,4	363.9	241.6
Results from joint ventures and associates	2,14	(2.7)	9.2
Finance income	5	29.1	22.1
Finance costs	5	(61.2)	(56.2)
Profit before tax	2	329.1	216.7
Income tax expense	7	(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	9	49.1p	32.9p
Diluted	9	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	27	(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	14	(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	25	15.5	(155.1)
Tax on remeasurement of retirement benefit obligations	7	(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		–	–	–	–	165.7	–	–	165.7	2.5	168.2
Other comprehensive (loss)/income		–	–	–	–	(116.7)	2.3	(12.2)	(126.6)	(1.2)	(127.8)
Total comprehensive income		–	–	–	–	49.0	2.3	(12.2)	39.1	1.3	40.4
Dividends	8	–	–	–	–	(8.5)	–	–	(8.5)	(1.8)	(10.3)
Disposal of business		–	–	–	–	–	–	–	–	0.7	0.7
Purchase of own shares		–	–	–	–	(12.5)	–	–	(12.5)	–	(12.5)
Share-based payments	24	–	–	–	–	12.4	–	–	12.4	–	12.4
Tax on share-based payments		–	–	–	–	4.5	–	–	4.5	–	4.5
Net movement in equity		–	–	–	–	44.9	2.3	(12.2)	35.0	0.2	35.2
At 31 March 2024		303.4	873.0	768.8	30.6	(1,523.9)	5.3	(68.3)	388.9	17.2	406.1
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		–	–	–	–	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	8	–	–	–	–	(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	24	–	–	–	–	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	10	778.2	780.1
Other intangible assets	11	142.4	148.8
Property, plant and equipment	12	558.9	517.1
Right of use assets	13	228.8	175.6
Investment in joint ventures and associates	14	43.5	59.7
Loan to joint ventures and associates	14	3.6	3.9
Retirement benefits surpluses	25	98.8	107.3
Other financial assets		4.2	5.3
Lease receivables	13, 21	26.2	22.5
Derivatives	21	5.1	2.8
Deferred tax asset	7	102.8	132.3
Trade and other receivables	16	18.1	13.0
		2,010.6	1,968.4
Current assets			
Inventories	15	162.2	187.4
Trade and other receivables	16	507.4	487.2
Contract assets	16	329.7	260.9
Income tax recoverable		4.8	10.6
Lease receivables	13, 21	18.4	13.0
Other financial assets		1.2	1.1
Derivatives	21	9.3	4.4
Cash and cash equivalents	17, 26	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	23	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	19	750.7	747.1
Lease liabilities	13, 19	227.4	185.9
Trade and other payables	18	4.2	5.4
Deferred tax liabilities	7	5.9	6.4
Derivatives	21	44.8	51.9
Retirement benefit deficits	25	107.2	217.0
Provisions for other liabilities, including other employee benefits	20	58.1	79.1
		1,198.3	1,292.8
Current liabilities			
Bank and other borrowings	19	0.6	20.4
Lease liabilities	13, 19	47.2	44.6
Trade and other payables	18	948.0	949.2
Contract liabilities	18	759.4	685.3
Income tax payable		25.6	16.6
Derivatives	21	9.1	9.5
Provisions for other liabilities, including other employee benefits	20	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

The notes on pages 199 to 265 are an integral part of the consolidated financial statements. The Group financial statements on pages 195 to 265 were approved by the Board of Directors on 1 July 2025 and are signed on its behalf by:

David Lockwood OBE
Director

David Mellors
Director

Group cash flow statement

For the year ended 31 March

	Note	2025 £m	2024 £m - Restated
Cash flows from operating activities			
Profit for the year		248.9	168.2
Results from joint ventures and associates	14	2.7	(9.2)
Income tax expense	7	80.2	48.5
Finance income	5	(29.1)	(22.1)
Finance costs	5	61.2	56.2
Depreciation and impairment of property, plant and equipment	12	59.0	54.1
Depreciation and impairment of right of use assets	13	33.0	39.8
Amortisation and impairment of intangible assets	11	27.5	24.0
Equity share-based payments	24	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	27	(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	27	(1.1)	(1.3)
Dividends received from joint ventures and associates	14	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	14	0.3	7.5
Loans advanced to joint ventures and associates	14	–	(2.1)
Net cash flows from investing activities		(110.8)	(100.6)
Cash flows from financing activities			
Dividends paid	8	(26.7)	(8.5)
Lease payments	26	(45.4)	(49.6)
Bank loans repaid	26	(8.4)	(13.1)
Loans raised and facilities drawn down	26	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	26	552.6	429.5
Effects of exchange rate fluctuations	26	(11.4)	(5.5)
Cash, cash equivalents and bank overdrafts at end of year	26	646.5	552.6

Notes to the Group financial statements

1. Preparation of the Group financial statements

Basis of preparation

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

The financial statements have been prepared in accordance with United Kingdom adopted International Accounting Standards, and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments that have been measured at fair value.

Going concern

After making enquiries, the Directors, at the time of approving the financial statements, have a reasonable expectation that the Company and the Group have adequate financial resources to continue in operational existence for the foreseeable future. As such, the consolidated financial statements have been prepared on a going concern basis. The Board considered 12 months from the date of signing in its assessment of going concern.

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.

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.

Notes to the Group financial statements *(continued)*

1. Preparation of the Group financial statements *(continued)*

New IFRS accounting standards, amendments and interpretations not yet adopted

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

- **Amendments to IAS 21 – Lack of Exchangeability:** Effective from 1 April 2025 and not assessed to have any impact on the Group's Income Statement or Statement of Financial Position.
- **IFRS 18 – Presentation and Disclosures in Financial Statements:** Replaces IAS 1 and makes minor changes to IAS 8, IFRS 7, IAS 7 and IAS 33. Introduces new requirements regarding specific categories and subtotals in the Group Income Statement and further disclosures on management performance measures (MPMs) and disclosures aimed at improving aggregation and disaggregation.

IFRS 18 is yet to be formally endorsed by the UK endorsement board but is expected to be applicable for annual reporting periods beginning on or after 1 January 2027 with earlier adoption permitted. The Group does not currently intend to adopt this standard early and therefore this standard is expected to be first presented within the Annual Report for the period ended 31 March 2028.

It is anticipated that the application of IFRS 18 may have an impact on the presentation and disclosure of the Group's consolidated financial statements from the point of adoption.

- **IFRS 19 – Subsidiaries without Public Accountability: Disclosures:** IFRS 19 is only permitted to be applied by subsidiaries with no public accountability. As the Group is not a subsidiary, application of the standard is not permitted and therefore will have no impact on the Group's Consolidated Financial Statements. IFRS 19 is applicable for annual reporting periods beginning on or after 1 January 2027 with earlier adoption permitted (subject to formal endorsement by the UK endorsement board).
- **Amendments to IFRS 7 and IFRS 9 – Classification and Measurement of Financial Instruments & Contracts referencing nature-dependant electricity:** Effective from 1 January 2026 and not assessed to have a material impact on the Group's Income Statement or Statement of Financial Position.
- **Annual improvements to IFRS accounting standards (volume 11):** Effective from 1 January 2026 and not assessed to have a material impact on the Group's Income Statement or Statement of Financial Position.

Basis of consolidation

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

(a) Subsidiaries

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

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

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

(b) Joint ventures and associates

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

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

Materiality

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

1. Preparation of the Group financial statements *(continued)*

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 10.

(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.

Notes to the Group financial statements *(continued)*

1. Preparation of the Group financial statements *(continued)*

(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.

The above assumptions all impact upon each individual contract to varying extents depending on the risk profile of the contract and the individual contract terms and conditions. As such sensitivities to these assumptions are not provided as to do so is not considered practicable.

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
- 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

1. Preparation of the Group financial statements *(continued)*

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 outcome
- 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 outcome 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 outcome 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 20), reductions in contract assets (note 16) or increases in contract liabilities (note 18).

To mitigate this, comparisons of actual contract performance and previous forecasts used to assess the contract outcome are performed regularly, with consideration given to whether any revisions to assumptions are required. The uncertainty over the contract outcome 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.

(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 25.

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

(i) The carrying value of goodwill

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

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

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

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

Notes to the Group financial statements *(continued)*

1. Preparation of the Group financial statements *(continued)*

(ii) Impact of climate change

In preparing the Group financial statements, consideration has been given to the potential impact of climate change. Climate-related matters create risks and opportunities for the Group as set out on pages 75 to 79 of the Strategic Report. Climate-related matters are not considered to have a material impact on the Group's critical accounting judgements or key sources of estimation uncertainty.

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

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

Revised budgets and forecasts, incorporating an estimated financial impact on the climate-related risks and opportunities (described on pages 75 to 79 of the Strategic Report) have been modelled to understand the possible financial impact and the resilience to these sensitivities is the basis for why climate-related matters have been concluded to not have a material impact on the critical accounting judgements or key sources of estimation uncertainty. Whilst there is currently no significant short- to medium-term impact expected from climate change, the Group is aware of the ever-changing risks attached to climate change and will regularly assess these risks against judgements and estimates made in preparing the Group consolidated financial statements.

Material accounting policy information

The material accounting policy information relevant to specific accounting areas is set out within the associated note. Other general policy information is set out below. Material accounting policies have been applied consistently throughout the year and the comparative year except as otherwise stated.

(a) Transactions with non-controlling interest

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

(b) Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

(c) Government grants and contributions

In the course of our business we receive certain grants or contributions from governments. These are deducted from the related expenses in the income statement. These amounts total £48.3 million (FY24: £40.0 million).

2. Adjustments between statutory and underlying information

Definition of underlying measures and specific adjusting items

The Group provides alternative performance measures, including underlying operating profit, underlying earnings per share and net debt (note 26), 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.

Other alternative performance measures are presented in the Financial Review on pages 28 to 45 where reconciliations to statutory information are also provided.

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.

Underlying earnings per share

Basic underlying earnings per share are calculated by dividing the underlying profit after tax 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 underlying earnings per share is calculated by dividing the underlying profit after tax 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. Details of share incentive schemes are provided in note 23 and note 24.

Notes to the Group financial statements (continued)

2. Adjustments between statutory and underlying information (continued)

Income statement including underlying results

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

	Note	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
Revenue	3	4,831.3	–	4,831.3	4,390.1	–	4,390.1
Operating profit	3,4	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	14	8.4	(11.1)	(2.7)	9.2	–	9.2
Net finance costs	5	(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	7	(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 9)	50.3p		49.1p	30.8p		32.9p
Diluted EPS (note 9)	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 (note 27)	1.5	8.2
Profit or loss from amendment, curtailment, settlement or equalisation of Group pension schemes (note 25)	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 (note 27)	–	(1.0)
Profit or loss from amendment, curtailment, settlement or equalisation of Group pension schemes (note 25)	(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

Reconciliation of statutory to underlying tax rate

	Note	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		339.4	(10.3)	329.1	211.1	5.6	216.7
Share of (profit)/loss from joint ventures and associates	14	(8.4)	11.1	2.7	(10.3)	–	(10.3)
Profit before tax excluding profit from joint ventures and associates		331.0	0.8	331.8	200.8	5.6	206.4
Income tax (expense)/benefit		(84.1)	3.9	(80.2)	(53.5)	5.0	(48.5)
Tax rate		25.4%		24.2%	26.6%		23.5%

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. Further detail is included in note 27.

Notes to the Group financial statements *(continued)*

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

Fair value movement on derivatives and related items

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

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

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

Tax

Specific adjusting items in respect of tax comprises a 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.

Results from 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 c1% 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 and revenue recognition

Revenue recognition

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

(i) Performance obligations

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

In assessing whether the performance obligations are separately identifiable, the services are reviewed to determine the extent to which the goods or services within a contract are interrelated and whether they modify other goods or services within a contract. The Group also considers whether the goods and/or services are integrated and represent a combined output for which the customer has contracted. The integrated output nature of many of the services provided by the Group results in some contracts only having one performance obligation.

(ii) Determination of contract price

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

Inclusion of variable consideration in the contract price requires the exercise of judgement in relation to the amount to be received through unpriced contract variations and claims (see section (v) below for further details) and variable elements of existing contracts, such as performance-based penalties and incentives, and gain/pain share arrangements where cost under/over spends are shared with the customer.

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

Elements of variable consideration are estimated at contract inception and at the end of each reporting period. Any required adjustment is made against the contract price in the period in which the adjustment occurs.

3. Segmental information and revenue recognition *(continued)*

Revenue recognition *(continued)*

Variable consideration is estimated using either the expected value or the most likely amount and is added to the transaction price only to the extent that it is highly probable that there will not be a significant reversal in the amount of cumulative revenue recognised once the underlying uncertainty is resolved. This judgement is made by suitably qualified and experienced personnel based on the contract terms, status of negotiations with customers and historical experience with customers and with similar contracts. As part of this judgement, variable consideration may be constrained until the uncertainty is resolved. In the case of unpriced variations these will be constrained to the extent that such variable consideration is not considered highly probable.

Variable consideration may be included in the total transaction price or, in certain circumstances, may be allocated to a specific time period. Where variable consideration is allocated to a specific time period this will typically be in relation to performance related deductions.

(iii) Allocation of contract price to performance obligations

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

(iv) Revenue and profit recognition

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

Revenue recognised over time

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

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

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

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

Under most of the Group's contracts, the customer pays in accordance with a pre-arranged payment schedule or once milestones have been met. If the amount of revenue recognised (as measured by the methods described above) exceeds the amount of cash received from the customer then the difference will be held on the statement of financial position. This will typically be comprised of a mixture of contract assets and trade receivables. If the amount of cash collected together with amounts due under the contract but uncollected exceeds the amount of revenue recognised then the difference is also held on the statement of financial position as a contract liability. See note 16 and note 18 for further details on how contract assets and liabilities are recognised.

Revenue recognised at a point in time

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

Point in time recognition mainly applies to sale of goods. Control typically transfers to the customer when the customer has legal title to the goods and this is usually coincident with delivery of the goods to the customer and right to receive payment by the Group. These revenues are delivered predominantly by the Aviation and Land sectors and include sales of equipment to commercial customers and procurement of consumables on behalf of the Ministry of Defence (MOD). Sale of goods at a point in time represents approximately 7% of Group revenues (2024: 7%).

Notes to the Group financial statements *(continued)*

3. Segmental information and revenue recognition *(continued)*

Revenue recognition *(continued)*

Assessment of contract profitability

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

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

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

(v) Contract modifications

Claims and variations

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

Contract modifications can also refer to changes in price only, with no change in scope, where there is a difference of view or dispute in relation to interpretation of contracts. These contract claims and variations are considered to be modifications as referred to in paragraph 18 of IFRS 15.

Accounting for contract modifications

The Group accounts for contract modifications in one of three ways, based on the facts and circumstances of the contract modification:

1. Prospectively, as an additional, separate contract;
2. Prospectively, as a termination of the existing contract and creation of a new contract; or
3. As part of the original contract using a cumulative catch-up.

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

Claims and variations which are not deemed to be contract modifications

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

3. Segmental information and revenue recognition *(continued)*

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

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

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

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

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

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

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

Year ended 31 March 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 ¹
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/(loss)	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.

Notes to the Group financial statements (continued)

3. Segmental information and revenue recognition (continued)

Segment assets and liabilities

The reportable segment assets and liabilities at 31 March 2025 and 31 March 2024 and capital expenditure and lease principal payments for the years then ended are as follows:

	Assets		Liabilities		Capital expenditure		Lease payments	
	2025 £m	2024 £m - Restated	2025 £m	2024 £m - Restated	2025 £m	2024 £m	2025 £m	2024 £m
Marine	845.9	784.9	901.8	886.9	18.9	31.0	4.4	4.5
Nuclear	761.9	705.5	378.3	337.9	69.8	67.4	5.7	4.3
Land	665.9	686.4	424.5	474.1	6.1	6.4	10.3	12.2
Aviation	453.5	382.3	313.0	227.8	25.3	13.6	17.9	22.8
Unallocated *	963.0	944.5	1,050.8	1,170.8	8.2	24.0	7.1	5.8
Group total	3,690.2	3,503.6	3,068.4	3,097.5	128.3	142.4	45.4	49.6

* All assets and liabilities are allocated to their appropriate reportable segments except for cash, cash equivalents, borrowings, income and deferred tax balances and retirement benefit surpluses which are included in the unallocated segment. Lease liabilities were unallocated within the 2024 Annual Report and have been restated within the above comparative amounts to consistently present across the Group's operating segments in both the current and prior reporting period.

In addition to the Segment liabilities balances being re-presented to allocate lease liabilities across the Group's operating segments, both Segment assets and Segment liabilities have been restated to present contract assets and liabilities on a net basis for each contract as described in more detail in notes 16.

Capital expenditure represents additions to property, plant and equipment and intangible assets. Proceeds from the sale of assets totalling £6.1 million (2024: £30.6 million) are not included above, and are predominantly in the Land sector (2024: Land sector). See note 18 relating to the treatment of amounts payable in respect of capital expenditure.

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

Segmental depreciation and amortisation

The segmental depreciation on property, plant and equipment, right of use assets and amortisation of intangible assets for the years ended 31 March 2025 and 31 March 2024 is as follows:

	Depreciation of property, plant and equipment		Depreciation of right of use assets		Amortisation of intangible assets	
	2025 £m	2024 £m	2025 £m	2024 £m	2025 £m	2024 £m
Marine	12.1	11.9	3.1	4.0	8.7	13.3
Nuclear	28.1	23.7	6.2	4.7	3.5	0.2
Land	4.4	3.7	7.3	9.3	0.6	0.7
Aviation	7.2	7.3	11.3	14.8	2.8	3.4
Unallocated	7.2	5.4	3.3	7.0	11.9	6.4
Group total	59.0	52.0	31.2	39.8	27.5	24.0

3. Segmental information and revenue recognition *(continued)*

Segmental asset impairments

The segmental impairment on property, plant and equipment, right of use assets and intangible assets for the years ended 31 March 2025 and 31 March 2024 is as follows:

	Impairment of property, plant and equipment		Impairment of right of use assets		Impairment of intangible assets	
	2025 £m	2024 £m	2025 £m	2024 £m	2025 £m	2024 £m
Marine	–	–	–	–	–	–
Nuclear	–	–	–	–	–	–
Land	–	–	0.1	–	–	–
Aviation	–	2.1	–	–	–	–
Unallocated	–	–	1.7	–	–	–
Group total	–	2.1	1.8	–	–	–

Geographic analysis of non-current assets

The geographic analysis for non-current assets by location of those assets for the years ended 31 March 2025 and 31 March 2024 is as follows:

	2025 £m	2024 £m
United Kingdom	1,473.3	1,464.5
Rest of Europe	64.9	54.3
Africa	26.0	27.5
North America	58.3	16.4
Australasia	154.3	137.7
Rest of World	0.9	3.1
Non-current segment assets	1,777.7	1,703.5
Retirement benefits	98.8	107.3
Lease receivables	26.2	22.5
Derivatives	5.1	2.8
Deferred tax asset	102.8	132.3
Total non-current assets	2,010.6	1,968.4

Notes to the Group financial statements (continued)

3. Segmental information and revenue recognition (continued)

Geographic analysis of revenue

The geographic analysis of revenue by origin of customer for the years ended 31 March 2025 and 31 March 2024 is as follows:

Year ended 31 March 2025	Marine £m	Nuclear £m	Land £m	Aviation £m	Total £m
United Kingdom	853.3	1,815.8	628.4	150.8	3,448.3
Rest of Europe	40.6	–	31.0	95.7	167.3
Africa	–	–	348.6	–	348.6
North America	197.7	0.2	–	13.0	210.9
Australasia	195.4	–	108.6	62.8	366.8
Rest of World	289.4	–	–	–	289.4
Group total	1,576.4	1,816.0	1,116.6	322.3	4,831.3

Year ended 31 March 2024	Marine £m	Nuclear £m	Land £m	Aviation £m	Total £m
United Kingdom	765.8	1,519.9	641.0	154.4	3,081.1
Rest of Europe	61.5	–	37.7	102.8	202.0
Africa	–	–	331.6	–	331.6
North America	172.8	0.3	–	20.1	193.2
Australasia	207.6	–	88.3	64.2	360.1
Rest of World	221.4	0.7	–	–	222.1
Group total	1,429.1	1,520.9	1,098.6	341.5	4,390.1

Market sector analysis of revenue

The analysis of revenue split between market sectors for the years ended 31 March 2025 and 31 March 2024 is as follows:

Year ended 31 March 2025	Marine £m	Nuclear £m	Land £m	Aviation £m	Total £m
Defence	1,296.4	1,575.0	547.3	160.8	3,579.5
Civil	280.0	241.0	569.3	161.5	1,251.8
Revenue	1,576.4	1,816.0	1,116.6	322.3	4,831.3

Year ended 31 March 2024	Marine £m	Nuclear £m	Land £m	Aviation £m	Total £m
Defence	1,200.4	1,338.4	483.4	174.2	3,196.4
Civil	228.7	182.5	615.2	167.3	1,193.7
Revenue	1,429.1	1,520.9	1,098.6	341.5	4,390.1

During the year, the Group has recognised £45.3 million of revenue in respect of performance obligations satisfied or partially satisfied in previous periods (2024: reversal £34.4m).

The current year figure is driven by forecast margin improvements and the impact of variable consideration being unconstrained as the highly probable test under IFRS 15 has been satisfied in the period.

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

At 31 March 2025, there is £7.7 billion (2024 restated: £7.1 billion) of transaction price on contracts with customers that has been allocated to unsatisfied or partially satisfied performance obligations (note this metric has been prepared for IFRS 15 disclosure purposes and therefore does not align to the Group's contract backlog). Contract backlog is based on the full contractual term of the Group's agreements whilst the IFRS 15 disclosure may be a shorter contractual period in the event that the customer has the ability to exit contracts prior to the full term for non-substantive penalty payments. Management expects that 39.9% (2024: 42.9%) of the transaction price allocated to unsatisfied performance obligations as at 31 March 2025 will be recognised as revenue during the next reporting period. A further 47.1% (2024: 49.4%) of the transaction price allocated to unsatisfied performance obligations is expected to be recognised as revenue in years two to five after 31 March 2025.

4. Operating profit for the year

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

	Year ended 31 March 2025 £m	Year ended 31 March 2024 £m
Raw materials, subcontracts and other bought-in items used	2,093.0	2,053.1
Change in inventories of finished goods and work-in-progress	29.4	(61.1)
Other operating charges	578.9	482.9
Employee costs (note 6)	1,659.3	1,583.5
Depreciation of property, plant and equipment (note 12)	59.0	52.0
Depreciation of right-of-use assets (note 13)	31.2	39.8
Amortisation of intangible assets (note 11)		
• Acquired intangibles	8.2	10.8
• Other	19.3	13.2
Impairment of intangible assets (note 11)	–	–
Impairment of property, plant and equipment (note 12)	–	2.1
Impairment of right of use assets (note 13)	1.8	–
Gain on disposal of property, plant and equipment	(0.7)	(17.1)
Loss on disposal of intangible assets	–	0.1
Loss/(gain) on disposal of right-of-use assets	0.1	(3.6)
Net foreign exchange gain	(0.4)	(3.0)
(Gain)/loss on disposal of subsidiaries and joint ventures	(1.5)	3.5
Gain on derivative instruments at fair value through profit or loss	(6.6)	(5.7)
Gain on trade and other receivables measured at fair value	(3.6)	(2.0)
Total operating charges	4,467.4	4,148.5

Services provided by the Group's auditor and network firms

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

	Year ended 31 March 2025 £m	Year ended 31 March 2024 £m
Audit fees:		
Fees payable to the parent auditor and its associates for the audit of the parent company's individual and consolidated financial statements	2.7	2.6
Fees payable to the parent auditor and its associates in respect of the audit of the Company's subsidiaries	6.4	10.7
Audit related assurance fees	–	–
Fees for other services:		
Other non-audit services	–	–
Total fees paid to the Group's auditor and network firms	9.1	13.3

Amounts disclosed in the comparative period represent amounts paid to the Group's auditor for that period – Deloitte LLP. As outlined in the Audit Committee report on page 146, the Group changed auditor commencing with the audit of the Consolidated Financial Statements for the year ended 31 March 2025 and the current period disclosures represent the amounts paid to the Group's new auditor (Forvis Mazars LLP) and their network firms.

Notes to the Group financial statements (continued)

5. Net finance costs

Finance costs

Finance costs are recognised as an expense in the period in which they are incurred unless they are attributable to an asset under construction, in which case finance costs are capitalised. Further detail on the capitalisation of borrowing costs is given in Note 12.

Finance income

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

	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 25)	4.5	0.8
Other	7.4	8.2
Capitalised borrowing costs (note 12)	(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

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 25).

6. Employee costs

Employee costs are recognised as an expense in the period in which they are incurred with the exception of long-term employee benefits which are recognised in accordance with IAS 19 (see Note 25 for more details) and share based payment charges which are recognised in accordance with IFRS 2 (see Note 24 for more details).

	Year ended 31 March 2025 £m	Year ended 31 March 2024 £m
Wages and salaries	1,379.6	1,305.2
Social security costs	147.1	131.3
Share-based payments (note 24)	14.3	12.4
Pension costs – defined contribution plans (note 25)	101.6	110.7
Pension charges – defined benefit plans (note 25)	16.7	23.9
	1,659.3	1,583.5

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

	2025 Number	2024 Number
Marine	7,358	6,801
Nuclear	9,326	8,681
Land	6,346	6,042
Aviation	2,558	2,494
Central functions	1,270	1,145
	26,858	25,163

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

6. Employee costs *(continued)*

Key management compensation

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

	Year ended 31 March 2025 £m	Year ended 31 March 2024 £m
Salaries and other short term employee benefits	16.1	13.5
Post-employment benefits	0.6	0.6
Termination benefits	0.8	0.5
Share-based payments	6.5	5.9
	24.0	20.5

7. Taxation

Current income tax

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

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

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

Deferred income tax

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

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

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

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

Notes to the Group financial statements (continued)

7. Taxation (continued)

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

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

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

7. Taxation (continued)

Income tax expense (continued)

In July 2023, the UK enacted legislation to introduce the 'Pillar Two' global minimum tax model rules of the OECD's Inclusive Framework on Base Erosion and Profit Shifting and a UK qualified domestic minimum top-up tax. The legislation applies to the Group with effect from 1 April 2024. Under the Pillar Two rules, a top-up tax liability arises where the Group's effective tax rate in a jurisdiction is below 15%. The Group has applied the temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

The Group has recorded a Pillar Two global minimum tax charge of £0.5 million for the period, relating to the Group's earnings in Oman. This top-up tax will be borne by Babcock International Group Limited. It is not expected that Pillar Two top-up taxes will significantly increase the Group's tax charge in future periods.

Deferred tax

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

	2025 £m	2024 £m
Deferred tax asset	102.8	132.3
Deferred tax liability	(5.9)	(6.4)
	96.9	125.9

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

	Tangible assets £m	Retirement benefit obligations £m	Tax losses £m	Other £m	Total £m
At 1 April 2024	(45.1)	27.0	128.0	16.0	125.9
Income statement credit/(debit)	4.0	(21.6)	(33.6)	6.0	(45.2)
Tax credit to other comprehensive income/equity	–	(3.9)	–	(0.4)	(4.3)
Transfer to income tax receivable	–	–	17.2	–	17.2
Disposal of business	–	–	–	(0.1)	(0.1)
Effect of changes in tax rates					
• Income statement	–	–	4.2	(0.6)	3.6
Exchange differences	(0.1)	–	(0.3)	0.2	(0.2)
At 31 March 2025	(41.2)	1.5	115.5	21.1	96.9
At 1 April 2023	(40.9)	15.3	128.0	2.8	105.2
Income statement credit/(debit)	(6.9)	(26.7)	(2.7)	10.1	(26.2)
Tax credit/(debit) to other comprehensive income/equity	–	38.4	–	4.0	42.4
Transfer from income tax receivable	–	–	5.3	–	5.3
Reclassification	0.6	–	0.3	(0.9)	–
Effect of changes in tax rates					
• Income statement	1.7	–	(2.4)	0.1	(0.6)
Exchange differences	0.4	–	(0.5)	(0.1)	(0.2)
At 31 March 2024	(45.1)	27.0	128.0	16.0	125.9

Notes to the Group financial statements (continued)

7. Taxation (continued)

Deferred tax (continued)

The net deferred tax assets of £96.9 million (2024: £125.9 million) include deferred tax assets of £12.5 million (2024: £14.0 million) and deferred tax liabilities of £5.9 million (2024: £6.5 million) in respect of the Group's non-UK operations.

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

Net deferred tax assets have been recognised principally in respect of operations in the following jurisdictions: United Kingdom (£90.4 million), Australia (£3.6 million), France (£0.9 million), South Africa (£7.4 million) and New Zealand (£0.5 million). In the prior year net deferred tax assets were recognised principally in the following jurisdictions: United Kingdom (£118.2 million), Australia (£4.8 million), France (£0.9 million), South Africa (£7.4 million) and New Zealand (£0.8 million). The UK was in a net tax loss position for each of the years ended 31 March 2021 to 31 March 2024. The losses for the years ended 31 March 2021 and 2022 reflected the contract profitability and balance sheet review carried out in 2021 and the restructuring of the business in 2022. The tax losses in the years ended 31 March 2023 and 31 March 2024 were principally attributable to the provisions in respect of the Type 31 contract, together with timing differences between the reporting and taxable result. The UK has taxable profits in the year ended 31 March 2025. The Directors do not consider that the results for these earlier periods are representative of future trading performance and are satisfied that these net deferred tax assets are recoverable based on future profit forecasts.

No deferred tax has been recognised in respect of temporary differences associated with investments in subsidiaries, branches, associates and interests in joint ventures and joint operations where the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. The aggregate amount of temporary differences associated with such investments in subsidiaries, branches, associates and interests in joint ventures and joint operations is represented by their post acquisition retained earnings and amounted to £283 million (2024: £137 million).

At the statement of financial position date, deferred tax assets of £115.5 million (2024: £128.0 million) have been recognised in respect of unused tax losses available for carry forward. No deferred tax asset has been recognised in respect of further unutilised tax losses carried forward (excluding capital losses) and interest of £124.2 million (2024: £110.5 million). In addition to these amounts, UK capital losses of £201.3 million (2024: £190.4 million) are being carried forward, with no deferred tax asset having been recognised. Where a deferred tax asset has not been recognised in respect of losses, this is because management considers that those jurisdictions are not likely to generate sufficient taxable income of the appropriate type in the foreseeable future. The amounts shown can be carried forward indefinitely.

8. Dividends

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

	Year ended 31 March 2025 £m	Year ended 31 March 2024 £m
Interim dividend for the year ended 31 March 2025 of 2.0p (2024: 1.7 p) per 60p share	9.7	8.5
Final dividend for the year ended 31 March 2024 of 3.3p (2024: nil p) per 60p share	17.0	–
	26.7	8.5

After the balance sheet date, the directors proposed a final dividend of 4.5p per ordinary share. The dividend proposed amounts to approximately £22.7m, although the exact final payment will vary depending on the level of shares held by the Babcock Employee Share Trust. The dividend, which is subject to shareholder approval, will be paid on 30 September 2025 to shareholders registered on 22 August 2025. The payment of this dividend will not have any tax expense consequences for the Group

9. 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. Details of share incentive schemes are provided in note 23 and note 24.

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.

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

10. Goodwill

Accounting policy information

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

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

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

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

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

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

Impairment

Goodwill is reviewed for impairment at least annually. As goodwill does not generate cash flows that are separately identifiable from other assets, the Group estimates the recoverable amount of the CGU, or group of CGUs, to which the asset belongs.

The recoverable amount is the higher of fair value less costs of disposal, and value-in-use. When the recoverable amount is less than the carrying amount, an impairment loss is recognised immediately in the Group income statement. Subsequent reversal of historic impairments to goodwill are not permissible.

Notes to the Group financial statements (continued)

10. Goodwill (continued)

	31 March 2025 £m	31 March 2024 £m
Cost		
At 1 April	1,822.0	1,823.3
On disposal of business (note 27)	(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 was tested for impairment at 31 March 2025 in accordance with IAS 36.

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

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

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.

Furthermore, in preparing this assessment the Group has considered the potential impact of climate change. In particular, the Group have considered the impact of climate change on the useful economic lives of assets, disruption to key operating sites and supply chain, and potential asset impairments. The Group identified climate risks (see pages 75 to 79 for details) predominantly result in adverse cash outflows to the business and have been modelled as such within our sensitivity analysis. The Group anticipates that a number of these climate risks may result in additional cash inflows as associated climate related costs could be passed onto our customers offsetting the climate risk and a conservative assessment of such cash inflow is also modelled within the sensitivity. These considerations did not have a material impact on the goodwill impairment assessment.

Key assumptions

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

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

10. Goodwill (continued)

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

	31 March 2025				31 March 2024			
	Aviation	Land	Marine	Nuclear	Aviation	Land	Marine	Nuclear
Pre-tax discount rate	12.6	11.9	11.5	11.9	13.2	12.2	12.2	12.6
Post-tax discount rate	9.3	8.8	8.5	8.8	9.8	9.0	9.0	9.3
Long-term real growth rate	2.0	2.0	2.0	2.0	2.0	2.2	2.1	2.0

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

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

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

We have performed sensitivity analysis incorporating reasonably possible changes in each of the above key assumptions. Sensitised cases all continue to show headroom and no required impairment as at 31 March 2025.

11. Other intangible assets

Acquired intangibles

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

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

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

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

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

Amortisation charges for the year are recorded in operating costs.

Notes to the Group financial statements *(continued)*

11. Other intangible assets *(continued)*

Research and development

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

Total research and development costs expensed in the period was £214.7 million (2024: £244.2 million). Amounts recognised as an expense are recorded within operating costs.

Computer software

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

The Group is implementing an ERP system in phases over several years. The ERP system is being amortised over a period of up to 13 years to coincide with the expected support period from the software provider. The core asset commenced amortisation when it was available for use, which occurred once implementation was completed. Additional capitalisation for improved functionality as the platform is tailored and deployed at each respective business unit commences amortisation when those improved functionalities are available for use (when the ERP is implemented at the respective business unit).

Impairment

Indefinite life intangibles are reviewed for impairment at least annually. For all other intangible assets (including acquired intangible assets, capitalised development costs and software assets) the Group performs impairment testing where indicators of impairment are identified. Impairment testing is performed at the individual asset level unless the asset does not generate cash flows that are separately identifiable from other assets. In such cases, the Group estimates the recoverable amount of the CGU to which the asset belongs.

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

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

11. Other intangible assets (continued)

	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 12)	–	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 12)	–	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 12)	–	–	–	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

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.

Notes to the Group financial statements (continued)

12. Property, plant and equipment

Property, plant and equipment is shown at cost less subsequent depreciation and impairment, except for land, which is shown at cost less impairment. Cost includes expenditure that is directly attributable to the acquisition of the items after the deduction of trade discounts and rebates.

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

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

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

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

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

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

Borrowing costs

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

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognised in Other Comprehensive Income and reclassified to the Income Statement when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate. For the year ended 31 March 2025, the average capitalisation rate of borrowing costs was 4.0% (2024: 3.7%).

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

Impairment

For property, plant and equipment the Group performs impairment testing where indicators of impairment are identified. Impairment testing is performed at the individual asset level. Where an asset does not generate cash flows that are separately identifiable from other assets, the Group estimates the recoverable amount of the CGU to which the asset belongs.

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

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

12. Property, plant and equipment (continued)

	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 11)	–	–	(4.4)	–	–	(4.4)
Transfers from right of use assets (note 13)	–	–	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 11)	–	–	(2.9)	–	–	(2.9)
Transfers from right of use assets (note 13)	–	–	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 11)	–	–	(1.4)	–	–	(1.4)
Reclassification from AUC to in-use assets	10.4	0.2	37.2	0.3	(48.1)	–
Disposals	(4.1)	–	(12.0)	(21.0)	–	(37.1)
Capitalised borrowing costs	–	–	–	–	3.9	3.9
Exchange adjustments	(0.2)	(0.1)	(4.7)	(2.2)	(0.2)	(7.4)
At 31 March 2024 (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.

Notes to the Group financial statements (continued)

13. Leases

Group as a lessee

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

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

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

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

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

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

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

Right of use assets

	Leasehold property £m	Plant and equipment £m	Aircraft fleet £m	Total £m
Cost				
At 1 April 2024	140.1	74.1	153.1	367.3
Additions	12.3	9.5	75.8	97.6
Transfers to property, plant & equipment (note 12)	–	(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 12)	–	(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

13. Leases (continued)

	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

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

Notes to the Group financial statements (continued)

13. Leases (continued)

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

Amounts recognised in the Group income statement

	2025 £m	2024 £m
Interest on lease liabilities	14.1	9.8
Right-of-use asset depreciation	31.2	39.8
Right-of-use asset impairment	1.8	–
Loss/(gain) on disposal of right-of-use assets	0.1	(3.6)

The total expense for short term and low value leases was £39.6 million (2024: £52.0 million). The expense is deemed approximate to the cash outflow for short term and low value leases.

Amounts recognised in the Group cash flow statement

	2025 £m	2024 £m
Total cash outflow for principal element of leases	45.4	49.6
Total cash outflow for interest element of leases	14.1	9.8
Total cash outflow for leases	59.5	59.4

Group as a lessor

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

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

The Group is the lessor in an arrangement for the lease of vehicles and sub-lease of leased properties. There have been no new material lease arrangements as a lessor in the current year (2024: none).

Amounts recognised in the Group income statement

	Year ended 31 March 2025 £m	Year ended 31 March 2024 £m
Finance lease – interest income	5.0	4.4

Finance lease payments receivable

	Year ended 31 March 2025 £m	Year ended 31 March 2024 £m
Within one year	18.8	16.9
Greater than one year but less than two years	18.7	13.1
Greater than two years but less than three years	9.2	8.8
Greater than three years but less than four years	2.9	4.3
Greater than four years but less than five years	0.2	0.1
Total undiscounted finance lease payments receivable	49.8	43.2
Impact of discounting	(5.2)	(7.7)
Finance lease receivable (net investment in the lease)	44.6	35.5

There was no material impairment of lease receivables in the year ended 31 March 2025 (2024: £nil).

14. Investment in and loans to joint ventures and associates

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

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

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

The Group's material joint ventures and associates are:

	Nature of relationship	Year end	Business activity	% interest held (2025)	% interest held (2024)	Country of incorporation	Principal area of operation
AirTanker Services Limited	Associate	31 Dec	Provision of air-to-air refuelling	23.5%	23.5%	United Kingdom	United Kingdom
Ascent Flight Training (Holdings) Limited	Joint venture	31 Mar	Provision of training services	50.0%	50.0%	United Kingdom	United Kingdom

Summarised financial information for joint ventures and associates

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

	31 March 2025		31 March 2024	
	Ascent Flight Training (Holdings) Limited	AirTanker Services Limited	Ascent Flight Training (Holdings) Limited	AirTanker Services Limited
Summarised income statement extract (year ended)				
Revenue	165.3	239.6	168.8	254.7
Depreciation and amortisation	(0.6)	(3.3)	(0.5)	(1.7)
Interest income	3.7	3.7	3.4	1.8
Interest expense	(2.3)	(0.2)	(2.7)	(0.2)
Income tax expense	(5.9)	(1.8)	(5.7)	(5.0)
(Loss)/profit from continuing operations	(2.6)	1.0	16.7	11.2
Other comprehensive income	(3.2)	–	0.4	–
Total comprehensive income	(5.8)	1.0	17.1	11.2
Summarised statement of financial position				
Non-current assets	48.5	75.7	45.8	87.8
Current assets (excluding cash and cash equivalents)	25.0	65.4	59.5	59.9
Cash and cash equivalents	57.3	111.8	55.4	86.6
Non-current liabilities	(91.6)	(55.0)	(94.9)	(60.7)
Current liabilities	(12.6)	(79.3)	(7.9)	(56.0)
Net assets	26.6	118.6	57.9	117.6
Ownership	50%	23.5%	50%	23.5%
Carrying value of investment	13.3	27.9	29.0	27.6

Notes to the Group financial statements (continued)

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

Reconciliation to carrying amounts

	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 (note 27)	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 and loans to 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.

15. Inventories

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

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

15. Inventories (continued)

	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).

16. Trade and other receivables and contract assets

Trade and other receivables

Trade receivables are measured at amortised cost. Other receivables are generally measured at amortised cost as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. An immaterial amount of other receivables are held at fair value through profit and loss. The measurement basis is disclosed in note 21.

Debt factoring

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

Contract assets and liabilities

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

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

Provisions for expected credit losses

Trade receivables, contract receivables and amounts due from related parties include a provision for expected credit losses. Provisions for expected credit losses are measured at an amount equal to lifetime expected credit losses, estimated by reference to past experience and relevant forward-looking factors.

Costs of obtaining a contract

Directly attributable costs to obtain a contract with a customer that the Group would not have incurred if the contract had not been won are recognised as an asset and amortised on a straight-line basis. Costs to obtain a contract that would have been incurred regardless of whether the contract was won or lost are recognised as an expense when incurred.

Costs to fulfil a contract

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

- (i) the costs relate directly to a contract or to an anticipated contract that can be specifically identified;
- (ii) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- (iii) the costs are expected to be recovered.

Costs of recruiting or training staff are expensed as incurred.

Notes to the Group financial statements (continued)

16. Trade and other receivables and contract assets (continued)

	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 (note 31)	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.

Details of expected credit losses on trade receivables are provided in note 22. There has been no impairment to either other receivables or contract assets during the year ended 31 March 2025 (2024: £nil).

In the year ended 31 March 2025, amortisation of costs to obtain a contract and costs to fulfil a contract totalled £6.2 million (2024: £2.1 million). An impairment of £nil was recorded in relation to costs to obtain a contract or costs to fulfil a contract (2024: £nil).

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

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

	Contract assets £m
1 April 2024 (Restated)	260.9
Transfers from contract assets recognised at the beginning of the year to trade receivables	(228.8)
Increase due to work done not transferred from contract assets	300.5
Exchange adjustment	(2.9)
31 March 2025	329.7
1 April 2023	322.5
Transfers from contract assets recognised at the beginning of the year to receivables	(279.3)
Increase due to work done not transferred from contract assets (Restated)	221.1
Exchange adjustment	(3.4)
31 March 2024 (Restated)	260.9

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

16. Trade and other receivables and contract assets (continued)

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.

17. Cash and cash equivalents

Group cash and cash equivalents consist of cash at bank and cash in hand, together with short-term deposits with an original maturity of three months or less and money market funds. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are treated as cash equivalents for the purpose of the cash flow statement. In the statement of financial position such overdrafts are presented as current bank and other borrowings.

Cash and cash equivalents are classified as financial assets held at amortised cost and bank overdrafts are classified as financial liabilities held at amortised cost.

	31 March 2025 £m	31 March 2024 £m
Cash at bank and in hand	167.9	218.4
Short-term bank deposits	478.7	352.2
	646.6	570.6

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

Currency	31 March 2025		31 March 2024	
	Total £m	Floating rate £m	Total £m	Floating rate £m
Sterling	420.6	420.6	341.0	341.0
Euro	4.8	4.8	35.4	35.4
US Dollar	14.0	14.0	18.7	18.7
South African Rand	43.5	43.5	25.9	25.9
Canadian Dollar	63.7	63.7	64.1	64.1
Omani Rial	1.1	1.1	3.8	3.8
Australian Dollar	65.9	65.9	56.3	56.3
Norwegian Krone	2.4	2.4	0.5	0.5
Swedish Krona	5.0	5.0	1.7	1.7
New Zealand Dollar	12.4	12.4	15.2	15.2
Other currencies	13.2	13.2	8.0	8.0
	646.6	646.6	570.6	570.6

Expected credit losses of cash and cash equivalents is £nil (2024: £nil). Included within cash and cash equivalents is £56.4 million (2024: £63.5 million) which is subject to statutory, contractual or regulatory restrictions which limit the ways in which these balances can be utilised.

Notes to the Group financial statements (continued)

18. Trade and other payables and contract liabilities

Trade and other creditors are measured at amortised cost.

	2025 £m	2024 £m - Restated
Current liabilities		
Contract liabilities	759.4	685.3
Trade creditors	229.2	314.3
Amounts due to related parties (note 31)	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.

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

	Contract liabilities £m
1 April 2024 (Restated)	685.3
Revenue recognised that was included in the contract liability balance at the beginning of the year	(552.3)
Cash advanced	631.0
Exchange adjustment	(4.6)
31 March 2025	759.4
1 April 2023	616.4
Revenue recognised that was included in the contract liability balance at the beginning of the year	(540.8)
Cash advanced (Restated)	613.4
Exchange adjustment	(3.7)
31 March 2024 (Restated)	685.3

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 16.

19. 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.

The Group's overdraft totalled £0.1 million at 31 March 2025 (2024: £18.0 million). The Group holds one overdraft facility of 50m which is otherwise undrawn as at 31 March 2025.

The Group has £2.5 million (2024: £2.8 million) of secured debt in the Land operating segment that is secured against a property owned by the Group and £4.3 million (2024: £4.2 million) of debt that is secured against contracts with customers, which will cede to the bank in the event of default.

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

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

Repayment details

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

	31 March 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

Notes to the Group financial statements (continued)

19. Bank and other borrowings (continued)

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

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

Currency	31 March 2025			31 March 2024		
	Total £m	Floating rate £m	Fixed rate £m	Total £m	Floating rate £m	Fixed rate £m
Sterling	394.6	–	394.6	415.0	7.8	407.2
Euro*	500.4	93.9	406.5	514.4	99.1	415.3
US Dollar	46.6	–	46.6	7.3	–	7.3
South African Rand	8.4	4.2	4.2	8.9	4.2	4.7
Canadian Dollar	3.3	–	3.3	4.8	–	4.8
Australian Dollar	71.1	–	71.1	44.0	–	44.0
New Zealand Dollar	1.2	–	1.2	1.4	–	1.4
South Korean Won	0.2	–	0.2	0.5	–	0.5
Other	0.1	–	0.1	1.7	–	1.7
	1,025.9	98.1	927.8	998.0	111.1	886.9

* €550 million (2024: €550 million) has been swapped into Sterling, with €140.0 million equivalent (2024: €140.0 million equivalent) into floating rates and €410.0 million equivalent (2024: €410.0 million equivalent) into fixed rates. This is included in the Euro amount above. The split above includes the impact of hedging.

The weighted average interest rate of Sterling fixed rate borrowings is 1.9% (2024: 1.9%). The weighted average period for which these interest rates are fixed is 1.5 years (2024: 2.5 years).

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

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

	31 March 2025 %	31 March 2024 %
UK bank overdraft	N/A	6.4
8-year Eurobond September 2027 – fixed	2.9	2.9
8-year Eurobond September 2027 – floating	6.7	6.9
£300 million bond 2026	1.9	1.9
Other borrowings	5.6 – 10.0	5.6 – 11.1
Leases obligations	3.3 – 14.6	2.2 – 11.8

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

20. Provisions for other liabilities, including other employee benefits

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

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

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. Onerous contract provisions are recognised after impairment of any assets directly related to the onerous contract. A provision for warranties is recognised on completed contracts and disposals when there is a realistic expectation of the Group incurring further costs.

20. Provisions for other liabilities, including other employee benefits *(continued)*

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

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

	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.

¹ Immaterial amounts related to employee benefits were reclassified from provisions to current and non-current accruals during the prior period.

Included within employee related and business reorganisation 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.

Notes to the Group financial statements (continued)

21. Financial instruments and fair value measurement

Financial assets and liabilities at amortised cost

Cash and cash equivalents, trade receivables (except trade receivables under factoring arrangements), amounts due from related parties and other debtors are classified as financial assets held at amortised cost as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

Trade receivables, contract assets and lease receivables include a provision for expected credit losses. The Group measures the provision at an amount equal to lifetime expected credit losses, estimated by reference to past experience and relevant forward-looking factors. For all other financial assets carried at amortised cost, including loans to joint ventures and associates and other debtors, the Group measures the provision at an amount equal to 12-month expected credit losses. See note 22 for further information on how the Group assesses credit risk.

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

Derivative financial instruments

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

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. For derivatives that qualify as cash flow hedges, the effective portion of fair value gains or losses are recognised in other comprehensive income until the underlying transaction is recognised. Any ineffective portion is recognised in the income statement. Changes in the value of derivatives that are carried at fair value through profit or loss are recorded in the income statement.

Fair value measurement

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

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

The carrying values of financial assets and liabilities which are not held at fair value in the Group statement of financial position are assumed to approximate to fair value due to their short-term nature, with the exception of fixed rate bonds.

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

21. Financial instruments and fair value measurement *(continued)*

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

31 March 2025 (£m)	Financial assets at fair value	Financial assets at amortised cost	Financial liabilities at fair value	Financial liabilities at amortised cost	Total carrying amount	Fair value
Non-current financial assets						
Loans to joint ventures and associates	–	3.6	–	–	3.6	3.6
Trade and other receivables*	2.4	5.7	–	–	8.1	8.1
Financial assets	–	4.2	–	–	4.2	4.2
Derivatives	5.1	–	–	–	5.1	5.1
Lease receivables	–	26.2	–	–	26.2	26.2
Current financial assets						
Trade and other receivables*	–	317.1	–	–	317.1	317.1
Financial assets	–	1.2	–	–	1.2	1.2
Lease receivables	–	18.4	–	–	18.4	18.4
Derivatives	9.3	–	–	–	9.3	9.3
Cash and cash equivalents	–	646.6	–	–	646.6	646.6
Non-current financial liabilities						
Bank and other borrowings	–	–	–	(750.7)	(750.7)	(721.8)
Derivatives	–	–	(44.8)	–	(44.8)	(44.8)
Current financial liabilities						
Bank and other borrowings	–	–	–	(0.6)	(0.6)	(0.6)
Trade and other payables*	–	–	–	(830.6)	(830.6)	(830.6)
Derivatives	–	–	(9.1)	–	(9.1)	(9.1)
Net financial assets / (financial liabilities)	16.8	1,023.0	(53.9)	(1,581.9)	(596.0)	(567.1)

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

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

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

Notes to the Group financial statements (continued)

21. Financial instruments and fair value measurement (continued)

The fair value hierarchy is as follows:

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

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

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

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

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

Derivative financial instruments and hedging activities

The Group enters into forward foreign currency contracts and cross-currency interest rate swaps to hedge the currency exposures that arise on sales, purchases, deposits, borrowings and leasing arrangements denominated in foreign currencies as the transactions occur. Where derivatives do not meet the hedge accounting criteria, they are accounted for at fair value through profit or loss. Derivatives not designated in hedge relationships have a net fair value asset of £3.5 million (2024: net liability of £6.8 million), of which £2.1 million (2024: £6.7 million) were economically hedging £1.1 billion (2024 restated – see note 22: £0.8 billion) denominated in foreign currencies purchases and sales, £0.8 million (2024: £0.1 million) was economically hedging interest rates on borrowings (see also note 22) and £0.6 million (2024: £nil) was economically hedging interest rates on invoice discounting facilities. The Group's policy regarding classification of derivatives is set out in note 1. The full fair value of hedging derivatives is classified as a non-current asset or liability where the remaining maturity of the hedged item is more than 12 months. It is classified as a current asset or liability where the remaining maturity of the hedged item is less than 12 months.

Cash flow hedges

The Group uses cross-currency swap contracts to hedge the foreign currency risk on debt issued by the Group. These are formally designated in cash flow hedge relationships and hedge ineffectiveness is recognised immediately in the income statement. The fair value of cash flow hedges at 31 March 2025 was a net liability of £11.6 million (2024: £11.1 million). Further detail is given in note 22.

Fair value hedges

The Group maintains cross-currency interest rate swap contracts as fair value hedges of the interest rate and currency risk on fixed-rate debt issued by the Group. These derivative contracts receive a fixed rate of interest and pay a variable rate of interest. These are formally designated in fair value hedging relationships and are used to hedge the exposure to changes in the fair value of debt which has been issued by the Group at fixed rates. The fair value of such hedges at 31 March 2025 was a liability of £31.4 million (2024: £36.3 million). Further detail is given in note 22.

22. Financial risk management

Interest rate risk

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

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

Objective	To manage exposure to interest rate fluctuations on borrowings by varying the proportion of fixed rate debt relative to floating rate debt to reflect the underlying nature of its commitments and obligations. As a result, the Group does not maintain a specific set proportion of fixed versus floating debt, but monitors the mix to ensure that it is compatible with its business requirements and capital structure.
Policy	The Group's interest rate management policy is to monitor the mix of fixed versus floating interest rate debt to ensure that it is compatible with its business requirements and capital structure.
Risk management	The Group manages interest rate risk through the maintenance of a mixture of fixed and floating rate debt and interest rate swaps, each being reviewed on a regular basis to ensure the appropriate mix is maintained.
Performance	As at 31 March 2024, the Group had 90% fixed rate debt (2024: 89%) and 10% floating rate debt (2024: 11%) based on gross debt, including lease liabilities, of £1,025.9 million (2024: £998.0 million).

22. Financial risk management (continued)

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

	31 March 2025			31 March 2024		
	Less than one year £m	Between one and two years £m	Greater than two years £m	Less than one year £m	Between one and two years £m	Greater than two years £m
Cash and cash equivalents	646.6	–	–	570.6	–	–
Bank and other borrowings	47.8	339.2	638.9	65.0	38.8	894.2

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

	Year ended 31 March 2025		Year ended 31 March 2024	
	Change in interest rate	Effect on profit before tax £m	Change in interest rate	Effect on profit before tax £m
GBP	3.0%	2.8	3.0%	3.4

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

	Year ended 31 March 2025			Year ended 31 March 2024 – restated		
	Notional principal amount	Carrying amount of hedging instrument	Change in fair value of hedging instrument used for calculating hedge ineffectiveness	Notional principal amount	Carrying amount of hedging instrument	Change in fair value of hedging instrument used for calculating hedge ineffectiveness
Hedging instruments (£m)						
Cross currency interest rate swap ¹	246.7	(31.4)	5.3	246.7	(36.7)	5.9

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

	Year ended 31 March 2025				Year ended 31 March 2024			
	Carrying amount of hedged item	Accumulated fair value adjustments	Change in fair value used for calculating ineffectiveness	Amount of ineffectiveness recognised in the income statement	Carrying amount of hedged item	Accumulated fair value adjustments	Change in fair value used for calculating ineffectiveness	Amount of ineffectiveness recognised in the income statement
Hedged item (£m)								
Debt	230.3	12.7	(4.7)	(0.5)	235.1	22.3	(8.2)	(7.1)

Ineffectiveness is included in the income statement in finance costs.

Notes to the Group financial statements (continued)

22. Financial risk management (continued)

Liquidity risk

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

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

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

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

	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m	Total £m
At 31 March 2025					
Bank and other borrowings – repayment of overdraft and loan principal	0.6	299.8	453.0	–	753.4
Bank and other borrowings – interest payments	12.5	9.7	3.4	–	25.6
Derivatives cash outflows settled gross	590.7	274.5	897.2	8.4	1,770.8
Undiscounted lease payments	55.5	53.7	106.0	130.0	345.2
At 31 March 2024					
Bank and other borrowings – repayment of overdraft and loan principal (restated ¹)	22.5	0.6	749.9	–	773.0
Bank and other borrowings – interest payments (restated ¹)	12.2	12.2	12.6	–	37.0
Derivatives cash outflows settled gross (restated ²)	372.0	258.6	586.4	6.4	1,223.4
Undiscounted lease payments	49.3	46.1	90.7	85.3	271.4

1. 'Bank and other borrowings – interest payments' between 2 and 5 years has been restated to remove £24.1 million of additional interest payments incorrectly calculated in the prior year based on incorrect application of loan term expiry.

2. 'Derivatives cash outflows settled gross' has been restated as a result of errors in the derivative data from which the prior year figure was calculated.

The impact of discounting for lease payments is £53.7 million (2024: £40.9 million) resulting in lease liabilities of £274.6 million (2024: £230.5 million). Other financial liabilities not included in the table above such as trade and other payables are all expected to be settled within one year.

22. Financial risk management *(continued)*

Currency risk

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

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

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

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

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

	Year ended 31 March 2025							
	Nominal amount	Carrying value	Maturity	Hedged rate	Change in fair value used for calculating hedge effectiveness	Change in fair value recognised in other comprehensive income	Amount reclassified from cash flow hedge reserve to finance cost	Ineffectiveness recognised in profit and loss (finance cost)
Hedging instruments (£m)								
Hedge instrument: Cross currency swap	€275m	(£11.6)	13/09/27	1.115	1.9	(1.9)	4.8	–
Hedged item: EUR-denominated debt	€275m	N/A	13/09/27	N/A	(4.8)	N/A	N/A	N/A

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

Notes to the Group financial statements (continued)

22. Financial risk management (continued)

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

	Year ended 31 March 2025			Year ended 31 March 2024		
	Change in foreign currency rate	Effect on profit before tax £m	Effect on other components of equity £m	Change in foreign currency rate	Effect on profit before tax £m	Effect on other components of equity £m
EUR *	5%	(1.0)	(1.0)	5%	(0.6)	(0.6)
ZAR	5%	(1.6)	(1.6)	5%	(1.5)	(1.5)
AUD	5%	(0.3)	(0.3)	5%	(0.5)	(0.5)
CAD	5%	(0.7)	(0.7)	5%	(0.6)	(0.6)

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

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

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

Credit risk

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

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

Objective	The Group's objective is to ensure that the Group continues to operate with an acceptable level of credit risk, based on management's judgement, associated with its operating activities, such as customer trade receivables, and financial activities, including cash deposits and financial instruments.
Policy	The Group's policy is to manage credit risk by setting and reviewing appropriate credit limits for non-government commercial customers, being the Group's main exposure to credit risk. With regards to financial institutions, credit limits will be set according to the respective financial institution's credit rating. Counterparty bank credit risk is closely monitored on a systematic and ongoing basis.
Risk management	Credit risk management includes performing credit checks on non-government commercial customers and setting and only performing financial transactions with approved investment grade counterparties.
Performance	Expected credit loss on trade receivable portfolio/provisions of £8.4 million (2024: £8.5 million). The carrying amount of the Group's financial assets represents the maximum exposure to credit risk.

Cash and cash equivalents and derivative financial instruments

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

The Group's counterparty credit rating is as follows:

	31 March 2025	31 March 2024
AA- or higher	14.8%	13.2%
A+ to A-	77.4%	76.9%
BBB+ to BB-	7.8%	9.9%

22. Financial risk management (continued)

Trade receivables

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

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

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

	2025 £m	2024 £m
Balance at 1 April	(8.5)	(7.3)
Charged to the income statement	(1.0)	(1.9)
Unused amounts reversed	0.3	0.4
Disposal of businesses	0.6	–
Receivables written off as uncollectable	0.1	–
Exchange differences	0.1	0.3
Balance at 31 March	(8.4)	(8.5)

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

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

	Year ended 31 March 2025			Year ended 31 March 2024		
	Gross £m	Provision £m	Net £m	Gross £m	Provision £m	Net £m
Not past due	250.0	–	250.0	241.5	–	241.5
Up to 90 days overdue	29.6	(0.3)	29.3	15.0	(0.1)	14.9
Past 90 days overdue	23.8	(8.1)	15.7	9.9	(8.4)	1.5
	303.4	(8.4)	295.0	266.4	(8.5)	257.9

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

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

Notes to the Group financial statements (continued)

22. Financial risk management (continued)

Offsetting financial assets and liabilities

	Year ended 31 March 2025			Year ended 31 March 2024		
	Balance sheet £m	Amounts not offset ¹ £m	Net balances £m	Balance sheet £m	Amounts not offset ¹ £m	Net balances £m
Assets						
Cash and cash equivalents	646.6	(0.1)	646.5	570.6	(18.0)	552.6
Derivatives	14.4	(14.4)	–	7.2	(7.2)	–
Liabilities						
Bank and other borrowings	(0.1)	0.1	–	(18.0)	18.0	–
Derivatives	(53.9)	14.4	(39.5)	(61.4)	7.2	(54.2)

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

Capital risk

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

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

Objective	The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, and to provide returns for shareholders and other stakeholder benefits.
Policy	The Group's policy is to protect and strengthen the Group statement of financial position through the appropriate balance of debt and equity funding.
Risk management	The Group manages its capital structure and makes adjustments in response to changes to economic conditions and the strategic objectives of the Group. The Group raises finance in the public debt market from financial institutions, using a variety of capital market instruments and borrowing facilities.
Performance	No new facilities have been entered into in the current or prior period nor have any facilities been withdrawn or removed.

23. Share capital

	Ordinary shares of 60p Number	Total £m
Allotted, issued and fully paid		
At 1 April 2024 and 31 March 2025	505,596,597	303.4
Allotted, issued and fully paid		
At 1 April 2023 and 31 March 2024	505,596,597	303.4

Potential issues of ordinary shares

The table below shows conditional share awards existing over the Company's shares as at 31 March 2025 that are capable of being met on exercise or vesting by the issue of new shares. They represent outstanding awards granted under the Company's executive share plans. The awards were granted directly by the Company and satisfied by the Trustees of the Babcock Employee Share Trust (BEST) – a total of 11,624,363 shares (2024: 12,490,853 shares). The Company decides from time to time whether to satisfy the awards by way of a fresh issue of shares (either to the award holder or to the employee share trust) or by way of financing the employee share trusts to purchase already issued shares in the market. This decision is made according to available headroom within the dilution limits contained in the relevant share plan rules and what the Directors consider to be in the best interest of the Company at the time.

Grant date	Type	Exercise period	2025 Number	2024 Number
13 August 2020	DBP ²	13/08/2023 – 13/08/2024	–	27,026
1 December 2020	PSP ¹	01/12/2025 – 01/12/2026	318,585	1,197,393
1 December 2020	PSP ¹	01/12/2023 – 01/12/2024	9,089	532,695
24 August 2021	PSP ¹	24/08/2026 – 24/08/2027	–	769,165
24 September 2021	DBP ²	24/09/2024 – 24/09/2025	–	45,312
24 September 2021	PSP ¹	24/09/2024 – 24/09/2025	224,829	1,290,265
24 September 2021	PSP ¹	24/09/2026 – 24/09/2027	80,948	515,803
1 August 2022	DBP ²	01/08/2025 – 01/08/2026	218,895	218,895
1 August 2022	PSP ¹	01/08/2025 – 01/08/2026	1,841,596	2,007,994
1 August 2022	PSP ¹	01/08/2027 – 01/08/2028	1,328,136	1,328,136
1 August 2023	PSP ¹	01/08/2026 – 01/08/2027	2,032,234	2,353,826
1 August 2023	DBP ²	01/08/2026 – 01/08/2027	129,095	129,095
1 August 2023	DBP ³	01/08/2024 – 01/08/2025	27,212	179,247
1 August 2023	PSP ¹	01/08/2028 – 01/08/2029	598,677	694,057
29 September 2023	PSP ¹	29/09/2028 – 29/09/2029	900,607	900,607
15 December 2023	PSP ¹	15/12/2025 – 15/12/2026	42,077	42,077
15 December 2023	PSP ¹	15/12/2026 – 15/12/2027	121,460	127,553
15 December 2023	PSP ¹	15/12/2028 – 15/12/2029	54,183	131,707
1 August 2024	DBP ²	01/08/2027 – 01/08/2028	93,254	–
1 August 2024	DBP ³	01/08/2025 – 01/08/2026	142,343	–
1 August 2024	PSP ¹	02/12/2027 – 02/12/2028	3,364,295	–
1 August 2024	PSP ¹	02/12/2027 – 02/12/2030	15,634	–
2 December 2024	PSP ¹	02/12/2025 – 02/12/2026	4,860	–
2 December 2024	PSP ¹	02/12/2026 – 02/12/2027	14,582	–
2 December 2024	PSP ¹	02/12/2027 – 02/12/2028	61,772	–
			11,624,363	12,490,853

Options granted to Directors are summarised in the Remuneration report on pages 150 to 153 and are included in the outstanding options set out above.

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

Notes to the Group financial statements (continued)

23. Share capital (continued)

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

	31 March 2025		31 March 2024	
	Shares newly issued by the Company	Shares bought in the market	Shares newly issued by the Company	Shares bought in the market
BEST	–	1,196,571	–	1,872,433
Total	–	1,196,571	–	1,872,433

A reconciliation of PSP and DBP movements is shown below:

	31 March 2025	31 March 2024
	Number '000	Number '000
Outstanding at 1 April	12,491	10,347
Granted	4,095	4,742
Exercised	(3,917)	(1,947)
Forfeited/lapsed	(1,045)	(651)
Outstanding at 31 March	11,624	12,491
Exercisable at 31 March	261	27

The weighted average share price for awards exercised during the year was 514.8p per share (2024: 406.2p per share).

The weighted average fair value of awards granted in the year was 497.1p per share (2024: 362.6p per share)

During the year 3,267,012 ordinary shares (2024: 3,721,467 ordinary shares) were acquired or subscribed for through the Babcock Employee Share Trust ('the Trust'). The Trust holds shares to be used towards satisfying awards made under the Company's employee share schemes. During the year ended 31 March 2025, 3,942,874 shares (2024: 1,918,551 shares) were disposed of by the Trust resulting from options exercised. At 31 March 2025, the Trust held a total of 1,196,571 ordinary shares (2024: 1,872,433 ordinary shares). Shares held by the trust have a nominal value of £717,943 (2024: £1,123,460) and a total market value of £8,663,174 (2024: £9,736,652) representing 0.24% (2024: 0.4%) of the issued share capital at that date. The Company did not pay dividends to the Trust during the year. The Company meets the operating expenses of the Trust.

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

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

24. Share-based payments

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

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

For awards which are subject to performance conditions, the charge to the income statement has been based on the assumptions below and is based on the application of Black Scholes model or on the binomial model as adjusted, allowing for a closed form numerical-integrated solution, which makes it analogous to the Monte Carlo simulations, including performance conditions as deemed necessary. The detailed description of the plans below is included within the Remuneration report. For other awards not subject to performance conditions, the charge is based on the share price on grant issue or modification date.

During the year the total charge relating to employee share-based payment plans was £14.3 million (2024: £12.4 million), all of which related to equity-settled share-based payment transactions.

After tax, the income statement charge was £10.7 million (2024: £9.6 million).

24. Share-based payments (continued)

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

PSP and DBP¹

	Options awarded Number	Share price at grant or modification date Pence	Expected volatility %	Option life Years	Expectations of meeting performance criteria – non-market conditions %	Fair value per option – TSR Pence	Fair value per option – non-market conditions Pence	Correlation %	Grant or modification date
2024 DBP	93,254	523	–	4.0	100.0%	–	523	–	01/08/24
2024 DBP	162,444	523	–	2.0	100.0%	–	523	–	01/08/24
2024 PSP	1,799,822	523	–	4.0	100.0%	–	523	–	01/08/24
2024 PSP	1,887,244	523	31.5%	4.0	100.0%	–	470	–	01/08/24
2024 PSP	70,742	523	31.5%	6.0	100.0%	–	470	–	01/08/24
2024 PSP	61,772	510	–	4.0	100.0%	–	510	–	02/12/24
2024 PSP	4,860	510	–	2.0	100.0%	–	510	–	02/12/24
2024 PSP	14,582	510	–	3.0	100.0%	–	510	–	02/12/24
2023 PSP	1,259,675	371	32.6%	4.0	100.0%	–	334	–	01/08/23
2023 PSP	1,234,901	371	–	4.0	100.0%	–	371	–	01/08/23
2023 PSP	737,280	371	32.6%	6.0	100.0%	–	334	–	01/08/23
2023 PSP	78,571	413	32.0%	6.0	100.0%	–	372	–	29/09/23
2023 PSP	822,036	413	–	6.0	100.0%	–	413	–	29/09/23
2023 PSP	42,077	385	–	3.0	100.0%	–	385	–	15/12/23
2023 PSP	127,553	385	–	4.0	100.0%	–	385	–	15/12/23
2023 PSP	131,707	385	32.0%	6.0	100.0%	–	347	–	15/12/23
2023 DBP	129,095	371	–	4.0	100.0%	–	371	–	01/08/23
2023 DBP	179,247	371	–	2.0	100.0%	–	371	–	01/08/23
2022 PSP	2,302,009	351	19.0%	4.0	100.0%	–	351	–	01/08/22
2022 PSP	613,078	351	19.0%	6.0	100.0%	–	316	–	01/08/22
2022 PSP	806,511	351	19.0%	6.0	100.0%	169	316	55.0%	01/08/22
2022 DBP	218,895	351	19.0%	4.0	100.0%	–	351	–	01/08/22
2022 DBP	551,420	351	19.0%	2.0	100.0%	–	351	–	01/08/22
2021 PSP	769,165	372	19.0%	6.0	100.0%	149	316	55.0%	24/08/21
2021 PSP	626,704	380	19.0%	6.0	100.0%	–	325	–	24/09/21
2021 PSP	1,780,849	380	19.0%	4.0	100.0%	–	380	–	24/09/21
2021 DBP	45,312	380	19.0%	4.0	100.0%	–	380	–	24/09/21
2020 PSP	695,458	350	19.0%	6.0	100.0%	–	305	–	01/12/20
2020 PSP	2,091,247	350	19.0%	4.0	100.0%	–	350	–	01/12/20
2020 PSP	1,341,477	350	19.0%	6.0	100.0%	138	305	55.0%	01/12/20
2020 DBP	118,320	289	19.0%	4.0	100.0%	–	289	–	03/08/20
2020 DBP	192,096	284	19.0%	4.0	100.0%	–	284	–	13/08/20

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

All awards have an exercise price of £nil and as such the weighted average exercise price for shares granted, exercised, forfeited and outstanding are all £nil.

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

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

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

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

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

Notes to the Group financial statements (continued)

24. Share-based payments (continued)

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

For PSP awards made in August to December 2024, 1,881,036 were made via the use of restricted shares with a three-year to five year vesting period. There are no performance conditions attached. A further 1,957,986 awards were made where the performance criteria is 30% against free cash flow, 30% underlying operating margin, 25% organic revenue growth and 15% ESG.

There are no performance conditions attached to the DBP.

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

The Group also operates the Babcock Employee Share Plan which allows employees to contribute up to £150 per month to the fund, which then purchases shares on the open market on the employees' behalf. The Group provides matching shares, purchased on the open market, of one share for every 10 purchased by the employee. During the year the Group bought 92,641 matching shares (2024: 116,711 matching shares) at a cost of £0.5 million (2024: £0.4 million).

The Group also operates the Babcock Employee Share Plan International which reflects the structure of the UK Plan. During the year no matching shares were purchased on the open market (2024: no matching shares) and 1,182 matching shares vested (2024: 2,192 matching shares) leaving a balance of 2,544 matching shares (2024: 3,726 matching shares).

25. Retirement benefits and liabilities

The Group operates a number of pension schemes. The schemes are generally funded through payments to trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity.

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

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

Defined contribution schemes

Pension costs for defined contribution schemes are as follows:

	Year ended 31 March 2025 £m	Year ended 31 March 2024 £m
Defined contribution schemes	101.6	110.7

Defined benefit schemes

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

	31 March 2025 £m	31 March 2024 £m
Retirement benefits – funds in surplus	98.8	107.3
Retirement benefits – funds in deficit	(107.2)	(217.0)
	(8.4)	(109.7)

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.

25. Retirement benefits and liabilities *(continued)*

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 ceased 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.

Defined benefit scheme risks

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

Risk	Mitigation
Asset volatility – discount rates (determined with reference to AA corporate bond yields) are used to determine expected returns on plan assets. Asset yields which vary from this expected return will result in an increase or decrease in the overall surplus/deficit.	Pension scheme assets are held in a diversified portfolio of assets in order to minimize risk arising from asset return volatility. Investments are well diversified, such that failure of any singular investment would not have a material impact on the overall level of assets. The asset investment strategy is agreed following consultation between the Group and the plan Trustees. The Group and the plan Trustees monitor the schemes closely – especially during periods of significant turmoil and will maintain a diversified investment strategy intended to minimize asset volatility.
Inflation – the majority of pension scheme obligations are index-linked and therefore exposed to inflation risk. Increasing inflation will lead to higher liabilities. Inflation assumptions as applied to pension obligations are a long-term assessment of inflation over the life of the scheme.	The plan Trustees asset management policy includes investing in inflation hedging assets such as inflation linked bonds to mitigate this risk.
Life expectancy – the majority of obligations are to provide benefits for the life of the member and therefore changes in life expectancy of the scheme participants will impact the liability position.	The Group monitors the risk of increasing life expectancy and will, from time to time, take out longevity swaps to mitigate this risk – the most recent of which was in 2009.
Interest rate – movements in corporate bond yields will result in a change to the plan liabilities. Similarly, movements in gilt yields in isolation will have an impact on the schemes funding positions.	The trustee's asset management policy includes investing in bonds and therefore any impact on change in bond yields on the plan liabilities is partially offset by returns on assets. The asset portfolio invests in assets which increase in value as interest rates decrease and thus the schemes holdings are designed to hedge against interest rate risk for most of the funded liabilities.
Salary increases – changes in long-term salary increases will impact the final salary position on which pension benefits are determined.	In 2019, the Group closed the Babcock International Group Pension Scheme to future accrual for some employees but they retained the salary link to their accrued benefits at that time. Subsequently, in September 2024, the salary link was broken following the scheme closure. The Devonport Royal Dockyard Pension Scheme was closed to future accrual for all members with effect from 30 November 2024, with some members opting to break the salary link in return for a cash sum. The Rosyth Royal Dockyard Pension Scheme was closed to future accrual and salary link broken for all employees in 2020.

Notes to the Group financial statements (continued)

25. Retirement benefits and liabilities (continued)

The defined benefit schemes are prudently funded by payments to legally separate trustee-administered funds. The trustees of each scheme are required by law to act in the best interests of each scheme's members. In addition to determining future contribution requirements (with the agreement of the Group), the trustees are responsible for setting the schemes' investment strategy (subject to consultation with the Group). All the schemes have at least one independent trustee and member nominated trustees. The schemes are subject to regulation under the funding regime set out in Part III of the Pensions Act 2004. The details of the latest formal actuarial valuation of the scheme are as follows (the actuarial valuations of the Devonport Royal Dockyard Scheme as at 31 March 2023 and Rosyth Royal Dockyard Scheme as at 31 March 2024 have been completed, while the actuarial valuation of the Babcock International Group Scheme as at 31 March 2025 has commenced):

	Devonport Royal Dockyard Scheme	Babcock International Group Scheme	Rosyth Royal Dockyard Scheme	Babcock Rail Ltd section of the Railways Pension Scheme
Date of last formal completed actuarial valuation	31/03/2023	31/03/2022	31/03/2024	31/12/2022
Number of active members at above date	1,181	308	–	131
Actuarial valuation method	Projected unit	Projected unit	Projected unit	Attained age
Results of formal actuarial valuation:				
Value of assets	£1,330m	£1,529m	£653m	£262m
Level of funding	92%	105%	89%	100%

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

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

	Devonport Royal Dockyard Scheme	Babcock International Group Scheme	Rosyth Royal Dockyard Scheme	Babcock Rail Ltd section of the Railways Pension Scheme	Other	Total
Future service contribution rate	–	–	–	7.68%	–	–
Future service cash contributions	–	–	–	£0.2m	£5.2m	£5.4m
Deficit contributions	£12.7m	–	£4.5m	–	£1.6m	£18.8m
Additional longevity swap payments	£1.8m	–	–	–	–	£1.8m
Expected employer cash costs for 2025/26	£14.5m	–	£4.5m	£0.2m	£6.8m	£26.0m
Expected salary sacrifice contributions	–	–	–	£0.1m	£1.1m	£1.2m
Expected total employer contributions	£14.5m	–	£4.5m	£0.3m	£7.9m	£27.2m

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

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

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

25. Retirement benefits and liabilities *(continued)*

Virgin Media Case

The Group is aware of the 'Virgin Media v NTL Pension Trustees Ltd and others' case and that there is a potential for it to have an impact on the Group's UK pension schemes. The case affects defined benefit schemes that provided contracted-out benefits before 6 April 2016 based on meeting the reference scheme test. Where scheme rules were amended prior to 6 April 2016, potentially impacting benefits accrued from 6 April 1997 to 6 April 2016, schemes needed the actuary to confirm that the reference scheme test was still being met by providing written confirmation for the purposes of Section 37 of the Pension Schemes Act 1993. In the Virgin Media case the High Court ruled that alterations to the scheme rules were void and ineffective because of the absence of written actuarial confirmation required under Section 37 of the Pension Schemes Act 1993. The case was appealed and, in a judgment delivered in July 2024, the Court of Appeal upheld the High Court's decision. However, the Group is aware that there is continued uncertainty on various points of detail that were not explored in the Virgin Media case and that a further case was heard in 2025 (judgment for which has not yet been delivered) which may give guidance on issues connected with the Virgin Media case. In addition, on 5 June 2025 the DWP issued a statement confirming that the Government will introduce legislation to give affected pension schemes the ability to retrospectively obtain written actuarial confirmation that historic benefit changes met the necessary standards.

Prior to this Government announcement, the Group and the trustees of its defined benefit pension schemes had taken initial advice on the implications of this for the Group's defined benefit pension schemes. For one scheme we received confirmation that there is no evidence to conclude that pension scheme liabilities have been understated as a result of non-compliance with section 37 of the Pension Schemes Act 1993 during the relevant period. For the others, there is a process to identify areas that may require further investigation, depending on developing case law and the introduction of legislation on this point. The potential impact on the Group is therefore not yet known and continues to be assessed.

The latest full actuarial valuations of the Group's defined benefit pension schemes have been updated to 31 March 2025 by independent qualified actuaries for IAS 19 purposes, on a best estimate basis, using the following assumptions:

	Devonport Royal Dockyard Scheme	Babcock International Group Scheme	Rosyth Royal Dockyard Scheme	Babcock Rail Ltd section of the Railways Pension Scheme
March 2025				
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

Notes to the Group financial statements (continued)

25. Retirement benefits and liabilities (continued)

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

	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 (restated)	83%	–	33%	74%	76%	–	71%	70%
Percentage of assets unquoted (restated)	17%	100%	67%	26%	24%	100%	29%	30%
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)

* The matching assets for the Babcock International Group Pension Scheme, Devonport Royal Dockyard Pension Scheme and Rosyth Royal Dockyard Pension Scheme primarily comprise a "Liability Driven Investment" portfolio for each scheme, which invest in gilts, Network Rail bonds, gilt repurchase agreements, interest rate and inflation swaps, asset swaps and cash, on a segregated basis. For the Babcock International Group Pension Scheme and the Devonport Royal Dockyard Pension Scheme, there are also investments in investment grade credit, via both segregated portfolios and pooled investment vehicles. The various segregated portfolios and pooled investment vehicle each utilise derivative contracts. The Trustee has authorised the use of derivatives by the investment managers for efficient portfolio management purposes including to reduce certain investment risks such as interest rate risk and inflation risk. The principal investment in derivatives is gilt repurchase agreements, interest rate and inflation swaps in the matching portfolios; total return swaps in the return seeking portfolios. These derivatives are included within the matching assets and equities classifications. The matching assets category includes gross assets of £2,605 million (2024: £2,326 million) and associated repurchase agreement liabilities of £1,092 million (2024: £903 million). Repurchase agreements are entered into with counterparties to better offset the scheme's exposures to interest and inflation rates, whilst remaining invested in assets of a similar risk profile.

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

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

Amounts recorded 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

25. 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)

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)

The movement in net deficits for the year ended 31 March 2025 is as a result of the movement in assets and liabilities shown above. The disclosures below relate to post-retirement benefit schemes which are accounted for as defined benefit schemes in accordance with IAS 19. The changes to the Group statement of financial position at 31 March 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)

Notes to the Group financial statements (continued)

25. Retirement benefits and liabilities (continued)

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

26. Changes in net debt

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

	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)

	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 the disposal transactions described in note 27.

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

Acquisitions

There have been no acquisitions in the year ended 31 March 2025 nor in the prior financial year.

Disposals

During the year the Group disposed of its 70.0% investment in National Training Institute LLC in Oman ('NTI'). The details of the disposal are provided in the table below.

In addition, Airwork Technical Services & Partners LLC ('ATS'), a partly owned subsidiary registered in Oman, entered liquidation proceedings. As a result of the liquidation (combined with the Group only holding a 51.0% interest that limits the ability to further influence or unwind the liquidation process), the Group has concluded that the IFRS 10 criteria regarding control are no longer satisfied and, as such, the entity has been deconsolidated. Details are provided in the table below.

	Year ended 31 March 2025	
	NTI £m	ATS £m
Net assets disposed (excluding cash & goodwill)	0.2	(0.4)
Goodwill disposed	0.5	–
Cash and cash equivalents disposed	0.4	0.8
Recycling of translation reserve	(2.5)	–
Net assets/(liabilities) disposed adjusted for movements in translation reserve	(1.4)	0.4
Cash consideration	0.1	–
Recognition of investment in associate	–	0.4
Gain on disposal	1.5	–
Disposal related items – release of provisions	–	–
Business acquisition, merger and divestment related items	1.5	–

There were no disposals in the prior financial year. During the prior year, the Group settled certain warranty related items and provisions in respect of prior disposals. These resulted in the release and/or utilisation of warranty related provisions. The cash consideration of prior disposals was also revised.

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

28. Transactions with non-controlling interests

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

Notes to the Group financial statements *(continued)*

29. Contingent liabilities

A contingent liability is a possible obligation arising from past events whose existence will be confirmed only on the occurrence or non-occurrence of uncertain future events outside the Group's control, or a present obligation that is not recognised because it is not probable that an outflow of economic benefits will occur or the value of such outflow cannot be measured reliably. The Group does not recognise contingent liabilities in its statement of financial position – such matters are only recognised in the statement of financial position when the obligation rises from possible to probable and the outflow of economic benefits becomes probable and can be measured reliably.

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 if such matters result in charges in excess of those already provided in the financial statements – see notes 7 and 20 for further details of amounts provided.
- 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 certain jurisdictions may extend to compensatory trade agreements, or economic offset rules, where we may have to commit to use local content in delivering programmes of work. Delivery of offset is also subject to interpretations of law and agreement with local authorities, which we monitor closely but may give rise to financial and reputational damage to the Group if not undertaken appropriately.

30. Capital and other financial commitments

Capital commitments

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

Subsidiary audit exemptions

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

Legal entity name	Company number	Legal entity name	Company number
Airwork Limited	00322249	Babcock Marine Limited	02141109
Appledore Shipbuilders (2004) Limited	02052982	Babcock Marine Shipbuilding Limited	14302509
Babcock Airports Limited	03954520	Babcock Mission Critical Services Design and Completions Limited	05035651
Babcock Assessments Limited	02881056	Babcock Mission Critical Services Leasing Limited	04635275
Babcock Company Holdings Limited (previously Babcock IP Management (Number Three) Limited)	15413856	Babcock Mission Critical Services Limited	08010453
Babcock Contractors Limited	04540026	Babcock Mission Critical Services Topco Limited	08338012
Babcock Critical Assets Holdings LLP	OC376675	Babcock Mission Critical Services UK Limited	07527245
Babcock Defence & Security Holdings LLP	OC376674	Babcock MSS Limited	01996548
Babcock Defence and Security Investments Limited	08132272	Babcock Nuclear Limited	05265567
Babcock Defence Systems Limited	02999029	Babcock Overseas Investments Limited	02669327
Babcock Design & Technology Limited	SC173117	Babcock Project Investments Limited	03463927
Babcock DS 2019 Limited	01199791	Babcock Project Services Limited	04539887
Babcock Education & Training Holdings LLP	OC376676	Babcock Services Group Limited	03939840
Babcock Education and Skills Limited	03494815	Babcock Services Limited	10278084
Babcock Education Holdings Limited	08132276	Babcock Southern Careers Limited	03007083
Babcock Fire Services Limited	03707192	Babcock Southern Holdings Limited	01915771
Babcock Group (US Investments) Limited	07445425	Babcock Support Services (Investments) Limited	04393168
Babcock Information Analytics and Security Limited	02275471	Babcock UK Finance	00096730
Babcock Integrated Technology (Korea) Limited	09566389	Babcock Ukraine Limited	15155796
Babcock Integration LLP	OC356460	Babcock US Investments Limited	07422616
Babcock International Support Services Limited	03335786	Bond Aviation Topco Limited	08493398
Babcock Investments (Fire Services) Limited	04380306	Brooke Marine Shipbuilders Limited	02113314
Babcock Investments (Number Four) Limited	05269128	FBM Babcock Marine Holdings (UK) Limited	02530482
Babcock Investments Limited	00165086	FBM Babcock Marine Limited	00828219
Babcock Land Limited	03493110	FBM Marine International (UK) Limited	02530345
Babcock M 2019 Limited	02530351	Flagship Fire Fighting Training Limited	03700728
Babcock Management 2019 Limited	03613756	LGE IP Management Company Limited	SC695940
Babcock Management Limited	00107414	Marine Engineering & Fabrications (Holdings) Limited	03936451
Babcock Marine (Clyde) Limited	SC220243	Marine Engineering & Fabrications Limited	02742584
Babcock Marine (Devonport) Limited	02959785	Peterhouse Group Limited	01517100
Babcock Marine (Rosyth) Limited	SC333105		

Babcock International Group PLC will guarantee all outstanding liabilities that these subsidiaries are subject to as at the financial year ended 31 March 2025 in accordance with section 479C of the Act, as amended by the Companies and Limited Liability Partnerships (Accounts and Audit Exemptions and Change of Accounting Framework) Regulations 2012.

Notes to the Group financial statements (continued)

31. Related party transactions

Related party transactions for the year ended 31 March 2025 are:

2025	2025 Revenue to £m	2025 Purchases from £m	2025 Year-end debtor balance £m	2025 Year-end creditor balance £m
Joint ventures and associates				
Ascent Flight Training (Management) Limited	2.8	–	1.2	–
Rotary Wing Training Limited	6.5	–	0.5	–
Fixed Wing Training Limited	5.3	–	0.5	–
Advanced Jet Training Limited	3.3	–	–	–
Rear Crew Training Limited	1.2	–	0.1	–
AirTanker Services Limited	12.1	–	0.1	–
Alert Communications Limited	–	–	0.5	–
Alkali Metal Processing Limited	1.7	(4.9)	0.4	(3.3)
	32.9	(4.9)	3.3	(3.3)

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

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

b. Loans to Joint Ventures and Associates are set out in note 14.

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

d. Key management compensation is shown in note 6.

e. Transactions in employee benefits trusts are shown in note 23.

32. 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.

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

33. Group entities

In accordance with Section 409 of the Companies Act 2006, a full list of subsidiaries and equity accounted investments as at 31 March 2025 is disclosed below. Unless otherwise stated, the Group's interest in the voting share capital is represented by one type of ordinary share and is 100%, the entities are unlisted, the year end is 31 March and the address of the registered office is 33 Wigmore Street, London, W1U 1QX. Babcock (UK) Holdings Limited is the only entity held directly by Babcock International Group PLC. No subsidiary undertakings have been excluded from the consolidation.

Subsidiaries, wholly owned

Airwork Limited	Babcock Europe Finance Limited ¹	Babcock IP Management (Number Two) Limited
Appledore Shipbuilders (2004) Limited ¹	Trident Park, Notabile Gardens, No. 2 – Level 3, Mdina Road, Zone 2, Central Business District, Birkirkara CBD 2010, Malta	Babcock Ireland Finance Limited
Armstrong Technology Associates Limited*	Babcock Fire Services (SW) Limited	44 Esplanade, St Helier, JE4 9WG, Jersey
Babcock (Ireland) Treasury Limited	Babcock Fire Services Limited	Babcock Korea Limited
Custom House Plaza, Block 6, IFSC, Dublin, 1, Ireland	Babcock Fire Training (Avonmouth) Limited	72-1, Shinsan-ro, Saha-gu, Busan, 49434, South Korea
Babcock (NZ) Limited	Babcock Group (US Investments) Limited	Babcock Land Limited
C/O Babcock Central Office, HMNZ Dockyard, Devonport Naval Base, Queens Parade, Devonport, Auckland, 0744, New Zealand	Babcock Holdings (USA) Incorporated ⁷	Babcock Land Defence Limited
Babcock (UK) Holdings Limited ³	251 Little Falls Drive, Wilmington, Delaware 19808, United States	Babcock Luxembourg Investments I S.a.r.l.
Babcock Aerospace Limited	Babcock Holdings Limited ³	12F rue Guillaume Kroll, L – 1882 Luxembourg
Babcock Africa Investments (Pty) Ltd	Babcock Information Analytics and Security Holdings Limited*	Babcock Luxembourg Investments S.a.r.l.
Riley Road Office Park, 15E Riley Road, Bedfordview, Gauteng, 2007, South Africa	Babcock Information Analytics and Security Limited ⁵	12F rue Guillaume Kroll, L – 1882 Luxembourg
Babcock Airports Limited	Babcock Integrated Technology (Korea) Limited	Babcock M 2019 Limited
Babcock Assessments Limited	Babcock Integrated Technology GmbH	Babcock Marine Shipbuilding Limited
Babcock Australia Holdings Pty Ltd	Am Zoppenberg 23, 41366 Schwalmatal, Germany	Babcock Malta Limited
Level 9, 70 Franklin Street, Adelaide SA 5000, Australia	Babcock Integrated Technology Limited	44 Esplanade, St Helier, JE4 9WG, Jersey
Babcock Aviation Services (Holdings) Limited ¹	Babcock Integration LLP	Babcock Malta (Number Two) Limited
Babcock B.V.	Babcock International France	44 Esplanade, St Helier, JE4 9WG, Jersey
Bezuidenhoutseweg 1, 2594 AB The Hague, The Netherlands	Aviation SAS	Babcock Malta Finance Limited ²
Babcock Canada Inc.	Lieu dit le Portaret, 83340, Le Cannet-des-Maures, France	Trident Park, Notabile Gardens, No. 2 – Level 3, Mdina Road, Zone 2, Central Business District, Birkirkara CBD 2010, Malta
45 O'Connor Street, Suite 1500, Ottawa, Ontario K1P 1A4, Canada	Babcock International France SAS	Babcock Malta Holdings (Number Two) Limited ²
Babcock Communications Cyprus Limited	21 Rue Leblanc 75015, Paris, France	Trident Park, Notabile Gardens, No. 2 – Level 3, Mdina Road, Zone 2, Central Business District, Birkirkara CBD 2010, Malta
Spyrou Kyprianou, 47, 1 st Floor, Mesa Geitona, 4004 Limassol, Cyprus	Babcock International France Terre SAS	Babcock Malta Holdings Limited ²
Babcock Communications Limited	21 Rue Leblanc 75015, Paris, France	Trident Park, Notabile Gardens, No. 2 – Level 3, Mdina Road, Zone 2, Central Business District, Birkirkara CBD 2010, Malta
Babcock Company Holdings Limited	Babcock International Holdings BV	Babcock Management 2019 Limited
Babcock Contractors Limited ¹	Bezuidenhoutseweg 1, 2594 AB The Hague, The Netherlands	Babcock Management Limited
Babcock Corporate Secretaries Limited*	Babcock International Holdings Limited ¹	Babcock Marine (Clyde) Limited
Babcock Corporate Services Limited	Trident Park, Notabile Gardens, No. 2 – Level 3, Mdina Road, Zone 2, Central Business District, Birkirkara CBD 2010, Malta	Rosyth Business Park, Rosyth, Dunfermline, Fife, KY11 2YD, Scotland
Babcock Critical Assets Holdings LLP	Babcock International Limited ⁵	Babcock Marine (Devonport) Limited ¹
Babcock Critical Services Limited	Babcock International Belgium SRL	Devonport Royal Dockyard, Devonport, Plymouth, PL1 4SG, England
103 Waterloo Street, Glasgow, Scotland, G2 7BW, United Kingdom	11 rue de colonies, Brussels, Belgium, 1000	Babcock Marine (Rosyth) Limited
Babcock Defence & Security Holdings LLP	Babcock International Estonia OU	Rosyth Business Park, Rosyth, Dunfermline, Fife, KY11 2YD, Scotland
Babcock Defence and Security Investments Limited	Harju maakond, Tallinn, Kesklinna linnaosa, Pärnu mnt 139e/2-8, 11317, Estonia	Babcock Marine Holdings (UK) Limited ⁵
Babcock Defence Systems Limited	Babcock International Support Services Limited	Babcock Marine Limited
Babcock Defense (USA) Incorporated	Babcock International US Inc	Babcock Marine Products Limited*
251 Little Falls Drive, Wilmington, Delaware 19808, United States	251 Little Falls Drive, Wilmington, Delaware 19808, United States	Babcock Marine Training Limited ¹
Babcock Design & Technology Limited*	Babcock Investments (Fire Services) Limited	Babcock MCS Congo SA
Rosyth Business Park, Rosyth, Dunfermline, Fife, KY11 2YD, Scotland	Babcock Investments (Number Four) Limited	Avenue Charles de Gaulle, PB 5871, Pointe-Noire, PB 5871, The Republic of Congo
Babcock DS 2019 Limited	Babcock Investments Limited	Babcock Mission Critical Services Australasia Pty Ltd
Babcock Education & Training Holdings LLP	Babcock IP Management (Number One) Limited	Level 9, 70 Franklin Street, Adelaide SA 5000, Australia
Babcock Education and Skills Limited		
Babcock Education Holdings Limited		
Babcock Engineering Limited*		

Notes to the Group financial statements (continued)

33. Group entities (continued)

Subsidiaries, wholly owned (continued)

Babcock Mission Critical Services Design and Completions Limited	Babcock Support Services s.r.l. (in liquidation)	Devonport Royal Dockyard Pension Trustees Limited*
Babcock Mission Critical Services Germany GmbH	Corso Vercelli, 40, 20145, Milano, Italy	Devonport Royal Dockyard, Devonport, Plymouth, PL1 4SG, United Kingdom
Bismarckstraße 100, 41061 Mönchengladbach	Babcock Training Limited	FBM Babcock Marine Holdings (UK) Limited
Babcock Mission Critical Services Leasing Limited	Babcock UK Finance	FBM Babcock Marine Limited
Babcock Mission Critical Services Ltd	Babcock Ukraina LLC	FBM Marine International (UK) Limited
Babcock Mission Critical Services Onshore Limited	Nazalezhnosti Maidan, Building 2, Kyiv City, 01012, Ukraine	Flagship Fire Fighting Training Limited
Babcock Mission Critical Services Topco Ltd ¹	Babcock Ukraine Limited	INAER Helicopter Chile S.A.*
Babcock Mission Critical Services UK Limited	Babcock USA LLC ¹	2880 Americo Vespuccio Norte Avenue, Suite 1102, Conchali, Santiago, Chile
Babcock MSS Limited	251 Little Falls Drive, Wilmington, Delaware 19808, United States	LGE IP Management Company Ltd
Babcock Nuclear Limited	Babcock US Investments (Number Two) LLC ¹	Rosyth Business Park, Rosyth, Dunfermline, Fife, Scotland, KY11 2YD, United Kingdom
Babcock Oman LLC	251 Little Falls Drive, Wilmington, Delaware 19808, United States	Liquid Gas Equipment Limited
P.O. Box 2315, Ghala, Muscat, 130, Oman	Babcock US Investments Inc. ¹	Rosyth Business Park, Rosyth, Dunfermline, Fife, Scotland, KY11 2YD, United Kingdom
Babcock Overseas Investments Limited	251 Little Falls Drive, Wilmington, Delaware 19808, United States	Liquid Gas Equipment LLC ¹
Babcock Polska sp. z o.o.	Babcock US Investments Limited ⁵	251 Little Falls Drive, Wilmington, Delaware 19808, United States
Plac Trzech Krzyzy 10/14, 00-499, Warszawa, Poland	Babcock Vehicle Engineering Limited ⁴	Marine Engineering & Fabrications (Holdings) Limited*
Babcock Project Investments Limited	BNS Pension Trustees Limited*	Marine Engineering & Fabrications Limited*
Babcock Project Services Limited	Rosyth Business Park, Rosyth, Dunfermline, Fife, KY11 2YD, Scotland	Marine Industrial Design Limited
Babcock Pty Ltd	BNS Pensions Limited*	c/o Babcock Central Office, HMNZ Dockyard, Devonport Naval Base, Queens Parade, Devonport, Auckland, 0744, New Zealand
Level 9, 70 Franklin Street, Adelaide SA 5000, Australia	Rosyth Business Park, Rosyth, Dunfermline, Fife, KY11 2YD, Scotland	Naval Ship Management (Australia) Pty Ltd
Babcock Rail Limited	Bond Aviation Topco Limited ⁵	9, 70 Franklin Street, Adelaide, SA 5000, Australia
Babcock Rail Ireland Limited	Brooke Marine Shipbuilders Limited	Peterhouse Group Limited
Block 1, Harcourt Centre, Harcourt Street, Dublin, DUBLIN 2, Ireland	Cavendish Nuclear (Overseas) Limited*	Port Babcock Rosyth Limited*
Babcock Services Group Limited	Cavendish Nuclear (USA) Incorporated	Rosyth Business Park, Rosyth, Dunfermline, Fife, KY11 2YD, Scotland
Babcock Services Limited	251 Little Falls Drive, Wilmington, Delaware 19808, United States	Rosyth Royal Dockyard Limited ¹⁰
Babcock Southern Careers Limited ^{*2}	Cavendish Nuclear Japan KK	Rosyth Business Park, Rosyth, Dunfermline, Fife, KY11 2YD, Scotland
Babcock Southern Holdings Limited ⁶	Regus Tokyo, Arca Central – Office 104, Arca Central Building 14F 1-2-1, Kinshi, Sumida-ku, Tokyo, Japan	Rosyth Royal Dockyard Pension Trustees Limited*
Babcock Support Services (Investments) Limited	Cavendish Nuclear Limited ⁵	Rosyth Business Park, Rosyth, Dunfermline, Fife, KY11 2YD, Scotland
Babcock Support Services GmbH (in liquidation)	Chepstow Insurance Limited	SBRail Limited*
Bismarckstraße 100, 41061 Mönchengladbach	PO Box 155, Mill Court, La Charroterie, St Peter Port, GY1 4ET, Guernsey	Vosper Thornycroft (UK) Limited
Babcock Support Services Limited ⁸	Crucible Training Systems Limited*	
103 Waterloo Street, Glasgow, Scotland, G2 7BW, United Kingdom	Devonport Royal Dockyard Limited ⁹	
	Devonport Royal Dockyard, Devonport, Plymouth, PL1 4SG, United Kingdom	

33. Group entities (continued)

Subsidiaries, partly owned:

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

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

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

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

Babcock Dyncorp Limited⁹ (56.0%)
Babcock Education and Training (Pty) Ltd
(90.0%)
Riley Road Office Park, 15E Riley Road,
Bedfordview, Gauteng, 2007, South Africa

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

Babcock Learning and Development
Partnership LLP (80.1%)
Babcock MCS Ghana Limited (90.0%)
No. 9, Carrot Avenue, Adjacent Lizzy Sport
Complex, East Legon, Accra, Ghana

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

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

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

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

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

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

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

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

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

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

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

Joint ventures and associates (equity accounted):

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

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

Alert Communications Group Holdings
Limited (20%)
Alkali Metal Processing Limited (50.0%)
Ascent Flight Training (Holdings) Limited
(50.0%)
Cavendish Boccard Nuclear Limited
(51.0%)
Cavendish Dounreay Partnership Limited
(50.0%)⁹
Cavendish Fluor Partnership Limited
(65.0%)
Debut Services (South West) Limited
(50.0%)
20 Triton Street, Regent's Place, London, NW1
3BF, United Kingdom

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

H&B Defence Pty Ltd (49%)
Unit G3, 55 Blackall Street, Barton ACT 2600,
Australia

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

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

Subsidiaries in Members Voluntary Liquidation:

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

Babcock Malta Finance (Number Two)
Limited²
Trident Park, Notabile Gardens, No. 2 – Level
3, Mdina Road, Zone 2, Central Business
District, Birkirkara CBD 2010, Malta

Babcock Malta Holdings Limited²
Trident Park, Notabile Gardens, No. 2 – Level 3,
Mdina Road, Zone 2, Central Business District,
Birkirkara CBD 2010, Malta

Babcock Marine & Technology Holdings
Limited
5 Temple Square, Temple Street, Liverpool, L2 5RH

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

Peterhouse GmbH
Bismarckstraße 100, 41061 Mönchengladbach

Skills2Learn Limited
5 Temple Square, Temple Street, Liverpool, L2 5RH

Notes

* Dormant entity.

- Holding of two types of ordinary shares.
- Holding of three types of ordinary shares.
- Holding of four types of ordinary shares.
- Holding of six types of ordinary shares.
- Holding of ordinary and preference shares.
- Holding of ordinary and deferred shares.
- Holding of ordinary and redeemable preference shares.
- Holding of ordinary and five types of preference shares.
- Holding of one type of ordinary share only, where more than one type of share is authorised or in issue.
- Holding of two types of ordinary shares, where more than two types of share are authorised or in issue.
- Holding of one type of ordinary share and one type of preference share, where more than two types of share are authorised or in issue.
- Year end 31 December.

Company statement of financial position

	Note	31 March 2025 £m	31 March 2024 £m
Non-current assets			
Investment in subsidiaries	5	3,451.4	3,450.7
Right of use assets	6	2.6	–
Trade and other receivables	7	324.5	463.4
		3,778.5	3,914.1
Current assets			
Trade and other receivables	7	201.3	165.1
Other financial assets		0.8	1.1
Cash and cash equivalents		–	–
		202.1	166.2
Total assets		3,980.6	4,080.3
Non-current liabilities			
Bank and other borrowings	8	744.5	742.5
Lease liabilities	6	2.4	–
Provisions		0.3	–
Other financial liabilities	9	43.0	48.6
		790.2	791.1
Current liabilities			
Trade and other payables	10	490.4	518.2
Lease liabilities	6	0.9	–
		491.3	518.2
Total liabilities		1,281.5	1,309.3
Net assets		2,699.1	2,771.0
Equity			
Called up share capital	11	303.4	303.4
Share premium account		873.0	873.0
Capital redemption reserve		30.6	30.6
Other reserve		768.8	768.8
Retained earnings		723.3	795.2
Total equity		2,699.1	2,771.0

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

The Company has taken advantage of the exemption granted by Section 408 of the Companies Act 2006 whereby no individual income statement of the Company is disclosed. The Company's loss (2024: profit) for the financial year was £44.5 million (2024: £35.5 million).

The financial statements on pages 266 to 274 were approved by the Board of Directors on 1 July 2025 and are signed on its behalf by:

David Lockwood OBE
Director

David Mellors
Director

Company statement of changes in equity

	Share capital £m	Share premium £m	Other reserve £m	Capital redemption £m	Retained earnings £m	Total equity £m
At 31 March 2023	303.4	873.0	768.8	30.6	761.0	2,736.8
Profit for the year	–	–	–	–	35.5	35.5
Other comprehensive income ⁽¹⁾	–	–	–	–	2.8	2.8
Total comprehensive income	–	–	–	–	38.3	38.3
Dividends	–	–	–	–	(8.5)	(8.5)
Share-based payments	–	–	–	–	12.4	12.4
Tax on share-based payments	–	–	–	–	4.5	4.5
Purchase of own shares	–	–	–	–	(12.5)	(12.5)
Net movement in equity	–	–	–	–	34.2	34.2
At 31 March 2024	303.4	873.0	768.8	30.6	795.2	2,771.0
Loss for the year	–	–	–	–	(44.5)	(44.5)
Other comprehensive income ⁽¹⁾	–	–	–	–	1.6	1.6
Total comprehensive income	–	–	–	–	(42.9)	(42.9)
Dividends	–	–	–	–	(26.7)	(26.7)
Share-based payments	–	–	–	–	14.3	14.3
Tax on share-based payments	–	–	–	–	2.2	2.2
Purchase of own shares	–	–	–	–	(18.8)	(18.8)
Net movement in equity	–	–	–	–	(71.9)	(71.9)
At 31 March 2025	303.4	873.0	768.8	30.6	723.3	2,699.1

1. Other comprehensive income relates to hedge reserve movements net of deferred tax of £1.6 million (2024: £2.8 million).

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

The retained earnings account includes £290.9 million (2024: £289.3 million), the distribution of which is limited by statutory or other restrictions.

Notes to the Company financial statements

1. General information

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

2. Material accounting policy information

The material accounting policy information relevant to specific notes is set out within the associated note. Other general policy information is set out below. Material accounting policies have been applied consistently throughout the year and the comparative year except as otherwise stated.

Basis of accounting

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

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payments'
- IFRS 7, 'Financial instruments: Disclosures'
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information in respect of:
 - paragraph 79(a) (iv) of IAS 1, 'Share capital and reserves';
 - paragraph 73(e) of IAS 16, 'Property, plant and equipment'; and
 - paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the year).
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d), 10(f), 16, 38A-38D, 40A-40D, 111, and 134-136.
- IAS 7, 'Statement of cash flows'
- Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors'
- Paragraph 17 of IAS 24, 'Related party transactions' in respect of key management compensation
- The requirements of IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

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

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

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

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

Taxation

Current income tax

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred income tax

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

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

2. Material accounting policy information *(continued)*

Finance costs

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

Employee benefits

(a) Share-based compensation

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

(b) Pension arrangements

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

Financial risk management

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

Company guarantees

The Company had previously guaranteed or had joint and several liability for bank facilities that were shared across multiple Group companies, these were cancelled in the period to 31 March 2025 (2024: £8.3 million). The Company reviewed and concluded that these arrangements constitute financial guarantee contracts. IFRS 17 allows an accounting policy choice to account for such contracts under either IFRS 9 or IFRS 17. This policy choice can vary from contract to contract however the choice for each contract is irrevocable. The Company has elected to apply IFRS 9 (rather than IFRS 17) to such arrangements. These guarantees are measured initially at their fair values, and subsequently measured at the higher of the expected credit loss and the amount initially recognised less cumulative amortisation.

The Company has guaranteed the performance of certain contracts by subsidiaries with their customers. The Company has reviewed and concluded that some of these performance guarantee contracts also meet the definition of financial guarantee contracts (thereby granting a policy choice between IFRS 9 and IFRS 17), whilst others do not meet the definition of a financial guarantee contract (thereby requiring accounting under IFRS 17). In all instances, the Company has elected to apply IFRS 17 (rather than IFRS 9) to performance guarantee contracts in issue as at 31 March 2025.

The probability of losses on performance guarantees has been assessed and it has been determined that the probability is remote after consideration of both historical and forward-looking triggers. As such the estimated liability is immaterial.

Dividends

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

Critical accounting estimates and judgements

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

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

Estimates which are not key sources of estimation uncertainty

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

In the current and prior years, we have not identified the carrying value of investments in subsidiaries as a critical accounting estimate as the headroom in the base case increased from the year ended 31 March 2023 such that no reasonably possible changes in assumptions could result in the complete elimination of the headroom.

Critical accounting judgements

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

3. Company loss/profit

The Company has no employees other than the Directors.

The Company has taken advantage of the exemption granted by section 408 of the Companies Act 2006 whereby no individual profit and loss account of the Company is disclosed. The Company's loss (2024: profit) for the financial year was £44.5 million (2024: £35.5 million).

Fees payable to the parent auditor and its associates in respect of the audit of the Company's financial statements were £1.8 million (2024: £1.8 million).

Notes to the Company financial statements (continued)

4. Directors' emoluments

Under Schedule 5 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (Schedule 5), total Directors' emoluments, excluding Company pension contributions, were £5.2 million (2024: £4.9 million); these amounts are calculated on a different basis from emoluments in the Remuneration report which are calculated under Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (Schedule 8 (2013)). These emoluments were paid for the Directors' services on behalf of Babcock International Group. No emoluments relate specifically to their work for the Company. Under Schedule 5, the aggregate gain made by Directors from the exercise of Long Term Incentive Plans in 2025 as at the date of exercise was £5.0 million (2024: £1.0 million) and the net aggregate value of assets received by Directors in the year ended 31 March 2025 from Long Term Incentive Plans as calculated at the date of vesting was £7.6 million (2024: £1.1 million); these amounts are calculated on a different basis from the valuation of share plan benefits under Schedule 8 (2013) in the Remuneration report.

5. Investment in subsidiary undertakings

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

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

When the recoverable amount is less than the carrying amount, an impairment loss is recognised immediately in the Company income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised in prior years.

	31 March 2025 £m	31 March 2024 £m
Cost at 1 April	3,450.7	3,449.5
Additions	0.7	1.2
Cost at 31 March	3,451.4	3,450.7

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

At 31 March 2025, the carrying amount of the Company's net assets of £3.9 billion exceeded the Group's market capitalisation of £3.7 billion (2024: £2.6 billion). As a result, management performed an impairment test of the Company's investments in line with the requirements of IAS 36 'Impairment of assets'.

Babcock (UK) Holdings Limited is the only entity held directly by Babcock International Group PLC. Babcock International Group PLC holds 100% of the ordinary shares and voting rights in Babcock (UK) Holdings Limited which has a place of domicile of the United Kingdom and registered office of 33 Wigmore Street, London, W1U 1QX.

Results of the impairment test for the year ended 31 March 2025

This impairment test for the year ended 31 March 2025 did not result in an impairment.

Impairment methodology

Cash-generating units

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

Calculation of recoverable amount

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

Key assumptions

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

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

5. Investment in subsidiary undertakings (continued)

	31 March 2025				31 March 2024			
	Aviation	Land	Marine	Nuclear	Aviation	Land	Marine	Nuclear
Pre-tax discount rate	12.6	11.9	11.5	11.9	13.2	12.2	12.2	12.6
Post-tax discount rate	9.3	8.8	8.5	8.8	9.8	9.0	9.0	9.3
Long-term growth rate	2.0	2.0	2.1	2.0	2.0	2.2	2.1	2.0

Sensitivity

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

6. Leases

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

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

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

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

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

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

Right of use assets

	Leasehold property £m	Total £m
Cost		
At 1 April 2023 and 2024	–	–
Additions	3.4	3.4
At 31 March 2025	3.4	3.4
Accumulated depreciation		
At 1 April 2023 and 2024	–	–
Depreciation charge for the year	0.8	0.8
At 31 March 2025	0.8	0.8
Net book value at 31 March 2025	2.6	2.6

Notes to the Company financial statements (continued)

6. Leases (continued)

Lease liabilities

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

	Total £m
At 1 April 2023 and 2024	–
Additions	4.1
Lease interest	0.2
Lease repayments	(0.8)
At 31 March 2025	3.3
Non-current lease liabilities	2.4
Current lease liabilities	0.9
At 31 March 2025	3.3

7. Trade and other receivables

Financial assets at amortised cost

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

The Company assesses on a forward-looking basis the expected credit losses associated with financial assets held at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. As at 31 March 2025, we have not assessed any significant increase in credit risk and therefore a 12-month expected credit loss has been measured.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

	31 March 2025 £m	31 March 2024 £m
Non-current		
Amounts due from subsidiary undertakings	314.5	454.8
Deferred tax	10.0	8.6
Total non-current trade and other receivables	324.5	463.4
Current		
Amounts due from subsidiary undertakings	201.0	164.8
Prepayments	0.3	0.3
Total current trade and other receivables	201.3	165.1

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

Amounts due from subsidiary undertakings are held at amortised cost less expected credit losses. The Company's profit for the year includes expected credit losses of £9.7 million (2024: reversal of £69.9 million). As at 31 March 2025, the amount due from subsidiary undertakings is stated net of an expected credit loss provision of £57.2 million (2024: £47.5 million).

Interest rates on amounts owed by subsidiary operations:

	Non-current		Current	
	31 March 2025 £m	31 March 2024 £m	31 March 2025 £m	31 March 2024 £m
SONIA + 1.5%	221.6	93.0	–	–
SONIA + 4.0%	–	29.2	–	–
4.5%	92.9	100.8	–	–
Interest-free	–	231.8	201.0	164.8
	314.5	454.8	201.0	164.8

8. Bank and other borrowings

Financial liabilities at amortised cost

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

	31 March 2025 £m	31 March 2024 £m
Non-current		
Bank loans and other borrowings	744.5	742.5

The Company has £1,519.5 million (2024: £1,517.5 million) of committed borrowing facilities, of which £744.5 million (2024: £742.5 million) was drawn at the year end. The effective interest rates applying to bank loans and other borrowings were as follows:

	31 March 2025 %	31 March 2024 %
UK bank overdraft	N/A	6.4
8-year Eurobond September 2027 – fixed	2.9	2.9
8-year Eurobond September 2027 – floating	6.7	6.9
£300 million bond 2026	1.9	1.9

9. Other financial liabilities

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative is entered into, and they are subsequently remeasured at their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

The Company designates certain of the derivative instruments within its portfolio to be hedges of the fair value of recognised assets or liabilities or unrecognised firm commitments.

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

For derivatives that qualify as cash flow hedges, the effective portion of gains and losses are deferred in equity until such time as the firm commitment is recognised. The gain or loss relating to the ineffective portion is recognised in the income statement immediately.

The full fair value of hedging derivatives is classified as a non-current asset or liability where the remaining maturity of the hedged item is more than 12 months. It is classified as a current asset or liability where the remaining maturity of the hedged item is less than 12 months.

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

	31 March 2025 £m	31 March 2024 £m
Non-current		
Other financial liabilities – currency and interest rate swaps	43.0	48.6

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

Notes to the Company financial statements (continued)

10. Trade and other payables

Financial liabilities at amortised cost

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

	31 March 2025 £m	31 March 2024 £m
Current		
Amounts due to subsidiary undertakings	480.4	512.4
Accruals and deferred income	10.0	5.8
	490.4	518.2

The amounts due to subsidiary undertakings are repayable on demand and £480.4 million (2024: £512.4 million) is interest-free.

11. Share capital

	Ordinary shares of 60p Number	Total £m
Allotted, issued and fully paid		
At 1 April 2024 and 31 March 2025	505,596,597	303.4
Allotted, issued and fully paid		
At 1 April 2023 and 31 March 2024	505,596,597	303.4

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

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

- The Company had previously guaranteed or had joint and several liability for bank facilities that are shared across multiple Group companies, these were cancelled in the period to 31 March 2025 (2024: £8.3 million)
- Throughout the Group, guarantees exist in respect of performance bonds and indemnities issued on behalf of Group companies by banks and insurance companies in the ordinary course of business. At 31 March 2025 these amounted to £293.2 million (2024: £277.5 million), of which the Company had counter-indemnified £177.9 million (2024: £236.5 million).
- The Company has given guarantees on behalf of Group companies in connection with the completion of contracts within specification. The liability recognised in respect of these guarantees in the balance sheet as at both 31 March 2025 and 31 March 2024 is immaterial.
- The company has given guarantees on behalf of certain Group companies in connection with payments due into their pension schemes. The liability recognised in respect of these guarantees in the balance sheet as at both 31 March 2025 and 31 March 2024 is immaterial.
- The company has provided specific guarantees to the Group's banking partners that Group companies will honour certain derivative and other performance obligations. The liability recognised in respect of these guarantees in the balance sheet as 31 March 2025 is immaterial (2024: £nil).

13. Group entities

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

14. Events after the reporting period

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

Shareholder information

Financial calendar

Financial year end	31 March 2025
2024/25 preliminary results announced	25 June 2025
Annual General Meeting	25 September 2025
Final dividend payment date (record date 22 August 2025)	30 September 2025

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Registered in England
Company number 02342138

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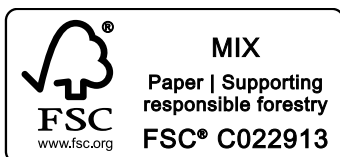
Shareholdings can be managed by registering for the Share Portal at www.babcock-shares.com. Alternatively, shareholder enquiries relating to shareholding, dividend payments, change of address, loss of share certificate etc, can be addressed to MUFG using their postal or email addresses given above.

Tel: +44 (0)37 1664 0300
(Calls are charged at standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 9.00am – 5.30pm, Monday to Friday excluding public holidays in England and Wales.)
www.babcock-shares.com

ShareGift

If you have only a small number of shares which would cost more for you to sell than they are worth, you may wish to consider donating them to the charity ShareGift (Registered Charity 1052686) which specialises in accepting such shares as donations.

Further information about ShareGift may be obtained on 020 7930 3737 or from www.ShareGift.org



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