

Devonport Royal Dockyard Limited

Annual report and financial statements

For the year ended 31 March 2026

Company registration number:

02077752

Devonport Royal Dockyard Limited

COMPANY INFORMATION

Current Directors

R J Carrick
J R Gane
G J Hedicker
D J Kieran
M D Lawton
N G Misell

Company Secretary

J L Walters

Registered Number

02077752

Registered Office

33 Wigmore Street
London
W1U 1QX

Independent Auditors

Forvis Mazars LLP
Chartered Accountants and Statutory Auditor
8th Floor, Assembly Building C
Cheese Lane
Bristol
BS2 0JJ

CONTENTS

	Page
Strategic report	3
Directors' report	13
Independent auditor's report	20
Income statement	24
Statement of comprehensive income	25
Statement of financial position	26
Statement of changes in equity	28
Notes to the financial statements	29

Strategic report for the year ended 31 March 2026

The Directors present their Strategic report on the Company for the year ended 31 March 2026.

Principal activities

The Company's principal activity is the maintenance and refit of Royal Navy warships and submarines, the provision of engineering services to the Ministry of Defence ("MOD") in relation to the operation of Devonport Royal Dockyard and HM Naval Base Clyde, and the provision of a range of other technical and engineering services primarily to the MOD. The classes of business in which the Company operates are considered similar and are of an inter-related nature.

Business review

	2026 £000	2025 £000
Revenue	1,867,404	1,749,876
Profit for the financial year before non-recurring pension settlement	137,811	75,916
Non-recurring charge on settlement of group pension scheme	5,936	-

The MOD programme is operated under a contractual framework set out in the 15-year Terms of Business Agreement ("ToBA") which commenced in April 2010 and was restated under an amendment in 2021 to align with the agreement of the Future Maritime Support Program (FMSP) contracts. The ToBA expired in March 2025, however there are enduring obligations under ToBA until the expiry of the FMSP contracts. During the year a 2-year extension was agreed for the Lot 2 contract supporting Warships upkeep and a 6-month bridging agreement was agreed to cover all other Lots to the 30th September 2026. The Gateway Agreement (GA) is currently under discussion with the MOD, which will replace both the ToBA and FMSP contracts (other than the Lot 2 Warships Upkeep Programme) from September 2026 to March 2032. Discussions on the GA are progressing well, with heads of terms in place since April 2025 and the GA contract being subject to direct award under the single source contract regulations.

Following closure of the BIG Pension Scheme to future benefit accrual in the year ended 31 March 2025, the Group has reassessed its allocation basis in respect of this scheme, with the scheme being fully recognised within the accounts of Babcock International Group PLC. This reallocation (effective from the point of reassessment – 1 April 2025) has been accounted for as a settlement in the accounts of the Company, with subsequent accounting consistent with that of a defined contribution scheme with expenses equivalent to the annual contributions made. The change in allocation basis has resulted in a one-off income statement charge of £5.9 million to derecognise the scheme surplus that existed at that date.

The increase in profit for the financial year before non-recurring pension settlement from the prior year is largely attributable to an increase in advanced capital allowances reducing the deferred tax charge for the year, and an increase in bank interest received from another group company under the Babcock banking arrangements.

Net assets held at the balance sheet date have seen an increase from £467.9m at 31 March 2025 to £584.7m for the current year. This increase is largely driven by the cash generated from trading performance during the year which has been transferred to another group company under Babcock banking arrangements, therefore is presented on the balance sheet as an £80.6m increase in the value of amounts due from group undertakings. The increase in net assets is also driven by a £28.2m increase in property, plant & equipment reflecting the Company's continued commitment to investing in its infrastructure.

Strategic report for the year ended 31 March 2026 *(continued)*

Business review *(continued)*

During the year the Company continued to operate under the FMSP contract and participate in a wide range of initiatives that are intended to deliver key elements of the MOD's maritime support and change programme, delivering improvements in both cost effectiveness and submarine availability across the joint industrial-MOD enterprise, whilst ensuring that important naval design, build, and support capabilities are retained.

The provision of fleet time maintenance to the nuclear-powered submarine flotilla based at Devonport and Clyde continued during the year for the Vanguard and Astute class submarines with the undertaking of base maintenance periods (BMP's). The final Trafalgar submarines were taken out of service in 2025 and continue to be prepared in Devonport for long term storage. During the year, BMP work continued in dry dock on the first Astute class submarine, HMS Audacious. Similarly, the Vanguard class submarine, HMS Victorious, continued her deep maintenance period (DMP).

The Company progressed design and construction work relating to the strategic infrastructure upgrades required to support the future deep maintenance and dismantling of new, existing and old Naval platforms. This work continues to increase through detailed design and construction as the site is recapitalised to support the boat programme.

The Company is also providing engineering support to the future submarine programme for Dreadnought Class and the Astute Class replacement SSN Aukus.

The Company also continues to provide fleet time support to the surface ship flotilla based at Devonport and to support a continuous programme of warship upkeep and upgrade projects for the T23 frigates, which continued under the FMSP Lot 2 contract. All have accommodated significant scope growth due to ageing and upgrade requirements. The Company continues to support fleet operations on an international basis.

Throughout the year the Company progressed a number of equipment-related 'through life' engineering support contracts with the MOD, using its established facilities and the engineering skill base of its employees. The Company also continued to deliver the provision of submarine configuration management, in-service performance and other support services to the MOD across the entire UK nuclear-powered submarine fleet.

Maintaining a strong Health and Safety and environmental record remains a fundamental objective across the Devonport and Clyde sites. This is delivered through a programme of improved safety culture, reporting of incidents, near misses, and reinforcement of baseline site safety standards and behavioural expectations. Zero harm and zero waste to land fill are key objectives.

Principal risks and uncertainties

The Company's ultimate controlling parent is Babcock International Group PLC, who head up a collection of companies that are connected through ownership and control, collectively referred to as the group. Risks are managed at a group level in accordance with the risk management framework of Babcock International Group PLC. The principal risks and uncertainties of Babcock International Group PLC are discussed in its Annual Report for the year ended 31 March 2026, which does not form part of this report.

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

Strategic report for the year ended 31 March 2026 (continued)

Principal risks and uncertainties (continued)

The key risks and uncertainties affecting the Company, broadly in line with previous years, are considered to relate to contract and project performance, timely agreement of the infrastructure needs to support MOD programmes, engineering integrity, the political and regulatory environment, cyber and information risk and exposure to the defined benefit pension scheme. The Executive team of the Company meets with MOD at numerous forums throughout the year to address the risks identified in order to ensure contractual performance and infrastructure needs are planned and executed to support the enterprise.

The Directors manage these risks by meeting on a regular basis to gain assurance from the executive team that risks are being addressed in accordance with the strategic plan and nuclear licensed site obligations.

Further details on the principal risks are as follows:

Contract and Project Performance risk:

The Company considers a risk for contract and project performance due to the complex nature of its work in the defence sector. It strategically accepts and manages risks within its control, aiming to mitigate them through robust risk management practices. Long-term, high-value contracts often involve stringent terms, and fixed pricing can be impacted by unforeseen costs, supply chain disruptions, and scope changes. The Company has a robust review process, monitoring performance, and performing independent deep dives to ensure alignment with capabilities and risk appetite. Despite residual risks, these controls and a culture of awareness help the Company successfully manage risks and deliver complex programmes.

Infrastructure and support for MoD Programmes:

Suitable infrastructure is essential for effectively supporting the Company's operations and enabling it to deliver high-quality services and remain competitive. Infrastructure encompasses physical assets like facilities and equipment, as well as digital systems such as IT networks, software platforms, and data management tools. The Company adopts a pro-active and strategic approach to managing risks associated with infrastructure, that includes regular maintenance, robust planning and continuous monitoring ensuring infrastructure and support aligns with operational needs and regulatory requirements both now and in the future.

Engineering Integrity:

As a provider of complex systems and critical services, the Company must ensure the technical integrity of its products and services to maintain customer and stakeholder confidence. Technical risks can arise if products fail to meet expectations or are not secure. To mitigate these risks, the Company requires a network of suitably qualified and experienced people, both within our teams and across our network of partners and supply chains, as well as access to appropriate processes, materials, tools and systems.

Political and regulatory environment risk:

The Company operates within a complex compliance landscape, encompassing a wide range of legal, regulatory, contractual, and certification requirements, including anti-bribery laws, export controls, tax regulations, data protection, and site licences. Non-compliance could lead to severe consequences such as fines, criminal prosecution, reputational damage, loss of licences, restricted market access, and reduced business opportunities. Compliance is essential for the industry in which we operate. The Company enforces robust internal policies, employs qualified personnel and external advisors, promotes ethical behaviour through its Code of Conduct and training, and encourages whistleblowing.

Strategic report for the year ended 31 March 2026 (continued)

Principal risks and uncertainties (continued)

Cyber and Information risk:

IT and information security are fundamental components in the Company's operations, given its role in handling sensitive and confidential data for government customers, making it a potential target for cyber threats, including state-sponsored attacks. A breach could result in reputational damage, operational disruption, regulatory penalties, and loss of future business. The Company employs a multi-layered security approach, including robust infrastructure, governance structures, threat intelligence, and regular vulnerability testing. Ongoing investments in next-generation security platforms and staff education on cyber awareness further strengthen resilience, while business continuity plans are in place and regularly tested to ensure preparedness against IT-related disruptions.

Exposure to DB pension scheme:

Defined benefit schemes are influenced by various assumptions which can shift over time, potentially leading to asset shortfalls and increased liabilities. If pension assets are deemed insufficient, trustees may demand higher contributions or lump sum payments, impacting the Company's financial flexibility and growth. Regulatory changes and accounting standards also introduce volatility and uncertainty in pension valuations. To manage these risks, senior management undertakes continuous strategic monitoring and evaluation of the assets and liabilities of the pension schemes. The pension schemes mitigate 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.

Key performance indicators

We have identified the following financial and non-financial key performance indicators (KPIs) that reflect the internal benchmarks we use to measure the success of our business and strategy:

	2026	2025	
		*Restated	
Revenue Growth	6.7%	14.9%	Revenue growth driven by increased submarine maintenance activity during the financial year on both Astute Class & Vanguard Class submarines.
Operating Margin (%) excluding settlement of pension scheme	7.3%	6.5%	Operating margin is the operating profit as a percentage of revenue. Contract mix (final year of FMSP offset by reduction in infrastructure revenues) has driven an increase in operating margin.
Order Book	£1,707m	£2,125m	Order book is the total value of signed contracts. Year on year decrease driven by completion of Year 5 of the FMSP contract offset by award of a 6-month submarine support bridging contract.
Total injuries rate per 100,000 hours worked	2.78	3.61	Health and Safety is a core value for the Company. The data includes all reported injuries, which have seen a decrease since the prior year at the Clyde site.

* Prior year Order Book value has been amended to exclude value of framework orders.

Strategic report for the year ended 31 March 2026 (continued)

S172(1) statement and stakeholder engagement

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

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

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. Stakeholder engagement in relation to key stakeholder groups includes the following:

Customers

Why they matter to us:

The future success of the Company is driven by the long-term relationships with our customers. The Directors are committed to conducting business honestly, transparently and with integrity. Understanding the needs and challenges of our customers allows us to help them to succeed. We work in partnership with public and private customers across the globe, enabling them to deliver critical programmes and services, adding value to their operations.

We seek to solve their challenges through excellent operational performance and the introduction of innovative solutions and technology to support their longer-term needs.

What matters to them:

- Health and Safety
- Operational excellence
- Affordability, Availability, Capability
- Integrated solutions
- Innovation
- Collaboration
- Deep understanding of their needs, both now and in the future
- Sustainability performance and agenda

How the Company engages:

- Regular ongoing relationship engagement at all levels
- Contract negotiation and execution
- Strategic Partnership programme
- Collaboration on joint initiatives
- Attendance at key industry events
- Provision of information on sustainability goals

Strategic report for the year ended 31 March 2026 (continued)

S172(1) statement and stakeholder engagement (continued)

Suppliers

Why they matter to us:

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 the Company engages:

- 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

An example of how we support local suppliers is our involvement in the Find it in Plymouth initiative, a commitment to strengthening the local supply chain and widening opportunities. The platform ensures that opportunities at Devonport are more visible and accessible to local businesses, helping them compete for work and build long-term capability. Through this partnership, we encourage transparent procurement, support skills development across SMEs and community organisations, and ensure that more economic value is retained within the region, ultimately reinforcing the resilience of our supply chain and delivering broader social and economic benefits for the local community.

In the year ended 31 March 2026 the Group launched the UK's first defence industry Small and Medium-Sized Enterprise (SME) Engagement Charter, built on the findings from the Next Line of Defence Report.

Regulators

Why they matter to us:

We are committed to providing safe and effective operations. We must maintain positive and constructive relationships with regulators to be able to operate, to help shape policy in our markets and to position for future opportunities.

What matters to them:

- Regulations, policies and standards
- Governance and transparency
- Trust and ethics
- Safety and compliance of operations
- Sustainability
- Site-specific issues

Strategic report for the year ended 31 March 2026 (continued)

S172(1) statement and stakeholder engagement (continued)

Regulators (continued)

How the Company engages:

- Regular engagement (national, local and official level)
- Briefing on key issues
- Dedicated compliance teams
- Response to direct queries
- Co-ordinated safety improvement programmes

Colleagues

Why they matter to us:

Colleague engagement is a primary focus for the Directors of the Company. 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, united by our common Purpose.

Training provided to our apprentices and graduates is a key priority of the Company; developing a strong pipeline of talent will play a crucial role in delivering for our customers. We have expanded apprenticeship and graduate pathways in engineering, manufacturing, electro-mechanical disciplines, data analytics, logistics and operational roles. Pre-apprenticeship pathways continue to deliver strong progression into full apprenticeship roles, widening participation while addressing future workforce risk. Initiatives such as Project Score and Devonport Futures have delivered measurable employability outcomes, supporting workforce expansion.

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 the Company engages

- Regular engagement with leaders at all levels
- 'Go Together, Go Far' immersive bus tour visited our sites
- Improving systems and processes
- Internal communication channels
- Ongoing programme of 'Safety Stand-Down' sessions held across the business
- Held the second year of Babcock's Ignite Awards
- Regular training programmes
- Targeted career development and mentoring initiatives for women
- Our Global People Survey remains a key indicator of organisational health and engagement, with a strong participation rate

Strategic report for the year ended 31 March 2026 (continued)

S172(1) statement and stakeholder engagement (continued)

Communities

Why they matter to us:

As a major employer, 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.

We recently announced the Babcock Capability Centre in the heart of Plymouth. This initiative will relocate up to 2,000 colleagues from Devonport dockyard to Plymouth city centre, significantly increasing footfall and providing a boost to local businesses and services. The announcement builds on recent momentum for the city, including its designation as a National Defence Growth Area.

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 the armed forces community
- Broad Community engagement

How the Company engages:

- Sponsorship and donations
- Colleague volunteering
- University and skills partnerships
- STEM outreach such as the Defence Industry Joint Council STEM pilot in Plymouth, strengthening the supply of future talent.
- Employer of service leavers, veterans and reserves
- Engagement with and support for local community programmes
- Engagement with local rail and bus companies to plan sustainable and safe travel to work
- Collaboration with Plymouth City Council, enabling designation of Plymouth as a freeport
- In July 2025 Devonport dockyard was opened to the public for the first time since 2009, welcoming over 10,000 visitors over two days. Thanks to the success of the event, another open day is planned for the Summer of 2026.

Sustainability and environment

Sustainability is an integral part of our corporate strategy and how we do business, and it underpins our corporate Purpose: to create a safe and secure world, together. Since outlining our ESG strategy in 2020, our ambition has grown but the level and complexity of requirements placed on the business has also increased. Therefore, Babcock International Group PLC, of which this Company is a subsidiary, has undertaken a full review and refresh of our sustainability strategy, to prepare us for the years ahead, and the Company will focus on the following six strategic priorities:

Strategic report for the year ended 31 March 2026 (continued)

S172(1) statement and stakeholder engagement (continued)

Sustainability and environment (continued)

1. Tackling climate change. We 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.
2. Managing our resources responsibly. We have a responsibility to work with our suppliers and on our own sites to ensure we use resources effectively and efficiently.
3. Protecting the natural environment. 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.
4. 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.
5. Building an inclusive, diverse and resilient workforce. Inclusion and diversity not only benefit 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.
6. Supporting our communities. We will 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.

Climate action remains a key focus, building on the group wide climate-related risk management process. 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.

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.
- Reduce Net Zero greenhouse gas emissions across the value chain by 2050. We also remain committed to our short-term target.

Working with the MOD in relation to the Devonport site, the Company has established a short, medium and long term Establishment Management Plan (EMP) for the Naval Base. The EMP considers future risks and site investment needed to address key climate related issues, with focus on sea levels and the electrical distribution network, including solar.

During FY26, we commenced infrastructure planning, technical feasibility assessments and stakeholder engagement to support phased decarbonisation of energy supply and site operations. Given the long asset lifecycles and critical national security role of the facility, decarbonisation must be incorporated into resilience plans, carefully sequenced and aligned with investment cycles. Addressing Devonport is a challenging undertaking; however, it is strategically important in enabling Babcock to meet our emissions reduction target, whilst also allowing us to demonstrate leadership in decarbonising defence infrastructure.

Strategic report for the year ended 31 March 2026 *(continued)*

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

Sustainability and environment *(continued)*

Immediate action has already been taken to reduce the site's carbon footprint. This has been driven by several key factors, including reduced electricity and fuel consumption, reduced consumption of electricity supplied by the carbon intensive Energy from Waste (EfW) plant, and the introduction of biodiesel Hydrotreated Vegetable Oil (HVO) to replace diesel in generators. Our pioneering hydrogen-from-wastewater initiative was recognised at the MOD Sanctuary Awards, winning the Net Zero Resource Efficiency category.

During FY26, Babcock International Group PLC also launched four enterprise-level biodiversity projects across key operational sites, with a commitment to deliver a 10% biodiversity improvement at each location. These sites were selected based on ecological sensitivity, the scale and nature of their operational footprint and the opportunity for achieving measurable enhancement. HMNB Devonport was one of the sites selected, and during the financial year delivered an improvement of 3.88%.

The Company has taken advantage of the exemption granted to subsidiaries whose activities are included within a consolidated group report of a UK parent not to disclose climate-related financial requirements, as this information is disclosed in the annual report for the year ended 31 March 2026 of its ultimate parent, Babcock International Group PLC.

This report was approved by the board on 7th August 2026 and signed on its behalf by



M D Lawton
Director

Directors' report for the year ended 31 March 2026

The Directors present their report and the audited financial statements of the Company for the year ended 31 March 2026.

Dividends

No dividends for the year ended 31 March 2026 are proposed by the Directors (2025: £nil).

Directors

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

R J Carrick	
J R Gane	
D J Kieran	
M D Lawton	
G J Hedicker	(Appointed 18 July 2025)
N G Misell	(Appointed 06 May 2026)
H A B Holt	(Resigned 30 April 2026)
R Foran	(Resigned 25 March 2026)
S C Bowen	(Resigned 29 August 2025)

The board is not aware of any contract of significance in relation to the Company in which any Director has, or has had, a material interest.

Future developments

Under the FMSP Bridging contract, the Company will continue to focus on developing and implementing efficiency improvements across the sites to ensure contractual performance obligations are met or exceeded.

The Company continues its active engagement in a number of pan-industry alliances with the MOD that will determine long term arrangements for delivering and supporting current and future classes of surface warships and submarines, including design and assessment work on the planned successor deterrent and attack submarines, new classes of surface warship, and modernisation of infrastructure to support future submarine and warship programmes. This includes supporting the international submarine opportunity, SSN-AUKUS, to establish a sovereign nuclear powered submarine capability for the Australian Ministry of Defence.

We remain confident that the Company will continue to benefit from the strength of the relationship with the MOD. In particular, the Company is engaged in ongoing discussions with the MOD in respect of a Gateway Agreement that will replace the FMSP contract. The Directors are confident about the future trading prospects of the Company due to its current order book, the UK governments commitment to Nuclear and Marine spending growth under the Defence Investment Plan issued in June 2026, as well as the current geopolitical situation in the world driving market opportunities for defence spending.

Directors' report for the year ended 31 March 2026 (continued)

Going concern

The Company's business activities, principal risks and financial position are set out within the Strategic report. In addition, the Directors' report includes factors likely to affect its future development and details of the financial risks that the Directors have highlighted as significant to the business.

As the Company is part of a larger group it participates in the group's centralised treasury arrangements and so shares banking arrangements with its parents and fellow subsidiaries. The Company is in a net current asset position of £335.6m. Following review of the five-year budget and assessing for robustness through review of downside scenarios, the Directors have concluded that the Company 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 related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Corporate governance statement

As a subsidiary of Babcock International Group PLC, the Company adheres to the broader governance of the group and its policies. Babcock International Group PLC is listed on the London Stock Exchange and therefore complies with the UK Corporate Governance code. Directors of the Company apply the principles of the code in order to promote the purpose, values and future success of the Company.

Purpose and Principles

Our Purpose is to create a safe and secure world, together. This is why we exist as a business, and why we do what we do. It defines and underpins our new ways of working, how we create value for our shareholders and how we improve delivery for our customers. It informs the decisions we make and how we treat each other.

The Company has championed the embedding of our Purpose and Principles, ensuring they shape behaviours and leadership standards at all levels. Our Purpose and Principles were developed with the help of our people and are designed to unite us as a Company, inspire our thinking, guide our actions, and encourage us to support each other in achieving our vision of a safe, strong, sustainable Babcock.

Diversity strengthens our business. It enables innovation, supports decision-making, and reflects the customers and communities we serve. We are embedding inclusion and diversity (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 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. 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.

Directors' report for the year ended 31 March 2026 (continued)

Corporate governance statement (continued)

Purpose and Principles (continued)

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.

Board and Directors' responsibilities

The Directors' responsibilities statement is included on page 19.

Board membership and effectiveness

The Board ensures that members have an appropriate balance of skills, experience, independence and knowledge of the Company to enable it to discharge its duties and responsibilities effectively.

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

Risk

The Risk Management Framework exists to manage the risk and opportunities inherent within the Company's strategy. 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. The prior year saw valuable enhancements in the quality of the Company'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 Company's senior leadership team. The Group 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. The Group's Risk Management Framework considers management of risk in the round, top-down and bottom-up. Risk is considered regularly at Board level. Processes will be subject to ongoing continuous improvement.

Remuneration

The Babcock International Group PLC Remuneration Committee is responsible for reviewing the remuneration of employees of the Company, as well as alignment of incentives and rewards with culture, and take these into account when setting the policy for executive remuneration.

Business relationships

The Company's approach to business relationships is detailed in the S172 statement on pages 7 to 10.

Directors' report for the year ended 31 March 2026 (continued)

Financial risk management

The applicable financial risk management policies and exposure to financial risks including interest, currency and credit risks are discussed below.

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 Company's exposure to the risk of changes in market interest rates relates primarily to the cash and cash equivalent balances, which are recognised as intercompany short-term loans due to the cash sweep arrangement.

Interest rate risk is managed at Group level 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.

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 Company's exposure to the risk of changes in foreign exchange rates relates primarily to the operating activities, when revenue or expense is denominated in a foreign currency. The functional currency and presentation currency of the Company is GBP. The Company has exposure primarily to EUR, USD and CAD.

In order to mitigate the currency risk of adverse currency movements on foreign currency denominated transactions, the Company's policy is to economically hedge foreign currency transactions greater than £10k, using financial instruments where appropriate. The Company has not designated any derivatives for hedge accounting in the current or prior periods. Currency transactions are recorded and monitored in the treasury management system.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations to the Company, which would result in a loss for the Company. Credit risk arises primarily from trade and other receivables and derivative financial instruments. Credit risk management includes performing credit checks on non-government commercial customers and setting and only performing financial transactions with approved investment grade counterparties.

The loss allowances for intercompany financial assets are based on assumptions on risk of default and expected loss rates. The Company recognises an allowance for expected credit losses based on the difference between contractual cashflows due in accordance with the contract and all the cash flows that the Company expects to receive. The nature of the majority of the customer base is such that the Directors consider the credit risk to be low.

Employment of disabled persons

As a group 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.

Directors' report for the year ended 31 March 2026 (continued)

Employment of disabled persons (continued)

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

Employee involvement

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

Employees

The Company is committed to equal opportunities and will not discriminate on the basis of disability, age, race, colour, ethnic origin, gender, marital status, religious or political beliefs or sexual orientation.

We believe that only by encouraging applicants from the widest pool of talent possible, and then selecting the best candidate based on their ability to do the job, can we ensure we continue to deliver our best for our customers and safeguard the future of Babcock.

Engagement with UK employees has been considered on page 9 of the Strategic Report.

Safety policy

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

Research and development

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

Energy and carbon reporting

The Company has taken advantage of the exemption granted under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 as this information is disclosed in the annual report for the year ended 31 March 2026 of its ultimate parent, Babcock International Group PLC.

Engagement with suppliers and customers

Engagement with suppliers and customers has been considered in the Strategic Report on pages 7 and 8.

Directors' report for the year ended 31 March 2026 (continued)

Environment

The Company recognises its responsibility to minimise, so far as reasonably possible, the potential for adverse impacts from its operations. It aims to achieve the highest standards in environmental management and seek accreditation to appropriate standards where applicable. The Company has developed and implemented an environmental policy to ensure that the impact of its activities on the environment is limited to the minimum practicable level.

Political Donations

No donations (2025: £nil) were made during the year for political purposes.

Qualifying third party indemnity provisions

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

Events after the reporting period

There have been no significant events since the balance sheet date which materially affect the position of the Company.

Statement of disclosure of information to independent auditor

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

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

Appointment of auditor

Forvis Mazars LLP is willing to continue in office as independent auditor of the Company. A resolution to reappoint Forvis Mazars LLP as Independent Auditor will be proposed at the forthcoming Group Annual General Meeting.

Directors' report for the year ended 31 March 2026 (continued)

Directors' responsibility statement

The Directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

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

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

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

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the group's website, where specifically regarding the entity of which they are a Director. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

This report was approved by the board on 7th August 2026 and signed on its behalf by



M D Lawton
Director

Independent auditor's report to the members of Devonport Royal Dockyard Limited

Opinion

We have audited the financial statements of Devonport Royal Dockyard Limited (the 'company') for the year ended 31 March 2026 which comprise the income statement, statement of comprehensive income, statement of financial position, statement of change in equity and notes to the financial statements, including material accounting policy information.

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

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2026 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 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, 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 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 company's ability to continue as a going concern;
- Evaluating the directors' method to assess the company's ability to continue as a going concern;
- Reviewing the directors' going concern assessment, which incorporated severe but plausible scenarios;
- Evaluating the key assumptions used and judgements applied by the directors in forming their conclusions on going concern; and
- Reviewing the appropriateness of the directors' disclosures in the financial statements.

Independent auditor's report to the members of Devonport Royal Dockyard Limited (*continued*)

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

Independent auditor's report to the members of Devonport Royal Dockyard Limited (*continued*)

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 19, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation, the Companies Act 2006.

Independent auditor's report to the members of Devonport Royal Dockyard Limited (*continued*)

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 (which we pinpointed to the accuracy assertion), and significant one-off or unusual transactions.

Our audit 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; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with 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.

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

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.

Signed by:

46573D2762934FA...

Jonathan Barnard (Senior Statutory Auditor)
for and on behalf of Forvis Mazars LLP
Chartered Accountants and Statutory Auditor
8th Floor, Assembly Building C,
Cheese Lane,
Bristol,
BS2 0JJ
7th August 2026

Income statement for the year ended 31 March 2026

	Note	2026 £000	2025 £000 *Restated
Revenue	4	1,867,404	1,749,876
Cost of revenue		(1,727,461)	(1,632,298)
Gross profit		139,943	117,578
Administrative expenses		(27,720)	(25,899)
Other Income	5	24,731	22,929
Operating profit before non-recurring pension settlement		136,954	114,608
Settlement of pension scheme	25	(5,936)	-
Operating Profit	6	131,018	114,608
Share of joint venture results		5	134
Finance income	7	30,584	19,485
Finance costs	7	(5,773)	(8,556)
(Loss) / profit on disposal of assets	13	(120)	31
Profit before taxation		155,714	125,702
Income tax expense	11	(23,839)	(49,786)
Profit for the financial year		131,875	75,916

* The Company restated the prior year financial information. Details of the restatement are contained in note 27.

The notes on pages 29 to 80 form part of these financial statements.

All of the above results derive from continuing operations.

Statement of comprehensive income for the year ended 31 March 2026

	Note	2026	2025
		£000	£000
Profit for the financial year		131,875	75,916
Other comprehensive (expense)/income:			
<i>Items that will not be subsequently reclassified to income statement:</i>			
(Loss) / gain on measurement of net defined benefit obligation	25	(19,629)	26,407
Tax credit/(debit) on net defined benefit obligation and other timing differences	11	4,932	(6,602)
Total comprehensive income for the year		117,178	95,721

Statement of financial position as at 31 March 2026

	Note	2026 £000	2025 £000 *Restated
Non-current assets			
Intangible assets	12	51,304	54,162
Property, plant and equipment	13	290,045	261,824
Right-of-use assets	14	19,138	21,857
Investments	15	532	527
Retirement benefit surplus	25	3,887	9,103
		364,906	347,473
Current assets			
Inventories	16	13,368	8,865
Trade and other receivables	17	894,938	771,830
Other financial assets	20	-	2
Cash and cash equivalents		299	326
		908,605	781,023
Current liabilities			
Trade and other payables	18	(559,657)	(528,793)
Lease liabilities	14	(2,565)	(2,807)
Other financial liabilities	20	(18)	(43)
Provisions	19	(10,741)	(10,251)
		(572,981)	(541,894)
Net current assets		335,624	239,129
Total assets less current liabilities		700,530	586,602
Non-current liabilities			
Lease liabilities	14	(19,662)	(21,873)
Provisions	19	(2,701)	(2,959)
Deferred tax liabilities	11	(21,424)	(29,669)
Retirement benefit deficit	25	(72,086)	(64,622)
		(115,873)	(119,123)
Net assets		584,657	467,479
Equity			
Called up share capital	21	5,350	5,350
Share premium account		32,700	32,700
Retained earnings		546,607	429,429
Total shareholders' funds		584,657	467,479

* The Company restated the prior year financial information. Details of the restatement are contained in note 27.

Statement of financial position as at 31 March 2026 *(continued)*

The notes on pages 29 to 80 are an integral part of these financial statements.

The financial statements on pages 24 to 80 were approved and authorised for issue by the board of Directors on 7th August 2026 and signed on its behalf by:

A handwritten signature in blue ink, appearing to read 'M D Lawton', followed by a period.

M D Lawton
Director

Statement of changes in equity as at 31 March 2026

	Note	Called up share capital £000	Share premium £000	Retained earnings £000 *Restated	Total Shareholders' funds £000 *Restated
Balance at 1 April 2024		5,350	32,700	333,708	371,758
Profit for the financial year		-	-	75,916	75,916
Other comprehensive income		-	-	19,805	19,805
Total comprehensive income		-	-	95,721	95,721
Balance at 31 March 2025		5,350	32,700	429,429	467,479
Profit for the financial year		-	-	131,875	131,875
Other comprehensive expense		-	-	(14,697)	(14,697)
Total comprehensive income		-	-	117,178	117,178
Balance at 31 March 2026		5,350	32,700	546,607	584,657

* The Company restated the prior year financial information. Details of the restatement are contained in note 27.

Notes to the financial statements

1 General information

Devonport Royal Dockyard Limited is a private company limited by shares, which is incorporated and domiciled in England, UK. The address of the registered office is 33 Wigmore Street, London, W1U 1QX.

Its ultimate controlling party is disclosed in note 29. The principal activity of the Company is set out in the Strategic report on page 3. These financial statements, which have been prepared in accordance with the Companies Act 2006, are presented in pounds sterling and, unless stated otherwise, rounded to the nearest thousand.

2 Summary of Material Accounting Policies

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

Basis of preparation

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council. Accordingly, these financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). Where relevant, equivalent disclosures have been given in the group accounts of Babcock International Group PLC.

These financial statements are prepared on a going concern basis, under the historical cost convention as modified by the revaluation of relevant financial assets and financial liabilities (including derivative instruments). The financial statements are prepared in sterling which is the functional currency of the Company and rounded to the nearest thousand.

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

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

In preparing these financial statements, the Company applies the recognition and measurement requirements of International Financial Reporting Standards (IFRS) as adopted by the UK, but makes amendments where necessary in order to comply with the Companies Act 2006 and sets out below where advantage of the FRS 101 disclosure exemptions have been taken:

- a) Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share based payments';
- b) 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);
- c) The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- d) IFRS 7, 'Financial instruments: Disclosures';
- e) The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 58, 90, 91 and 93 of IFRS 16 Leases

Notes to the financial statements *(continued)*

2 Summary of material accounting policies *(continued)*

Basis of preparation *(continued)*

- f) Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information in respect of:
 - paragraph 79(a) (iv) of IAS 1 Share capital and reserves;
 - paragraph 73(e) of IAS 16 Property, plant and equipment; and
 - paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period)
- g) Paragraphs 10(d), 10(f), 16, 38(A-D), 40(A-D), 111 and 134 to 136 of IAS 1 Presentation of financial statements
- h) IAS 7, 'Statement of cash flows'
- i) Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors'
- j) Paragraph 17 of IAS 24, 'Related party transactions' in respect of key management compensation
- k) The requirements of IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

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

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

Adoption of new and revised standards

The following standards and amendments to IFRSs became effective for the annual reporting period beginning on 1 April 2025 and did not have a material impact on the financial statements:

Amendments to IAS 21 – Lack of Exchangeability

The Company has not early adopted any other amendment, standard or interpretation that has been issued but is not yet effective. It is expected that these standards and amendments will be adopted on the applicable effective date.

Going concern

The Company's business activities, principal risks and financial position are set out within the Strategic report. In addition, the Directors' report includes factors likely to affect its future development and details of the financial risks that the Directors have highlighted as significant to the business.

As the Company is part of a larger group it participates in the group's centralised treasury arrangements and so shares banking arrangements with its parents and fellow subsidiaries. The Company is in a net current asset position of £335.6m. Following review of the five-year budget and assessing for robustness through review of downside scenarios, the Directors have concluded that the Company 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 related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Notes to the financial statements *(continued)*

2 Summary of material accounting policies *(continued)*

Revenue

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

(a) Performance obligations

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

In assessing whether the performance obligations are separately identifiable, the services are reviewed to determine the extent to which the goods or services within a contract are interrelated and whether they modify other goods or services within a contract. The Company also considers whether the goods and/or services are integrated and represent a combined output for which the customer has contracted. The integrated output nature of many of the services provided by the Company results in some contracts only having one performance obligation.

(b) Determination and allocation of contract price to performance obligations

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

Inclusion of variable consideration in the contract price requires the exercise of judgement in relation to the amount to be received through unpriced contract variations and claims (see section (d) 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/overspends are shared with the customer. Given the long-term nature of the Company's contracts with customers, a number of arrangements include clauses to allow for inflation within the transaction price. Such inflation clauses are treated as variable consideration. Elements of variable consideration are estimated at contract inception and at the end of each reporting period. Any required adjustment is made against the contract price in the period in which the adjustment occurs.

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

Notes to the financial statements *(continued)*

2 Summary of material accounting policies *(continued)*

Revenue *(continued)*

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.

(b) Determination and allocation of contract price to performance obligations *(continued)*

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

(c) Revenue and profit recognition

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

Revenue recognised over time

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

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

Typical performance obligations in the Company's contracts that are recognised over time include the delivery of services (such as maintenance, engineering and training), as the customer simultaneously receives and consumes the benefits of the Company's performance as it performs the services.

Revenue from the design, manufacture and enhancement of bespoke assets is also recognised over time, as the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date, being recovery of costs incurred in satisfying the performance obligation plus a reasonable profit margin.

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

Notes to the financial statements *(continued)*

2 Summary of material accounting policies *(continued)*

Revenue *(continued)*

(c) Revenue and profit recognition *(continued)*

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

Assessment of contract profitability

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

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

If a contract is deemed to be loss making, the present obligation is recognised and measured as provisions.

Notes to the financial statements *(continued)*

2 Summary of material accounting policies *(continued)*

Revenue *(continued)*

(d) Contract modifications

Claims and variations

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

Contract modifications can also refer to changes in price only, with no change in scope, where there is a difference of view or dispute in relation to interpretation of contracts. These contract claims and variations are modifications as described in paragraph 18 of IFRS 15.

The Company accounts for contract modifications in one of three ways, based on the facts and circumstances of the contract modification:

1. Prospectively, as an additional, separate contract;
2. Prospectively, as a termination of the existing contract and creation of a new contract; or
3. As part of the original contract using a cumulative catch-up.

The Company recognises contract variations, which impact both scope and price, when they are approved in accordance with IFRS 15. The Company's preferred approach is to approve contract modifications by formal contract amendment. However, the approval of contract modifications often requires to be carried out at pace and other mechanisms, informed by established customer relationships and local working arrangements, can be used to achieve approval of contract modifications. In approving contract modifications in these circumstances, the Company considers the scope of the contract modification in the context of the contract scope and contract terms.

Contract variations where the formal contract amendment has not been received but which are, in management's judgement, approved are accounted for as a contract modification in accordance with IFRS 15 paragraph 18. Revenue from these contract variations is treated as variable consideration and subject to constraint as outlined in section (b) above, until the pricing is agreed. Contract claims are also considered to be contract modifications in accordance with IFRS 15, and revenue is subject to constraint as outlined in section (b).

Claims and variations which are not deemed to be contract modifications

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

Notes to the financial statements *(continued)*

2 Summary of material accounting policies *(continued)*

Revenue *(continued)*

(e) Costs of obtaining a contract

Directly attributable costs to obtain a contract with a customer that the Company would not have incurred if the contract had not been won are recognised as an asset and amortised on a straight-line basis. Costs to obtain a contract that would have been incurred regardless of whether the contract was won or lost are recognised as an expense when incurred.

(f) 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 in capitalised contract costs where 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.

(g) Contract assets and liabilities

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

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

Government Grants – Research and Development Expenditure Credit (RDEC)

RDEC is accounted for as a government grant under IAS20. It is recognised at fair value where there is reasonable assurance that the grant will be received, and the Company complies with the attached conditions.

The credit is recognised in the period in which the qualifying expenditure is incurred and is presented as Other Income within operating profit.

Finance income

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

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.

Notes to the financial statements *(continued)*

2 Summary of material accounting policies *(continued)*

Employee benefits

a) Pension obligations

The Company participates in defined benefit schemes that share risks between entities under common control. The defined benefit schemes define the 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.

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

The fair value of plan assets is measured in accordance with the IFRS 13 fair value hierarchy using appropriate valuation techniques.

The extent to which the Company recognises its share of the income statement charge, the assets and liabilities of the scheme and the actuarial gain or loss, is determined by the proportion of active members of the scheme that it employs.

The scheme's total liability, which the Company recognises its proportion of, is the present value of the defined benefit obligation at the end of the reporting date less the fair value of the plan assets at the reporting date.

The Company participates in a defined contribution scheme. Obligations for contributions to the defined contribution pension plan are recognised as an expense in the income statement.

b) Share-based compensation

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

c) Holiday pay

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

Taxation

a) Current income tax

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

Notes to the financial statements *(continued)*

2 Summary of material accounting policies *(continued)*

Taxation *(continued)*

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 associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Company measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

b) Deferred tax

Deferred 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 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 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 tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets are recognised where deferred tax liabilities exist and are expected to reverse in the same period as the deferred tax asset or in periods into which a loss arising from a deferred tax asset can be carried forward or back.

In the absence of sufficient deferred tax liabilities, deferred tax assets are recognised where it is probable that there will be future taxable profits from other sources against which a loss arising from the deferred tax asset can be offset. In assessing the availability of future profits, the Company uses profit forecasts consistent with those used for goodwill impairment testing. Profits forecast beyond the Company's five-year budget cycle are risk-weighted to reflect commercial uncertainties.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority.

Tax is recognised in the income statement except to the extent that it relates to items recognised directly in either other comprehensive income or in equity.

Intangible assets

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

Computer software

Computer software, excluding the Company's Enterprise Resource Planning (ERP) system, includes software licences acquired. It is measured at cost less accumulated amortisation and is amortised over its expected useful lives of between three and five years. The ERP system is being amortised over a period of 7 years.

Notes to the financial statements *(continued)*

2 Summary of material accounting policies *(continued)*

Property, plant and equipment

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

Freehold property	2% to 8%
Plant and equipment	6.6% to 33.3%
Leasehold Improvements	10%

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount exceeds the higher of an asset's fair value less cost to sell or value in use.

Leases

The Company as lessee

For all leases in which the Company is a lessee (other than those meeting the criteria detailed below), the Company recognises a right of use asset and corresponding lease liability at commencement of the lease. The lease liability is the present value of future lease payments discounted at the rate implicit in the lease, if available, or the applicable incremental borrowing rate. The incremental borrowing rate is determined at lease inception based on a number of factors including asset type, lease currency and lease term. Lease payments include fixed payments and variable lease payments dependent on an index or rate, initially measured using the index or rate at the commencement date. The lease term reflects any extension or termination options that the Company is reasonably certain to exercise.

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

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

Right of use assets arising from sale and leaseback transactions are measured at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the Company. Gains arising on sale and leaseback transactions are recognised to the extent that they relate to the rights transferred to the buyer-lessor whilst losses arising on sale and leaseback transactions are recognised in full. Right of use assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, with the impairment expense being recognised in the income statement. Where a lease is terminated early, any termination fees or gain or loss relating to the release of right of use asset and lease obligation are recognised as a gain or loss through the income statement.

Notes to the financial statements *(continued)*

2 Summary of material accounting policies *(continued)*

Leases *(continued)*

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

Investments in Joint Ventures

Investments in Joint ventures have been accounted using Equity Method.

Inventory

Inventory is valued at the lower of cost and net realisable value, being the estimated selling price of the assets in the ordinary course of business less estimated costs of completion and costs of sale. In the case of finished goods and work in progress, cost comprises direct material and labour and an appropriate proportion of overheads. 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.

Trade and other receivables

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

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The Company applies the IFRS9 general approach to measuring expected credit losses for all amounts due from group undertakings.

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

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

Amounts due from group undertakings in relation to intercompany loans are recorded on the statement of financial position in line with settlement terms on underlying loan agreements. Inter-company loans receivable at the statement of financial position date that are expected to be settled within twelve months after the reporting date, are recorded as current assets.

The loss allowances for intercompany financial assets are based on assumptions on risk of default and expected loss rates. The Company recognises an allowance for expected credit losses based on the difference between contractual cashflows due in accordance with the contract and all the cash flows that the Company expects to receive.

Notes to the financial statements *(continued)*

2 Summary of material accounting policies *(continued)*

Cash and cash equivalents

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

Trade and other payables

Trade and other payables are stated at actual cost or estimated cost in respect of accruals.

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

Amounts due to group undertakings in relation to intercompany loans are recorded on the statement of financial position in line with settlement terms on underlying loan agreements. Inter-company loans payable at the statement of financial position date where the Company does not have a right to defer settlement by at least twelve months after the reporting date, are recorded as current liabilities.

Provisions

A provision is recognised in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount 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 Company has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been publicly announced. Future operating costs are not provided for.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company 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 Company incurring further costs.

Contingent liabilities

A contingent liability is a possible obligation arising from past events whose existence will be confirmed only on the occurrence or non-occurrence of uncertain future events outside the Company's control, or a present obligation that is not recognised because it is not probable that an outflow of economic benefits will occur, or the value of such outflow cannot be measured reliably. A provision is recognised for any amounts that the Directors consider may become payable. See note 26 for details of contingent liabilities.

Notes to the financial statements *(continued)*

2 Summary of material accounting policies *(continued)*

Financial instruments

a) Financial assets and liabilities at amortised cost

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

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

b) Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative is entered into and are subsequently remeasured at fair value. The Company may designate certain derivative instruments within its portfolio to be hedges of the fair value of recognised assets or liabilities or unrecognised firm commitments, however none of the derivatives have been designated as a hedging instrument in the current or prior years.

The fair values of financial instruments have been determined based on available market information at the period end date. The fair values of forward foreign exchange contracts are calculated by discounting the contracted forward values and translating at the appropriate period end rates.

Changes in the fair value of derivatives 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 Company 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.

Dividends

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

Notes to the financial statements *(continued)*

2 Summary of material accounting policies *(continued)*

Foreign currencies

a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Sterling, which is the Company's functional and presentation currency. The functional currency of the joint venture in which the Company has an investment is Omani Rial. The Company's share of the joint venture's post-acquisition profits or losses is translated into Sterling at the prevailing rate as at the year end date.

b) Transactions and balances

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

3 Critical accounting estimates and judgements

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

Critical accounting judgements

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

Notes to the financial statements *(continued)*

3 Critical accounting estimates and judgements *(continued)*

Acting as Principal or Agent

A number of the Company's contracts include promises in relation to procurement activity undertaken on behalf of customers at low or nil margin, sub-contractor arrangements, and other pass-through costs. Management is required to exercise judgement on these revenue streams in considering whether the Company is acting as principal or agent. This is based on an assessment as to whether the Company controls the relevant goods or services under the performance obligations prior to transfer to customers. Factors that influence this judgement include the level of responsibility the Company has under the contract for the provision of the goods or services, the extent to which the Company is incentivised to fulfil orders on time and within budget, either through gain share arrangements or KPI deductions in relation to the other performance obligations within the contract, and the extent to which the Company exercises responsibility in determining the selling price of the goods and services. Taking all factors into consideration, the Company then comes to a judgement as to whether it acts as principal or agent on a performance obligation-by-performance obligation basis with both principal and agent conclusions being reached across the Company'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.

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:

Defined benefit pension scheme

The Company'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 and 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 and discount rate estimates, management is required to make an accounting judgement relating to the expected availability of future accounting surpluses under IFRIC 14.

Although the Company anticipates that scheme surpluses will be utilised during the life of the schemes to address member benefits, the Company recognises its retirement benefit surpluses 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 Company also considers that the trustees do not have the power to unilaterally wind-up the schemes or vary benefits.

Further information on the key assumptions and sensitivities is included in note 25.

Notes to the financial statements *(continued)*

3 Critical accounting estimates and judgements *(continued)*

Other accounting estimates - Revenue and profit recognition

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

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

Notes to the financial statements (continued)

4 Revenue

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

	2026 £000 Total	2025 £000 Total
By area of activity:		
Sales of goods – transferred at a point in time	25,293	14,244
Sales of goods – transferred over time	18,299	-
Provision of services – transferred over time	1,823,812	1,735,632
	1,867,404	1,749,876

	2026 £000	2025 £000
By geographical area:		
United Kingdom	1,864,220	1,746,347
Rest of the world	3,184	3,529
	1,867,404	1,749,876

5 Other Income

Government grants amounted to £22,433,000 (2025: £22,929,000). In the course of our business we receive certain government grants or contributions, including the UK Research & Development Expenditure Credit.

The Company received dividends from Babcock Integration LLP of £2,298,000 (2025: nil).

6 Operating Profit

Operating profit is stated after charging/(crediting):	2026 £000	2025 £000
Depreciation of property, plant and equipment (note 13)	33,551	29,513
Amortisation of intangible assets (note 12)	8,416	3,545
Right of use depreciation (note 14)	3,025	3,694
Loss /(profit) on disposal of assets (note 13)	120	(31)
Inventory recognised as an expense (note 16)	75,722	69,928
Operating lease charges – Short term leases (note 14)	19,556	16,851
Foreign exchange loss	77	396
Audit fees payable to the Company's auditor	1,900	1,913
Intellectual property royalty charge	27,720	25,899
Settlement of pension scheme	5,936	-

Fees paid to the company's auditor, Forvis Mazars LLP and its associates, for services other than statutory audit of the Company, are disclosed on a consolidated basis in the financial statements of the ultimate parent undertaking, Babcock International Group PLC.

Intellectual property royalty charge is a recharge from another group entity for use of the Babcock brand.

Notes to the financial statements (continued)

7 Finance income and costs

	2026 £000	2025 £000
Finance income:		
Bank interest	5,979	2,014
Fair value movement on derivatives	23	-
Interest income from group undertakings	24,386	17,026
Retirement benefit interest (note 25)	196	445
	30,584	19,485

	2026 £000	2025 £000
Finance costs:		
Bank interest	(1,111)	(527)
Fair value movement on derivatives	-	(103)
Lease interest (note 14)	(1,410)	(1,538)
Retirement benefit interest (note 25)	(3,252)	(6,388)
	(5,773)	(8,556)

8 Staff costs

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

	2026 Number	2025 Number
By activity:		
Operations	10,196	9,497
Management and administration	3	5
	10,199	9,502

Their aggregate remuneration comprised:

	2026 £000	2025 £000
Wages and salaries	519,253	485,709
Social security costs	71,204	51,932
Pension costs – defined contribution plans (note 25)	58,221	37,237
Pension costs – defined benefit plans (note 25)	17,941	52,008
Share based payments (note 10)	3,351	2,281
	669,970	629,167

During the year, the average number of employees recharged to other Babcock entities was 142 (2025: 120). The total cost recharged included in the above was £6,953,236 (2025: £7,688,605).

Notes to the financial statements (continued)

9 Directors' emoluments

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

	2026 £000	2025 £000
Emoluments (including benefits in-kind)	883	1,210
Defined contribution pension scheme	11	23
Defined benefit pension scheme	37	69
	931	1,302

During the year one (2025: no) Director remunerated by Devonport Royal Dockyard Limited exercised share options under long term incentive plans and one (2025: no) Director was entitled to receive share options under long term incentive plans.

Retirement benefits are accruing to three Directors (2025: five) under the group pension scheme and the executive pension scheme.

Retirement benefits are accruing to one Director under the group defined contribution scheme (2025: two). The total value of Company contributions paid to the scheme during the year in respect of Directors' qualifying services was £11,400 (2025: £23,087).

Retirement benefits are accruing to two Directors (2025: four) under the group defined benefit scheme. The total value of Company contributions paid to the scheme during the year in respect of Directors' qualifying services was £36,789 (2025: £68,755).

Nine (2025: Twelve) Directors held office at some point during the year and up to date of signing the annual report. Except for four (2025: seven) Directors, all of the Directors of the Company were remunerated by other Babcock group companies. It is not possible to make an accurate apportionment of these Directors' emoluments relating to services provided to the Company and as such no disclosure of emoluments received by these Directors has been made in these financial statements. No recharge is made for costs borne by the Company in relation to services performed by the Directors in relation to other Babcock group companies.

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

	2026 £000	2025 £000
Emoluments (including benefits in-kind but excluding pension contributions)	614	450
Pension contributions	26	24

The highest paid Director did not exercise shares under long term incentive plans (2025: the highest paid Director did not exercise shares under long term incentive plans).

Notes to the financial statements (continued)

10 Share based payments

The charge to the income statement is based on the amount charged from Babcock International Group PLC. This charge represents an allocation of the total charge based on the proportion relating to Devonport Royal Dockyard Limited. For awards subject to performance conditions, the charge has been based on the assumptions below and is based on the binomial model as adjusted, allowing for a closed form numerical-integrated solution, which makes it analogous to the Monte Carlo simulations, including performance conditions. The detailed description of the plans below are included within the Remuneration Report in the Babcock International Group PLC Annual Report and Accounts, which does not form part of this report.

During the year the total charge relating to employee share-based payment plans was £3.35 million (2025: £2.28 million) all of which related to equity-settled share-based payment transactions. After tax, the income statement charge was £2.51 million (2025: £1.71 million).

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

Deferred Bonus Matching Plan (DBMP), Performance Share Plan (PSP) and Deferred Bonus Plan (DBP)

	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
2025 DBP	139,512	1,101	-	2.0	100.0%	-	1,101	-	07/07/25
2025 DBP	83,188	1,101	-	4.0	100.0%	-	1,101	-	07/07/25
2025 CSP	702,960	980	-	3.0	100.0%	-	980	-	20/08/25
2025 PSP	929,031	1,101	-	4.0	100.0%	-	1,101	-	07/07/25
2025 PSP	45,712	1,259	-	4.0	100.0%	-	1,259	-	15/12/25
2025 PSP	803,271	1,302	32.9%	4.0	100.0%	-	1,167	-	29/09/25
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%	-	382	-	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
2020 PSP	695,458	350	19.0%	6.0	100.0%	-	305	-	01/12/20
2020 PSP	2,091,247	350	19.0%	4.0	100.0%	-	350	-	01/12/20
2020 PSP	1,341,477	350	19.0%	6.0	100.0%	138	305	55.0%	01/12/20

Notes to the financial statements *(continued)*

10 Share based payments *(continued)*

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. The vesting period for CSP is three years.

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

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

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

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

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

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.

For PSP awards made in July to December 2025, 974,743 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 803,271 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 or Colleague Share Plan ('CSP').

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 weighted average remaining contractual life for share options outstanding at the end of the period was 2 years.

In addition to the Colleague Share Plan providing employees with free shares during 2025, the Colleague Share Plan 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.

Notes to the financial statements *(continued)*

11 Tax

Income tax expense

	2026 £000	2025 £000
Current tax:		
Group relief for consideration	27,863	12,119
Adjustments in respect of prior periods	(711)	11,339
Current tax charge for the year	27,152	23,458
Deferred tax:		
Origination and reversal of timing differences	11,865	21,252
UK prior year expense	(15,178)	5,076
Total income tax expense	23,839	49,786

The tax for the year is lower (2025: higher) than the standard rate of corporation tax in the UK. The differences are explained below:

	2026 £000	2025 £000
Profit before tax	155,714	125,702
Profit before taxation multiplied by standard UK corporation tax rate of 25% (2025: 25%)	38,929	31,426
Effects of:		
Expenses not deductible for tax purposes	799	1,945
Adjustments in respect of prior periods	(711)	16,415
Prior year adjustments in relation to Deferred tax	(15,178)	-
Total tax charge for the year	23,839	49,786

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 Company with effect from 1 April 2024. Under the Pillar Two rules, a top-up tax liability arises where the effective tax rate of the Company and its fellow subsidiaries in the same jurisdiction is below 15%. The Company 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 Company does not expect to have a Pillar Two tax liability for the period.

Notes to the financial statements (continued)

11 Tax (continued)

Deferred tax

Deferred 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 tax asset is realised or the deferred tax liability is settled. Deferred tax balances have been calculated at 25%.

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

	2026	2025
	£000	£000
Deferred tax liability	(21,424)	(29,669)

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

	Tangible assets £000	Retirement benefit obligations £000	Other £000	Total £000
At 1 April 2025	(43,549)	13,880	-	(29,669)
Income statement credit/(debit)	3,684	(1,762)	1,391	3,313
Tax credit to other comprehensive income/equity	-	4,932	-	4,932
At 31 March 2026	(39,865)	17,050	1,391	(21,424)
At 1 April 2024	(27,297)		700	3,261
		29,858		
Income statement (debit)/credit	(16,252)	(9,376)	(700)	(26,328)
Tax (debit) to other comprehensive income/equity	-	(6,602)	-	(6,602)
At 31 March 2025	(43,549)	13,880	-	(29,669)

Deferred tax assets are recognised for pension liabilities accrued in the financial statements that are deductible for tax purposes only when paid. The Directors are of the opinion that the Company will generate suitable taxable profits from which the future reversal of the timing difference can be deducted.

Notes to the financial statements *(continued)*

12 Intangible assets

	Intangible Software (IS) £000	Assets Under Construction (AUC) £000	Intangible Total £000
Cost			
At 1 April 2025	65,442	1,556	66,998
Additions	5,472	86	5,558
Disposals	(2,891)	-	(2,891)
At 31 March 2026	68,023	1,642	69,665
Accumulated amortisation and impairment			
At 1 April 2025	(12,836)	-	(12,836)
Amortisation	(8,416)	-	(8,416)
Disposals	2,891	-	2,891
At 31 March 2026	(18,361)	-	(18,361)
Net book value at 31 March 2026	49,662	1,642	51,304

	Intangible Software (IS) £000	Assets Under Construction (AUC) £000	Intangible Total £000
Cost			
At 1 April 2024	10,771	39,308	50,079
Additions	171	16,933	17,104
Transfer from AUC	54,500	(54,500)	-
Disposals	-	(185)	(185)
At 31 March 2025	65,442	1,556	66,998
Accumulated amortisation and impairment			
At 1 April 2024	(9,291)	-	(9,291)
Amortisation	(3,545)	-	(3,545)
Disposals	-	-	-
At 31 March 2025	(12,836)	-	(12,836)
Net book value at 31 March 2025	52,606	1,556	54,162

No intangible assets (2025: no intangible assets) are pledged as security.

Included in intangible software costs is £60.0 million (2025: £54.5 million) relating to the Company's ERP system, which is amortised over a period of 7 years, of which there are 6 years remaining.

Notes to the financial statements (continued)

13 Property, plant and equipment

	Freehold Property (LB) £000	Leasehold Improvements £000	Plant and Equipment (PE) £000	Assets Under Construction (AUC) £000	Total £000
Cost					
At 1 April 2025	161,831	-	446,631	93,585	702,047
Additions	8,422	-	22,262	31,208	61,892
Transfer from AUC	-	-	26,587	(26,587)	-
Transfer	-	18,525	(18,525)	-	-
Disposals	(9,046)	-	(76,302)	-	(85,348)
At 31 March 2026	161,207	18,525	400,653	98,206	678,591
Accumulated depreciation					
At 1 April 2025	(100,499)	-	(339,724)	-	(440,223)
Charge for the year	(5,810)	(1,235)	(26,506)	-	(33,551)
Transfer	-	(2,470)	2,470	-	-
Disposals	9,018	-	76,210	-	85,228
At 31 March 2026	(97,291)	(3,705)	(287,550)	-	(388,546)
Net book value at 31 March 2026	63,916	14,820	113,103	98,206	290,045

	Freehold Property (LB) £000	Plant and Equipment (PE) £000	Assets Under Construction (AUC) £000	Total £000
Cost				
At 1 April 2024	151,554	399,399	97,253	648,206
Additions	9,096	84	46,582	55,762
Transfer from AUC	1,181	47,726	(48,907)	-
Disposals	-	(578)	(1,343)	(1,921)
At 31 March 2025	161,831	446,631	93,585	702,047
Accumulated depreciation				
At 1 April 2024	(92,718)	(318,570)	-	(411,288)
Charge for the year	(7,781)	(21,732)	-	(29,513)
Disposals	-	578	-	578
At 31 March 2025	(100,499)	(339,724)	-	(440,223)
Net book value at 31 March 2025	61,332	106,907	93,585	261,824

Notes to the financial statements *(continued)*

13 Property, plant and equipment *(continued)*

No items of property, plant and equipment (2025: no items of property, plant and equipment) are pledged as security.

During the year the Company disposed of items of property, plant and equipment for nil consideration. This resulted in a loss on disposal of £120,000 (2025: profit on disposal of £31,000).

14 Right-of-use Assets and Lease Liabilities

Right of use assets

Right of use assets	Property £000	Plant and equipment £000	Total £000
Cost			
At 1 April 2025	28,061	6,947	35,008
Additions	55	251	306
Terminations	(6,105)	(538)	(6,643)
At 31 March 2026	22,011	6,660	28,671
Accumulated depreciation			
At 1 April 2025	(10,722)	(2,429)	(13,151)
Charge for the year	(1,750)	(1,275)	(3,025)
Terminations	6,105	538	6,643
At 31 March 2026	(6,367)	(3,166)	(9,533)
Net book value			
At 31 March 2026	15,644	3,494	19,138
At 31 March 2025	17,339	4,518	21,857

Lease liabilities

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

	2026 £000	2025 £000
At 1 April	24,680	26,941
Additions	727	1,805
Transfers	-	(444)
Disposals	(358)	-
Lease interest	1,410	1,538
Lease repayments	(4,232)	(5,160)
At 31 March	22,227	24,680

Notes to the financial statements (continued)

14 Right-of-use Assets and Lease Liabilities (continued)

Lease liabilities (continued)

Discounted future minimum lease payments are as follows:

	2026 £000	2025 £000
Within one year	2,565	2,807
In more than one year, but not more than five years	7,351	8,162
After five years	12,311	13,711
Carrying value of liability	22,227	24,680

The Company had total cash outflows for leases of £4,232,000 for the year ended 31 March 2026 (2025: £5,160,000).

The expenses relating to short term and low value leases was £19,556,000 (2025: £16,851,000 – restated to include direct hire, plant and equipment costs relating to short term and low value leases)

15 Investments

	Shares in group undertakings £000	2026 Shares in joint Ventures £000	Total £000	Shares in group undertakings £000	2025 Shares in joint ventures £000	Total £000
Carrying amount at 1 April and 31 March	-	532	532	-	527	527

The investment represents 48% shareholding in Duqm Naval Dockyard in Oman, with registered address:

DUQM Naval Dockyard SAOC
The Special Economic Zone AI DUQM
DUQM,
Muscat
Al Musta Governate
Post Code 112
Oman

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

Notes to the financial statements (continued)

15 Investments (continued)

The Company's interest in joint ventures is accounted for by the equity method of accounting and is initially recorded at cost. The carrying value is 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 Company's share of its joint ventures' 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 Company's share of losses in the joint venture equals or exceeds its investment in the joint venture, the Company does not recognise further losses unless it has incurred obligations to do so.

16 Inventories

	2026 £000	2025 £000
Raw materials	13,368	8,865

The cost of inventory recognised as an expense and included in 'cost of revenue' amounted to £75,722,456 (2025: £69,928,322).

17 Trade and other receivables

	2026 £000	2025 £000
Amounts falling due within one year:		
Trade receivables	16,932	17,010
Amounts recoverable on contracts	84,186	94,916
Other receivables	49,982	27,917
Amounts due from group undertakings	722,184	604,324
Intercompany trade receivables	15,920	19,838
Prepayments	5,734	7,825
	894,938	771,830

Trade receivables are stated after provisions for impairment of £279k (2025: £71k).

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

Notes to the financial statements *(continued)*

17 Trade and other receivables *(continued)*

Amounts due from group undertakings comprise the following:

- Three loans totalling £226,000,000 (2025: no loans) bear interest of 5.2396% and are repayable on 30 April 2026
- One loan totalling £150,000,000 (2025: no loans) bears interest of 5.2736% and is repayable on 15 May 2026
- One loan totalling £130,000,000 (2025: no loans) bears interest of 5.3076% and is repayable on 29 May 2026
- No loans (2025: one loan totalling £468,725,000) bear interest of SONIA + 1.5%
- £213,153,000 (2025: £132,568,000) bears interest at LIBOR +/- a margin depending, on the balance at the end of each day.
- All other amounts are unsecured, interest free and repayable on demand.

The group recognises that there is an inherent element of estimation uncertainty and judgement involved in assessing contract profitability. 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:

	2026 £000	2025 £000
At 1 April	94,916	80,038
Transfers from contract assets recognised at the beginning of the year to trade receivables	(94,916)	(80,038)
Increase due to work done not transferred from contract assets	84,186	94,916
At 31 March	84,186	94,916

18 Trade and other payables

	2026 £000	2025 £000 Restated
Amounts falling due within one year:		
Trade creditors	47,406	27,158
Contract liabilities	70,075	84,908
Amounts owed to parent and group undertakings	192,250	148,324
Taxation and social security	22,024	18,778
Accruals	227,902	249,625
	559,657	528,793

Notes to the financial statements *(continued)*

18 Trade and other payables *(continued)*

Amounts due to group undertakings comprise the following:

- £938,000 (2025: £471,000) bears interest at LIBOR +/- a margin depending, on the balance at the end of each day.
- All other amounts due to group undertakings are unsecured, interest free and repayable, on demand.

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

	2026	2025
	£000	£000
At 1 April	84,908	100,244
Cash advanced	70,075	84,908
Revenue recognised that was included in the contract liability balance at the beginning of the year	(84,908)	(100,244)
At 31 March	70,075	84,908

19 Provisions

The Company had the following provisions during the year:

	Re-organisation	Contracts /	Other	Total
	£000	Warranty	£000	£000
At 1 April 2025	3,172	10,038	-	13,210
Charged to the income statement	719	4,070	671	5,460
Released to the income statement	(2,314)	-	-	(2,314)
Utilised in the year	(1,283)	(1,631)	-	(2,914)
At 31 March 2026	294	12,477	671	13,442

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

	2026	2025
	£000	£000
Current	10,741	10,251
Non-current	2,701	2,959
Total	13,442	13,210

Notes to the financial statements (continued)

19 Provisions (continued)

Contract provisions relate to a review of the major programmes in Devonport Royal Dockyard Limited and relate to expected contract losses, redundancy costs and excess construction costs. These are based on the assessment of future costs and are assessed with reference to past experience. The charge in the current year is offset by a credit within operating profit relating to the same item.

The provisions relating to onerous contracts are expected to be released over the lives of the contracts.

The reorganisation provision mainly relates to severance costs to deliver efficiency improvements. The release of provision to the income statement in the current year is due to redundancies no longer required as new opportunities across the business were identified.

Unless otherwise stated, the Company's non-current provisions are expected to be utilised within two to five years.

20 Other financial assets and liabilities

Included in derivative financial instruments at fair value:

	2026		2025	
	Assets £000	Liabilities £000	Assets £000	Liabilities £000
Current				
Forward FX contracts	-	(18)	2	(43)
	-	(18)	2	(43)

Devonport Royal Dockyard Limited revalued US Dollar Forward Purchase contracts held with maturity dates beyond 31 March 2026 totalling USD 967,918 (2025: CAD 1,209,964 and USD 1,759,851).

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

21 Share capital

	2026 £000	2025 £000
Allotted, called up and fully paid		
5,350,001 ordinary shares of £1 each (2025: 5,350,001)	5,350	5,350
1 special share of £1 each (2025: 1)	-	-
	5,350	5,350

The special share issued to the Secretary of State for Defence, has rights attaching that effectively give him the power, under certain extreme circumstances set out in Article 6 of the Company's Articles of Association, to overrule the votes of the ordinary shares. In all other respects both classes of shares rank *pari passu*.

22 Dividends

Dividends declared and paid were £nil (2025: £nil). There are no plans for a final dividend.

Notes to the financial statements *(continued)*

23 Guarantees and financial commitments

a) Capital Commitments

As at 31 March 2026 the Company had capital commitments of £3,028,000 (2025: £33,840,000) for the purchase of tangible and intangible fixed assets.

b) Lease Commitments

As at 31 March 2026 the Company had lease commitments of £nil (2025: £nil) for leases not yet commenced.

24 Related party disclosures

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

For the year ended 31 March 2026, the Company had no transactions or balances outstanding with related companies that fall outside the FRS 101 exemption criteria.

25 Pension commitments

The Company accounts for pension costs in accordance with IAS 19. The Company contributes to a defined contribution scheme (the Babcock International Group Section of the Aon MasterTrust (also known as "The BIG MasterTrust") in respect of a number of its employees.

The pension charge for the year represents contributions payable by the Company to the scheme. The amount included in creditors at the year-end in respect of this scheme was £5,563,000 (2025: £4,837,000).

Pension costs for defined contribution schemes are as follows:

	2026	2025
	£000	£000
Defined contribution schemes	58,221	37,237

The Company is also a contributing employer to the following defined benefit pension schemes: the "Devonport Royal Dockyard Pension Scheme", the "Babcock International Group Pension Scheme", the "Citrus BIG2024 Pension Scheme" and the "Citrus Pension Scheme" for the benefit of its employees. The full details of these schemes are disclosed below.

The contributions required to the defined benefit schemes, and the assessment of the assets and liabilities that have accrued to members, and any deficit recovery payments required, are agreed by the participating employer with the trustees of the Schemes who are advised by an independent, qualified actuary.

Notes to the financial statements (continued)

25 Pension commitments (continued)

The key risks for the “Devonport Royal Dockyard Pension Scheme” relate primarily to longevity, the expected inflation rate in the future which impacts on pension increases, and indirectly salary increases, and the discount rate used to value the liabilities. The scheme has mitigated some of these risks by taking out longevity swaps in respect of a proportion of pensioners and their spouses, through a common investment committee. This has significantly hedged the interest rate and inflation risk through derivative instruments and introduced benefit changes impacting future service benefits which include capping of pensionable salaries, capping pension increases, increased normal retirement age in line with state pension ages and increased the level of member contributions.

The schemes are prudently funded by payments to legally separate trustee-administered funds. The trustees of the schemes are required by law to act in the best interests of the scheme’s members. In addition to determining future contribution requirements (with the agreement of the participating employers), the trustees are responsible for setting the scheme’s investment strategy (subject to consultation). The schemes have an 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 matching assets for the Babcock International Group Pension Scheme, the Devonport Royal Dockyard Pension Scheme and the Citrus Pension Schemes 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 these schemes, 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 total actuarial gain/(loss) recognised in the SOCI in these financial statements was:

	2026	2025
	£000	£000
Devonport Royal Dockyard Pension Scheme	(19,821)	26,831
Babcock International Group Defined Benefit Scheme	-	(718)
Citrus BIG2024 Pension Scheme	97	(65)
Clyde Citrus Pension Scheme	95	359

Notes to the financial statements (continued)

25 Pension commitments (continued)

	DRDL pension scheme £000	BIG pension scheme £000	Citrus BIG 2024 scheme £000	Clyde Citrus scheme £000	Total retirement benefit assets £000
At 1 April 2024	(127,532)	6,535	-	1,568	(119,429)
Service cost and incurred expenses	(7,578)	(359)	167	(793)	(8,563)
Settlement	-	-	-	-	-
Net interest income/(expense)	(6,388)	339	7	100	(5,942)
Employer contributions	50,045	139	37	1,787	52,008
Actuarial gain recognised in the SOCI	26,831	(718)	(65)	359	26,407
At 31 March 2025	(64,622)	5,936	146	3,021	(55,519)
At 1 April 2025	(64,622)	5,936	146	3,021	(55,519)
Service cost and incurred expenses	(1,143)	-	(222)	(636)	(2,001)
Settlement	-	(5,936)	-	-	(5,936)
Net interest income	(3,251)	-	10	186	(3,055)
Employer contributions	16,751	-	192	998	17,941
Actuarial gain recognised in the SOCI	(19,821)	-	97	95	(19,629)
At 31 March 2026	(72,086)	-	223	3,664	(68,199)

The total (liability)/asset recognised on the statement of financial position in these financial statements was:

	2026 £000	2025 £000
Devonport Royal Dockyard Pension Scheme	(72,086)	(64,622)
BIG Pension Scheme	-	5,936
Citrus BIG2024 Pension Scheme	223	146
Clyde Citrus Pension Scheme	3,664	3,021
	(68,199)	(55,519)

a) Devonport Royal Dockyard Pension Scheme

On 30 November 2024, future accrual of benefits in Devonport Royal Dockyard Pension Scheme 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 Devonport Royal Dockyard Pension Scheme 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 Company at 31 March 2026 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 Company.

Notes to the financial statements *(continued)*

25 Pension commitments *(continued)*

a) Devonport Royal Dockyard Pension Scheme *(continued)*

The IAS 19 valuation has been updated at 31 March 2026 by an independent qualified actuary using revised assumptions that are consistent with the requirements of IAS 19. The date of the last full actuarial valuation was 31 March 2023. The major assumptions used for the IAS 19 valuation were:

Major assumptions	2026 %	2025 %
Rate of increase in pensionable salaries	3.2	2.9
Rate of increase in pensions (past service)	3.0	2.7
Discount rate	6	5.7
Inflation rate (RPI)	3.4	3.1
Inflation rate (CPI)	3	2.7
Weighted average duration of cash flows (years)	11	11
Life expectancy from age 65 (male aged 65)	20.5	20.2
Life expectancy from age 65 (female aged 65)	22.4	22.3
Life expectancy from age 65 (male aged 45)	21.6	21.2
Life expectancy from age 65 (female aged 45)	23.8	23.5

The group's cash contribution rates payable to the scheme in 2026/27 are expected to be as follows:

Future service contribution rate	-
Future service cash contributions	-
Deficit contributions	£12.7m
Additional longevity swap payments	£1.8m
Expected employer cash costs for 2026/27	£14.5m
Expected salary sacrifice contributions	-
Expected total employer contributions	£14.5m

Notes to the financial statements *(continued)*

25 Pension commitments *(continued)*

a) Devonport Royal Dockyard Pension Scheme *(continued)*

The changes to the Company statement of financial position at March 2026 and the changes to the Company income statement for the year to March 2026, if the assumptions were sensitised by the amounts below, would be:

	Defined benefit obligations 2026 £000	Projected income statement 2027 £000
Initial assumptions	1,140,571	5,073
Discount rate assumptions increased by 0.5%	(60,538)	(3,606)
Discount rate assumptions decreased by 0.5%	66,775	3,345
Inflation rate assumptions increased by 0.5%	48,755	2,925
Inflation rate assumptions decreased by 0.5%	(45,545)	(2,733)
Total life expectancy increased by half a year	20,172	1,210
Total life expectancy decreased by half a year	(20,785)	(1,247)
Salary increases assumptions increased by 0.5%	3,493	210
Salary increases assumptions decreased by 0.5%	(3,329)	(200)

The fair value of the assets, the present value of the liabilities and the expected rates of return of the scheme at the statement of financial position date of 31 March 2026 were:

Fair value of plan of assets/(liabilities)	2026 £000	2025 £000
Equities	100,642	4,935
Property	108,807	109,876
Absolute return and multi strategy funds	883	1,018
Bonds	440,465	417,625
Matching assets	529,468	655,232
Active position on longevity swaps	(111,780)	(108,500)
Total assets	1,068,485	1,080,186
Present market value of liabilities – funded	(1,140,571)	(1,144,808)
Gross pension (deficit)	(72,086)	(64,622)

All the assets of the scheme are quoted except for the longevity swaps.

The scheme does not invest directly in assets or shares of Babcock International Group PLC. Investments have been valued for this purpose at fair value at the statement of financial position date. Equity investments and bonds are valued at bid price.

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.

Notes to the financial statements *(continued)*

25 Pension commitments *(continued)*

a) Devonport Royal Dockyard Pension Scheme *(continued)*

Analysis of amount charged to the income statement	2026	2025
	£000	£000
Current service cost	-	6,504
Past service income	-	(899)
Incurred expenses	1,143	1,973
Total included within operating profit	1,143	7,578
Net interest expense	3,251	6,388
Total charged to the income statement	4,394	13,966

Analysis of amount included in statement of comprehensive income ("SOCl")	2026	2025
	£000	£000
Actuarial loss recognised in the SOCl	(10,407)	(106,671)
Experience losses	(6,459)	(2,250)
Other (losses) / gains	(2,955)	135,752
	(19,821)	26,831

Reconciliation of present value of scheme assets	2026	2025
	£000	£000
At 1 April	1,080,186	1,166,557
Interest on assets	66,030	59,081
Actuarial loss	(13,311)	(117,025)
Benefits paid	(77,891)	(83,381)
Contributions paid by employer	16,751	50,045
Employee contributions	-	9
Active position on longevity swaps	(3,280)	4,900
At 31 March	1,068,485	1,080,186

Notes to the financial statements *(continued)*

25 Pension commitments *(continued)*

a) Devonport Royal Dockyard Pension Scheme *(continued)*

	2026 £000	2025 £000
Reconciliation of present value of scheme liabilities		
At 1 April	1,144,808	1,294,089
Current service cost	-	6,504
Incurred expenses	1,143	1,973
Interest cost	63,097	60,015
Employee contributions	-	9
Benefits paid	(77,891)	(83,381)
Experience loss	6,459	2,250
Past Service income	-	(899)
Actuarial (loss) / gain	2,955	(135,752)
At 31 March	1,140,571	1,144,808

b) BIG Pension Scheme

The Company is a participating employer in the Babcock International Group Pension Scheme ('BIGPS') – a defined benefit scheme operated and sponsored by Babcock International Group PLC (the Company's ultimate parent).

Following closure of the scheme to future benefit accrual in the year ended 31 March 2025, the Group has reassessed its allocation basis in respect of this scheme with the scheme being fully recognised within the accounts of Babcock International Group PLC. This reallocation (effective from the point of reassessment – 1 April 2025) has been accounted for as a settlement in the accounts of the Company with subsequent accounting consistent with that of a defined contribution scheme with expenses equivalent to the annual contributions made.

The change in allocation basis has resulted in a one-off income statement charge of £5.9 million to derecognise the scheme surplus that existed at that date. Contributions following the change in allocation basis, recognised as an operating expense, were £72,000 for the year ended 31 March 2026.

The scheme is funded through payments to trustee-administered funds, determined by periodic actuarial calculations.

IAS 19 actuarial valuation

The below IAS 19 disclosures represent the information about the plan as a whole and not the share of the Company which now recognises an expense in line with its contributions. The Company carry neither scheme surplus nor deficit which now resides, in full, within Babcock International Group PLC.

Notes to the financial statements *(continued)*

25 Pension commitments *(continued)*

b) BIG Pension Scheme *(continued)*

The IAS 19 valuation has been updated at 31 March 2026 by an independent qualified actuary using revised assumptions that are consistent with the requirements of IAS 19. The date of the last full actuarial valuation was 31 March 2025. The major assumptions used for the IAS 19 valuation were:

Major assumptions	2026 %	2025 %
Rate of increase in pensions (past service)	3.3	3.0
Discount rate	6.0	5.7
Inflation rate (RPI)	3.4	3.1
Inflation rate (CPI)	3	2.7
Weighted average duration of cash flows (years)	10	10
Life expectancy from age 65 (male aged 65)	21.7	21.1
Life expectancy from age 65 (female aged 65)	24	23.7
Life expectancy from age 65 (male aged 45)	22.4	22.1
Life expectancy from age 65 (female aged 45)	24.9	24.9

The group's cash contribution rates payable to the scheme have ceased and therefore no future rates are expected.

The changes to the Babcock International Group PLC balance sheet at March 2026 and the changes to the Babcock International Group PLC income statement for the year to March 2027, if the assumptions were sensitised by the amounts below, would be:

	Defined benefit obligations 2026 £000	Projected income statement 2027 £000
Initial assumptions	783,771	(1,104)
Discount rate assumptions increased by 0.5%	(35,671)	(2,576)
Discount rate assumptions decreased by 0.5%	38,903	2,395
Inflation rate assumptions increased by 0.5%	21,157	1,259
Inflation rate assumptions decreased by 0.5%	(20,921)	(1,245)
Total life expectancy increased by half a year	16,304	970
Total life expectancy decreased by half a year	(15,121)	(899)

Notes to the financial statements *(continued)*

25 Pension commitments *(continued)*

b) BIG Pension Scheme *(continued)*

The fair value of the assets, the present value of the liabilities and the expected rates of return of the scheme at the balance sheet date of 31 March 2026 were:

Fair value of plan of assets	2026	2025
	£000	£000
Equities	(1,125)	596
Property	372	670
Bonds	442,751	335,381
Matching assets	446,928	568,198
Active position on longevity swaps	(49,100)	(49,700)
Total assets	839,826	855,145
Present market value of liabilities - funded	(783,771)	(773,666)
Gross pension surplus	56,055	81,479

All the assets of the scheme are quoted except for the longevity swaps.

The scheme does not invest directly in assets or shares of Babcock International Group PLC. Investments have been valued for this purpose at fair value at the statement of financial position date. Equity investments and bonds are valued at bid price.

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.

Analysis of amount charged to the income statement in Babcock International Group PLC	2026	2025
	£000	£000
Current service cost	-	1,324
Incurred expenses	2,168	2,844
Past service income	-	(282)
Settlements	-	3477
Total included within operating profit	2,168	7,363
Net interest income	(4,639)	(4,646)
Total (credited) / charged to the income statement	(2,471)	2,717

The amounts charged to the income statement in these financial statements, based on the Company's allocation of the total Babcock International Group PLC charge, included £nil for service cost (2025: £76k), £nil for incurred expenses (2025: £30k), £5,936k for settlements (2025: £253k) and net interest credit of £nil (2025: £338k).

Notes to the financial statements *(continued)*

25 Pension commitments *(continued)*

b) BIG Pension Scheme *(continued)*

Analysis of amount included in Babcock International Group PLC statement of comprehensive income ("SOCl")	2026 £000	2025 £000
Actuarial loss recognised in the SOCl	(4,722)	(84,673)
Experience (losses) / gains arising on scheme liabilities	(9,176)	(9,245)
Other (losses) / gains	(16,878)	78,421
	(30,776)	(15,497)

The actuarial loss recognised in the SOCl in these financial statements, based on the Company's allocation of the total Babcock International Group PLC movement, was £nil (2025: £718k).

Reconciliation of present value of scheme assets in Babcock International Group PLC	2026 £000	2025 £000
At 1 April	855,145	1,014,114
Interest cost	49,929	46,583
Employee contributions	-	26
Employer contributions	2,881	5,240
Benefits paid	(60,574)	(68,844)
Settlements	-	(54,875)
Actuarial loss	(8,155)	(87,399)
Active position on longevity swaps	600	300
At 31 March	839,826	855,145

Reconciliation of present value of scheme liabilities	2026 £000	2025 £000
At 1 April	773,666	919,661
Service cost	-	1,324
Incurred expenses	2,168	2,844
Interest on liabilities	42,457	39,511
Employee contributions	-	26
Actuarial gain / (loss) – demographics	24,205	(1,321)
Actuarial gain – financial	(7,327)	(77,100)
Experience losses	9,176	9,245
Benefits paid	(60,574)	(68,844)
Past service income	-	(282)
Settlements	-	(51,398)
At 31 March	783,771	773,666

Notes to the financial statements *(continued)*

25 Pension commitments *(continued)*

b) BIG Pension Scheme *(continued)*

The surplus recognised in these financial statements, based on the Company's allocation of the total Babcock International Group PLC assets and liabilities for this scheme, was £nil (2025: £5,936k).

c) Citrus BIG2024 Pension Scheme

The IAS 19 valuation has been updated at 31 March 2026 by an independent qualified actuary using revised assumptions that are consistent with the requirements of IAS 19. The date of the last full actuarial valuation was 31 March 2025. The major assumptions used for the IAS 19 valuation were:

Major assumptions	2026 %	2025 %
Rate of increase in pensionable salaries	3.2	2.9
Rate of increase in pensions (past service)	3.2	3.0
Discount rate	6.2	5.8
Inflation rate (RPI)	3.3	3.1
Inflation rate (CPI)	3.0	2.7
Weighted average duration of cash flows (years)	15	17
Life expectancy from age 65 (male aged 65)	18.5	-
Life expectancy from age 65 (female aged 65)	23.8	-
Life expectancy from age 65 (male aged 45)	20.5	-
Life expectancy from age 65 (female aged 45)	23.7	-

The group's cash contribution rates payable to the scheme in 2026/27 are expected to be as follows:

Future service contribution rate	20.1%
Future service cash contributions	£1.9m
Deficit contributions	£nil
Additional longevity swap payments	£nil
Expected employer cash costs for 2025/26	£1.9m
Expected salary sacrifice contributions	£0.4m
Expected total employer contributions	£2.3m

Notes to the financial statements *(continued)*

25 Pension commitments *(continued)*

c) Citrus BIG2024 Pension Scheme *(continued)*

The changes to the Babcock International Group PLC balance sheet at March 2026 and the changes to the Babcock International Group PLC income statement for the year to March 2027, if the assumptions were sensitised by the amounts below, would be:

	Defined benefit obligations 2026 £000	Projected income statement 2027 £000
Initial assumptions	51,785	1,933
Discount rate assumptions increased by 0.5%	(3,348)	(376)
Discount rate assumptions decreased by 0.5%	3,720	378
Inflation rate assumptions increased by 0.5%	3,172	324
Inflation rate assumptions decreased by 0.5%	(3,036)	(310)
Total life expectancy increased by half a year	463	46
Total life expectancy decreased by half a year	(470)	(47)
Salary increase assumptions increased by 0.5%	1,194	124
Salary increase assumptions decreased by 0.5%	(1,171)	(122)

The fair value of the assets, the present value of the liabilities and the expected rates of return of the scheme at the balance sheet date of 31 March 2026 were:

Fair value of plan of assets	2026 £000	2025 £000
Absolute return and multi strategy funds	20,245	19,725
Bonds	4,893	5,103
Matching assets	29,323	25,016
Total assets	54,461	49,844
Present market value of liabilities - funded	(51,785)	(47,924)
Gross pension surplus	2,676	1,920

All the assets of the scheme are quoted except for the longevity swaps.

The scheme does not invest directly in assets or shares of Babcock International Group PLC. Investments have been valued for this purpose at fair value at the statement of financial position date. Equity investments and bonds are valued at bid price.

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.

Notes to the financial statements *(continued)*

25 Pension commitments *(continued)*

c) Citrus BIG2024 Pension Scheme *(continued)*

Analysis of amount charged to the income statement in Babcock International Group PLC

	2026 £000	2025 £000
Current service cost	2,111	1,233
Incurred expenses	548	42
Settlements	-	(3,477)
Total included within operating profit	2,659	(2,202)
Net interest income	(124)	(86)
Total credit to the income statement	2,535	(2,288)

The amounts charged to the income statement in these financial statements, based on the Company's allocation of the total Babcock International Group PLC charge, included £176k for service cost (2025: £94k), £46k for incurred expenses (2025: £3k), £nil credit for settlements (2025: £264k) and net interest credit of £10k (2025: £7k).

Analysis of amount included in Babcock International Group PLC statement of comprehensive income ("SOCl")

	2026 £000	2025 £000
Actuarial loss recognised in the SOCl	(178)	(7,651)
Experience losses arising on scheme liabilities	(2,570)	(285)
Other gains	2,950	6,069
	202	(1,867)

The actuarial gain recognised in the SOCl in these financial statements, based on the Company's allocation of the total Babcock International Group PLC movement, was £97k (2025: £65k loss).

Notes to the financial statements *(continued)*

25 Pension commitments *(continued)*

c) Citrus BIG2024 Pension Scheme *(continued)*

Reconciliation of present value of scheme assets in Babcock International Group PLC	2026 £000	2025 £000
At 1 April	49,844	-
Interest cost	2,944	1,371
Employee contributions	-	24
Employer contributions	3,089	1,499
Benefits paid	(1,238)	(274)
Settlements	-	54,875
Actuarial loss	(178)	(7,651)
At 31 March	54,461	49,844

Reconciliation of present value of scheme liabilities	2026 £000	2025 £000
At 1 April	47,924	-
Service cost	2,111	1,233
Incurred expenses	548	42
Interest on liabilities	2,820	1,285
Employee contributions	-	24
Actuarial gain – demographics	(1,365)	(54)
Actuarial gain – financial	(1,585)	(6,015)
Experience gains	2,570	285
Benefits paid	(1,238)	(274)
Settlements	-	51,398
At 31 March	51,785	47,924

The surplus recognised in these financial statements, based on the Company's allocation of the total Babcock International Group PLC assets and liabilities for this scheme, was £223k (2025: £146k).

d) Clyde Citrus pension scheme

The IAS 19 valuation has been updated at 31 March 2026 by an independent qualified actuary using revised assumptions that are consistent with the requirements of IAS 19. Devonport Royal Dockyard Limited is the only participating company in Clyde Citrus pension scheme.

Notes to the financial statements (continued)

25 Pension commitments (continued)

d) Clyde Citrus pension scheme (continued)

The major assumptions used for the IAS 19 valuation were:

Major assumptions	2026	2025
	%	%
Rate of increase in pensionable salaries	3.2	2.9
Rate of increase in pensions (past service)	2.4	2.72
Discount rate	6.4	5.8
Inflation rate (RPI)	3.3	3.0
Inflation rate (CPI)	3	2.7
Weighted average duration of cash flows (years)	22	22
Life expectancy from age 65 (male aged 65)	18.3	19.0
Life expectancy from age 65 (female aged 65)	22.3	22.3
Life expectancy from age 65 (male aged 45)	20.4	20.0
Life expectancy from age 65 (female aged 45)	23.5	23.6

The group's cash contribution rates payable to the scheme in 2026/27 are expected to be as follows:

Future service contribution rate	9.0%
Future service cash contributions	£0.5m
Deficit contributions	£nil
Expected employer cash costs for 2026/27	£0.5m
Expected salary sacrifice contributions	£0.2m
Expected total employer contributions	£0.7m

The changes to the balance sheet at March 2026 and the changes to the income statement for the year to March 2027, if the assumptions were sensitised by the amounts below, would be:

	Defined benefit obligations	Projected income statement
	2026	2027
	£000	£000
Initial assumptions	2,950	380
Discount rate assumptions increased by 0.5%	(280)	(92)
Discount rate assumptions decreased by 0.5%	316	96
Inflation rate assumptions increased by 0.5%	252	63
Inflation rate assumptions decreased by 0.5%	(244)	(62)
Total life expectancy increased by half a year	26	5
Total life expectancy decreased by half a year	(27)	(7)
Salary increase assumptions increased by 0.5%	196	50
Salary increase assumptions decreased by 0.5%	(184)	(49)

Notes to the financial statements *(continued)*

25 Pension commitments *(continued)*

d) Clyde Citrus pension scheme *(continued)*

The fair value of the assets, the present value of the liabilities and the expected rates of return of the scheme at the balance sheet date of 31 March 2026 were:

	2026 £000	2025 £000
Fair value of plan assets		
Equities	-	987
Property	124	359
Absolute return and multi strategy funds	1,680	-
Bonds	321	2,021
Matching assets	4,489	2,090
Total assets	6,614	5,457
Present market value of liabilities - funded	(2,950)	(2,436)
Gross pension surplus	3,664	3,021

All the assets of the scheme are quoted except for the longevity swaps.

The scheme does not invest directly in assets or shares of Babcock International Group PLC. Investments have been valued for this purpose at fair value at the statement of financial position date. Equity investments and bonds are valued at bid price.

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.

	2026 £000	2025 £000
Analysis of amount charged to the income statement		
Current service cost	551	665
Incurred expenses	85	128
Total included within operating profit	636	793
Net interest income	(186)	(100)
Total charged to the income statement	450	693

Analysis of amount included statement of comprehensive income ("SOCl")

	2026 £000	2025 £000
Actuarial loss recognised in the SOCl	(73)	(476)
Experience (loss) / gain on liabilities	(8)	231
Other gains	176	604
	95	359

Notes to the financial statements *(continued)*

25 Pension commitments *(continued)*

d) Clyde Citrus pension scheme *(continued)*

Analysis of movement in the financial statement:

Reconciliation of present value of scheme assets

	2026 £000	2025 £000
At 1 April	5,457	4,015
Interest on assets	342	236
Employer contributions	998	1,787
Benefits paid	(110)	(105)
Actuarial losses	(73)	(476)
At 31 March	6,614	5,457

Reconciliation of present value of scheme liabilities

	2026 £000	2025 £000
At 1 April	2,436	2,447
Service cost	551	665
Incurred expenses	85	128
Interest on liabilities	156	136
Actuarial loss / (gain) – demographics	7	(9)
Actuarial (gain) – financial	(183)	(595)
Experience losses / (gains)	8	(231)
Benefits paid	(110)	(105)
At 31 March	2,950	2,436

Virgin Media Case

The Company 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 Company'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 under 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 Company is aware that a further case has been heard in the High Court in 2025 (judgment in respect of which is still awaited) and that such case may provide additional clarity on issues related to the Virgin Media case and its implications for certain schemes and relevant historic amendments.

Notes to the financial statements *(continued)*

25 Pension commitments *(continued)*

Virgin Media Case *(continued)*

The Company and the trustees of its defined benefit pension schemes had taken initial advice on the implications of the Virgin Media case for the Company'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 other potentially impacted schemes, there was a process to identify areas that may require further investigation, depending on developing case law and the introduction of legislation on this point. The Pension Schemes Act 2026 (which gained Royal Assent on 29 April 2026) now includes a so-called legislative solution in relation to this issue. The Company understands this provides, broadly, for a process for schemes to obtain retrospective actuarial confirmation in relation to historic benefit changes which (subject to the relevant steps and conditions) could result in the scheme being treated as having met the requirements of Section 37 of the Pension Schemes Act 1993 in respect of the identified benefit changes. The next steps for the potentially impacted schemes, which may include the use of the legislative solution, will now be considered in light of the Pension Schemes Act 2026. The potential impact on the Company is therefore not yet known and continues to be assessed.

26 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.

Notes to the financial statements *(continued)*

27 Prior year restatement

In the year ended 31 March 2026, the Company restated the prior year information. The restatements are summarised below:

Impact on the Income Statement for the year ended 31 March 2025:

	Previously Published £000	(a) Management Fee £000	Restated £000
Revenue	1,749,876	-	1,749,876
Cost of revenue	(1,616,504)	(15,794)	(1,632,298)
Gross profit	133,372	(15,794)	117,578
Administrative Expenses	(41,693)	15,794	(25,899)
Other Income	22,929	-	22,929
Profit on disposal of assets	-	-	31
Operating profit	114,608	-	114,639
Share of joint venture results	134	-	134
Finance income	19,485	-	19,485
Finance costs	(8,556)	-	(8,556)
Profit on disposal of assets	31	-	-
Profit before taxation	125,702	-	125,702
Income tax expense	(49,786)	-	(49,786)
Profit for the financial year	75,916	-	75,916

- (a) Group Management Charges in prior periods were misallocated to administrative expenses. These charges have been reclassified to cost of revenue, resulting in a decrease to gross profit of £15.8m. The restatement had no impact on the profit before tax, profit after tax, retained earnings or net assets in the prior years.

Notes to the financial statements *(continued)*

27 Prior year restatement *(continued)*

Impact on the Statement of Financial Position for the year ended 31 March 2025:

	Previously Published* £000	(b) Group Relief £000	Restated £000
Total Non-current assets	347,473	-	347,473
Total Current Assets	781,023	-	781,023
Current liabilities			
Trade and other payables	(543,398)	14,605	(528,793)
Lease liabilities	(2,807)	-	(2,807)
Other financial liabilities	(43)	-	(43)
Provisions	(10,251)	-	(10,251)
	(556,499)	14,605	(541,894)
Net current assets	224,524	14,605	239,129
Total assets less current liabilities	571,997	14,605	586,602
Total Non-current liabilities	(119,123)	-	(119,123)
Net assets	452,874	14,605	467,479
Equity			
Share capital	5,350	-	5,350
Share premium account	32,700	-	32,700
Retained earnings	414,824	14,605	429,429
Total shareholders' funds	452,874	14,605	467,479

* The table above includes only those financial statement line items which have been restated.

- (b) During the current year it was noted that balances due to group undertakings incorrectly included amounts relating to tax losses relief from 2022 to 2024 that was not in line with the Group's policy. An adjustment has therefore been posted to reduce these balances in the years to which they relate to now align with Group policy. This resulted in a credit to the opening retained earnings for the year ended 31 March 2025 of £14.6m.

Notes to the financial statements *(continued)*

28 Post balance sheet events

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

29 Immediate and ultimate parent undertakings

The Company's immediate parent company is Babcock Marine (Devonport) Limited, a company registered in England and Wales. The Company's ultimate parent undertaking and controlling party is Babcock International Group PLC, a company registered in England and Wales. The only group in which the results of the Company are consolidated is Babcock International Group PLC. Copies of Babcock International Group PLC Financial Statements are available from the following address:

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