Babcock Aerospace Limited

Annual report and financial statements

for the year ended 31 March 2026

Company registration number:

03887962

COMPANY INFORMATION

Current Directors	M Abbott N Borrett C Leigh T Morton
Company secretary	Babcock Corporate Secretaries Limited
Registered number	03887962
Registered office	33 Wigmore Street London W1U 1QX
Independent auditor	Forvis Mazars LLP Chartered Accountants and Statutory Auditor The Aviary 39 Booth Street Manchester M2 3HZ

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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 activities continued to be providing technical support and training, procurement services and infrastructure support predominantly in the field of military aircraft maintenance and repair.

Business review

	2026	2025
	£'000	£'000
Revenue	**146,530**	116,244
Profit for the financial year	**24,018**	18,218
Net Assets	**83,421**	59,403

Over the course of the current and prior year, the Company continued to perform in line with expectations.

The provision of maintenance and ground crew training in support of the Royal Air Force (RAF) Hawk TMk2 fleet contract continued during the year. The contract with BAE Systems PLC is a Qualifying Sub-Contract under the Single Source Regulations Office (SSRO) regulations and continues to 2033.

The Company continues to provide technical engineering and support services to the Royal Air Force, across a number of locations throughout the UK, under the HADES contract.

The Company is also continuing to provide flight training services to the UK Armed Forces under its UK Light Aircraft Flying Task (LAFT) contract. The existing contract continued the service through to March 2026. A contract extension has been signed to now extend the service through to 2030.

The Company is providing services in support of Ascent, a joint venture of Babcock International and Lockheed Martin, to support the delivery of the Military Flight Training System (MFTS) programme in partnership with the UK Ministry of Defence (MOD). The construction element of the FIRCTs (Future ISTAR and Rear Crew Training System) contract (signed under MFTS in March 2025) commenced and progressed to schedule. The FIRCTs construction contract has been the driver of a significant portion of the revenue growth year on year in the year ended 31 March 2026. Construction at the Cranwell and Culdrose sites is on track to complete by March 2027. Following completion, the Company will undertake maintenance of buildings at both Cranwell and Culdrose. This is expected to run until 2033. The Company is also contracted to provide services in support of Airtanker Services Limited under a 27-year agreement ending in 2035.

Striving for, and maintaining, an excellent health and safety record remains a fundamental objective across all the sites the Company operates at. Improved safety culture, reporting of incidents and near misses, and safety standards are being addressed through company-wide live sessions managed by the operational leadership team, with a focus on empowering individuals to intervene if unsafe practices are witnessed. The Company has implemented training resources, tailored to the specific activities undertaken by the business.

The financial position of the Company has strengthened during the year ended 31 March 2026 with net assets increasing by £24.0m (+40.4%) on the 2025 closing position. This is mainly due to an increase in the amounts due from group companies from £54.6m to £93.1m from an increase in the intercompany cash sweep balances (+£38.5m), partially offset by an increase in both contract liabilities and amounts owed to group companies. The cash sweep balances are used for the management of working capital across the Group and are reflective of the improvement in cashflow within the Company.

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

Principal risks and uncertainties

The Company's ultimate controlling parent is Babcock International Group PLC. 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 the operational review process, supplemented at group level by independent challenge and review by the Audit Committee and the Risk and Controls Committee.

The key risks and uncertainties affecting the Company are considered to be related to contractual performance and the political and regulatory environment. The Company's business is susceptible to individual contract performance. All of the Company's contracts are affected by changes in government policy, budget allocations and the changing political environment. The Directors manage this risk by meeting on a regular basis to discuss these risks.

The macro-economic environment remains volatile, although there are signs that the extreme inflationary pressures experienced over recent years are now receding and stabilising. Approximately two-thirds of our revenue base has measures for protection against inflation. The remainder are, "firm", fixed-price contracts which retain some inflation risk. These are relatively short term (within 2 years), giving us the opportunity to renegotiate these with improved terms. The Company's largest exposure to inflation is rising labour costs (approximately 93% of the cost base of the "firm" fixed-price contracts). The Company continues to offer pay deals in line with inflation, but which can be covered within the revenue from the contracts.

Risk is considered regularly at Company Board level. As part of its business planning and annual strategy review process, the Company Board conducts a robust assessment of principal and emerging risks. Further discussion of these risks and uncertainties, in the context of the Group as a whole, is provided on pages 110 to 128 of the annual report of Babcock International Group PLC, which does not form part of this report.

Key performance indicators

The financial and non-financial key performance indicators (KPIs) of Babcock International Group PLC, in the context of the Group as a whole, are provided on pages 32 to 33 of the annual report of Babcock International Group PLC, which does not form part of this report.

The growth and performance of Aviation, a sector of Babcock International Group PLC, which includes the Company, is discussed on pages 65 to 67 of the annual report of Babcock International Group PLC, which does not form part of this report.

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

	2026	2025
Revenue Growth	**26.1%**	7.0%
Operating Return on Revenue	**19.8%**	17.9%
Order Book	**572.37m**	£555.72m
Total injuries rate (per 200,000 hours worked)	**1.33**	1.01

Revenue Growth
The main factors for the increase in revenue from the prior year are:

- MFTS - £17.8m additional revenue from the new FIRCTs contract. £1.5m from additional growth from the AEA extension and new work secured.
- Hades – £7.2m additional revenue due to higher indexation and the further extension which commended in April 2025.
- LAFT - £2.6m additional spares and repairs and inflationary uplifts.
- HAWK - £1.2m higher growth and indexation year on year.

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

Key performance indicators *(continued)*

Operating Return on Revenue
Operating profit expressed as a percentage of revenue has increased in the year by 1.9 percentage points. The main factors affecting this are:

- Increased gross margin on the contracts from 17% to 22%
- Increases in gross margin % on HADES, HAWK, LAFT and FSTA have been offset by reduced gross margin % on MFTS

Order Book
The order book increased in the current year reflecting the additional contract works, and signing the new LAFT contract.

Total injuries rate (per 200,000 hours worked)
Ensuring employees and subcontractors who visit our sites are kept safe at work is a primary objective for the Company, and we seek to create an environment and culture together with safe working practices that ensures the risk of injuries being sustained is minimised.

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 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.

Stakeholder engagement is managed in accordance with Group policies and procedures which are discussed on pages 68 to 69 and 138 to 139 of the annual report of Babcock International Group PLC, which does not form part of this report.

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

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

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

Customers *(continued)*

- 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

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:

In FY26, Babcock 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.

- 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

Further details are discussed on pages 30 to 31 of the annual report of Babcock International Group PLC, which does not form part of this 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

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

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

Regulators *(continued)*

- Safety and compliance of operations
- Sustainability
- Site-specific issues

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.

What matters to them:
- Fair pay and reward
- Opportunities for career development
- The Company's aims, goals, priorities and reputation
- Health, safety and wellbeing
- An empowering, inclusive culture with strong leadership
- Collaboration

How the Company engages:

Our Global People Survey remains a key indicator of organisational health and engagement, with a strong participation rate of 79% across the Group.

- Regular engagement with leaders at all levels
- Our Group designated Director for workforce engagement, Lord Parker, visited several Babcock sites, holding 10 meetings and engaging with over 200 colleagues
- 'Go Together, Go Far' immersive bus tour visited several operational sites across the UK
- 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

Communities

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

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

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

Communities *(continued)*

What matters to them:
- Employment opportunities and economic contribution
- Health, safety and wellbeing
- Making a positive impact on the community, including through volunteering
- Engagement in local education and STEM activities
- Sustainability and protection of the local environment
- Support for Indigenous peoples
- Support for the armed forces community
- Broad Community engagement

How the Company engages:
- Sponsorship and donations
- Working with local SMEs to support local economies
- Colleague volunteering
- University and skills partnerships
- STEM outreach
- Employer of service leavers, veterans and reserves
- Engagement with and support for local community programmes

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 the Group's 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:

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 our 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.

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

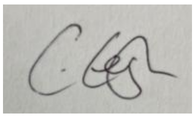
Sustainability and environment *(continued)*

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.

Further details in relation to these activities, and climate related financial disclosures, form part of the Group-wide ESG Strategy as described on pages 70 to 105 of the annual report for the year ended 31 March 2026 of its ultimate parent, Babcock International Group PLC, which does not form part of this report.

This report was approved by the board on 16th September 2026 and signed on its behalf by:



C Leigh
Director
16th September 2026

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 interim dividend payment has been made for this financial year (2025: £nil). No final dividend for the year ended 31 March 2026 is proposed by the Directors (2025: £nil).

Directors and their interests

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

M Abbott	
C Barker	(Resigned 16 December 2025)
N Borrett	
C Cole	(Resigned 11 June 2025)
P Edwards	(Appointed 11 June 2025, resigned 2 July 2026)
T Morton	(Appointed 15 January 2026)
C Leigh	(Appointed 2 July 2026)

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

The directors remain confident that the Company will continue to benefit from the strength of its relationship with the MOD. Although a number of contracts are nearing completion, discussions are already taking place about extensions. In September 2026, the Company signed a further irregular extension to the HADES until May 2028.

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

In addition, the trade and assets of Babcock Support Services Ltd are expected to transfer to Babcock Aerospace Limited in the financial year ending 31 March 2027.

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 £57.8m. Following review, 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 signing 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.

Financial risk management

The applicable financial risk management policies and exposure to financial risks including interest, liquidity, currency and credit risks are discussed in detail on pages 243 to 249 of the annual report of Babcock International Group PLC, which does not form part of this report.

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

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.

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. For more information about our inclusion and diversity policy, please see page 81 of the annual report of Babcock International Group PLC, which does not form part of this report.

Engagement with UK employees has been considered on page 7 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 customers and suppliers has been considered in the Strategic Report on pages 5 to 6.

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

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 affecting the Company since the year end.

Statement of disclosure of information to auditors

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

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

Appointment of auditors

Following appointment as Independent Auditor of the Company last year, Forvis Mazars LLP is willing to continue in office. A resolution to reappoint Forvis Mazars LLP as Independent Auditor has been proposed and approved by the Group Annual General Meeting.

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.

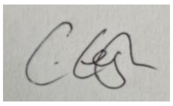
Directors’ report for the year ended 31 March 2026 *(continued)*

Directors’ responsibility statement *(continued)*

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 16th September 2026 and signed on its behalf by:



C Leigh
Director
16th September 2026

Independent auditor’s report to the members of Babcock Aerospace Limited

Opinion

We have audited the financial statements of Babcock Aerospace Limited (the ‘Company’) for the year ended 31 March 2026 which comprise the Income statement, Statement of financial position and Statement of changes 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.

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 and financial statements, 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.

Independent auditor's report to the members of Babcock Aerospace Limited *(continued)*

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.

Responsibilities of Directors

As explained more fully in the Directors' responsibility statement set out on pages 12-13, 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 (including health and safety), data protection, anti-bribery, anti-fraud, anti-corruption, anti-money laundering, national security, fair trading, environmental, import and export controls and government contracting and procurement regulations and conditions.

Independent auditor's report to the members of Babcock Aerospace Limited *(continued)*

Auditor's responsibilities for the audit of the financial statements *(continued)*

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 financial reporting legislation (including related company legislation such as the Companies Act 2006), pensions legislation and taxation legislation.

In addition, we evaluated the Directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to contract revenue and margin recognition on contracts with indicators of heightened audit risk and the associated accounting for contract assets, contract liabilities, provisions, contingent assets and contingent liabilities, 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.

Independent auditor's report to the members of Babcock Aerospace Limited *(continued)*

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:

James Abbott

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James Abbott (Senior Statutory Auditor)
for and on behalf of Forvis Mazars LLP

Chartered Accountants and Statutory Auditor
The Aviary
39 Booth Street
Manchester
M2 3HZ

16th September 2026

Income statement for the year ended 31 March 2026

	Note	2026 £'000	2025 £'000
Revenue	4	**146,530**	116,244
Cost of revenue		**(115,245)**	(95,699)
Administration and distribution expenses		**(2,234)**	(1,378)
Reversal of provision for expected credit losses		**-**	1,621
Operating profit	5	**29,051**	20,788
Income from shares in group undertakings		**335**	-
Finance income	6	**2,607**	3,381
Finance costs	6	**(18)**	(43)
Profit before taxation		**31,975**	24,126
Income tax expense	10	**(7,957)**	(5,908)
Profit for the financial year		**24,018**	18,218

The notes on page 21 to 43 form part of these financial statements.

All of the above results derive from continuing operations.

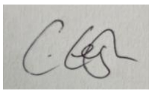
There have been no other comprehensive gains/losses during either the current or prior year other than as disclosed in the income statement and therefore no separate statement of comprehensive income has been presented.

Statement of financial position as at 31 March 2026

	Note	**2026 £'000**	2025 £'000
Non-current assets			
Intangible assets	11	**22,850**	22,850
Property, plant and equipment	12	**3,501**	4,602
Trade and other receivables	15	**-**	463
		26,351	27,915
Current assets			
Inventories	14	**1,319**	1,194
Trade and other receivables	15	**111,625**	70,572
Cash and cash equivalents		**999**	1,012
		113,943	72,778
Current liabilities			
Trade and other payables	16	**(56,104)**	(40,255)
Net current assets		**57,839**	32,523
Total assets less current liabilities		**84,190**	60,438
Non-current liabilities			
Deferred tax	10	**(769)**	(1,035)
Net assets		**83,421**	59,403
Capital and reserves			
Called up share capital	17	**3,000**	3,000
Share premium account		**9,000**	9,000
Retained earnings		**71,421**	47,403
Total shareholders' funds		**83,421**	59,403

The notes on pages 21 to 43 are an integral part of these financial statements.

The financial statements on pages 18 to 43 were approved and authorised for issue by the board of Directors on 16th September 2026 and signed on its behalf by:



C Leigh
Director
16th September 2026

Statement of changes in equity as at 31 March 2026

	Called-up share capital £'000	Share premium £'000	Retained earnings £'000	Total Shareholders' funds £'000
Balance at 1 April 2024	**3,000**	**9,000**	**29,185**	**41,185**
Profit for the financial year	-	-	18,218	18,218
Balance at 31 March 2025	**3,000**	**9,000**	**47,403**	**59,403**
Profit for the financial year	-	-	24,018	24,018
Balance at 31 March 2026	**3,000**	**9,000**	**71,421**	**83,421**

Notes to the financial statements

1 General information

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

Its ultimate controlling party is disclosed in note 25. 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, unless otherwise stated, 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 Defence & Security Holdings LLP 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 has been taken of the FRS 101 disclosure exemptions:

a) Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share based payments'.
b) IFRS 7, 'Financial instruments: Disclosures'.
c) Paragraphs 91 to 99 of IFRS 13 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
d) The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 'Revenue from contracts with customers'.
e) The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 58, 90, 91 and 93 of IFRS 16 'Leases'.
f) Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information in respect of:
- paragraph 79(a)(iv) of IAS 1 'Presentation of financial statements' (reconciliation of shares outstanding from the beginning to the end of the period);
- paragraph 73(e) of IAS 16 'Property, plant and equipment'; and
- paragraph 118(e) of IAS 38 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period).

g) Paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 'Presentation of financial statements'.

Notes to the financial statements *(continued)*

2 Summary of material accounting policies *(continued)*

Basis of preparation *(continued)*

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 disclosures' 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, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
l) Paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 'Impairment of assets'.

The 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 £57.8m. Following review, 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 signing 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.

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

Notes to the financial statements *(continued)*

2 Summary of material accounting policies *(continued)*

Revenue *(continued)*

(a) Performance obligations *(continued)*

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. 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.

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.

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.

Notes to the financial statements *(continued)*

2 Summary of material accounting policies *(continued)*

Revenue *(continued)*

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

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.

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 receive payment by the Company.

Assessment of contract profitability

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

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

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

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.

Accounting for contract modifications

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

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

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 are often required to be carried out at pace and other mechanisms, informed by established customer relationships and local working arrangements, can be used to achieve approval of contract modifications. In approving contract modifications in these circumstances, the Company considers 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.

(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.

Notes to the financial statements *(continued)*

2 Summary of material accounting policies *(continued)*

Revenue *(continued)*

(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.

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.

Employee benefits

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

(b) Share-based compensation
The Company participates in equity-settled share-based compensation plans under which employees receive equity instruments of Babcock International Group PLC. The Company receives employee services in consideration for those equity instruments. The fair value of the awards is determined by reference to appropriate valuation techniques, including option pricing models where applicable. 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.

Notes to the financial statements *(continued)*

2 Summary of material accounting policies *(continued)*

Taxation

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company 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.

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 and accumulated impairment losses. The intangible assets are amortised on a straight-line basis as follows:

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

The Company does not amortise goodwill in accordance with the requirements of IFRS as applied under FRS 101. Instead, an annual impairment test is performed and any impairment that is identified is recognised in the income statement. Goodwill impairments are not subsequently reversed. On disposal of a subsidiary, joint venture or associate, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Notes to the financial statements *(continued)*

2 Summary of material accounting policies *(continued)*

Intangible assets *(continued)*

Goodwill *(continued)*
The non-amortisation of goodwill conflicts with paragraph 22 of Schedule 1 to 'The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410), which requires acquired goodwill to be written off over its useful economic life. As such, the non-amortisation of goodwill is a departure, for the overriding purpose of giving a true and fair view, from the requirement of paragraph 22 of Schedule 1 to the Regulations.

Had goodwill been amortised over its estimated useful economic life, the amortisation charge for the year would have been £1,689k (2025: £1,689k) and profit after tax and net assets would have been reduced by this amount. Had goodwill been amortised over its estimated useful economic life the net book value would have been £2,582k (2025: £4,271k).

Impairment of non-current assets

Goodwill and indefinite life intangibles are reviewed for impairment at least annually. For all other non-financial non-current assets (including acquired intangible assets, capitalised development costs, software assets, property, plant and equipment and right of use assets) the Company performs impairment testing where indicators of impairment are identified. Impairment testing is performed at the individual asset level.

Where an asset does not generate cash flows that are separately identifiable from other assets, the Company estimates the recoverable amount of the CGU (Cash-Generating Unit) to which the asset belongs.

The recoverable amount is the higher of fair value less costs of disposal, and value-in-use. When the recoverable amount is less than the carrying amount, an impairment loss is recognised immediately in the Company income statement.

Where an impairment loss on other non-financial non-current assets subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised in prior years. Goodwill impairments are not subsequently reversed.

Property, plant and equipment

Property, plant and equipment is shown at cost less subsequent depreciation and 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 financial year end), at the following annual rates:

Aircraft fleet	3% to 10%, except as noted below where purchased for specific projects.

Where property, plant and equipment is purchased for specific projects and the remaining project life is less than the above period, the asset is written off over the remainder of the project life.

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.

Notes to the financial statements *(continued)*

2 Summary of material accounting policies *(continued)*

Leases

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

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

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

Inventory

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

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 receivables

Trade and other receivables are measured at amortised cost less expected credit loss allowances. Expected credit losses are recognised in accordance with IFRS 9. A provision for expected credit losses is established under IFRS 9 when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

The Company measures the provision at an amount equal to lifetime expected credit losses, estimated by reference to past experience and relevant forward-looking factors. Forward-looking factors are applied to homogenous groups of receivables which share characteristics and are based on an estimate of how corporate failure rates may change relative to historic levels given the current economic environment.

The 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.

Amounts due from group undertakings in relation to 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 settled within twelve months are recorded as current assets.

Notes to the financial statements *(continued)*

2 Summary of material accounting policies *(continued)*

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 that are due to be settled within twelve months are recorded as current liabilities.

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 22 for details of contingent liabilities.

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 the 12-month expected credit losses.

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

(b) Derivative financial instruments
Derivatives are initially recognised at fair value on the date a derivative is entered into and are subsequently remeasured at fair value. The Company designates certain derivative instruments within its portfolio to be hedges of the fair value of recognised assets or liabilities or unrecognised firm commitments.
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. For derivatives that qualify as cash flow hedges, fair value gains or losses are deferred in equity until the underlying transaction is recognised.

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.

Notes to the financial statements *(continued)*

2 Summary of material accounting policies *(continued)*

Fair value measurement

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.

Foreign currencies

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

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

3 Critical accounting estimates and judgements

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

Critical accounting judgements

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

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

Notes to the financial statements *(continued)*

3 Critical accounting estimates and judgements *(continued)*

Critical accounting judgements *(continued)*

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:

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 and adjustments are made where necessary. As contracts near completion, often less judgement is required to determine the expected outturn.
- *Variable consideration* – the Company's contracts are 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	2025	**2026**	2025	**2026**	2025	**2026**	2025
	£'000	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
	Construction services	Construction services	**Technical support and training**	Technical support and training	**Procurement services and infrastructure support**	Procurement services and infrastructure support	**Total**	Total
By area of activity:								
Provision of services - transferred over time	**17,870**	-	**56,411**	53,051	**72,249**	63,193	**146,530**	116,244

All the revenue in the year ending 31 March 2026 and the year ending 31 March 2025 originated in the United Kingdom.

5 Operating profit

Operating profit is stated after charging / (crediting):

	2026	2025
	£'000	£'000
Depreciation of property, plant and equipment (Note 12)	**1,898**	359
Right of use depreciation (Note 13)	**-**	97
Inventory recognised as an expense (Note 14)	**2,849**	3,109
Inventory Impairment	**135**	114
Operating lease charges - short term leases (Note 13)	**296**	9
Foreign exchange losses/(gains)	**49**	(6)
Intellectual property royalty charge	**2,266**	1,661

Fees paid to the Company's auditors, 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. Audit fees of £165k (2025: £157k) were borne by a fellow group company.

6 Finance income and costs

	2026	2025
	£'000	£'000
Finance income:		
Loan interest receivable from group undertakings	**2,607**	3,381
Finance costs:		
Lease interest	**-**	(14)
Loan interest payable to group undertakings	**(6)**	(13)
Fair value movement on derivatives	**(12)**	(16)
	(18)	(43)

Notes to the financial statements *(continued)*

7 Staff

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	**1,566**	1,567
Management and administration	**-**	21
	1,566	1,588

Their aggregate remuneration comprised:

	2026 £'000	2025 £'000
Wages and salaries	**56,100**	52,539
Social security costs	**6,787**	5,186
Pension costs – defined contribution plans (Note 21)	**5,127**	4,880
Share based payments (Note 9)	**65**	-
	68,079	62,605

During the year, the average number of employees recharged to other Babcock entities was 44 (2025: 33). The total cost recharged included in the above was £1,858k (2025: £1,789k).

8 Directors' emoluments

During the year, none of the Directors were paid by the Company (2025: none of the Directors were paid by the Company).

Where Directors received remuneration that was borne by other Babcock Group companies it is not possible to make an accurate apportion of these Directors' emoluments relating to services provided to the Company.

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.

9 Share based payments

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

During the year the total charge relating to employee share-based payment plans was £65k (2025: £nil) all of which related to equity-settled share-based payment transactions. After tax, the income statement charge was £49k (2025: £nil).

Notes to the financial statements *(continued)*

9 Share based payments *(continued)*

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

Colleague Share Plan (CSP)

	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 CSP	702,960	980	-	3.0	100.0%	-	980	-	20/08/25

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.

There are no performance conditions attached to the 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.

10 Tax

Income tax expense

	Year ended 31 March 2026 £'000	Year ended 31 March 2025 £'000
Analysis of tax expense in the year		
Current tax		
UK current year expense	**8,172**	5,693
Adjustment in respect of prior periods	**51**	-
	8,223	5,693
Deferred tax		
UK current year benefit	**(257)**	(67)
Adjustment in respect of deferred tax for prior years	**(9)**	282
	(266)	215
Total income tax expense	**7,957**	5,908

Notes to the financial statements *(continued)*

10 Tax *(continued)*

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

	Year ended 31 March 2026 £'000	Year ended 31 March 2025 £'000
Profit before tax	**31,975**	24,126
Profit on ordinary activities multiplied by rate of corporation tax in the UK of 25% (2025: 25%)	**7,994**	6,031
Effects of:		
Income not taxable for tax purposes	**(79)**	(405)
Prior year adjustments	**51**	-
Adjustment in respect of deferred tax for prior years	**(9)**	282
Total income tax expense	**7,957**	5,908

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 does not expect to have a Pillar Two tax liability for the period (2025: nil).

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:

	Year ended 31 March 2026 £'000	Year ended 31 March 2025 £'000
Deferred tax liability	**(769)**	(1,035)

Notes to the financial statements *(continued)*

10 Tax *(continued)*

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

Deferred tax	Tangible assets	Other	**Total**
	£'000	£'000	**£'000**
At 1 April 2025	(1,063)	28	**(1,035)**
Income statement charge	260	6	**266**
At 31 March 2026	**(803)**	**34**	**(769)**
At 1 April 2024	(852)	32	(820)
Income statement charge	(211)	(4)	(215)
At 31 March 2025	(1,063)	28	(1,035)

Deferred tax liabilities have been recognised in respect of accelerated capital allowances and other short term timing differences.

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.

The Company has applied the temporary exception from the accounting requirements for the deferred taxes in IAS12, so that the Company neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

11 Intangible assets

	Goodwill	**Total**
	£'000	**£'000**
Cost		
At 1 April 2025	22,850	22,850
At 31 March 2026	**22,850**	**22,850**
Accumulated amortisation and impairment		
At 1 April 2025	-	-
At 31 March 2026	**-**	**-**
Net book value		
At 31 March 2026	**22,850**	**22,850**
At 31 March 2025	22,850	22,850

With effect from 1 April 2012, Babcock Aerospace Limited acquired contracts from three companies within the Group (Babcock Support Services Limited, Babcock Communications Limited and Babcock Flagship Limited). £22,850k is the remaining cost of goodwill as at the date of transition to FRS101 (£36,974k at acquisition). The financial statements depart from the requirements of the Companies Act 2006 to amortise goodwill over a finite period in order to give a true and fair view as required by FRS 101. The Directors have

Notes to the financial statements *(continued)*

11 Intangible assets *(continued)*

judged that the longevity of the Company's activities with the UK Government indicate there is no foreseeable limit to the potential cash-generation derived from the current goodwill balance.

A current year impairment review was carried out on the Company's goodwill, which did not result in any impairment. The recoverable amount of goodwill was assessed by reference to value in use calculations derived from risk-adjusted cash flows based on a five-year plan.

12 Property, plant and equipment

	Aircraft & components £'000	Assets under construction £'000	Total £'000
Cost			
At 1 April 2025	11,102	1,137	12,239
Additions	667	130	797
Transfers	855	(855)	-
Disposals	(748)	-	(748)
At 31 March 2026	**11,876**	**412**	**12,288**
Accumulated depreciation			
At 1 April 2025	(7,637)	-	(7,637)
Charge for the year	(1,898)	-	(1,898)
Disposals	748	-	748
At 31 March 2026	**(8,787)**	**-**	**(8,787)**
Net book value			
At 31 March 2026	**3,089**	**412**	**3,501**
At 31 March 2025	3,465	1,137	4,602

Notes to the financial statements *(continued)*

13 Leases

Right-of-use assets

In the prior year, the vehicle leases transferred to Babcock Corporate Services, another Group company. This Group-wide decision was made to simplify the management of the leases and improve the accuracy with regular movement of staff around the Group companies. The costs relating to individual legal entities are now recharged out monthly to the relevant legal entities around the Group.

Lease liabilities

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

	2026	2025
	£'000	£'000
At 1 April	**-**	309
Additions	**-**	39
Disposals	**-**	2
Interest charged	**-**	14
Group transfer	**-**	(255)
Payments	**-**	(109)
At 31 March	**-**	-

The Company had total cash outflows for leases of £nil for the year ended 31 March 2026 (2025: £109k).

The following are the amounts recognised in profit or loss:

	31 March	31 March
	2026	2025
	£'000	£'000
Depreciation expense on right to use assets	-	97
Interest expense on lease liabilities	**-**	14
Expense relating to short-term leases	296	9
	296	120

14 Inventories

	31 March	31 March
	2026	2025
	£'000	£'000
Raw materials	**1,319**	1,194

Inventories are stated after provisions for impairment of £249k (2025: £114k).

The cost of inventory recognised as an expense and included in ‘cost of revenue’ amounted to £2,849k (2025: £3,109k).

Notes to the financial statements *(continued)*

15 Trade and other receivables

	2026	2025
Non-current assets:	**£'000**	£'000
Amounts due from group undertakings	**-**	-
Contract assets	**-**	463
	-	463
Current assets:		
Trade receivables	**6,390**	5,102
Contract assets	**5,429**	3,275
Amounts due from group undertakings	**93,133**	54,604
Amounts due from related parties (Note 20)	**4,469**	1,869
Other receivables	**88**	81
Prepayments and accrued income	**2,116**	5,641
	111,625	70,572

Amounts due from Group undertakings are all due from fellow subsidiary companies of the ultimate parent, Babcock International Group PLC and comprise the following:

- One loan of £19,424k (2025: £31,289k) is due for repayment in November 2028, or at any time requested by the lender giving no less than five business days prior written notice, the interest rate is Refinitiv rate SONIA +1.5%.
- Debtors totalling £14,008k (2025: £520k) which are unsecured and repayable on demand.
- Dividend debtors £nil (2025: £1,621k).
- Debtors related to the implementation of zero balancing bank accounts £59,701k (2025: £21,174k) bears interest at SONIA +/- a margin, depending on the balance at the end of each day.

Trade receivables are stated after provisions for impairment of £132k (2025: £nil).

Other receivables primarily comprise of receivable balances relating to staff benefits and advances.

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.

The Group recognises that there is an inherent element of estimation uncertainty and judgement involved in assessing contract profitability, as disclosed in note 3. 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:

	£'000
At 1 April 2025	3,738
Transfers from contract assets recognised at the beginning of the year to receivables	(3,275)
Increase due to work done not transferred from contract assets	4,966
At 31 March 2026	5,429

	£'000
At 1 April 2024	3,590
Transfers from contract assets recognised at the beginning of the year to receivables	(1,001)
Increase due to work done not transferred from contract assets	1,149
At 31 March 2025	3,738

Notes to the financial statements *(continued)*

16 Trade and other payables

	2026	2025
	£'000	£'000
Current liabilities:		
Trade payables	**867**	1,556
Contract liabilities	**26,017**	16,863
Amounts due to group undertakings	**16,547**	8,507
Other taxation and social security	**6,452**	4,841
Accruals	**3,202**	3,009
Deferred income	**2,572**	5,430
Other payables	**447**	49
	56,104	40,255

Amounts due to Group undertakings are all due to fellow subsidiary companies of the ultimate parent, Babcock International Group PLC, and are unsecured and repayable on demand.

In the prior year, the Company had access to the Babcock International Group PLC overdraft facility, and along with fellow group undertakings provided cross-guarantees in relation to this facility. These were cancelled in the period to 31 March 2025 (Note 22).

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

	£'000
At 1 April 2025	16,863
Amount accrued	26,017
Amount utilised	(16,863)
At 31 March 2026	26,017

	£'000
At 1 April 2024	16,642
Amount accrued	16,863
Amount utilised	(16,642)
At 31 March 2025	16,863

17 Share capital

	31 March 2026	31 March 2025
	£'000	£'000
Allotted, called up and fully paid		
3,000,000 ordinary shares of £1 each (2025: 3,000,000 ordinary shares of £1 each)	**3,000**	3,000

Ordinary shares carry one vote per share and the right to receive dividends. There are no restrictions on the distribution of dividends or repayment of capital.

18 Dividends

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

Notes to the financial statements *(continued)*

19 Guarantees and financial commitments

a) Capital Commitments
At 31 March 2026 the Company had capital commitments of £nil (2025: £nil).

b) Lease Commitments
At 31 March 2026 the Company had lease commitments of £nil for leases not yet commenced (2025: £nil).

20 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.

The Company entered into transactions in the ordinary course of business with Ascent Flight Training (Management) Limited, Advanced Jet Training Limited, Airtanker Services Limited, Rear Crew Training Limited and Rotary Wing Training Limited. All are joint venture undertakings in which 50% shareholding is held by a fellow group company, except for 23.51% shareholding in Airtanker Services Limited (2025: 23.51%). All shareholdings in related parties are in the form of Ordinary shares.

Transactions entered into with parties who are not wholly owned subsidiaries of Babcock International Group PLC and trading balances outstanding at 31 March 2026 are as follows:

Related party	**Sales to related party**	**Purchases from related party**	**Amounts owed by related party**
	£'000	**£'000**	**£'000**
Ascent Flight Training (Management) Limited			
At 31 March 2026	4,330	-	847
At 31 March 2025	2,377	-	1,195
Advanced Jet Training Limited			
At 31 March 2026	3,227	-	252
At 31 March 2025	3,327	-	-
Airtanker Services Limited			
At 31 March 2026	13,038	3	2,699
At 31 March 2025	13,066	-	35
Rear Crew Training Limited			
At 31 March 2026	1,382	-	127
At 31 March 2025	1,246	-	120
Rotary Wing Training Limited			
At 31 March 2026	5,989	-	544
At 31 March 2025	6,472	-	519

21 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.

Total cost of pension contributions for employees of the Company during the year was £5,127k (2025: £4,880k). On 31 March 2026, £4k contributions were payable to the funds (2025: £449k).

Notes to the financial statements *(continued)*

22 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.

23 Subsidiary, and Associate and Joint Venture undertakings

All related undertakings for the Company are as listed below:

Company Name	Country	Address	Interest	Direct & ultimate %
Babcock Integration LLP	United Kingdom	33 Wigmore Street, London	Holding Company >subsidiary company	1.44%

During the year the Company received a dividend of £335k from Babcock Integration LLP (2025: £nil).

24 Events after the reporting period

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

25 Immediate and ultimate parent undertakings

The Company's immediate parent company is Babcock Defence & Security Holdings LLP, a limited liability partnership registered in England and Wales. The Company's ultimate parent undertaking and controlling party is Babcock International Group PLC, a company registered in England and Wales. The only Group in which the results of the Company are consolidated is that headed by Babcock International Group PLC.

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

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