

Babcock Integrated Technology Limited

Annual report and financial statements

for the year ended 31 March 2026

Registered company number: 6717269

COMPANY INFORMATION

Directors

M Bealey
L Atkinson
R Painter
M Abbott

Company secretary

Babcock Corporate Secretaries Limited

Registered company number

06717269

Registered office

33 Wigmore Street
London
W1U 1QX

Independent auditor

Forvis Mazars LLP
Chartered Accountants and Statutory Auditor
Three Chamberlain Square
Birmingham
B3 3AX

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

Review of the business

	2026 £'000	2025 £'000
Revenue	447,514	397,475
Profit for the financial year	35,676	30,622

Statement of financial performance has strengthened during the year with overall net assets of £488m (2025: £452m). Current assets have increased from the prior year, seeing increases in Contract Assets and Amounts due from group undertakings.

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

The principal projects undertaken by the business during the year related to submarine and surface ship support activities in both the UK and international markets. UK-based revenue was predominantly driven by design and manufacturing activities on the Dreadnought and Submersible Ship Nuclear AUKUS (SSNA) submarine programmes, together with ongoing in-service support contracts. International revenue was primarily generated through manufacturing activity associated with the weapons handling and launch system for the Republic of Korea Navy, alongside continued support to the Canadian submarine programme.

The Skynet contract was awarded to Babcock in March 2023 with a mobilisation year and operations commencing March 2024. The contract provides the Ministry of Defence (MoD) with satellite operations management and through life support. This reaches into a new market for Babcock, embedding the Group as the MoD partner of choice for communication services.

This financial year has seen the Company progress through Skynet's second year of operational service delivery with the addition of managed services being provided to end users for Year 2 and now contracted for Year 3. This provides a steady orderbook for 2026/27, alongside which other contract services requests and variations continue to be received into the service provision and delivery. We continue to work with the customer over the timing and technical requirements of certain elements of the Replenish work, following the transition from the previous contract.

The Morpheus Logistics Support contract (LSC) was awarded to Babcock in February 2021 and 2025/26 was the fifth full year of activity. The contract provides tactical radio logistics services for the UK Armed Forces. Revenue traded on this contract remained consistent with prior years driven by steady delivery of Spares and Repairs throughout the year as the contract continued to operate at full capability.

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

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 Group level in accordance with the risk management framework of Babcock International Group PLC. The principal risks and uncertainties of Babcock International Group PLC are discussed in its Annual Report for the year ended 31 March 2026, which does not form part of this report.

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

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

Risk is considered regularly at Board level. As part of its business planning and annual strategy review process, the 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.

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

	2026	2025	
Revenue Growth	13%	40%	The prior year increase is dominated by the first year of the Skynet contract as discussed on Page 3 of the Strategic Report. Current year is natural progression and ongoing contract lifecycle from the prior year.
Operating Margin (%)	8.0%	8.3%	Margins consistent year on year reflecting the lifecycle stage of the projects.
Orderbook £'000	790,294	842,061	Orderbook is dominated by Skynet, Dreadnought and LSC projects. Reduction in year mainly due to trading on Skynet as it progresses through its 6-year contract as discussed on Page 3.

S172 (1) statement and stakeholder engagement

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

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

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

S172 (1) statement and stakeholder engagement (continued)

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
- 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

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

S172(1) statement and stakeholder engagement (continued)

Suppliers (continued)

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

Regulator

Why they matter to us:

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

What matters to them:

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

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.

What matters to them:

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

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

S172(1) statement and stakeholder engagement (continued)

Colleagues (continued)

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

- Regular engagement with leaders at all levels
- Our 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.

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:

- Regular dialogue at our largest sites on matters of mutual interest
- 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 our ESG strategy in 2020 our ambition has grown, but the level and complexity of requirements placed on the business has also increased. Therefore, Babcock International Group PLC 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.

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

S172(1) statement and stakeholder engagement (continued)

Sustainability and environment (continued)

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.

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 form part of the Group-wide ESG Strategy as described on pages 70 to 105 of the annual report of Babcock International Group PLC, which does not form part of this report.

This report was approved by the board on 27th August 2026 and signed on its behalf by:



M Abbott
Director
27th August 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

An interim dividend of £nil (2025: £nil) representing nil pence (2025: nil pence) per ordinary share was declared and paid in the year. 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, unless otherwise stated, were as follows:

M Bealey

L Atkinson (appointed 13th July 2026)

R Painter

M Abbott

C Bruce (resigned 16th May 2025)

N Misell (resigned 13th 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 are confident about the future trading prospects of the Company due to its current order book and market opportunities.

The Skynet contract has a further 3 years of operational service delivery with 2 option years available to extend the current contracted services. The introduction of Skynet 6A into the delivery of service has phase 1 with the customer ready to prepare and handover through 2026/27 and 2027/28. Organic Growth expectations for managed services being provided to end users for year 4 and 5 fit with customer budgeting cycles. More opportunities from simple service requests to the execution of more complex engineering projects continue to be explored and contracted.

We will further explore the Defence Digital domain, Land Cyber Electro Magnetic Activity (CEMA) and Land Environment Tactical Communication & Information Systems (LE TacCIS) arenas. We will also explore the Autonomy arena as we pursue opportunities to broaden our business, placing Babcock as a global defence and security partner of choice.

Going concern

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 £184,000,000. 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 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.

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

Financial risk management

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

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 6 and 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.

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

Engagement with suppliers and customers

Engagement with suppliers and customers has been considered in the Strategic Report on page 5 and 6.

Environment

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

Existence of branches outside the UK

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

Political Donations

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

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 the s418 of the Companies Act 2006.

Appointment of auditors

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

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

Directors' responsibility statement

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

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

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

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. 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 27th August 2026 and signed on its behalf:



M Abbott
Director
27th August 2026

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

Opinion

We have audited the financial statements of Babcock Integrated Technology 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, 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 of this other information, we are required to report that fact.

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

Other information (continued)

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 12, 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.

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

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

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.

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) 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.

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

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

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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

Use of the audit report

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

DocuSigned by:



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Louis Burns (Senior Statutory Auditor)
for and on behalf of Forvis Mazars LLP

Chartered Accountants and Statutory Auditor
Three Chamberlain Square
Birmingham
B3 3AX

28 August 2026

Babcock Integrated Technology Limited

Income statement for the year ended 31 March 2026

	Note	2026 £'000	2025 £'000
Revenue	4	447,514	397,475
Cost of revenue		(386,548)	(350,521)
Gross profit		60,966	46,954
Administration and distribution expenses		(25,327)	(13,906)
Operating profit	5	35,639	33,048
Provision for expected credit loss on amounts due from Group undertakings (increase) / release	16	(113)	2,772
Finance income	6	11,648	10,666
Finance costs	6	(311)	(2,204)
Profit on disposal of lease	13	393	6
Income from shares in Group undertakings	14	625	-
Profit before taxation		47,881	44,288
Income tax charge	10	(12,205)	(13,666)
Profit for the financial year		35,676	30,622

The notes on pages 20 to 47 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.

Babcock Integrated Technology Limited

Statement of financial position as at 31 March 2026

	Note	2026 £'000	2025 £'000
Non-current assets			
Intangible assets	11	31,817	31,666
Property, plant and equipment	12	17,469	20,995
Right-of-use assets	13	1,878	1,977
Investments in subsidiaries	14	252,275	252,275
Other financial assets	19	-	3
Deferred tax asset	10	122	-
Trade and other receivables	16	3,635	5,532
		307,196	312,448
Current assets			
Inventories	15	477	1,155
Trade and other receivables	16	407,020	322,875
Other financial assets	19	248	11
Cash and cash equivalents		-	200
		407,745	324,241
Current liabilities			
Trade and other payables	17	(218,492)	(175,636)
Lease liabilities	13	(704)	(732)
Provisions for liabilities	18	(4,630)	(2,087)
Other financial liabilities	19	(113)	(32)
Bank and other borrowings		(10)	-
Net current assets		183,796	145,754
Total assets less current liabilities		490,992	458,202
Non-current liabilities			
Provisions for liabilities	18	(2,056)	(3,735)
Lease liabilities	13	(1,176)	(1,722)
Other financial liabilities	19	(157)	(19)
Deferred tax liabilities	10	-	(799)
Net assets		487,603	451,927
Equity			
Called up share capital	20	40	40
Share premium account		94,864	94,864
Retained earnings		392,699	357,023
Total shareholders' funds		487,603	451,927

The notes on pages 20 to 47 are an integral part of these financial statements.

The financial statements on pages 17 to 47 were approved and authorised for issue by the board of Directors on 27th August 2026 and signed on its behalf by:

M.T. 

M Abbott (Director)

Registered company number 06717269

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Babcock Integrated Technology Limited

Statement of changes in equity for the year ended 31 March 2026

	Note	Called up share capital £'000	Share premium account £'000	Retained earnings £'000	Total shareholders' funds £'000
Balance at 1 April 2024		40	94,864	326,401	421,305
Profit for the year		-	-	30,622	30,622
Balance at 31 March 2025		40	94,864	357,023	451,927
Profit for the year		-	-	35,676	35,676
Balance at 31 March 2026		40	94,864	392,699	487,603

Notes to the financial statements

1 General information

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

The ultimate controlling party is disclosed in note 27. 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 presented in pounds sterling which is the functional currency of the Company and are rounded to the nearest thousand.

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

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

In preparing these financial statements, the Company applies the recognition and measurement requirements of UK-adopted international accounting standards, 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'.
- h) IAS 7, 'Statement of cash flows'.
- i) Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors'.

Notes to the financial statements (continued)

2 Summary of material accounting policies (continued)

Basis of preparation (continued)

- 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

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 £184,000,000. 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 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 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.

Notes to the financial statements (continued)

2 Summary of material accounting policies (continued)

Revenue (continued)

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/over spends are shared with the customer. Elements of variable consideration are estimated at contract inception and at the end of each reporting period. Any required adjustment is made against the contract price in the period in which the adjustment occurs.

Variable consideration is estimated using either the expected value or the most likely amount only to the extent that it is highly probable that there will not be a reversal in the amount of cumulative revenue recognised once the underlying uncertainty is resolved. This judgement is made by suitably qualified and experienced personnel based on the contract terms, status of negotiations with customers and historical experience with customers and with similar contracts. As part of this judgement, variable consideration may be constrained until the uncertainty is resolved. In the case of unpriced variations, these will be constrained to the extent that such variable consideration is not considered highly probable.

Variable consideration may be included in the total transaction price or, in certain circumstances, may be allocated to a specific time period. Where variable consideration is allocated to a specific time period this will typically be in relation to performance related deductions.

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

c) Revenue and profit recognition

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

Revenue recognised over time

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

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

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

Notes to the financial statements (continued)

2 Summary of material accounting policies (continued)

Revenue (continued)

c) Revenue and profit recognition (continued)

Revenue recognised over time (continued)

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

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

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 considered to be modifications as referred to in paragraph 18 of IFRS 15.

Accounting for contract modifications

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

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

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 third-party sub-contractors or 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.

This treatment is applicable to one contract which is over a 5-year term service provision where the cost to fulfil the contract incurred prior to the service period are being amortised over the 5 years term of the contract. 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 costs

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

Finance income

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

Employee benefits

a) Pension obligations

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.

Taxation

a) Current income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is

Notes to the financial statements (continued)

2 Summary of material accounting policies (continued)

Taxation (continued)

a) Current income tax (continued)

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 bases 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:

a) Goodwill

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

The Company does not amortise goodwill in accordance with the requirements of IFRS as applied under FRS 101. Instead, an annual impairment test is performed and any impairment that is identified is recognised in the income statement.

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

Had goodwill been amortised over its estimated useful economic life, the amortisation charge for the year would have been £1,772,000 (2025: £1,772,000) 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 £14,082,000 (2025: £15,854,000).

Notes to the financial statements (continued)

2 Summary of material accounting policies (continued)

Intangible assets (continued)

b) Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and only if the cost can be measured reliably. Other development expenditure is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs that have been capitalised are amortised from the date the product is available for use on a straight-line basis over the period of its expected benefit but not exceeding seven years.

c) Computer software

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

Investments

Investments in subsidiary undertakings are stated at cost less accumulated impairment losses. Investments are assessed at each reporting date for indicators of impairment. Where such indicators exist, the recoverable amount is measured as the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows of the underlying investment are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

When the recoverable amount is less than the carrying amount, an impairment loss is recognised immediately in the Company income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised in prior years.

Property, plant and equipment

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

Freehold property	2% to 8%
Plant and equipment	5% to 33.3%
Aircraft and components	Flight hours as per below

The useful economic life of aircraft is based on management's estimate of how long the aircraft will continue to be operated in the same manner or a similar manner. Aircraft and components are depreciated based on flight hours used in the period as a proportion of the total available flight hours of the aircraft.

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

Notes to the financial statements (continued)

2 Summary of material accounting policies (continued)

Leases

The Company as lessee

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

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

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

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

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

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

Inventory

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

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.

Notes to the financial statements (continued)

2 Summary of material accounting policies (continued)

Trade and other receivables (continued)

Forward-looking factors are applied to homogenous groups of receivables which share characteristics and are based on an estimate of how corporate failure rates may change relative to historic levels given the current economic environment.

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.

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

Provisions

A provision is recognised in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at an appropriate discount rate.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. Onerous contract provisions are recognised after impairment of any assets directly related to the onerous contract. A provision for warranties is recognised on completed contracts and disposals when there is a realistic expectation of the Company incurring further costs.

Provisions for onerous revenue contracts are recorded when it becomes probable that total remaining contract fulfilment costs will exceed total remaining revenue not yet recognised. Provisions for losses on contracts are recognised after impairment of any assets directly related to fulfilling the loss-making contract. Losses are determined based on estimated results on completion of contracts and are updated regularly.

Contingent liabilities

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

Notes to the financial statements (continued)

2 Summary of material accounting policies (continued)

Financial instruments

a) Financial assets and liabilities at amortised cost

Cash and cash equivalents, trade receivables, amounts due from related parties and other receivables are classified as financial assets held at amortised cost as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. Trade receivables and contract assets 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 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 of the derivative instruments within its portfolio to be hedges of the fair value of recognised assets or liabilities or unrecognised firm commitments.

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

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

Fair value measurement

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

The fair values of derivative financial instruments are determined by the use of valuation techniques based on assumptions that are supported by observable market prices or rates. The fair values of non-financial assets and liabilities are based on observable market prices or rates.

The carrying values of financial assets and liabilities which are not held at fair value in the Company balance sheet are assumed to approximate to fair value due to their short-term nature, with the exception of fixed rate bonds.

There have been no changes to the valuation techniques used during the year.

Dividends

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

Foreign currencies

a) Functional and presentation currency

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

Notes to the financial statements (continued)

2 Summary of material accounting policies (continued)

Foreign currencies (continued)

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.

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 with adjustments made where necessary. As contracts near completion, often less judgement is required to determine the expected outturn.
- *Variable consideration* – the Company's contracts are often subject to variable consideration including performance-based penalties and incentives, gain/pain share arrangements and other items. Variable consideration is added to the transaction price only to the extent that it is highly probable that there will not be a significant reversal in the amount of cumulative revenue recognised once the underlying uncertainty is resolved.

Notes to the financial statements (continued)

3 Critical accounting estimates and judgements (continued)

Key sources of estimation uncertainty (continued)

Revenue and profit recognition (continued)

- *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. However the range of possible outcomes in respect of assumptions made to determine contract outturns could result in a material increase or decrease in revenue, and on the Company's profitability, in the next financial year.

4 Revenue

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

	Marine £'000	Mission Systems £'000	Total 2026 £'000
By area of activity:			
Sales of goods – transferred at a point in time	2,947	20,199	23,146
Sale of goods – transferred over time	-	135,990	135,990
Provision of services – transferred over time	1,843	286,536	288,378
	4,790	442,725	447,514
	Marine £'000	Mission Systems £'000	Total 2025 £'000
By area of activity:			
Sales of goods – transferred at a point in time	11,844	9,411	21,255
Sale of goods – transferred over time	14	126,188	126,202
Provision of services – transferred over time	20,037	229,980	250,018
	31,895	365,580	397,475
		2026 £'000	2025 £'000
By geographical area:			
United Kingdom		392,376	355,401
Rest of Europe		9,404	3,419
North America		24,463	20,504
Rest of World		21,271	18,151
		447,514	397,475

Notes to the financial statements (continued)

5 Operating profit

Operating profit is stated after charging/(crediting):

	2026	2025
	£'000	£'000
Loss on disposal of property, plant and equipment	69	6
Research and development recognised as an expense	1,836	1,463
Right-of-use asset depreciation (note 13)	844	838
Depreciation of property, plant and equipment (note 12)	2,499	2,540
Amortisation of intangible assets (note 11)	166	180
Foreign exchange loss / (gain)	649	(131)
Impairment of intangible assets (note 11)	10	10
Impairment of property, plant and equipment (note 12)	59	58
Lease expenses for low value assets and short-term leases (note 13)	157	117
Inventory recognised as an expense (note 15)	246,475	216,762
Inventory provision (reversal) / charge (note 15)	(29)	199
Audit fees payable to the Company's auditor	389	389

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.

6 Finance income and finance costs

	2026	2025
	£'000	£'000
Finance income:		
Bank interest income	3,314	2,576
Loan interest receivable from group undertakings	8,334	8,090
	11,648	10,666
Finance costs:		
Bank interest	(164)	(641)
Lease interest (note 13)	(147)	(133)
Loan interest payable to group undertakings	-	(1,430)
	(311)	(2,204)

7 Staff costs

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

	2026	2025
	Number	Number
By activity:		
Operations	1,282	1,202
Management and administration	228	159
	1,510	1,361

Babcock Integrated Technology Limited

Notes to the financial statements (continued)

7 Staff costs (continued)

Their aggregate remuneration comprised:

	2026	2025
	£'000	£'000
Wages and salaries	84,985	74,211
Social security costs	10,446	7,817
Pension costs – defined contribution plans	4,706	4,058
Share based payments (note 9)	146	107
	100,283	86,193

During the year the average number of employees recharged to other Babcock entities was 10 (2025: 12). The total cost recharged included in the above was £1,220,000 (2025: £1,184,000).

8 Directors' remuneration

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

	2026	2025
	£'000	£'000
Remuneration (including benefits in-kind)	411	606
Defined contribution pension scheme	146	41
	557	647

During the year no (2025: no) Directors remunerated by Babcock Integrated Technology Limited exercised share options under long term incentive plans and three (2025: three) Directors were entitled to receive share options under long term incentive plans.

Retirement benefits are accruing to three Directors (2025: three) under the Money Purchase pension scheme.

Three (2025: three) Directors were remunerated by the Company. All of the remaining Directors of the Company are remunerated by other Babcock Group companies. It is not possible to make an accurate apportionment of these Directors' emoluments relating to services provided to the Company and as such no disclosure of emoluments received by these Directors has been made in these financial statements. No recharge is made for costs borne by the Company in relation to services performed by the Directors in relation to other Babcock Group companies.

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

	2026	2025
	£'000	£'000
Remuneration (including benefits in-kind)	214	220
Defined contribution pension scheme	60	13
	274	233

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

Babcock Integrated Technology Limited

Notes to the financial statements (continued)

9 Share-based payments

The charge to the income statement is based on the amount charged from Babcock International Group PLC. During the year the charge was £789,526 (2025: £528,913). This charge represents an allocation of the total charge based on the proportion which relates to Babcock Integrated Technology Limited. The total charge has been based on the assumptions below and is based on the binomial model as adjusted, allowing for a closed form numerical-integrated solution, which makes it analogous to the Monte Carlo simulations, including performance conditions. The detailed description of the plans below is included within the Remuneration report in the Babcock International Group PLC annual report, which does not form part of this report.

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

	Options awarded Number	Share price at grant or modification date Pence	Expected volatility %	Option life Years	Expectations of meeting performance criteria – non-market conditions %	Fair value per option – TSR Pence	Fair value per option – non-market conditions Pence	Correlation %	Grant or modification date
2025 PSP	929,031	1,101	-	4.0	100.0%	-	1,101	-	07/07/25
2025 PSP	45,712	1,259	-	4.0	100.0%	-	1,259	-	15/12/25
2025 PSP	803,271	1,302	32.9%	4.0	100.0%	-	1,167	-	29/09/25
2024 PSP	1,799,822	523	-	4.0	100.0%	-	523	-	01/08/24
2024 PSP	1,887,244	523	31.5%	4.0	100.0%	-	470	-	01/08/24
2024 PSP	70,742	523	31.5%	6.0	100.0%	-	470	-	01/08/24
2024 PSP	61,772	510	-	4.0	100.0%	-	510	-	02/12/24
2024 PSP	4,860	510	-	2.0	100.0%	-	510	-	02/12/24
2024 PSP	14,582	510	-	3.0	100.0%	-	510	-	02/12/24
2023 PSP	1,259,675	371	32.6%	4.0	100.0%	-	334	-	01/08/23
2023 PSP	1,234,901	371	-	4.0	100.0%	-	371	-	01/08/23
2023 PSP	737,280	371	32.6%	6.0	100.0%	-	334	-	01/08/23
2023 PSP	78,571	413	32.0%	6.0	100.0%	-	382	-	29/09/23
2023 PSP	822,036	413	-	6.0	100.0%	-	413	-	29/09/23
2023 PSP	42,077	385	-	3.0	100.0%	-	385	-	15/12/23
2023 PSP	127,553	385	-	4.0	100.0%	-	385	-	15/12/23
2023 PSP	131,707	385	32.0%	6.0	100.0%	-	347	-	15/12/23
2022 PSP	2,302,009	351	19.0%	4.0	100.0%	-	351	-	01/08/22
2022 PSP	613,078	351	19.0%	6.0	100.0%	-	316	-	01/08/22
2022 PSP	806,511	351	19.0%	6.0	100.0%	169	316	55.0%	01/08/22
2021 PSP	769,165	372	19.0%	6.0	100.0%	149	316	55.0%	24/08/21
2021 PSP	626,704	380	19.0%	6.0	100.0%	-	325	-	24/09/21
2021 PSP	1,780,849	380	19.0%	4.0	100.0%	-	380	-	24/09/21
2020 PSP	695,458	350	19.0%	6.0	100.0%	-	305	-	01/12/20
2020 PSP	2,091,247	350	19.0%	4.0	100.0%	-	350	-	01/12/20
2020 PSP	1,341,477	350	19.0%	6.0	100.0%	138	305	55.0%	01/12/20

All awards have an exercise price of £nil and as such the weighted average exercise price for shares granted, exercised, forfeited and outstanding are all £nil.

The vesting period and the expected life of PSP awards are between one and three years. The vesting period and expected life of DBP awards was one year for awards made in August 2022 and two years for previous, other than for Executives where the vesting period is three years. The holders of all awards receive dividends.

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

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

Notes to the financial statements (continued)

9 Share-based payments (continued)

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

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

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

For PSP awards made in August to December 2024, 1,881,036 were made via the use of restricted shares with a three-year to five year vesting period. There are no performance conditions attached. A further 1,957,986 awards were made where the performance criteria is 30% against free cash flow, 30% underlying operating margin, 25% organic revenue growth and 15% ESG.

For PSP awards made in July to December 2025, 974,743 were made via the use of restricted shares with a three-year to five year vesting period. There are no performance conditions attached. A further 803,271 awards were made where the performance criteria is 30% against free cash flow, 30% underlying operating margin, 25% organic revenue growth and 15% ESG.

The Group operates the Babcock Colleague Share Plan which allows employees to contribute up to £150 per month to the fund, which then purchases shares on the open market on the employees' behalf. The Group provides matching shares, purchased on the open market, of one share for every 10 purchased by the employee. During the year the Group bought 53,397 matching shares (2025: 92,641 matching shares) at a cost of £0.4 million (2025: £0.5 million).

During the year the total charge to the Company relating to employee share-based payment plans was £146,000 (2025: £107,000) all of which related to equity-settled share-based payment transactions. After tax, the income statement charge was £109,000 (2025: £80,000).

10 Tax

Income tax expense

	2026	2025
	£'000	£'000
Analysis of tax expense in the year		
Current tax		
• UK prior year expense	828	3,085
• Group relief for consideration	12,298	9,790
• Overseas current year expense	-	-
	13,126	12,875
Deferred tax		
• Adjustments in respect of prior periods	(916)	(31)
• Origination and reversal of temporary differences	(5)	822
Total income tax expense	12,205	13,666

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

Notes to the financial statements (continued)

10 Tax (continued)

	2026	2025
	£'000	£'000
Profit before tax	47,881	44,288
Profit on ordinary activities multiplied by rate of corporation tax in the UK of 25% (2025: 25%)	11,970	11,072
Effects of:		
Expenses not deductible / (Income not taxable) for tax purposes	323	(460)
Prior year adjustments	828	3,085
Adjustments in respect of deferred tax for prior years	(916)	(31)
Total income tax charge	12,205	13,666

In July 2023, the UK enacted legislation to introduce the 'Pillar Two' global minimum tax model rules of the OECD's Inclusive Framework on Base Erosion and Profit Shifting and a UK qualified domestic minimum top-up tax. The legislation applies to the Company with effect from 1 April 2024. Under the Pillar Two rules, a top-up tax liability arises where the effective tax rate of the Company and its fellow subsidiaries in the same jurisdiction is below 15%. The Company has applied the temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

The Company does not expect to have a Pillar Two tax liability for the period.

Deferred tax

Deferred tax is determined using tax rates (and laws) that have been enacted, or substantively enacted by the statement of financial position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax balances have been calculated at 25%.

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

	2026	2025
	£'000	£'000
Deferred tax asset	122	-
Deferred tax liability	-	(799)
	122	(799)

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

	Tangible assets £'000	Other £'000	Total £'000
At 1 April 2025	(2,309)	1,510	(799)
Income statement credit	829	92	921
At 31 March 2026	(1,480)	1,602	122

Babcock Integrated Technology Limited

Notes to the financial statements (continued)

11 Intangible assets

	Goodwill	Software	Development	Assets under construction	Total
Cost	£'000	£'000	£'000	£'000	£'000
At 1 April 2025	35,446	597	2,125	65	38,233
Additions	-	6	-	321	327
Transfers	-	65	-	(65)	-
At 31 March 2026	35,446	668	2,125	321	38,560
Accumulated amortisation					
At 1 April 2025	(4,480)	(139)	(1,948)	-	(6,567)
Impairment	-	(10)	-	-	(10)
Amortisation	-	(131)	(35)	-	(166)
At 31 March 2026	(4,480)	(280)	(1,983)	-	(6,743)
Net book value					
At 31 March 2026	30,966	388	142	321	31,817
At 31 March 2025	30,966	458	177	65	31,666

In the current year the Company has capitalised £nil (2025: £nil) development costs. In the current year the Company has capitalised £6,000 (2025: £304,000) of software costs.

The goodwill arose on acquisition of the following:

Acquisition	Date	2026 £'000
Trade and assets of Strachan and Henshaw Limited	1 April 2009	17,921
Trade and assets of the Security business of Babcock Land Ltd	1 April 2019	17,525
		<u>35,446</u>

Key assumptions are based on past experience and expectations of future changes in the market, expected outturn on in-progress significant contracts and pipeline reflecting prevailing economic forecasts, industry specific data, competitor activity and market dynamics.

The Group has performed sensitivity analysis incorporating reasonably possible changes in the key assumptions.

Sensitised cases all continue to show headroom and no required impairment as at 31 March 2026. The Company has not had any disposals therefore the valuation technique was measured only with value in use.

Key assumptions in relation to future cash flows included in the value-in-use models are set out below for the Marine sector's group of CGUs (Cash Generating Units):

Continuing delivery of work programmes with the UK Ministry of Defence.

Notes to the financial statements (continued)

12 Property, plant and equipment

Cost	Freehold land and property £'000	Leasehold improvements £'000	Aircraft & components £'000	Plant and equipment £'000	Assets under construction £'000	Total £'000
At 1 April 2025	6,265	1,348	3,979	23,420	2,320	37,332
Additions	-	63	-	129	1,196	1,388
Transfers	-	-	-	297	(297)	-
Disposals	-	-	-	(4,091)	(245)	(4,336)
At 31 March 2026	6,265	1,411	3,979	19,755	2,974	34,384
Accumulated depreciation						
At 1 April 2025	(3,075)	(243)	(58)	(12,961)	-	(16,337)
Charge for the year	(707)	(246)	-	(1,546)	-	(2,499)
Impairment	-	-	(59)	-	-	(59)
Disposals	-	-	-	1,980	-	1,980
At 31 March 2026	(3,782)	(489)	(117)	(12,527)	-	(16,915)
Net book value						
At 31 March 2026	2,483	922	3,862	7,228	2,974	17,469
At 31 March 2025	3,190	1,105	3,921	10,459	2,320	20,995

Capital expenditure contracted for but not provided for in full in the financial statements is £286,000 (2025: £714,000).

Notes to the financial statements (continued)

13 Right-of-use assets and lease liabilities

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

Right-of-use-assets

	Property £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 April 2025	4,360	285	4,645
Additions	1,433	343	1,776
Terminations	(2,092)	(143)	(2,235)
At 31 March 2026	3,701	485	4,186
Accumulated depreciation			
At 1 April 2025	(2,464)	(204)	(2,668)
Charge for the year	(785)	(59)	(844)
Terminations	1,062	142	1,204
At 31 March 2026	(2,187)	(121)	(2,308)
Net book value			
At 31 March 2026	1,514	364	1,878
At 31 March 2025	1,896	81	1,977

Lease liabilities

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

	2026 £'000	2025 £'000
At 31 March	2,454	3,703
Additions	1,776	-
Disposals	(1,423)	(288)
Interest charged	147	133
Payments	(1,074)	(1,094)
At 31 March	1,880	2,454
Discounted future minimum lease payments are as follows:		
	2026 £'000	2025 £'000
Within one year	704	732
In more than one year, but not more than five years	1,130	1,489
After five years	46	233
Carrying value of liability	1,880	2,454

The Company had total cash outflows for leases of £1,074,000 for the year ended 31 March 2026 (2025: £1,094,000).

During the year the Company disposed of its property lease in Tewkesbury. The property was then purchased by a fellow Group company.

The expenses relating to short term and low value leases was £157,000 (2025: £117,000 – restated to include direct hire, plant and equipment costs relating to short term and low value leases).

Notes to the financial statements (continued)

14 Investments in subsidiaries

Shares in subsidiary undertakings

	2026	2025
	£'000	£'000
Cost		
At 1 April	252,294	252,294
At 31 March	252,294	252,294
Accumulated impairment		
At 1 April	(19)	(19)
At 31 March	(19)	(19)
Net book value		
At 31 March	252,275	252,275

During the year, the Company recognised an impairment charge of £Nil (2025: £Nil).

The recoverable amount of the investments is based on its value in use, determined using the subsidiary's latest board approved forecasts. The forecast cash flows reflect management's best estimate of future performance, considering known commercial and operational factors.

The key assumptions to which the recoverable amount of the Company's investment in subsidiary undertakings is most sensitive is future cash flows, long-term growth rates and discount rates. The pre-tax discount rates used to determine the recoverable amount of the Company's investment in subsidiary undertakings are 11.8% (2025: 11.9%). The long-term growth rates used to determine the recoverable amount of the Company's investment in subsidiary undertakings are 2.0% (2025: 2.0%).

Given the reduced disclosure exemptions available under FRS 101, the Company has not provided the detailed assumptions and sensitivities that would otherwise be required by IAS 36.

Details of Subsidiary undertakings can be found in Note 24.

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

During the year the Company received a dividend of £625,000 from Babcock Integration LLP (2025: nil).

Notes to the financial statements (continued)

15 Inventories

	2026	2025
	£'000	£'000
Finished goods and goods for resale	<u>477</u>	1,155

Inventories are stated after provisions for impairment of £3,046,000 (2025: £3,075,000).

The cost of inventory recognised as an expense and included in 'cost of revenue' amounted to £246,475,000 (2025: £216,762,000).

16 Trade and other receivables

	2026	2025
	£'000	£'000
Amounts due after more than one year:		
Costs to fulfil a contract	<u>3,635</u>	5,532
	3,635	5,532
	2026	2025
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	38,261	35,901
Contract assets	44,239	29,995
Amounts due from group undertakings	302,622	239,770
Other receivables	55	57
Costs to fulfil a contract	1,897	1,897
Prepayments	19,946	15,255
	<u>407,020</u>	322,875

Amounts due from Group undertakings falling due within one year are unsecured and repayable on demand. Included in Amounts due from Group undertakings there is one major loan (2025: one) to parent companies totalling £145,515,000 (2025: £141,887,000) and five major loans (2025: six) to subsidiary companies totalling £7,146,000 (2025: £7,289,000):

- A loan of £145,515,000 (2025: £141,887) is repayable on demand, the interest rate is 5.35% (2025: 5.86%).
- A loan of £3,418,000 (2025: £3,499,000) is repayable on demand, the interest rate is 3.73% (2025: 4.45%)
- A loan of £1,891,000 (2025: £1,935,000) is repayable on demand, the interest rate is 7.67% (2025: 8.59%)
- A loan of £378,000 (2025: £387,000) is repayable on demand, the interest rate is 3.67% (2025: 4.59%)
- A loan of £227,000 (2025: £232,000) is repayable on demand, the interest rate is 3.67% (2025: 4.59%)
- One (2025: two) loans totalling £1,232,000 (2025: £1,236,000) are repayable on demand, with no interest charge

Notes to the financial statements (continued)

16 Trade and other receivables (continued)

Amounts due from Group undertakings are stated after provisions for expected credit losses of £8,797,000 (2025: £8,684,000).

Trade receivables are stated after provisions for impairment of £nil (2025: £8,000).

Current intercompany receivables are expected to be settled in the Company's usual operating cycle of 12 months or less.

	Amounts due for contract work £'000	Accrued Income £'000	Total £'000
At 1 April 2025	29,995	1,279	31,274
Transfers from contract assets recognised at the beginning of the year to receivables	(23,539)	(1,279)	(24,818)
Increase due to work done not transferred from contract assets	37,783	14,992	52,775
At 31 March 2026	44,239	14,992	59,231

17 Trade and other payables

	2026 £'000	2025 £'000
Amounts falling due within one year:		
Trade payables	42,162	16,709
Contract liabilities	86,274	105,208
Amounts due to parent and group undertakings	34,771	23,394
Other taxation and social security	3,376	2,696
Accruals	31,715	18,810
Other payables	20,194	8,819
	218,492	175,636

Amounts due to parent and Group undertakings within one year are unsecured and repayable on demand. Included in amounts due to parent and Group undertakings are no major loans (2025: no) to parent companies totalling £nil (2025: £nil) and there is no major loan (2025: one) to Group companies totalling £nil (2025: £25,000):

- No (2025: one) loans totalling £nil (2025: £25,000) is repayable on demand, with no interest charge.

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 25).

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Notes to the financial statements (continued)

17 Trade and other payables (continued)

	Contract liabilities £'000	Total £'000
At 1 April 2025	105,208	105,208
Revenue recognised that was included in contract liabilities at the beginning of the year	(63,004)	(63,004)
Increase due to cash received, excluding amounts recognised as revenue	44,070	44,070
At 31 March 2026	86,274	86,274

18 Provisions for liabilities

	Property £'000	Contract/ warranty £'000	Total £'000
At 1 April 2025	196	5,626	5,822
Charged to income statement	-	2,732	2,732
Utilisations & releases	-	(1,868)	(1,868)
At 31 March 2026	196	6,490	6,686
		2026 £'000	2025 £'000
Current		4,630	2,087
Non-current		2,056	3,735
		6,686	5,822

Property provisions relate to dilapidation costs to be utilised during the year ending 2027 and 2028.

Contract/warranty provisions relate to onerous contracts and warranty obligations on completed contracts and disposals. Warranty provisions are provided in the normal course of business and recognised when the underlying products and services are sold. The provision is based on an assessment of future claims with reference to historical warranty data and a weighting of possible outcomes. Onerous contracts relate to expected future losses on contracts with customers. The provisions are expected to be fully utilised during the year ending 2033.

19 Other financial assets and other financial liabilities

Included in Derivative financial instruments at fair value:

	2026		2025	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Non-current:				
Forward FX contracts	-	(157)	3	(19)
	-	(157)	3	(19)
Current:				
Forward FX contracts	248	(113)	11	(32)
	248	(113)	11	(32)

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Notes to the financial statements (continued)

19 Other financial assets and other financial liabilities (continued)

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

20 Share capital

	2026 £'000	2025 £'000
Allotted, called up and fully paid		
40,200 ordinary shares of £1 each (2025: £1)	<u>40</u>	<u>40</u>

Each ordinary share carries the right to vote at general meetings. Shares do not have the right to fixed income.

21 Dividends

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

22 Guarantees and financial commitments

Capital Commitments:

At 31 March 2025 the Company had capital commitments of £286,000 (2025: £714,000) comprising of improvements to properties £276,000 (2025: £593,000), factory machinery £nil (2025: £118,000), and the purchase of small value capital items £10,000 (2025: £3,000).

23 Related party disclosures

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

In the current year, the Company entered into transactions in the ordinary course of the business with Fusion Business Solutions (UK) Limited, a Director of which is a connected person to a Babcock International Group PLC Director.

Transactions entered into and trading balances outstanding at 31 March 2026 are as follows:

	Sales to related party £'000	Purchases from related party £'000	Amounts owed by related party £'000	Amounts owed to related party £'000
Related party:				
Fusion Business Solutions (UK) Limited	-	278	-	-

Babcock Integrated Technology Limited

Notes to the financial statements (continued)

23 Related party disclosures

Transactions entered into and trading balances outstanding at 31 March 2025 are as follows:

	Sales to related party £'000	Purchases from related party £'000	Amounts owed by related party £'000	Amounts owed to related party £'000
Related party:				
Fusion Business Solutions (UK) Limited	-	-	-	-

24 Subsidiary, and associate and Joint Venture undertakings

All related undertakings for the Company are as listed below:

Company Name & Address	Country	Interest	Direct %
Direct:			
Babcock IP Management (Number One) Limited 33 Wigmore Street, London, United Kingdom W1U1QX	United Kingdom	540 Ordinary shares	2.70%
Babcock IP Management (Number Two) Limited 33 Wigmore Street, London, United Kingdom W1U1QX	United Kingdom	538 Ordinary shares	2.70%
Liquid Gas Equipment Limited William Rankine Building, Rosyth Business Park, Rosyth, Fife, KY11 2YD Scotland	United Kingdom	2 Ordinary shares	100%
Babcock Canada Inc 45 O'Connor Street, Suite 1500, Ottawa, Ontario K1P 1A4	Canada	2 A Ordinary shares	100%
Babcock Integrated Technology (Korea) Limited 33 Wigmore Street, London, W1U 1QX	United Kingdom	1 Ordinary share	100%
Babcock Integration LLP 33 Wigmore Street, London W1U 1QX	United Kingdom	Member	2.7%
Babcock Integrated Technology GmbH Berliner Platz 12, 41061, Moenchengladbach, Germany	Germany	25,000 Ordinary shares	100%
Babcock Korea Ltd 706, 7 th Fl. Pan Ocean Building, 102, Jungang-Daero, Jung-gu, Busan, South Korea	Korea	410,000 Ordinary shares	100%

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Notes to the financial statements (continued)

24 Subsidiary, and associate and Joint Venture undertakings

Company Name & Address	Country	Interest	Indirect %
Indirect:			
LGE IP Management Company Ltd Rosyth Business Park, Rosyth, Fife, KY11 2YD Scotland	United Kingdom		100%
Liquid Gas Equipment (Singapore) PTE. Limited 16 raffles Quay, #33-03, Hong Leong Building, Singapore 048581	Singapore		100%
Liquid Gas Equipment LLC 251 Little Falls Drive, Wilmington, Delaware 19808, United States	United States		100%
Uranos Verwaltung GmbH & Co KG Vorsetzen 54, 20459, Hamburg Germany	Germany	-	50%

25 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.

26 Events after the reporting period

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

27 Immediate and ultimate parent undertakings

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

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

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