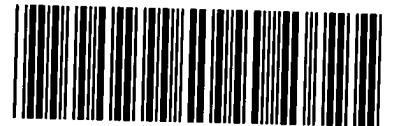


TELENT TECHNOLOGY SERVICES LIMITED
Annual Report and Financial Statements
Year ended 31 March 2024

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TELENT TECHNOLOGY SERVICES LIMITED
REPORT AND FINANCIAL STATEMENTS 2024

CONTENTS

	Page
OFFICERS AND PROFESSIONAL ADVISORS.....	1
STRATEGIC REPORT	2
DIRECTORS' REPORT.....	18
DIRECTORS' RESPONSIBILITIES STATEMENT	24
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TELENT TECHNOLOGY SERVICES LIMITED	25
PROFIT AND LOSS ACCOUNT	29
BALANCE SHEET	30
STATEMENT OF CHANGES IN EQUITY	31
STATEMENT OF COMPREHENSIVE INCOME.....	31
NOTES TO THE FINANCIAL STATEMENTS.....	32

TELENT TECHNOLOGY SERVICES LIMITED

REPORT AND FINANCIAL STATEMENTS 2024

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

S R Dalton
H M Green
J C Gretton
N Harvey
L R Hughes
J P Kimpton
C E Metcalfe
M J Mohan
P W A Moir
J Parnell
R W Welsby

REGISTERED OFFICE

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Haywood Road
Warwick
CV34 5AH

AUDITOR

Grant Thornton UK LLP
Chartered Accountants and Statutory Auditors
17th Floor,
103 Colmore Row,
Birmingham
B3 3AG

STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 31 March 2024. The Strategic Report aims to provide a fair and balanced insight into the Company's main objectives, strategies and risks, including a review of the Company's performance and financial position. It complements, supplements and provides context for the financial statements.

PRINCIPAL ACTIVITIES

The Company is a leading technology company and specialist in the design, build, support and management of the UK's critical digital infrastructure. Key customer areas include Transport, Emergency Services, Telecom Network Operators and the Public Sector. We deliver services through three business units aligned to our target sectors:

Sector / Business unit	Services provided	Examples of key customers
Network Services	Design, installation, integration, and ongoing operation & support of operational technology. This includes critical networks, safety & security systems, command & control systems and national digital infrastructure. Focused on Government, Telecom Network Operators, Public Safety and Defence sectors.	BT, Cisco, Department of Health, East Sussex Fire & Rescue Service, EE, Frequentis, Giganet, Ireland Health Service Executive, Home Office, Irish Fire Service, London Ambulance Service, Lumen, Maritime & Coastguard Agency, Mersey Fire and Rescue Service, Motorola, New Nuclear Build, North West Firecontrol, Northern Ireland Fire & Rescue Service, Parliamentary Digital Services, RNLI, Tyne & Wear and Northumberland FRS, University of Bristol, University of Exeter, Virgin Media and West Midlands Travel.
Transport	Design, installation, integration and ongoing operation & support of operational technology. This includes critical networks, safety & security systems, control and automation systems and national digital infrastructure. Focused on the Rail, Metro and Highways/Urban Roads sectors.	National Highways, Transport for London Network Rail, Transport for Greater Manchester, Local and County Councils (including Cumbria, Gloucestershire, Kent, Leeds, Oxfordshire, Sandwell, Stoke-on-Trent, West Sussex and Worcestershire), Alstom, CHC Highways, Crossrail, Global Media, Lumen, Ringway, High Speed 1 and Train Operating Companies (including Arriva, FirstGroup and Trenitalia) covering the Southwest (SWR), Great Western (GWR), West Coast Mainline (Avanti), Northern, Mersey Rail, Essex Thameside (C2C), MTR Elizabeth Line and London Overground franchises.
Infrastructure Services	Design, build, maintenance and rationalisation of national digital infrastructure. Focused on the Telecom Network Operator sector.	Openreach.

STRATEGIC REPORT (CONTINUED) OBJECTIVE AND BUSINESS STRATEGY

The Company is a market leader delivering technology solutions to the UK and Ireland critical national infrastructure market. We have been providing services for over 30 years and are well established in the sectors we serve.

We aim to develop relationships with our customers, delivering service excellence, technical leadership and collaborative innovation, and thereby becoming their technology partner of choice, and securing recurring revenue streams.

Our strategy is to achieve sustainable and profitable growth through the provision of operational technology solutions and services to UK critical national infrastructure markets. Continued growth is forecast for these markets in the coming years, driven by significant ongoing investment in public and private networks (fixed and mobile), 5G and digital transformation to deliver data insights, enhanced performance and sustainability across our vertical markets. In addition to focused organic growth, we will undertake selective acquisitions which enhance our market position or provide additional capabilities.

We develop domain expertise and customer alignment through market sector facing business units, supported by strong central management and business support teams. The structure of our business units is described on page 2.

Telent has committed to matching the UK's climate target to deliver "net zero" emissions by 2050. In the near term, Telent have set ambitious science-based targets, approved by the Science-Based Targets Initiative, to reduce Scope 1 and 2 emissions by a minimum of 46.2% and to reduce Scope 3 emissions intensity from purchased goods and services by 55%, by 2030. Telent continually monitors its scope 1, 2 and 3 emissions to review progress against its science-based targets and upon completion of external verification, Telent declare carbon reductions in its annual Sustainability and Social Value report which is made publicly available.

Reductions in Scope 1 and 2 emissions are being achieved through:

- Conversion of the ICE van and car fleet to equivalent suitable Electric Vehicles ("EV") at a pragmatic pace taking into account EV range technology and EV availability;
- The reduction in business miles through operational efficiencies and the development and design of solutions that support remote asset management and remote condition monitoring; and
- Driving efficiencies to reduce electricity and gas use at our facilities. These efficiencies are achieved through a combination of energy savings opportunities, effective building and building use management and investments in more energy efficient technology.

Reductions in Scope 3 are being achieved through closer working with our Supply Chain providing education, improving data and supporting carbon reduction action, design decisions in the selection of products and strategic decisions in selection of suppliers with more progressive carbon reduction plans.

STRATEGIC REPORT (CONTINUED) BUSINESS PERFORMANCE REVIEW

The key financial performance indicators are turnover and operating profit from trading activities excluding exceptional items, depreciation and intangible amortisation. Operating profit of £14.2 million (2023: £0.4 million) comprises:

£ million	2024	2023
Operating profit from trading activities excluding exceptional items, depreciation and intangible amortisation	27.5	12.4
Depreciation	(2.4)	(3.4)
Intangible amortisation	(3.9)	(2.3)
Exceptional items	(7.0)	(6.3)
Total operating profit	14.2	0.4
Revenue	460.7	466.8
Cash at bank¹	46.6	32.4

¹ Includes £14.9 million (2023: £15.1 million) drawn down under a supplier finance facility with one of our major customers ("supplier finance facility")

Turnover reduced during the year from £466.8 million to £460.7 million primarily as a result of reduced volumes in the Infrastructure Services division following both the change in Openreach build strategy and our exit of the challenging South West region in the previous year. The restructuring undertaken within Infrastructure Services following those changes has ensured that work has been delivered profitably. This alongside an improved performance within Network Services and Transport, with the reduction in the level of provisions for loss-making contracts recorded in the year, has resulted in a significant increase in operating profit from trading activities excluding exceptional items, depreciation and intangible amortisation to £27.5 million (2023: £12.4 million). Exceptional trading items charged to the profit and loss account (see Note 6) relate to restructuring costs of £3.6 million (2023: £5.5 million) and the impairment of investments of £3.7 million (2023: £1.2 million) offset by a reduction in expected property rationalisation costs of £0.3 million (2023: £0.4 million). After depreciation and amortisation of intangible assets of £6.3 million (2023: £5.7 million), total operating profit for the year amounted to £14.2 million (2023: £0.4 million).

Cash at bank increased to £46.6 million at 31 March 2024 (2023: £32.4 million). This reflects positive operating cash flows, offset by exceptional cash costs and capital expenditure.

BUSINESS PERFORMANCE REVIEW (CONTINUED)

Network Services

Network Services business has continued to focus on its strategic core market areas: Public Safety, Telecom Network Operators and Government. We continue to grow a significant pipeline of opportunities within newer markets; Higher Education, Power and Utilities, and Defence. It's been a strong year with large programmes of work continuing as well as a number of key contract wins .

Within the Public Safety market we received large orders for project and maintenance work from the Irish Health Service Executive and London Ambulance Service. We secured new wins for technology upgrades in the fire market.

We renewed our large nationwide core support and maintenance contract with Virgin Media for a further three years. This covers a number of key technologies, including those from Juniper and Cisco.

Trusted partner of choice for ongoing projects

Within the Higher Education market, our largest current project is for the University of Bristol. Design work for the upgrade of their core IT network has progressed well, with a Proof of Concept completed and in test. This new network will be built and rolled out during FY25 before transitioning to a support and maintenance.

Our work for New Nuclear Build and the Hinkley Point C nuclear power station in Somerset continues at pace. This project involves numerous technologies, using skills from across our wider business as well as our partners. This has led to a consultancy contract to commence development of the solution for the next planned nuclear power station build, Sizewell C. We expect the design work for this new build to start later this year.

Our new fibre and microwave network for the Maritime and Coastguard Agency ("MCA") brings connectivity to circa 160 remote radio sites around the coast of the UK. This project is now largely complete and, as each site completes we bring it into the ongoing telecommunications managed service we provide for the Agency. We also now support and maintain the Agency's corporate IT network.

Work has continued for BT Group to upgrade software for the System X legacy voice Public Switched Telephone Network estate, adding new features and ensuring continued reliability. We will continue to support this network until BT switch off the ("PSTN").

Other significant project works included the upgrade of equipment as part of preparatory work for the new Emergency Services Network, new private radio networks and 5G roll out work.

STRATEGIC REPORT (CONTINUED)
BUSINESS PERFORMANCE REVIEW (CONTINUED)

Network Services (continued)

Opportunities for the coming year

Over the year, we have focussed on business development within the Defence market. We have successfully joined a number of procurement frameworks and are now working closely with a range of key partners. We have responded to some large tenders and see this market as a strategic growth area for the future.

Elsewhere within our Network Services business we have been focusing on further opportunities associated with the new Emergency Services Network – both services for end users (such as new technology in control rooms and vehicles), and mobile services (such as coverage testing and mobile site upgrades).

Overall, the markets we work in continue to generate demand for the services we offer, in particular in the areas of service management, technology refresh, and new network and infrastructure. We have long-term relationships with our customers and are seen as a trusted partner of choice in helping them to deliver their services. We have a strong pipeline of projects and services for the coming year, and we look forward to continuing to focus on these projects over the next 12 months and beyond.



STRATEGIC REPORT (CONTINUED) BUSINESS PERFORMANCE REVIEW (CONTINUED)

Transport

Our Transport business has continued to broaden both its customer base, its technology and service offerings over the last year. We are a key strategic partner to many of our customers including Transport for London ("TfL"), National Highways, Global Media, Network Rail as well as the Train Operating Companies ("TOCs"), local and regional authorities, and numerous Tier 1 civils and signalling companies across the Transport sector. We also provide a route to market for a number of Global Technology Partners and SMEs.

Our Transport business has three focus areas: Asset Management, Highways, and Rail Projects.

Asset Management

Over the last year we have continued to increase our activities with our largest customer in this area, TfL. Our expanding suite of exclusive software products along with our technical domain knowledge sees us well placed to drive further innovation.

We have evolved our technology and service offerings, delivering major technology improvements to safety critical Public Address & Voice Alarm systems, completing our first Fire systems contract and launching our own temporary traffic signals business.

We continue to grow our traffic signals activities working for many local authorities across the UK. We are seeing significant demand from local authorities for LED and controller upgrades – driven by the declining availability of halogen bulbs, increasing energy prices and the drive to achieve net zero. Development of our leading edge Telent Optima Controller is also ongoing, which supports a full range of traffic applications. Our acquisition of Integrated Design Techniques Limited ("IDT") during the year further increases our technology offerings with the innovative iMesh product.

We continue to grow our Rail maintenance and minor works business, demonstrated with new wins and retention of all our existing contracts.

We differentiate through our in-house developed technology solutions, (such as Arbitex, MICA, Acumen and Unity), our integrated operations management platforms and our outcome-based, reliability centred service and maintenance approach. This delivers total cost benefits, reliability and continuous improvement to our customers.

Highways

We successfully completed the transformation of the National Roads Telecommunications Service ("NRTS") network. This involved upgrading 12,000 network devices, implementing a new national high-capacity transmission network, delivering new data centres and a national digital CCTV solution, and renewing 12 systems and network applications used to operate the NRTS network. In total 37,000 operational services were migrated without any disruption to customer operations. We are National Highways largest technology supplier, and have been instrumental in rolling out new technologies such as radar systems, and the first fully approved 5G services for operational technology such as CCTV. Our work resulted in National Highways awarding Telent with a contract extension for a further two years, leaving us well positioned for the next phase of the contract, NRTS 3.

We deliver maintenance and project activities across all National Highways' 13 regions. We deliver the end-to-end technical knowledge and comprehensive maintenance skillsets necessary to manage operational communications. We are providing new traffic monitoring radar equipment and CCTV for the Smart Motorway Alliance.

With our strong position in nine lots for National Highways Information Technology Commercial Framework and five lots for the Operational Technology Commercial Framework, Telent is firmly positioned to deliver the National Highways Digital Roads Strategy in the coming years.

STRATEGIC REPORT (CONTINUED) BUSINESS PERFORMANCE REVIEW (CONTINUED)

Transport (continued)

Rail Projects

From legacy assets to the latest technology, we are delivering solutions to help underpin the decarbonisation of railways and the implementation of digital solutions, driving outcome-based improvements to all stakeholders.

Our breadth of activity includes everything from station communications (and associated technologies), end-to-end operational communications (fibre to transmission), digital communications, and software applications that control the traction power through to station management.

For Network Rail with our Traction Power Control Management System we are driving greater reliability and efficiency in the management of electrical assets, and improving the safety of Rail colleagues through our remote isolation application. Over the next financial year, we will roll out this technology to 13 of 15 regions, covering the entire electrified rail network in England.

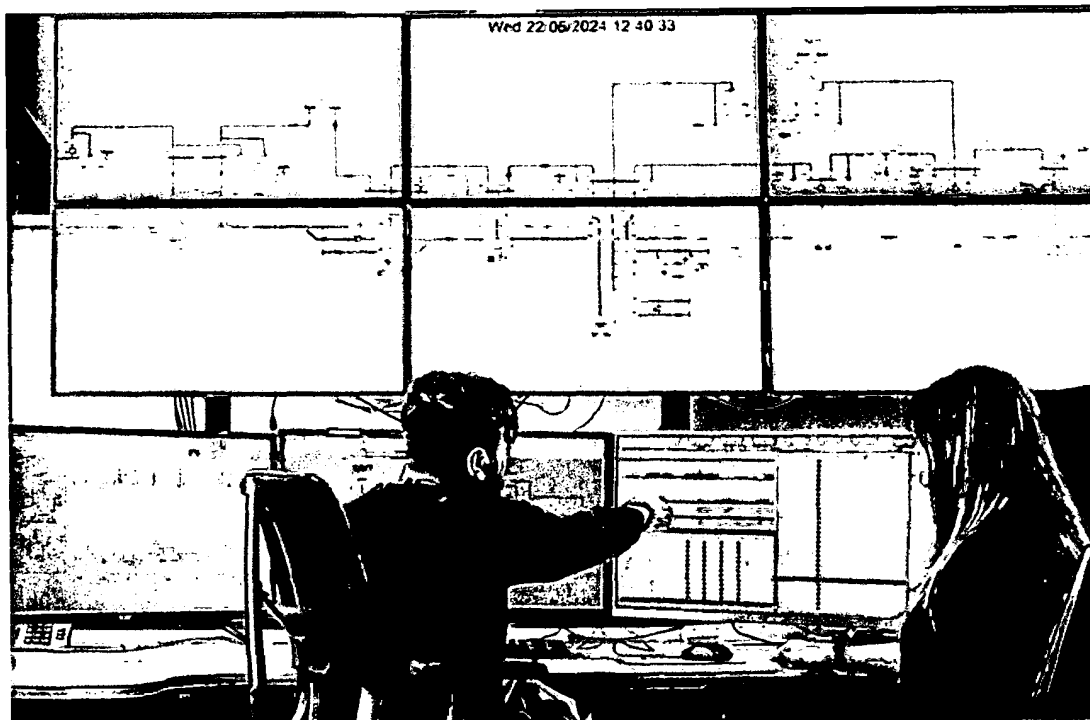
We continue to be the leading maintainer of Network Rail's fibre network through our contract with Lumen. Building on this skillset, we are working with the industry to provide support for the third-party communication initiatives championed by Network Rail and the UK Government.

We continue to innovate. We are proud to sponsor the Rail Industry Associations Unlocking Innovation Initiative alongside Network Rail and UK Rail Research and Innovation Network. In the station communications market, we have successfully completed an AI Proof of Concept at eight remote Rail Equipment Buildings.

In Scotland, we completed the Request to Stop Programme on the Far North Line and have commenced the Radio Electronic Token Block Systems Integrity Programme which builds on work with our partners.

A strong pipeline of projects to look forward to

We end a positive year well placed in our Transport markets. We are seen as a proactive partner of choice, combining our technical expertise and domain knowledge to help our customers deliver their services. There remains a strong pipeline of projects and services, as well as the well performing set of annual maintenance contracts, which we look forward to focusing on in the coming years.



STRATEGIC REPORT (CONTINUED) BUSINESS PERFORMANCE REVIEW (CONTINUED)

Infrastructure Services

Telent Infrastructure Services has recorded another year of successes by delivering all commitments to our main customer, Openreach. We've continued with consistent quarterly delivery on our fibre build projects, mobilised new workstreams for Openreach in the Fibre to the Premises ("FTTP") connections space and delivered all stakeholder commitments across the Operations and Maintenance contract, maintaining our reputation as one of Openreach's most reliable and trusted large-scale partners.

The restructuring undertaken in February 2023 with automation, systemisation, process rationalisation and outsourcing has successfully delivered; service levels were protected for our customer and our business has delivered consistent profitability since.

Continued focus on underlying profitability and growth through diversification

Over the year, there has been a material slowdown in Altnet fibre builds resulting in reduced tension and demand for labour thus stabilising market rates. This moves the market on and away from some of the challenges we have faced in prior years.

Recent wins in Openreach FTTP build tenders means that our fibre build programme is now underpinned to the end of FY27.

We have also continued to innovate and drive change throughout the year, deploying significant system upgrades including: an AI chatbot to handle over a million internal and external information requests; new analysis and reporting software; and the digitisation of all job lifecycle elements.

As the fibre build rollout continues to progress well with increased certainty on continuity out to FY30, we have also been focusing on diversifying the services we offer and the sectors we operate in.

In adjacent markets, we have identified growth opportunities which will complement our capabilities and allow us to drive revenues from new sectors and new services – often by leveraging the capabilities, technology, and relationships from across the Telent business.

Overall, our Infrastructure Services business is performing strongly and is well placed to capitalise on new opportunities in current and adjacent markets.



**STRATEGIC REPORT (CONTINUED)
BUSINESS PERFORMANCE REVIEW (CONTINUED)**

NON-FINANCIAL KEY PERFORMANCE INDICATORS

The Board considers non-financial key performance indicators in relation to occupational health and safety matters; principally the number of incidents reported to the UK Health & Safety Executive pursuant to the Reportable Injuries, Diseases and Dangerous Occurrences Regulations 2013 (“RIDDOR”). The following table summarises this data.

	2024	2023
Lost time incidents ¹⁾	1	-
Deaths/Major injuries ^{2) & 3)}	-	-
Dangerous occurrences ³⁾	-	-
	<hr/>	<hr/>
Total	1	-

- 1) A lost time accident is an injury where an employee, or self-employed person, is away from work or unable to perform their normal work duties for more than 7 consecutive days (not counting the day of the accident).
- 2) Reportable major injuries (as defined in RIDDOR 2013) include: fractures, amputation, dislocation, loss of sight, serious burns, injury from electric shock, unconsciousness due to asphyxia, exposure to harmful substances or head injury.
- 3) There were no reportable Deaths, Major injuries or Dangerous occurrences during the year.

The target of a zero Accident Frequency Rate (“AFR”) was not achieved for the year ended 31 March 2024. The final result for the financial year was an AFR of 0.02 (2023: 0.00) due to the RIDDOR reportable injury. Telent also monitors all other injuries and an injury rate for any lost time injury (≥1 shift or day lost time). The final lost time injury rate for the year to 31 March 2024 was 0.18 compared to 0.07 for the year ending March 2023. This related to 11 injuries that resulted in 1 or more days of lost time compared to 5 in the previous reporting period.

The Company continues to act on the leadership commitment to keep everyone safe and well with the ongoing progress of the Safely Connected programme which includes a focus on progressive development of Safety Leadership skills for Line Managers and ensuring each responsible business area investigates the injury incidents to identify root cause, corrective and preventative action. A Fair Culture process is being developed to ensure a consistent approach for the application and assessment of Human Factors in relation to incidents.

The corporate Safety Week campaign continues delivering a structured/guided Safety Conversation on a quarterly basis for Line Managers to engage the team on relevant safety and behavioural safety situations. In addition, the monthly programme for Driver Safety Awareness continues to support the progressive reduction in at fault incidents and speeding related events. A reporting culture is proactively encouraged with increasing numbers of “near miss” and “don’t walk by” reports being monitored.

STRATEGIC REPORT (CONTINUED)

SECTION 172(1) STATEMENT

The Directors have identified the following issues, factors and stakeholders as relevant in complying with their duties under section 172(1) Companies Act 2006 and sets out below how these have been considered and impacted their principal decisions during the financial year ended 31 March 2024.

Stakeholders

Employees – Without our skilled and dedicated employees we could not fulfil our purpose of keeping the UK and Ireland's communications assets and data connected and protected. We engage with our staff by regularly updating them on the Company's performance and issues affecting them via our intranet, e-mail, Employee Voice, "Exec Connect" events as well as Roadshows. Employee Voice meetings are attended by members of the Telent executive team and employee representatives, with meetings taking place quarterly and allow colleagues to share ideas, suggestions and provide feedback. There are various other mechanisms for staff engagement across the business, including our Driver Safety Operating Group and local Environmental Health & Safety forums, with the outputs of these mechanisms being reported to senior management. We have also launched 9 colleague-led Community Groups around the business to support colleagues to connect on a number of topics including living with a disability, menopause support and young professionals.

All employees that perform well or suggest innovative ideas can share in the Company's success via our Thanks Award scheme. Employees also have the opportunity to nominate their colleagues for the Annual Telent Awards which has become one of the highlights of our colleagues calendar.

Suppliers and subcontractors – Our supply chain is also essential in providing the products and resource that we need to fulfil our purpose. We hold regular meetings with our suppliers based on the level of spend and risk, and we run a supplier assurance programme. We hold certain key vendor partnerships, as set out at www.telent.com/partners, with our staff attending their vendor conferences as well as meeting quarterly with their executives. The Company's procurement strategy is based on our supplier roadmaps together with our strategic aims and the macro and micro industry climates.

Customers – Our Company values are Be Inclusive, Take Responsibility, Collaborate and Customer Focus. Many of our projects stem from a bidding process designed by the customer, based on their own requirements, therefore regular engagement with customers is essential. We develop joint account plans and continuous service improvement plans based on customer needs, as well as attending networking events, industry forums and project board meetings.

Communities – We are conscious of the impact of our business on the communities we serve. Our dedicated team of STEM ambassadors deliver a programme of events to inspire local people to consider a career with us, visiting numerous local schools and career fairs during the year. We remain committed to charity fundraising, and we hold regular events in support of MIND (our charity partner chosen by our staff) as well as supporting local initiatives such as the Chorley Youth Zone and Future Youth Zone in Barking & Dagenham. We also consult with local communities where required by legislation.

We continue to be committed to minimising impact on the environment and to providing sustainable and effective green solutions to customers to help them meet their carbon neutral targets. In June 2023, we launched a new and improved Sustainability Strategy. The aim is to enable Telent to deliver sustainable solutions for customers whilst preparing for climate change, minimising impact on the environment and acting in a socially responsible way.

We also launched a Green Solutions Working Group during the year. The mission of the group is to identify and develop more efficient products, services, and solutions to lower carbon emissions for Telent and its customers and meet net zero targets

Government and public authorities – As many of the services that we deliver are to public authorities or otherwise publicly funded, we have periodic engagement with public sector stakeholders to allow us to better prepare to provide relevant services, impacting our decisions such as resourcing and forecasting. We also have frequent engagement with public authorities in relation to the streetworks we undertake. To the extent that our work is subject to a specific underlying regulatory regime, we will co-operate with the requirements of that regulator, taking a proactive approach wherever possible.

Lloyds Bank Plc – The Company is an obligor under Telent Limited's, the parent of the Telent Group, Revolving Credit Facility. This facility includes various obligations and restrictions on Telent, requiring close co-operation between the Company and Lloyds.

STRATEGIC REPORT (CONTINUED)

SECTION 172(1) STATEMENT (CONTINUED)

Issues and Factors

The Group maintains a risk register which has been modelled on best practice and requirements of ISO 27001 & ISO 31000 and captures emerging and established risks and is reviewed periodically. Risks are identified with treatment actions identified and tracked to completion where appropriate. Some of these risks are summarised in the Risks and Uncertainties section of this report.

Impact of Principal Decisions

ITCS function – Following the appointment of Luan Hughes as Chief Information Officer last year, a series of follow on actions were approved by the Board including establishing an Architecture Review Board to gain visibility of IT investment decisions, prevent duplication and ensure appropriate prioritisation of resources. This continues to support Telent's drive for efficiency as part of its strategy to achieve sustainable and profitable growth.

HR system – The new people system was launched during the year which ensures that the businesses ongoing talent acquisition and retention is underpinned by a best in class system. We now have the capability to manage performance, make agile organisation changes and also deliver e-learning directly to colleagues via one platform.

Facilities – The refurbishment of the Warwick Head Office building was carried out during the year and re-opened to colleagues. This was key to ensuring the site better suited the Agile Working nature of our business and also contributed to a reduction in our carbon emissions.

Statement of corporate governance arrangements

The Wates Principles for Large Private Companies have been adopted by the board, and how each Principle has been applied within its corporate governance arrangements is explained below.

Principle 1 – Purpose and Leadership

The Company's purpose is to keep the UK and Ireland's communications assets and data connected and protected. Our purpose is reflected in our Company values of Be Inclusive, Take Responsibility, Collaborate and Customer Focused, which are promoted throughout the organisation, such as inclusion within our staff performance reviews and have been developed using the engagement survey and long term aspirations as an organisation

The Board reviews HR key performance indicators on a monthly basis in order to monitor culture, and engages with staff directly through roadshows, Employee Voice, "Exec Connect" events and the periodic employee survey.

The Board has established operations committees, which are responsible for ensuring that the Company's operational performance, budget and strategic activity align with its overall purpose and strategic direction.

Purpose 2 – Board Composition

A total of 11 directors are appointed to the board. We have been advised following an independent review that this board size is in line with sector best practice, and we believe that it is appropriate for the scale and complexity of the Company.

Our board includes 10 executive directors - a Chief Executive Officer, Finance Director, Group Engineering Director, Strategy Director, Legal & Commercial Director, HR Director and Chief Information officer as well as 3 Managing Directors. Each Managing Director is aligned to a business unit that is resourced to meet the needs of a particular market segment. Executive director biographies can be found at www.telent.com/about/management-team. In addition, Heather Green is a non-executive director of the Company, and she brings extensive experience in investor relations and financial controller roles for both Alstom and Marconi.

Each of our directors is required to carry out an annual organisational capability review and receives their own personal annual performance review. The board is periodically briefed on their directors' duties and any developments or guidance issued in connection with them.

STRATEGIC REPORT (CONTINUED)
SECTION 172(1) STATEMENT (CONTINUED)
Statement of corporate governance arrangements (continued)

Principle 3 - Responsibilities

The board has adopted formal terms of reference, which state that its duties are implementing the strategic direction of the Company set by Telent Limited and in doing so setting the Company's values and standards and ensuring compliance with UK and global relevant legal and regulatory requirements. The board has designated a schedule of matters specifically reserved to it for decision and has also delegated its authority to its Operations Committees and individual directors as appropriate.

The board is accountable to the board of Telent Limited, which has reserved various matters and oversees performance of the Telent Group as a whole. The board of Telent Limited includes non-executive directors that provide independent challenge.

Heather Green acts as the Chairman of the Company. As the Chief Financial Officer of Telent Limited, she has no executive role in the operating business of the Company, and therefore can support effective decision-making and independent challenge. Directors are given periodic training to remind them of the nature and extent of their directors' duties.

The board meets on average 12 times per year and receives monthly briefings on health & safety, financial and HR performance, as well as a rotating agenda of other strategic topics. The Operations Committees support operational delivery by reviewing, and constructively challenging where necessary, monthly performance of the business units and central functions against the Company's strategic direction, as well as annual proposals for operating and capital expenditure budgets and strategic activity.

Principle 4 – Opportunity and Risk

Opportunities are regularly identified from bidding activity and continual improvement initiatives, and the actions taken are overseen by the board's Operations Committees. The Operations Committees also conduct an annual strategy review, with the Company's strategic direction ultimately being approved by the board of Telent Limited.

Risks are identified and managed using a variety of internal control mechanisms, spanning from local project risk registers to corporate ISO management systems. Every year, all senior managers are asked to provide a Letter of Assurance in respect of compliance with these controls. The board aims to review the Company's risk register as a whole at least annually in addition to regular oversight from the Operations Committees.

Principle 5 - Remuneration

Our board are subject to long term share based incentives. Their remuneration is reviewed on an annual basis against industry benchmark data, reflecting the same approach applied to all employees of the Company. This remuneration is approved by the board of Telent Limited, providing the opportunity for independent challenge by its non-executive directors.

Principle 6 – Stakeholders

Our board understands the importance of regular engagement with our key stakeholders to meet our strategic aims. For more information, please see our s172(1) statement above.

STRATEGIC REPORT (CONTINUED)

ENERGY & CARBON REPORTING

The table below shows the SECR Mandatory Reporting Requirements, methodology and energy efficiency actions. All data relates to UK energy use.

SECR Mandatory Reporting Requirements	2024	2023
Energy consumption used to calculate emissions <i>/kWh</i> Figure is comprised of gas, electricity, transport fuel and gas oil from backup generators	29,303,798.0	37,398,950.8
Emissions from combustion of gas <i>/tCO_{2e}</i> (Scope 1)	137.8	497.4
Emissions from combustion of fuel for transport purposes <i>/tCO_{2e}</i> (Scope 1)	5,717.5	7,317.5
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel <i>/tCO_{2e}</i> (Scope 3)	402.7	416.9
Emissions from purchased electricity (Scope 2) <i>/tCO_{2e}</i> (Location Based)	1,479.4	1,490.8
Total gross CO _{2e} based on above <i>/tCO_{2e}</i>	7,737.5	9,722.6
Emissions from purchased electricity (Scope 2) <i>/tCO_{2e}</i> (Market Based)	279.2	191.2
Intensity ratio: tCO _{2e} / FTE Employee	2.9	3.5
Methodology	Green House Gas emissions have been calculated in accordance with Chapter 6 of the GHG Protocol Corporate Standard, using activity data derived from fuel purchases, metered electricity, and mileage claims. Appropriate conversion factors and emissions factors have been obtained from the 'UK Government GHG Conversion Factors for Company Reporting' in order to calculate consumption in kWh and GHG emissions.	

Energy Efficiency Action

Telent remains committed to using energy as efficiently as possible and minimising carbon emissions from our operations and we have seen our total gross carbon emissions and carbon intensity decrease year on year as a result of direct action taken.

STRATEGIC REPORT (CONTINUED)
ENERGY & CARBON REPORTING (CONTINUED)
Energy Efficiency Action (continued):

Telent remains committed to using energy as efficiently as possible and minimising carbon emissions from our operations and we have seen our total gross carbon emissions and carbon intensity decrease year on year as a result of direct action taken.

This decrease in our total gross carbon emissions can be attributed to:

- Scope 1 – a 72.3% decrease in consumption from the combustion of gas due to the programme to remove gas boilers from 5 Telent facilities, we will continue to monitor gas usage at all remaining sites;
- Scope 1 – a 21.8% decrease in fuel consumption from transport purposes due to the reduction of our commercial fleet. Our overall commercial fleet decreased due to changes in our operations, this included the removal of 230 vans due to the restructuring which took place within our Infrastructure Services division. In addition our proportion of low emission, ultra-low emission and zero emission vehicles continues to grow in line with the overall strategy to reduce carbon emissions due to business mileage;
- Scope 2 – a 0.8% reduction in emissions from purchased electricity due to space rationalisation across the Telent estate. In addition the major refurbishment of our Warwick Head Office contributed to the reduction. Reducing overall space from 88,000sq ft to 25,000sq ft and improving overall environment performance through improved heat gain and heat loss windows, improved insulation of roof, new heating and ventilation strategy, electrified heating and cooling with a more localised control;
- Scope 3 – a 3% reduction in emissions from rental and private vehicles due to the continued expansion of the Essential Fleet and through vehicle redeployment across the organisation that began in the previous year.

Our total gross carbon emissions (scope 1, 2 and scope 3 business travel where Telent is responsible for purchasing fuel) decreased by 20.4% from the previous year and our carbon intensity decreased by 17.1% during the same period. This is 27.5% lower than our baseline year (year ended 31 March 2020) levels of 4.0 tCO₂e / FTE employee which demonstrates the impact of the actions we have taken.

During the reporting period we have continued to purchase electricity from a Renewable Energy Guarantees of Origin backed tariff. Renewable electricity now accounts for more than 86% of the total energy used by Telent (2022/2023 also 86%).

We continue to work towards our science-based targets which were approved by SBTi in the year ended 31 March 2023. The Company is committed to reduce absolute scope 1 and 2 GHG emissions 46.2% by 31 March 2030 from the baseline year. We are also committed to reduce scope 3 GHG emissions from purchased goods and services and capital goods 55% per GBP value added within the same timeframe.

STRATEGIC REPORT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES

As a service company with a large field force working in challenging environments there are a number of risks and uncertainties that could have an impact on our future performance. These include the following:

Market

Telent is a major supplier of communications services to a number of large customers. A shift in customer strategy towards in-sourcing of these services could have a significant impact on our business. We therefore focus on diversity both within our market sectors and customers within the sector, offering a range from basic through to more complex and sophisticated services. It is unlikely that a significant change would be realised across this diverse group of sectors or services within a sector. We also regularly monitor our competitors' positioning and approach to ensure we remain current and cost competitive.

Operational

Telent operates in a number of demanding environments, including underground and main line railways, construction sites, highways, communication masts, motorways and customer telephone exchange buildings. We have a field force working 24 hours per day, sometimes using sophisticated heavy equipment. Safe working practices are extremely important to protect everyone involved in, or affected by, our activities. We have highly developed quality and safety processes within our business and are regularly-audited by professional bodies and our customers. We have long-established working practices and controls to minimise the risks of injury and damage to property and carry appropriate insurance to mitigate the potential financial impact associated with these risks.

IT Systems

As with many organisations, the growing dependence on IT and systems has associated risks. A breach of IT systems could lead to loss of data; inhibit our ability to operate our contracts; and lead to failure to comply with regulatory standards (both ours and those of our customers). Cyro Cyber manage our Cyber Security Operations Centre and effectively ensures all threats are monitored and mitigated. In addition, our IT team continually review appropriateness of systems in use throughout the business to ensure they meet need and remain up to date.

Delivery

Telent delivers a wide range of services, including some which involve the provision of complex technological solutions and/or delivery in challenging working environments. A failure to effectively manage our projects at each stage of their lifecycle from bidding through to completion could have a material impact on the Company's financial performance and its reputation.

Telent has comprehensive procedures for the review and approval of bids, including the understanding and pricing of risks prior to the acceptance of new work. Once a contract has been accepted, thorough and regular contract review processes are in place to monitor the performance of the project in its lifecycle from mobilisation to final completion and handover. This includes processes designed to provide early warning of developing risks, with a view to their early mitigation.

STRATEGIC REPORT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES

FINANCIAL RISK

As part of its ordinary activities, the Company is exposed to financial risks, specifically liquidity, credit and foreign exchange risk. The Company's principal assets are cash, trade and other debtors.

Liquidity risk

Liquidity risk is the risk that the Company has insufficient liquid financial resources to manage working capital fluctuations and to provide a buffer against unexpected cost shocks. The Company manages liquidity risk by regularly reviewing forecast and actual cash flows.

Credit risk

The Company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful debts. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds is managed at the Telent Group level and is limited because all deposits are made with creditworthy and authorised counterparties with high credit ratings assigned by international credit rating agencies. The Telent Group's exposure to any single financial counterparty is limited by policy as a proportion of the central treasury function's free cash deposits.

Foreign exchange risk

The Company makes some purchases and sales in foreign currencies: principally US Dollar and Euro. It seeks to minimise risk against foreign exchange rate movements, principally relating to purchases in US Dollars, by hedging committed expenditure as soon as reasonably practical following commitment through the use of forward foreign exchange contracts.

Inter-company debtor

The Directors acknowledge that a significant proportion of the Company's net current assets is represented by inter-company debtor balances of £293.3 million (2023: £275.2 million) but note that the Company is not dependent on those balances for its current or foreseeable future solvency.

In conclusion, I would like to voice our appreciation for our colleagues' hard work and commitment, and similarly, for the continuing support of our customers, partners and supply chain, which has been essential to Telent's performance.

By Order of the Board



J P Kimpton

Director

25 July 2024

DIRECTORS' REPORT

The Directors present their Report and the audited financial statements of the Company for the year ended 31 March 2024.

DIRECTORS

The Directors holding office since 1 April 2023 are listed below:

S R Dalton
H M Green
J C Gretton
N Harvey
L R Hughes (appointed 1 August 2023)
J P Kimpton
C E Metcalfe
M J Mohan
P W A Moir
J Parnell
R W Welsby

Directors' and officers' insurance cover is in place for all Directors to provide appropriate cover for their reasonable actions on behalf of the Company.

PAYMENT OF CREDITORS

It is the policy of the Company to negotiate with suppliers to obtain the best available terms, taking account of quality, price and period of settlement and to commit to those terms.

The average number of days in which we pay trade creditors, excluding amounts owed to companies in the Telent Group, is 32 days (2023: 36 days).

RESEARCH AND DEVELOPMENT

Research and development costs of £2.4 million were incurred in the year (2023: £2.1 million), which have been expensed to the profit and loss account as incurred.

TRADING OUTLOOK

The Company's balance sheet shows net current assets, excluding the inter-company debtor, of £85.3 million (2023: £78.2 million). Taking into account new contract wins and the first few months' trading since April 2024, the Directors are confident that Telent will continue to trade profitably over the remainder of the new financial year and into the medium term. Telent's ability to maintain growth in the year ending 31 March 2025 and beyond will be underpinned by the need to keep supporting critical national infrastructure; the level of success in retaining existing contracts; winning new business; and the health of the British economy as a whole.

DIRECTORS' REPORT (CONTINUED)

OUR EMPLOYEES

We've made great progress embedding our People Strategy into the culture at Telent over the last year. Along with our Group Business Strategy, our aim is to create a thriving inclusive workplace – an environment that goes beyond job satisfaction with a focus on the connection that our employees have with their work, their manager, and their fellow teammates. Following feedback from our Employee Engagement Survey in 2022, this year we've focused on key areas such as leadership, communication, Equality, Diversity and Inclusion ("ED&I"), employee engagement and IT to help us achieve this aim. All of these, plus the focus areas below, feed into our overall employee engagement targets.

The introduction of our new people system in October 2023 has been fundamental in underpinning our people-related activities at Telent, including people practices and processes and supporting the development of our employees in delivering for our customers.

Over the coming financial year, our main focus will continue to be on driving our employee engagement and the elements of the People Strategy to help us achieve employer of choice status. Going into FY25, our aim is to increase our employee engagement score to 44 eNPS by December 2026, putting Telent in the top 25 per cent in our industry for engagement.

Health, safety, and wellbeing

Health and safety

Safety has remained a key priority for us over the last 12 months and continues to be a crucial focus area as we enter the next financial year. It's important that our Safety Climate Programme is embedded into the culture at Telent so that everyone goes home safe and well at the end of each working day. Over the last year we've continued to hold dedicated safety weeks each quarter on a number of topics to engage our teams and encourage discussions around best practice.

Our Fleet team continue to run a programme of driver safety learning each month. This programme has been acknowledged by industry peers for five consecutive years, earning a Fleet Safety Gold Award from the Royal Society for the Prevention of Accidents.

In addition over the last year, we've also continued our focus on maintaining current workplace arrangements and supporting our colleagues in the ways they choose to work. We've conducted extensive refurbishment works at two of our main sites to create welcoming and collaborative spaces that better suit the Agile Working nature of our business.

Wellbeing

Telent is committed to ensuring that all colleagues feel supported, happy, and healthy. When our people's wellbeing is looked after, they're more motivated, more productive, and more engaged which results in a more positive environment for the colleagues, and the success of the organisation.

To support our work in this area, we launched a Wellbeing Strategy during the year to simplify how Telent proposes to support individuals with their wellbeing and to clarify how colleagues can access help and support if needed.

This has included embedding wellbeing into our People Manager Standards to ensure the approach is consistent and remains a key focus point. This supports our People Managers in maintaining strong team relationships, building trust and support with their direct reports, and being able to signpost to help and resources when needed.

In addition to existing wellbeing initiatives, we have launched a number of activities supporting colleagues with the Menopause. This has included a Menopause Policy, a dedicated Menopause Hub with guidance documents, wellbeing resources and further information, and e-learning sessions. In July 2023, we also became a member of the Menopause Friendly accreditation, recognised as an industry standard for supporting menopause in the workplace.

DIRECTORS' REPORT (CONTINUED) OUR EMPLOYEES (CONTINUED)

Growing and attracting talent

Our apprenticeship and graduate schemes continue to provide a path of professional, educational and personal development for young, bright and talented people. Over the last year, we have been focused on attracting more young talent into these schemes with the aim of developing new colleagues with a high level of aptitude to become our talent of the future.

Ensuring our recruitment practices feed into our Equality, Diversity and Inclusion Action Plan has also been a high priority over the last 12 months. We partnered with a number of organisations and skills providers, such as Shaw Trust, Seetec, Evenbreak, and Women in Science and Engineering to help us attract a diverse range of prospective colleagues. This goes hand in hand with our UInclude recruitment practices, which helps to ensure that the language we use in our job descriptions and adverts isn't biased against underrepresented groups.

We focused on our internal development programmes to ensure we're retaining the best talent within the business and along with the launch of our new people system, we have provided a whole suite of e-learning courses for both colleagues and people managers. During the year we also launched 'My Career' which offers a range of tools to support colleagues in their career development journey at Telent, enabling them to explore different career paths; possible next moves and helps them to put a plan in place for their future.

In addition to development and career programmes, we've considered our employee benefits to ensure we're aligned with our competitors and considered an employer of choice – both for potential candidates and for our current colleagues. To that end, in January 2024, we introduced a number of additional benefits to our previous offerings, including an additional day of annual leave and an improved long service recognition approach to celebrate colleagues with 5, 10, 20, 30, 40 and 50 years' service.

We continue to be a passionate supporter of service personnel and have a growing community of Armed Forces members and service leavers. We regularly attend dedicated recruitment drives to engage with service leavers, and this year have also reached out to Warwickshire Cadet Force to share information about STEM careers and increase our talent pool for apprentices. Our passionate colleagues have also setup a dedicated Armed Forces Community Group to support those who have served (or currently serve) in the Armed Forces and their families. In support of all the work we do in this area, we've submitted our application to move from a Silver to a Gold Award as part of the Defence Employer Recognition Scheme.

Engagement and communication

Engagement has been one of the core focus areas in our Business Group Objectives in the last year. Each year we run an employee engagement survey to provide metrics and receive feedback from employees on where we can focus our attention for future growth and development. Thanks to our continued efforts in this area, we achieved an increase in our employee engagement score from 25 eNPs to 37 eNPS in the last year, surpassing our target.

In recognition of our achievements and growth in this area, we were awarded the silver award for the Best Employee Engagement Strategy in the UK Employee Experience Awards 2024.

Over the last year, we've continued to develop our communication channels to ensure all colleagues feel connected to our business. We launched Viva Engage in during the year to support our colleague-led Community Groups and provide a central place for people to link in with one another on common issues and themes.

Our Chief Information Officer Luan Hughes also launched an IT Strategy to ensure technology around the business is fit for purpose and suitable for each team's needs. This included adding new capabilities into the IT team such as User Experience, Business Analysis, Enterprise Architecture, and Product Ownership to ensure a clear plan for maintaining and delivering enterprise systems with usability and value in mind.

In support of refurbishment work at two core Telent sites, the ITCS team were responsible for launching a fully MS Teams-integrated audio-visual kit in brand-new meeting rooms, creating an easy-to-use immersive experience for hybrid and face-to-face meetings. New devices (such as tablets) have also been trialled with teams working in the Field to ensure the best fit for their requirements.

In May this year, we hosted our third Annual Awards event to recognise and reward our people's contributions to the business. The nominees and winners for the award categories were chosen by Telent colleagues and are designed to grow a culture of engagement and recognition.

DIRECTORS' REPORT (CONTINUED) OUR EMPLOYEES (CONTINUED)

Equality, Diversity, and Inclusion ("ED&I")

Telent are committed to creating a welcoming environment that ensures everyone feels respected and valued. Led by our dedicated ED&I Steering Group, we have launched a variety of initiatives over the last 12 months to further develop this inclusive culture.

In October 2023 we sponsored UK Black Business Week, one of the biggest events of its kind in the UK and Europe. In addition to attending a number of panel discussions and networking with leading Black professionals, Telent's own Daniel Meikle (Asset Manager), joined Mahari Hay, Robert Wade, Eddy Datubo, and Louis Howell for a 'Black Men Business Talks' panel on accelerating the pace of progression to leadership.

We introduced a Transgender Inclusion Policy in December 2023. This Policy provides consistent support for all individuals who wish to, have taken, or are taking steps to present themselves in a different gender to that recorded at birth and who identify themselves as transgender (or trans). It also supports and includes those people who are intersex and gender non-conforming, or who identify as non-binary (those whose gender identity isn't defined within the male/female gender binary).

Our initiatives have inspired the creation of a number of colleague-led Community Groups. Over the last year this offering has expanded to include nine individual Communities connecting colleagues on a number of topics such as living with a disability, menopause support, young professionals and more.

Work has also continued in partnership with key customers to support their policies and initiatives and promote corporate social responsibility. This has ranged from supporting regional and local programmes which aim to provide opportunities for specific under-represented groups, to attending conferences and workshops designed to foster action and change in the industry.

Social Value

Social Value is at the heart of Telent's key Values as a business: Be Inclusive, Take Responsibility, Collaborate, and Customer Focused. Investing in Social Value opportunities has always been an important priority for us as taking a proactive approach to Social Value is a win-win for us as a business and for our colleagues. Not only does it support us in growing our customer base but it enables us to give back to the communities we work in.

Over the last year we've been involved in a number of initiatives through the way we operate as a business and the charitable initiatives we support. We continue to support Micro, Small, and Medium-Sized Enterprises ("MSME") across the UK, accounting for approximately 67 per cent of our suppliers. This focus on MSME engagement not only diversifies Telent's supply chain and drives innovation, but also contributes to the prosperity of local economies, generating an estimated £40 million of additional social value benefits according to the National Themes, Outcomes and Measurement Framework.

We also collaborate, partner, and invest in our suppliers so they can be more sustainable. Our Procurement team here at Telent committed at least 100 hours of resources over the last year to building suppliers' capabilities in sustainability and social value. All MSME partners are offered a range of development resources including training materials, guidance, practical support, and the opportunity to share best practice.

In addition, we support a new charitable organisation every three years through our Corporate Charity Programme. Our current cycle is dedicated to raising money for mental health charity, Mind. Over the last 12 months, our Charity Champions have hosted a number of fundraising activities including a company-wide pub-style quiz, a Valentine's Day colleague appreciation board, and seasonal cookbooks. They were also instrumental in organising a charity golf day attended by customers, clients, and suppliers in September 2023. Not only did this strengthen relationships with our customers but it generated a huge amount for Mind.

Employment of Disabled Persons

During the year Telent announced it had committed to the Disability Confident Scheme for the next three years. This ensures that our recruitment process is inclusive and accessible; that we offer an interview to a disabled person who meets the minimum criteria for a job; that we anticipate and provide reasonable adjustments as required as well as supporting existing employees who acquire a disability or long-term health condition enabling them to stay in work. The occupational health service assesses and identifies ways to support the employment of disabled persons and advice is sought from professional bodies. Every possible step is taken to ensure individuals are treated equally and fairly and that decisions over recruitment, selection, training, promotion, and career management are based solely on objective, job-related criteria.

DIRECTORS' REPORT (CONTINUED)

ITEMS COVERED IN THE STRATEGIC REPORT

The following items required by law to be covered in the Directors' Report have been covered in the Strategic Report: SECR Mandatory Reporting Requirements, stakeholder and employee engagement (included as part of Section 172 Statement), future developments and details of the Company's use of financial instruments.

CHARITABLE AND POLITICAL DONATIONS

The Company supported a number of charities and educational programmes during the year ended 31 March 2024. Charitable donations made during the year amounted to £50,000 (2023: £30,000), all of which were made to charities in the UK. These amounts exclude non-cash support provided by operating businesses to charitable organisations and educational establishments. In addition to Telent's direct charitable contributions, the Company is also a major sponsor of Mind having adopted the organisation as its corporate charity on 1 January 2022. Since pledging its support to Mind, Telent and its staff have raised in excess of £170,000 for the charity, of which just over £80,000 was raised in the year ended 31 March 2024.

No political donations were made during the year ended 31 March 2024 (2023: £Nil).

GOING CONCERN

The financial statements for the year ended 31 March 2024 have been prepared on a going concern basis. In adopting the going concern basis, the Directors have considered the Company's business activities, principal risks and uncertainties as well as the operating result (both actual and forecast).

An assessment of the Company's ability to continue as a going concern for the period to 30 September 2025 was carried out by the Directors. This assessment was based on the latest medium-term cash forecasts, which were derived from the Board approved budget. These base case forecasts indicate that financing facilities currently in place are sufficiently adequate to support the Company over this period.

During the year, the following developments in the Company's financing have taken place:

- The Telent Group revolving credit facility (for which the Company is an obligor) was extended by the final additional year to February 2026, which is outside of the going concern period. The Group chose to make a repayment of £15.0 million during the year as a result of the good operating cash generation by the Company and at the year end £14.1 million was drawn out of the total available facility of £45.0 million.
- The amount drawn down under a supplier finance facility at 31 March 2024 is £14.9 million (2023: £15.1 million). The remaining balance on the supplier finance facility that could have been drawn as at 31 March 2024 was £15.1 million.

The Directors have also applied sensitivities to these forecasts in order to assure themselves that there is sufficient profitability and cash headroom in the revolving credit facility covenants. The key risks considered include a deterioration in payment terms from customers; fluctuations in margin (examples being fluctuations in both revenue volumes from customers and/or increased costs); and greater contract wins leading to an increased working capital requirements.

As a result of completing this assessment, the Directors concluded that the likelihood of these scenarios arising was remote due: to the proportion of budgeted turnover which is secured by firm and frame contracts with our customers; the Board's ongoing monitoring and management of the business; and the very severe deterioration that would be required as compared to the base case before covenants would be breached.

Furthermore, the Directors expect the Company to continue to trade profitably during the year ending 31 March 2025 and to generate positive operating cash flows, before taking into account any movements associated with the timing and levels of utilisation of the Company's supplier finance facility. The Group will also be seeking to renew the revolving credit facility during the forthcoming financial year and anticipate that it will be renewed.

Having taken into account the information described above, the Directors conclude that they have a reasonable expectation that the Company will continue in operational existence for the foreseeable future and have therefore continued to adopt the going concern basis of accounting in preparing the financial statements.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' CONFIRMATION

Each person who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information (as defined in the Companies Act 2006) and to establish that the Company's auditor is aware of that information.

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

AUDITOR

Grant Thornton UK LLP is deemed to be re-appointed as auditor under the provisions of section 487(2) of the Companies Act 2006.

By Order of the Board



J P Kimpton

Director

25 July 2024

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). 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 and 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.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TELENT TECHNOLOGY SERVICES LIMITED

OPINION

We have audited the financial statements of Telent Technology Services Limited (the 'Company') for the year ended 31 March 2024, which comprise the profit and loss account, the balance sheet, the statement of changes in equity, the statement of comprehensive income and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (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 2024 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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

We are responsible for concluding on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company to cease to continue as a going concern.

In our evaluation of the Directors' conclusions, we considered the inherent risks associated with the Company's business model including effects arising from macro-economic uncertainties such as the cost of living crisis, we assessed and challenged the reasonableness of estimates made by the Directors and the related disclosures and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TELENT TECHNOLOGY SERVICES LIMITED (continued)

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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

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

MATTER ON WHICH WE ARE REQUIRED TO REPORT UNDER THE COMPANIES ACT 2006

In the 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.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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 24, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TELENT TECHNOLOGY SERVICES LIMITED (continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We understood how the Company is complying with those legal and regulatory frameworks by making enquiries of management. We corroborated our enquiries through our review of board minutes;
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting frameworks (FRS 102 and Companies Act 2006) and the relevant tax compliance regulations in jurisdictions in which the Company operates;
- In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relating to health and safety, employee matters, environmental, and bribery and corruption practices;
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with management from different parts of the business to understand where it is considered there was a susceptibility of fraud. We also considered performance targets and their propensity to influence efforts made by management to manage earnings. We considered the programs and controls that the Company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programs and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk.
- Our audit procedures involved: journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business; enquiries of management. In addition, we completed audit procedures to conclude on the compliance of disclosures in the Annual Report and accounts with applicable financial reporting requirements.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement's team's:
 - Understanding of, and practical experience with audit engagement of a similar nature and complexity through appropriate training and participation
 - Knowledge of the industry in which the client operates
 - Understanding of the legal and regulatory requirements specific to the Company including:
 - The provisions of the applicable legislation
 - The regulators rules and related guidance, including guidance issued by relevant authorities that interprets those rules
 - The applicable statutory provisions

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TELENT TECHNOLOGY SERVICES LIMITED (continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

- We did not identify any matters relating to non-compliance with laws and regulation or relating to fraud;
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - The Company's operations, including the nature of its revenue sources, products and services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risk of material misstatement
 - The applicable statutory provisions
 - The Company's control environment, including the policies and procedures implemented to comply with the requirements of its regulator, including the adequacy of the training to inform staff of the relevant legislation, rules and other regulations of the regulator, the adequacy of procedures for authorisation of transactions, internal review procedures over the Company's compliance with regulatory requirements and procedures to ensure that possible breaches of requirements are appropriately investigated and reported.

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 OUR 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.

Grant Thornton UK LLP

Rebecca Eagle

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Birmingham

Date: 25 July 2024

PROFIT AND LOSS ACCOUNT**Year ended 31 March**

	Note	2024 £ million	2023 £ million
TURNOVER	3	460.7	466.8
Cost of sales		<u>(380.2)</u>	<u>(407.9)</u>
GROSS PROFIT	4	80.5	58.9
Administrative expenses	4	(60.6)	(57.2)
Net other operating income	4	5.2	7.3
OPERATING PROFIT:			
Excluding operating exceptional items and intangible amortisation	4	25.1	9.0
Intangible amortisation	9	(3.9)	(2.3)
Operating exceptional items	6	(7.0)	(6.3)
TOTAL OPERATING PROFIT		14.2	0.4
Interest receivable and similar income	5	<u>4.4</u>	<u>1.8</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		18.6	2.2
Tax on profit on ordinary activities	8	<u>4.4</u>	<u>2.0</u>
PROFIT FOR THE FINANCIAL YEAR		<u>23.0</u>	<u>4.2</u>

All results derive from continuing operations.

The notes on pages 32 to 51 form an integral part of these financial statements.

BALANCE SHEET

At 31 March

	Note	2024 £ million	2023 £ million
FIXED ASSETS			
Intangible assets and goodwill		12.6	14.4
Negative goodwill		(0.3)	(0.6)
Total intangible assets and goodwill	9	12.3	13.8
Tangible fixed assets	10	7.3	8.1
Investments in subsidiaries	11	1.1	4.1
Retirement benefit scheme asset	21	0.8	0.6
		<u>21.5</u>	<u>26.6</u>
CURRENT ASSETS			
Stocks	12	11.1	16.4
Debtors – due within one year	13	416.6	415.1
Debtors – due after one year	13	30.0	24.7
Cash at bank and in hand		46.6	32.4
		<u>504.3</u>	<u>488.6</u>
Creditors: amounts falling due within one year	14	<u>(125.7)</u>	<u>(135.2)</u>
NET CURRENT ASSETS		<u>378.6</u>	<u>353.4</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		400.1	380.0
Creditors: amounts falling due after more than one year	15	(3.2)	(1.1)
Provisions	16	(6.5)	(11.6)
NET ASSETS		<u>390.4</u>	<u>367.3</u>
CAPITAL AND RESERVES			
Called up share capital	17	-	-
Capital contributions	17	16.7	16.7
Revaluation reserve	17	7.2	7.2
Profit and loss account	17	366.5	343.4
SHAREHOLDER'S FUNDS		<u>390.4</u>	<u>367.3</u>

The notes on pages 32 to 51 form an integral part of these financial statements.

The financial statements of Telent Technology Services Limited (company number 703317) were approved by the Board of Directors and authorised for issue on 25 July 2024. They were signed on its behalf by:



J P Kimpton
Director

STATEMENT OF CHANGES IN EQUITY

	Called-up share capital £ million	Capital contributions £ million	Revaluation reserve £ million	Profit and loss account £ million	Total £ million
At 1 April 2022	-	16.7	7.2	338.5	362.4
Profit for the year	-	-	-	4.2	4.2
Other comprehensive income for the year	-	-	-	0.7	0.7
Total recognised income for the year	-	-	-	4.9	4.9
At 1 April 2023	-	16.7	7.2	343.4	367.3
Profit for the year	-	-	-	23.0	23.0
Other comprehensive income for the year	-	-	-	0.1	0.1
Total recognised income for the year	-	-	-	23.1	23.1
At 31 March 2024	-	16.7	7.2	366.5	390.4

STATEMENT OF COMPREHENSIVE INCOME

	Note	2024 £ million	2023 £ million
Profit for the financial year		23.0	4.2
Actuarial gains	21	0.1	0.7
Total recognised income for the year		23.1	4.9

The notes on pages 32 to 51 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

1. PRINCIPAL ACCOUNTING POLICIES

Telent Technology Services Limited is a private company limited by shares and incorporated and domiciled in England, UK.

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS 102) and the Companies Act 2006.

The financial statements are prepared in Sterling, which is the functional currency of the Company, rounded to the nearest £ million and under the historical cost convention.

In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash flow statement and related notes;
- Key management personnel compensation;
- The disclosures required by FRS 102.11 (Basic Financial Instruments) and FRS 102.12 (Other Financial Instrument Issues) in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36 (4) of Schedule 1.

Related party transactions

The Company is a wholly owned subsidiary of Telent Communications Holdings Limited, which is a subsidiary of Telent Limited. Advantage has been taken of the exemption permitted by FRS 102 section 33.11 not to disclose transactions with entities that are part of the Telent Group or investees of the Telent Group qualifying as related parties. Balances with these entities are disclosed in Notes 13 and 14 of these financial statements.

Group financial statements

The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its Group. Group financial statements have not been prepared because the Company is a wholly owned subsidiary of Telent Communications Holdings Limited, which is a subsidiary of Telent Limited, in whose Group financial statements, which are publicly available, the Company is included.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Going concern

The financial statements for the year ended 31 March 2024 have been prepared on a going concern basis. In adopting the going concern basis, the Directors have considered the Company's business activities, principal risks and uncertainties as well as the operating result (both actual and forecast).

An assessment of the Company's ability to continue as a going concern for the period to 30 September 2025 was carried out by the Directors. This assessment was based on the latest medium-term cash forecasts, which were derived from the Board approved budget. These base case forecasts indicate that financing facilities currently in place are sufficiently adequate to support the Company over this period.

During the year, the following developments in the Company's financing have taken place:

- The Telent Group revolving credit facility (for which the Company is an obligor) was extended by the final additional year to February 2026, which is outside of the going concern period. The Group chose to make a repayment of £15.0 million during the year as a result of the good operating cash generation by the Company and at the year end £14.1 million was drawn out of the total available facility of £45.0 million.
- The amount drawn down under a supplier finance facility at 31 March 2024 is £14.9 million (2023: £15.1 million). The remaining balance on the supplier finance facility that could have been drawn as at 31 March 2024 was £15.1 million.

The Directors have also applied sensitivities to these forecasts in order to assure themselves that there is sufficient profitability and cash headroom in the revolving credit facility covenants. The key risks considered include a deterioration in payment terms from customers; fluctuations in margin (examples being fluctuations in both revenue volumes from customers and/or increased costs); and greater contract wins leading to an increased working capital requirements.

As a result of completing this assessment, the Directors concluded that the likelihood of these scenarios arising was remote due: to the proportion of budgeted turnover which is secured by firm and frame contracts with our customers; the Board's ongoing monitoring and management of the business; and the very severe deterioration that would be required as compared to the base case before covenants would be breached.

Furthermore, the Directors expect the Company to continue to trade profitably during the year ending 31 March 2025 and to generate positive operating cash flows, before taking into account any movements associated with the timing and levels of utilisation of the Company's supplier finance facility. The Group will also be seeking to renew the revolving credit facility during the forthcoming financial year and anticipate that it will be renewed.

Having taken into account the information described above, the Directors conclude that they have a reasonable expectation that the Company will continue in operational existence for the foreseeable future and have therefore continued to adopt the going concern basis of accounting in preparing the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Turnover and profit recognition on contracts

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Turnover from product sales of hardware and software is recognised when: persuasive evidence of an arrangement exists; delivery has occurred or service has been rendered; customer acceptance has occurred; the price to the buyer is fixed or determinable; and collectability is reasonably assured.

Turnover from on-going support, repair and maintenance services is recognised at the time of performance and acceptance by the customer. Turnover from multiple element contracts is allocated based on the relative fair value of each individual element.

Turnover under service and construction contracts which span more than one reporting period is recognised under the percentage of completion method of accounting. The percentage of completion is calculated based on the ratio of costs incurred to date compared with the total expected costs for that contract. Profit on such contracts in progress is taken when the outcome of the contract can be assessed with reasonable certainty. Where the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of costs incurred, if it is probable that they will be recovered.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately and held on the balance sheet in provisions.

Amounts recoverable on contracts, which are included in debtors, are stated at the net sales value of the work performed less amounts received as progress payments on account; excess progress payments are included in creditors. Costs that relate to future activity, such as materials or prepayments, are held as an asset if it is probable that the costs will be recovered.

The estimation technique used in attributing profit made on contracts to a particular period is the preparation of forecasts on a contract by contract basis. These focus on turnover and costs to complete and enable an assessment to be made of the final out-turn of each contract. The Company has adopted a consistent contract review procedure throughout its business in respect of contract forecasting.

Material costs incurred in bidding for and mobilising contracts that relate directly to a contract and are incurred in securing the contract are also included as part of the contract costs if they can be separately identified and measured reliably from the point that it is probable that the contract will be obtained. When costs incurred in securing a contract are recognised as an expense in the period in which they are incurred, they are not included in contract costs when the contract is obtained in a subsequent period.

Research and development

Research costs are written off to the profit and loss account as incurred.

Development costs are capitalised and held as an intangible asset when the costs relate to a clearly defined project, the costs are separately identifiable, and the outcome of such a project has been assessed with reasonable certainty as to its technical feasibility and its ultimate commercial viability. Amortisation is charged to match revenue generated, over the useful life of the product, from the commencement of commercial sales. Amortisation periods and methods are reviewed annually and adjusted if appropriate.

Development expenditure which does not meet these criteria is written off to the profit and loss account as incurred.

Research and development expenditure credit (RDEC) receivable from UK HMRC is credited to other operating income. RDEC is recognised when recovery is considered virtually certain, following review of the relevant costs for compliance with the relevant legislation and consistency with claims that have been made and settled for prior years.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Leases

In accordance with FRS 102.20 (Leases), leases are classified as finance leases whenever the terms of the lease agreement transfer substantially all the risks and rewards of ownership of the related assets to the lessee. All other leases are classified as operating leases.

Interest receivable and payable

Interest payable and similar charges include net foreign exchange losses that are recognised in the profit and loss account. Interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest receivable and interest payable are recognised in the profit or loss account as they accrue. Foreign currency gains and losses are reported on a net basis.

Taxation

The charge or credit for taxation is based on the taxable profits for the financial year and includes the effect of timing differences between the treatment of certain items for taxation and for accounting purposes. A deferred tax asset is recognised to the extent that future taxable profit will be available within the foreseeable future, against which to utilise tax losses and attributes.

Exceptional items

Exceptional items are those items of income or expense which management deem to be non-recurring or outside of the ordinary course of business and therefore abnormal in either size or nature.

Foreign currency

Transactions in foreign currencies, are recorded at the rate of exchange on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. All exchange differences are included in the profit and loss account.

Derivative contracts

The fair value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year end with an equal and opposite contract.

Tangible fixed assets

Tangible fixed assets are stated at cost, less depreciation, net of any provision for impairment (which is assessed annually). Depreciation is provided on a straight-line basis over the estimated useful lives as follows:

Freehold property	- over 25 years or estimated useful life
Long leasehold property	- over the shorter of the lease term or 50 years
Fixtures, fittings, tools and equipment	- over 4 years on average

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs that will be incurred in marketing, selling and distribution. Provision is made for obsolete, slow moving or defective items where appropriate.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Provisions for estimated expenses related to product warranties are made at the time the products are sold. These estimates are established using historical information on the nature, frequency, and average cost of warranty claims and take into consideration:

- the history of warranty cost associated with the product or similar products;
- the length of the warranty obligation;
- the development cycle of the product; and
- the estimated cost of 'one-off' failures that require correction.

Provisions for restructuring costs are recognised when the Company has a detailed formal plan for the restructuring that has been communicated to affected parties.

Pensions and other post-retirement benefits

Eligible employees can be members of one of either the Telent 2010 Pension Plan or the Telent 2007 Pension Plan, both of which are defined contribution pension schemes. Payments to defined contribution pension schemes are charged to the profit and loss account as they fall due.

Details of the defined benefit schemes open to employees of the Company are set out in Note 21. The defined benefit schemes are funded, with the assets of the schemes held separately from those of the Telent Group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit cost method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability of the Telent Communications Public Sector Pension Scheme and East Sussex Pension Fund, net of deferred tax, are presented separately on the Company's balance sheet.

Business combinations and goodwill

The acquisition of a business is accounted for using the purchase method. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Company. The identifiable assets, liabilities and contingent liabilities being acquired are recognised at their fair value at the acquisition date.

Goodwill arises where the fair value of the cost of acquisition exceeds the fair value of net assets acquired. Goodwill arising on acquisitions is capitalised and amortised on a straight-line basis over its useful economic life, which is a maximum of 10 years following the adoption of FRS 102. Goodwill capitalised before this date is amortised over a maximum of 20 years. Provision is made for any impairment. Determining whether goodwill is impaired requires a comparison of the carrying amount of goodwill with its recoverable amount. The recoverable amount is the higher of value-in-use or fair value less costs to sell. Where an estimation of value-in-use is required, goodwill is allocated to each of the Company's cash-generating units expected to benefit from the synergies of the business combination. The value-in-use calculation requires the entity to estimate future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Negative goodwill arises where the fair value of the costs of acquisition is less than the fair value of net assets acquired. Negative goodwill arising on acquisitions is capitalised and amortised over the period of expected economic benefit the Company will receive, which is currently between 2 and 8 years.

Financial liabilities

Financial liabilities are classified as either 'financial liabilities at FVTPL' or 'other financial liabilities'. The Company does not currently have any 'financial liabilities at FVTPL'. Trade payables are not interest bearing and are stated at their nominal value.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Intangible fixed assets

Other intangible assets are measured initially at purchase cost and are amortised on the following basis:

Customer contracts	-	in line with the profit expected at the date of acquisition to be earned over the term of the contract
Customer relationships	-	assumed term of contract extensions
Software costs	-	3 to 7 years straight line

Cash and cash equivalents

Cash and cash equivalents comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less.

Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in the profit or loss account. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows 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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to the CGU that is expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire entity into which it has been integrated. An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

2. ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Company's accounting policies, which are described in Note 1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources and which affect the value of assets and liabilities reported in the balance sheet and the profit for the year reported in the profit and loss account.

Judgements

The Directors do not consider that any of the judgements, apart from those involving estimations (see below), that they have made in applying the accounting policies have had a significant effect on the amounts recognised in the financial statements.

Estimates

In making accounting estimates, the Directors are required to make assumptions about the future and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Those matters are set out below.

Revenue and profit recognition on long-term contracts (see Note 3)

The Company has a large number of contracts with customers in a number of business sectors. Those contracts which are long-term in nature and which involve the delivery of a product or service over more than one financial year can include significant estimation uncertainty, including the measurement and timing of revenue recognition, the forecast margin at completion and the related accrued or deferred income (see Notes 13 and 14). The Company is required to estimate the contract profitability at completion, including the costs to complete the contract. The ability to accurately forecast such costs involves estimates around the cost of resolving significant technological challenges and the risk of incurring service credits or liquidated damages. The Company operates a rigorous contract review process under which all contracts are reviewed against a number of significant criteria and the forecast margin at completion is challenged. If a contract is forecast to be loss-making, provision is made for the full forecast loss on the contract (see Note 16). The estimation uncertainty associated with those forecasts means that there is a significant risk that there could be material adjustment to the carrying amounts of accrued and deferred revenue or loss-making contract provisions within the next financial year. The extent to which actual results differ from estimates made at the reporting date depends on the combined outcome and timing of a large number of variables associated with performance across multiple contracts.

Provisions

The Company's provisions are set out in Note 16. Those provisions that have a significant risk of a material adjustment to their carrying amounts within the next financial year are those relating to loss-making contracts. The Company has no contracts where the Directors believe that there is a significant risk that, within the year ending 31 March 2024, there could be a material adjustment to the 31 March 2023 value of provisions for forecast losses.

Taxation - deferred

Recognition of the Company's deferred tax asset (see Note 8) requires estimation by management of the likely level of the Company's future taxable profit from ongoing operations, cash holdings and other sources where tax losses are available to be utilised against those future profits. Any forecast of future profitability is inherently judgemental and therefore actual performance may differ from that forecast.

It is difficult to set boundaries on the extent to which actual future profits may differ from those forecast, but to provide context to this disclosure, an increase or decrease in forecast future profits over the whole forecast period of £10.0 million would increase or decrease the recognised deferred tax asset by £2.5 million.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

3. TURNOVER**TURNOVER BY DESTINATION**

	2024	2023
	£ million	£ million
United Kingdom	451.5	461.3
Europe	9.2	5.5
	<u>460.7</u>	<u>466.8</u>

Turnover is attributable to the one principal activity of the Company, which is the provision of technology solutions.

£7.8 million (2023: £4.0 million) of turnover originated from outside the United Kingdom.

TURNOVER BY CATEGORY

	2024	2023
	£ million	£ million
Rendering of services	447.9	445.1
Sale of goods	12.8	21.7
	<u>460.7</u>	<u>466.8</u>

	2024	2023
	£ million	£ million
Contracts in progress at the balance sheet date:		
Trade debtors	6.6	12.8
Amounts recoverable under long term contracts (within accrued income in Note 13)	<u>26.9</u>	<u>31.3</u>
	<u>33.5</u>	<u>44.1</u>

The amount of long-term contract revenue recognised within turnover in the year amounted to £128.2 million (2023: £118.1 million).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

4. OPERATING PROFIT

Operating profit is stated after (charging)/crediting:

	2024	2023
	£ million	£ million
Depreciation and amounts written off tangible fixed assets	(2.4)	(3.4)
Amortisation of goodwill and other intangible assets	(4.2)	(2.7)
Amortisation of negative goodwill	0.3	0.4
Operating lease payments	(7.7)	(7.6)
Auditor's remuneration:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	<u>(0.2)</u>	<u>(0.2)</u>

No non-audit fees were payable to the Company's auditors for other services to the Company.

	2024	2023
	£ million	£ million
Gross profit	80.5	58.9
Selling and associated costs	(11.9)	(14.7)
Administration expenses	(46.3)	(40.4)
Research & development costs	(2.4)	(2.1)
Other income	<u>5.2</u>	<u>7.3</u>
Operating profit excluding exceptional items and intangible amortisation	<u><u>25.1</u></u>	<u><u>9.0</u></u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2024 £ million	2023 £ million
Income from cash on deposit	0.8	0.2
Foreign exchange gains	-	0.4
Dividend income	3.6	1.2
	<u>4.4</u>	<u>1.8</u>

6. OPERATING EXCEPTIONAL ITEMS

		2024 £ million	2023 £ million
Restructuring costs	i)	(3.6)	(5.5)
Property rationalisation	ii)	0.3	0.4
Investment impairment	iii)	(3.7)	(1.2)
		<u>(7.0)</u>	<u>(6.3)</u>

- i) As part of the Company's cost reduction and continuous improvement actions, a charge of £3.6 million was made in relation to the combined cost of employee severance and other restructuring costs in the year ended 31 March 2024 (2023: £5.5 million).
- ii) In the year ended 31 March 2024, £0.3 million of the onerous lease provision set up in previous years was released, following conclusion of negotiations with the leaseholder (2023: £0.4m).
- iii) In the year, the investment in Harlequin Group Limited was impaired (£3.1 million) following the payment of a dividend (see Note 5) and the investment in Integrated Design Techniques Limited was impaired (£0.6 million) following the hive-up of the trade and assets of that business (2023: the investment in Harlequin Group Limited was impaired by £1.2 million following the hive-up of the trade and assets of the Harlequin Group), see Note 11.

The taxation impact of these exceptional charges was £Nil (2023: £Nil) due to the existence of accumulated historical tax losses.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

7. DIRECTORS AND EMPLOYEES

Employees

The average monthly number of employees (including Directors) employed in the UK by the Company is shown below:

Year ended 31 March	2024 Number	2023 Number
Operations	2,041	2,229
Selling and administration	377	464
	2,418	2,693

Staff costs for the above persons were:	2024 £ million	2023 £ million
Wages and salaries	131.4	128.0
Social security costs	13.9	14.4
Other pension costs	6.8	6.8
	152.1	149.2

DIRECTORS

Directors' remuneration:	2024 £ million	2023 £ million
Emoluments (excluding pension contributions)	7.3	3.4
Pension contributions	-	-
	7.3	3.4

The number of directors who were contributing members of the defined contribution pension scheme was 6 (2023: 6). The highest paid director had emoluments of £1.2 million (2023: £0.5 million) and the Company contributed £Nil towards a defined contribution pension (2023: £Nil).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

8. TAXATION

a) Tax on profit on ordinary activities

	2024 £ million	2023 £ million
Current taxation		
UK taxation at 25% (2023: 19%)	(0.9)	0.1
Current overseas tax	(0.1)	(0.1)
UK tax under provision in respect of prior years	(0.2)	(0.7)
Overseas under provision in respect of prior years	-	(0.8)
Deferred taxation		
UK rate change	-	1.2
Origination and reversal of timing differences	5.6	(2.3)
Tax credit on profit on ordinary activities	<u>4.4</u>	<u>2.0</u>

b) Reconciliation of total tax charge for the year

	2024 £ million	2023 £ million
Profit on ordinary activities before taxation	<u>18.6</u>	<u>2.2</u>
Tax on profit at UK statutory rate of 25% (2023: 19%)	(4.6)	(0.4)
Tax effect of expenses that are not deductible in determining taxable profit	4.5	0.3
Research and development tax credit	(0.9)	-
Under provision in respect of prior years	(0.2)	(0.7)
Utilisation of previously unrecognised deferred tax asset	-	(0.7)
UK rate change	-	1.2
Increase in recognised deferred tax asset	5.6	2.3
Total tax credit for the year	<u>4.4</u>	<u>2.0</u>

c) Deferred tax

The net deferred tax asset recognised in the financial statements of £28.7 million (2023: £23.1 million) is made up of £2.5 million relating to the potential future benefit of tax losses and £26.2 million of other timing differences (principally pension contributions and historically disclaimed capital allowances).

Deferred tax assets of £317.6 million (2023: £335.1 million) consisting of £251.1 million of tax losses and £66.5 million of other timing differences (principally pension contributions and historically disclaimed capital allowances) have not been recognised, as the Company is not sufficiently certain that it will be able to recover these assets within a relatively short period of time.

The substantively enacted UK corporation tax rate at 31 March 2024 was 25% (2023: 19%).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

9. INTANGIBLE ASSETS AND GOODWILL

	Software costs	Other intangibles	Goodwill	Negative Goodwill	Total Intangible Assets and Goodwill
	£ million	£ million	£ million	£ million	£ million
Cost					
At 1 April 2023	14.9	25.7	30.6	(14.5)	56.7
Additions	2.3	-	0.1	-	2.4
At 31 March 2024	17.2	25.7	30.7	(14.5)	59.1
Amortisation					
At 1 April 2023	(12.6)	(24.4)	(19.8)	13.9	(42.9)
Charge for the year	(1.1)	(0.7)	(2.4)	0.3	(3.9)
At 31 March 2024	(13.7)	(25.1)	(22.2)	14.2	(46.8)
Net book value					
At 31 March 2024	3.5	0.6	8.5	(0.3)	12.3
At 31 March 2023	2.3	1.3	10.8	(0.6)	13.8

Software costs relate to computer software for the Company's Enterprise Resource Planning system and other software systems used in the running of the business.

Other intangibles primarily comprise customer contracts and customer relationships. The £0.7 million amortisation charge for the year principally relates to the other intangibles acquired following Telent's step-in to 100% of the former joint operation with Carillion.

Positive goodwill is being amortised between 5 and 20 years and negative goodwill is being amortised between 2 and 8 years.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

10. TANGIBLE FIXED ASSETS

	Freehold property £ million	Long leasehold property £ million	Fixtures, fittings, tools and equipment £ million	Total £ million
Cost				
At 1 April 2023	0.1	7.6	31.5	39.2
Additions	-	1.0	0.8	1.8
Disposals	-	(0.1)	(2.4)	(2.5)
At 31 March 2024	0.1	8.5	29.9	38.5
Depreciation				
At 1 April 2023	-	(5.0)	(26.1)	(31.1)
Charge for the year	-	(0.5)	(1.9)	(2.4)
Disposals	-	0.1	2.2	2.3
At 31 March 2024	-	(5.4)	(25.8)	(31.2)
Net book value				
At 31 March 2024	0.1	3.1	4.1	7.3
At 31 March 2023	0.1	2.6	5.4	8.1

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

11. INVESTMENTS IN SUBSIDIARIES

	Total £ million
Cost	
At 1 April 2023	10.9
Additions	0.8
At 31 March 2024	<u>11.7</u>
Provisions	
At 1 April 2023	(6.8)
Transfer to intangible assets and goodwill	(0.1)
Impairment in the year (see Note 6)	(3.7)
At 31 March 2024	<u>(10.6)</u>
Net book value	
At 31 March 2024	<u>1.1</u>
At 31 March 2023	<u>4.1</u>

The Company's subsidiary undertakings are:

Harlequin Group Limited, which was acquired on 17 December 2021. It is registered at c/o Begbies Traynor, 8th Floor, One Temple Row, Birmingham, B2 5LG, England and the Company directly holds 100% (2023: 100%) of the ordinary share capital. On 31 March 2023, the trade and assets were hived up to the Company. Prior to hive-up, the Harlequin Group provided site acquisition, planning, and design capability for UK Mobile Network Operators and service providers. On 8 December 2023, the company was placed into liquidation.

On 1 December 2022, Telent acquired a 67% stake in Cyro Cyber Limited, a cyber security business which is registered at Point 3, Haywood Road, CV34 5AH, England. The cost of investment comprised the transfer from the Company to Cyro of existing cyber contracts, which have been independently valued at £1.0 million.

On 12 April 2023, Telent acquired a 100% stake in Integrated Design Techniques Limited ("IDT"), a data communications and traffic management business, for £0.8 million. It is registered at c/o Begbies Traynor, 8th Floor, One Temple Row, Birmingham, B2 5LG, England. On 30 November 2023, the trade and assets were hived up to the Company; and on 20 December 2023, IDT was placed into liquidation.

12. STOCKS

	2024 £ million	2023 £ million
Raw materials and bought in components	5.3	8.6
Work in progress	5.8	7.8
	<u>11.1</u>	<u>16.4</u>

There was no net change to the levels of slow-moving and obsolete stock in the year to 31 March 2024. In the year ended 31 March 2023, a release of £0.1 million was recognised in cost of sales against stock during that year due to a reduction in the levels of slow-moving and obsolete stock.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

13. DEBTORS

	2024 £ million	2023 £ million
Amounts falling due within one year		
Trade debtors	50.8	54.9
Accrued income	55.1	63.2
Amounts owed by Group undertakings	293.3	275.2
Research and development tax debtor	3.7	7.3
Other debtors	2.2	2.4
Prepayments	11.5	12.1
	416.6	415.1
Amounts falling due in more than one year		
Other debtors	1.3	1.6
Deferred tax asset (see Note 8)	28.7	23.1
	30.0	24.7

Amounts owed by Group undertakings are non-interest bearing and repayable on demand. Trade debtors are stated after provision for impairment of £0.6 million (2023: £0.7 million).

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2024 £ million	2023 £ million
Payments received on account	24.3	20.5
Trade creditors	28.4	39.0
Amounts owed to Group undertakings	0.1	3.1
Other taxation and social security	10.6	11.8
Other creditors	7.0	6.8
Accruals and deferred income	54.3	53.7
Amounts due under hire purchase agreements	0.1	0.3
Corporation tax	0.9	-
	125.7	135.2

Amounts owed to Group undertakings are non-interest bearing and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2024 £ million	2023 £ million
Amounts due under hire purchase agreements	0.3	0.2
Accruals and deferred income	2.9	0.9
	<u>3.2</u>	<u>1.1</u>

Amounts due under hire purchase agreements are due within 2-5 years.

16. PROVISIONS FOR LIABILITIES

	Re- structuring £ million	Warranties £ million	Contracts and Commitments £ million	Total £ million
At 1 April 2023	1.9	1.0	8.7	11.6
Utilised	(2.7)	-	(6.6)	(9.3)
Charged	2.4	-	3.0	5.4
Released	(0.3)	(0.3)	(0.6)	(1.2)
At 31 March 2024	<u>1.3</u>	<u>0.7</u>	<u>4.5</u>	<u>6.5</u>
Current	1.3	0.6	4.5	6.4
Non-current	-	0.1	-	0.1
	<u>1.3</u>	<u>0.7</u>	<u>4.5</u>	<u>6.5</u>

Restructuring provisions comprise employee severance and onerous leases and dilapidations costs.

The provision for warranties represents management's estimate of future costs to meet warranty obligations under customer contracts.

Provisions for contracts and commitments are primarily for losses on contract work in progress where accumulated and projected costs exceed expected incomes. The increase in contract provisions of £3.0 million relates largely to two loss-making contracts in our Transport business.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

17. SHARE CAPITAL AND RESERVES

	2024 £ million	2023 £ million
Allotted, called up and fully paid 1,000 (2023: 1,000) ordinary shares of £1 each	-	-

Dividends

No dividends were declared or paid in the year (2023: £Nil). In May 2024, a dividend of £20.0 million was declared and paid.

Nature and purpose of reserves

Capital contributions

The capital contribution reserves results from historic share option schemes. As at 31 March 2024 and 2023 there were no share options outstanding in respect of the Company's ordinary shares.

Revaluation reserve

The revaluation reserve results from the revaluation of the Company's previously controlled 40% share of the net assets of the Carillion Telent joint operation on the acquisition of the remaining 60%.

Profit and loss account

The profit and loss account includes all current and prior period retained profits and losses.

18. CONTINGENT LIABILITIES

The Company is party to a Group bank offset arrangement with the Company's main UK clearing bank whereby positive and negative cash balances in certain Telent Group companies may be offset. The Company has committed to pay and satisfy to the bank on written demand any money and liabilities owing to it by any of these Group companies in the offset agreement and to indemnify the bank against any loss incurred by it in respect of these liabilities. The maximum liability of the Company at any time shall not exceed the unrestricted cash balance in the Company's account with that bank, which amounted to £21.5 million at 31 March 2024 (2023: £22.1 million).

The Company is an obligor under Telent Limited's, the parent of the Telent Group, £45 million Revolving Credit Facility (2023: £45 million). £14.1 million had been drawn on this facility at 31 March 2024 (2023: £29.1 million).

19. OPERATING LEASE COMMITMENTS

The Company as lessee

At 31 March 2024, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2024 £ million	2023 £ million
Within one year	6.9	7.0
In the second to fifth years inclusive	14.2	13.9
After five years	17.5	18.0
	<u>38.6</u>	<u>38.9</u>

20. CAPITAL COMMITMENTS

Amounts contracted for but not provided in the financial statements amounted to £0.5 million for the Company (2023: £1.0 million).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

21. PENSIONS

The Telent Communications Public Sector Pension Scheme ("TCPSPS") provides benefits for certain former employees of the Mersey Fire and Rescue Service. A full statutory funding valuation for TCPSPS was carried out as at 1 November 2020, and is in progress as at 1 November 2023 and a valuation for accounting purposes was carried out as at 31 March 2024 and 31 March 2023, all by independent qualified actuaries. The FRS 102 surplus at 31 March 2024 was £0.5 million (2023: £0.4 million). The next statutory funding valuation will take place as at 1 November 2026.

Telent is a participating employer in the East Sussex Pension Fund ("ESPF") as the result of the transfer in of certain staff related to a specific contract. A full statutory funding valuation for ESPF was carried out as at 31 March 2022 and a valuation for accounting purposes was carried out as at 31 March 2024 and 31 March 2023, all by independent qualified actuaries. The FRS 102 surplus at 31 March 2024 was £0.3 million (2023: £0.2 million). The next statutory funding valuation will be performed as at 31 March 2025.

The assumptions used by the actuaries to determine the liabilities on an FRS 102 basis for these schemes are set out below:

Average assumptions used	2024 % pa	2023 % pa
TCPSPS		
Rate of increase in pensions in payment	3.53	3.60
Rate of increase for deferred pensioners	2.53	2.95
Discount rate applied to liabilities	4.80	4.72
Inflation assumption	3.53	3.60
ESPF		
Rate of increase in pensions in payment (CPI)	2.90	2.90
Discount rate applied to liabilities	4.95	4.80
Rate of salary increase	2.90	2.90

The total assets held in both defined benefit pension plans comprise:

Year ended 31 March	2024 £ million	2023 £ million
Equities	1.7	0.6
Bonds	0.1	0.1
Property	0.1	0.1
Annuity contracts	0.2	1.1
Fair value of pension assets	2.1	1.9
Defined benefit obligation	(1.3)	(1.3)
Net pension asset	0.8	0.6
Split as:		
TCPSPS	0.5	0.4
ESPF	0.3	0.2
	0.8	0.6

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2024

21. PENSIONS (CONTINUED)

The following table shows a reconciliation from the opening balance for the net defined benefit asset and its components:

Year ended 31 March	2024 £ million	2023 £ million
Balance at 1 April	0.6	(0.1)
Service cost	-	(0.1)
Contributions	0.1	0.1
Remeasurement of the Defined benefit obligation	0.1	0.7
Balance at 31 March	0.8	0.6

Contributions to the defined contribution plans amounted to £6.7 million during the year (2023: £6.7 million).

22. RELATED PARTY TRANSACTIONS PARENT UNDERTAKINGS

Transactions and balances between the Company and Cyro Cyber Limited, a related party by virtue of being a non 100% owned subsidiary, following its acquisition in December 2022 are disclosed below:

	Transaction value receipt/(payment)		Amounts owed by/(to) Related parties	
	2024 £million	2023 £million	2024 £million	2023 £million
Cyro Cyber Limited – receivable trading activity	0.1	0.4	0.7	0.3
Cyro Cyber Limited – payable trading activity	(3.6)	(0.7)	(0.5)	(0.3)

23. PARENT UNDERTAKINGS

The Company's ultimate controlling party is Tusk Investments LP Inc. a Guernsey registered limited liability partnership. The Company's immediate parent undertaking is Telent Communications Holdings Limited.

Telent Limited is the parent of the Telent Group and is the only parent undertaking to consolidate the financial statements of the Company. Copies of the financial statements of Telent Limited are available from the Secretary at Point 3, Haywood Road, Warwick, CV34 5AH.