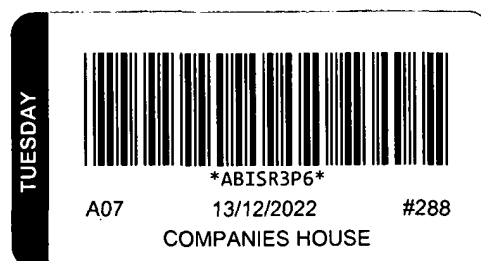


Company Registration No. 67307

TELENT LIMITED

Annual Report and Financial Statements Year ended 31 March 2022



Telent Limited

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STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 31 March 2022. The Strategic Report aims to provide fair and balanced insight into the Group's main objectives, strategies and risks, including a review of the Group's performance and financial position. It complements, supplements and provides context for the Group's financial statements.

PRINCIPAL ACTIVITIES

Trading business

The Group is a leading provider of digital services to Telecom Service Providers, Public Safety organisations, Transport operators, Public Sector bodies and Large Enterprises. 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 support of digital infrastructure, including communication networks, storage and hosting solutions, applications and terminals and devices. Focused on Telecom Service Providers, Emergency Services, Maritime Safety, Public Sector and Large Enterprises.	BAE, BT, Department of Health, East Sussex Fire & Rescue Service, EE, Eli Lilly, Exponential-E, Frequentis, Giganet, Ireland Health Service Executive, Home Office, Irish Fire Service, KCOM, London Ambulance Service, London Internet Exchange, 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, Sky, Sure Guernsey, Tyne & Wear and Northumberland FRS, University of Exeter, Virgin Media and Vodafone.
Transport	Design, installation, integration and whole-life management and operation of digital infrastructure, including operational networks, transport communication and management systems, control and automation systems and digital asset management. Focused on the Rail, Metro and Highways sectors.	National Highways, Transport for London (London Underground, Highways, DLR, Bus and Coach Stations, Piers, Cycle Hire Stands, Substations, London Transport Museum and Offices), Transport for Greater Manchester, Local and County Councils (including Cumbria, Essex, Kent, Oxfordshire, Stoke-on-Trent, East & West Sussex, West Yorkshire and Wiltshire), Alstom, CHC Highways, Crossrail, Global Media, Lumen, Network Rail, 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) and London Overground franchises.
Infrastructure Services	Design, deployment and maintenance of passive infrastructure. Focused on Network Operators.	Openreach.

STRATEGIC REPORT (CONTINUED)
PRINCIPAL ACTIVITIES (CONTINUED)
LIABILITY MANAGEMENT

Telent was formed in January 2006, when the Marconi Group sold its telecommunications equipment and international services businesses to Ericsson. Following the disposal, which was achieved largely through asset sales, the Group retained legal entities in the UK and overseas territories, which hold legacy liabilities not transferred to Ericsson. These legal entities do not trade and are the subject of an ongoing legal entity rationalisation programme. In the Business Performance Review that follows, the Directors refer to the results, assets and liabilities associated with these activities as "Liability Management".

UK PENSION PLAN

Telent was the sponsor of the G.E.C. 1972 Pension Plan ("UK Pension Plan"). Following the completion of the buy-out of the UK Pension Plan in February 2021, it was considered wound up upon the issue of the Section 75 certificate from the independent actuaries, attributing £Nil assets and £Nil liabilities to the UK Pension Plan. A Deed of Discharge was executed on 10 December 2021.

OBJECTIVE AND BUSINESS STRATEGY

Telent is a market leader in the UK digital services 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 in our core and adjacent markets. Continued growth is forecast for the digital infrastructure market in the coming years, driven by significant ongoing investment in fibre networks, 5G technologies and solutions and digital transformation 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 1.

STRATEGIC REPORT (CONTINUED)
BUSINESS PERFORMANCE REVIEW
Group results

The loss for the year from trading activities was £5.6 million (2021: profit of £10.6 million). After taking into account credits associated with the final winding-up of the UK Pension Plan and the net cost of liability management, the loss for the year amounted to £5.3 million (2021: profit of £12.4 million). The key financial performance indicators are turnover and operating profit from trading activities excluding exceptional items and intangible amortisation.

£ million	Trading Activities	Liability Management	UK Pension Plan	Group
Operating profit/(loss) excluding exceptional items, depreciation and intangible amortisation	6.9	(0.8)	-	6.1
Depreciation	(3.5)	-	-	(3.5)
Intangible asset amortisation	(2.4)	-	-	(2.4)
Exceptional items	(4.1)	(2.7)	3.0	(3.8)
Total operating (loss)/profit	(3.1)	(3.5)	3.0	(3.6)
Net finance (expense)/income	(0.4)	(0.2)	1.0	0.4
Tax excluding exceptional items	(2.1)	-	-	(2.1)
(Loss)/profit for the year	(5.6)	(3.7)	4.0	(5.3)
Turnover	485.3			
Operating profit margin excluding exceptional items, depreciation and intangible amortisation	1.4%			

Turnover increased during the year from £472.1 million to £485.3 million as we maintained revenues across all the sectors we work in and in addition, saw an increase in volumes in our Transport sector. The reduction in operating profit from trading activities excluding exceptional items, depreciation and intangible amortisation to £6.9 million (2021: £21.8 million) was predominantly due to two isolated factors: i) a significant increase in the loss provision on one particularly challenging contract within the Transport division; and ii) the impact of labour shortages and increased cost of supply within the Infrastructure Services division, which has materially impacted the profitability of that division. All other areas of trading activities have continued to generate profits at a similar level to the previous year. Exceptional trading items charged to the profit and loss account relate to restructuring costs of £2.4 million and property rationalisation costs of £1.7 million (see Note 7 to the Group Accounts). After depreciation and amortisation of intangible assets of £5.9 million (2021: £5.4 million), loss for the year from trading activities amounted to £5.6 million (2021: profit of £10.6 million).

Good overall progress continued in liability management and pre-exceptional costs were marginally reduced at £0.8 million (2021: £0.9 million). Exceptional items (cost of £2.7 million, 2021: £2.2 million income) reflect an increase in provision for legacy environmental liabilities partially offset by a reduction in the provision for legacy industrial disease claims resulting from an increase in the estimated contribution from the Financial Services Compensation Scheme.

Following the wind-up of the UK Pension Plan in February 2021 for costs lower than previously accrued (see Notes 17 and 28 to the Group Accounts), an exceptional gain of £3.0 million (2021: £1.3 million loss) was recognised in the profit and loss account.

STRATEGIC REPORT (CONTINUED)
BUSINESS PERFORMANCE REVIEW (CONTINUED)
Network Services

Over the last year, the Network Services business has continued to work on a number of significant contracts with its main customers. Work has progressed with the Maritime and Coastguard Agency to replace existing legacy connectivity to circa 160 Remote Radio sites. The first 30 sites have been built and commissioned, with the main data centre sites going live earlier in December 2021. The new network will connect the remote radio sites based around 11,000 miles of UK coastline, replacing the existing legacy infrastructure with a combination of full-fibre and microwave technology.

Work has also been delivered under a major contract with the Ambulance Radio Programme on behalf of the Department for Health and Social Care Announced in April 2021, the contract involves upgrading mobile communications devices for all 11 NHS Ambulance Trusts across England. In collaboration with Terrafix, Telent completed the installation of next-gen Mobile Data equipment for the first test ambulances in the North East Ambulance Service and Yorkshire Ambulance Service in November 2021.

The business has continued to work closely with New Nuclear Build ("NNB") to provide the network for a new nuclear power station in Somerset, with the first building batch designs now completed and approved. The work includes design and provision of the data and communications network for Hinkley Point C, ensuring the programme of work is integrated with NNB's overall design and build programme.

Network Services has continued to win new business throughout the last year. Earlier this year, the business secured a major contract with National Express West Midlands to deliver and implement new Digital Mobile Radio Communications and services to more than 1,500 buses in the region.

This year, the Network Services business has focused on developing resources to grow and develop in the Mobile Service Provider sector. In December 2021, Telent successfully acquired The Harlequin Group. The site acquisition, planning, and design capability that The Harlequin Group brings to Telent complements existing business operations and enables the business to provide a compelling proposition for UK Mobile Network Operators. The Harlequin Group's capabilities have also strengthened existing design, build, support, and management of the UK and Ireland's critical digital infrastructure across the transport, emergency services, utilities and public sectors.

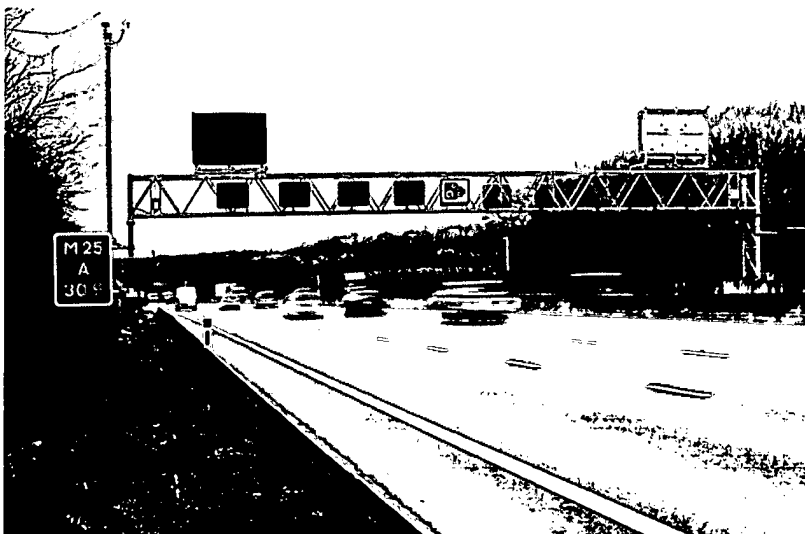
Power and Utilities and Defence sectors have been targeted as key growth sectors for the Network Services business. Telent is looking forward to strengthening and developing the organisation to support potential new contracts in these spaces.



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

The UK's Rail and Highways sectors continue to be key drivers for Telent's Transport business, with ongoing work for customers such as Network Rail, Transport for London ("TfL"), National Highways, Transport for Greater Manchester, Train Operating Companies, and Regional and Local Authorities.

Work has also continued for TfL. Despite TfL's financial challenges, opportunities have continued to increase as legacy assets need to be maintained or replaced and operational benefits delivered. Telent has successfully delivered on the Technical Facilities Management Services contract and traffic signal maintenance projects, and TfL continues to expand these services even further. Telent is one of Six Strategic Partners identified by TfL with our order book increasing as we continue to work in collaboration to identify, develop and implement, spend to save, risk mitigation and whole life operational improvement projects.



In the Highways area of the business, new projects, programmes, and initiatives have continued to provide a long-term pipeline of opportunities. In May 2021, Telent was awarded a contract to maintain West Yorkshire's traffic signals – the largest contract of its kind outside of London. The contract includes the maintenance, fault rectification, and repair of 1,600 sites and assets such as traffic signals, lights, vehicle detectors, monitors, and other roadside assets. Work has started on this contract and will be ongoing until March 2025. There is also one contract that remains challenging in part, we

continue to work closely with the customer to ensure high delivery standards are maintained, but there remains an ongoing risk of a material adjustment to forecast losses.

In the Rail area of the Transport business, work has continued on the rollout of public Wi-Fi as part of ongoing work with Network Rail. 19 of Network Rail's managed stations now benefit from the latest Wi-Fi technology. As part of the project, Telent was responsible for all elements of the design from radio coverage, fibre network, telecoms, and civils. The final switch-on at Reading station over December 2021 marked the completion of the project which has been delivered on time and under the original budget despite the difficulties of working during the pandemic. Currently, around 400,000 users each month have been counted, with excellent feedback about the service from passengers and Network Rail.

In addition to these contract wins, the Transport business has won positions on a number of key operational groups within the industry. In March 2022, Telent was awarded a place on the Operational Technology Commercial Framework ("OTCF"), a procurement vehicle to support National Highways in delivering the Road Investment Strategy 2020-25. The OTCF Framework will be National Highways' principal route to market for all operational technology requirements. Telent will build on its strong industry relationships and experience working with leading global vendors and integrators at the forefront of emerging operational technologies.

The Rail team continue to pursue major project opportunities with HS2 that will, if successful, provide long-term programmes of work focused on core competencies. Throughout the next year, the Transport business will focus on growing resource for contracts and projects work to continue delivering for customers. Implementation of decarbonisation strategies to meet Government net-zero targets by a significant number of our customers will also create opportunities for Telent over the coming years.

STRATEGIC REPORT (CONTINUED)
BUSINESS PERFORMANCE REVIEW (CONTINUED)
Infrastructure Services

Over the last year, Telent's Infrastructure Services business continued to deliver services for our main customer Openreach on their fibre build projects and maintenance of the Openreach network. In June 2021, Telent secured an additional 106 build locations as part of the Openreach Full Fibre build programme. This contract, together with the Rural Build and Retro New-Sites awards, ensures that Telent remains a significant Fibre-to-the-Premises delivery partner to Openreach. Work on the contract will be a continuation of the current fibre build activities already in execution and will benefit a further one million homes and businesses by upgrading broadband connectivity across the country.

Throughout the year, market demand for resources across the UK alongside inflationary pressures in fuel and materials has driven up costs and placed considerable pressure on the profitability of our contracts. Salaries and supplier rates have been increased to assist retention of scarce resources, resulting in costs which have run at significantly higher levels than in previous years. It is expected that these pressures will continue through the next year and our management team are continuing to deploy efficiencies to ensure the business remains lean, while working with our customers to ensure their rates are market competitive.

The Infrastructure Services business has continued to review and evolve in-house capabilities to support the growth strategy for the next five years in parallel to its strong supplier partnerships. In March 2022, the business successfully acquired the operations of WRB Solutions; a telecommunications infrastructure build business based in the West Midlands. As a longstanding supplier of services to Telent, the expertise, experience, and capabilities of WRB Solutions have provided a platform for investment to continue to expand poling capacity. The acquisition has supported Telent in delivering poling operations on contracts with network operators – who continue to increase their reliance on the overhead network – and enable full fibre rollouts.



Earlier in the year, the business welcomed a number of trainees as part of Telent's first Self Delivery Poling teams in the West of the Country. This will help to support continued business wins and improve on efficiency in network builds.

Technology continues to play a critical part for Infrastructure Services, particularly within the business processes that deliver vital work in the field. The latest technology investments are focusing on process, compliance, and assurance. Technology is also being explored in survey and design activities.

The Government's targets for full-fibre rollout and 5G coverage, plus ongoing public and private sector investment in digital infrastructure, provide ongoing growth opportunities for the business, and the focus for Telent's Infrastructure Services business will be on supporting their customers growth in the sector.

STRATEGIC REPORT (CONTINUED)
BUSINESS PERFORMANCE REVIEW (CONTINUED)
Balance Sheet

£ million	2022	2021
Net Assets	39.7	45.0
Cash and cash equivalents	42.5	31.2
Of which unrestricted	40.1	28.8
Bank drawdown	(31.3)	(25.0)

Group net assets decreased to £39.7 million from £45.0 million.

The wind up of the UK Pension Plan resulted in £29.3 million of cash being returned to Telent from escrow 1, following which the pension escrow arrangements have ceased. There is no longer (2021: £25.9 million) a net investment held in escrow accounts for the future benefit of the UK Pension Plan, further details are provided in Note 17 (Available for sale investments).

At 31 March 2022, the Group has drawn down £31.3 million (2021: £25.0 million) of its £50.0 million (2021: £50.0 million) revolving credit facility. The increase in the sum drawn down was used to part finance the purchase of the Harlequin Group.

STRATEGIC REPORT (CONTINUED)
BUSINESS PERFORMANCE REVIEW (CONTINUED)
Cash Flows

The table below summarises cash movements during the year ended 31 March 2022:

£ million	Trading Activities	Liability Management	UK Pension Plan	Group
Cash at 1 April 2021				31.2
<i>Of which unrestricted</i>				28.8
<i>Of which restricted</i>				2.4
Cash utilised by operating activities*	(17.4)	(0.8)	-	(18.2)
Exceptional items	(3.4)	(1.8)	-	(5.2)
Net sale of bonds	-	-	29.3	29.3
UK Pension Plan Escrow finance income	-	-	0.8	0.8
Purchase of subsidiary (net of cash acquired)	(4.2)	-	-	(4.2)
Proceeds from sale of fixed assets	3.0	-	-	3.0
Capital expenditure	(5.3)	-	-	(5.3)
Investing activities				23.6
Proceeds from new borrowings				6.7
Interest on borrowings				(0.8)
Repayment of borrowings				(0.3)
Financing receipt in advance				5.4
Net cash inflow				11.2
Foreign exchange				0.1
Cash at 31 March 2022				42.5
<i>Of which unrestricted</i>				40.1
<i>Of which restricted</i>				2.4

*Excludes exceptional items cash flows.

The Group's unrestricted cash increased by £11.3 million during the year from £28.8 million to £40.1 million at 31 March 2022. In addition to this unrestricted balance at 31 March 2022, the Group had a committed unutilised balance available on its revolving credit facility of £18.7 million and £19.3 million undrawn on a supplier finance facility with one of its major customers ("supplier finance facility").

At 31 March 2022, unrestricted cash benefited from the early receipt of invoiced funds of £11.1 million drawn down under a supplier finance facility, compared to £12.8 million at 31 March 2021.

The operating cash outflow of £17.4m was primarily driven by cash spend associated with loss-making contracts in Transport and the increased cost of supply within Infrastructure Services.

Within trading activities are exceptional cash outflows of £3.4 million related to restructuring (£2.4 million) and property rationalisation (£1.0 million). Property rationalisation realised £3.0 million on the disposal of a freehold property. The net cash outflow on the acquisition of the Harlequin Group was £4.2 million, with a further £2.8m of deferred consideration paid in the year ending 31 March 2023. During the year, the Group incurred capital expenditure of £5.3 million (2021: £4.5 million).

The £3.8 million reduction in year-on-year cash outflow for Liability Management resulted mainly from the timing of cash flows relating to legacy environmental liabilities (2022: £2.6 million; 2021: £6.4 million).

Upon the winding up of the UK Pension Plan, £29.3 million was returned to the Group from escrows (2021: £64.0 million).

STRATEGIC REPORT (CONTINUED)

BUSINESS PERFORMANCE REVIEW (CONTINUED)

UK PENSION PLAN

Telent Limited was the principal employer and sponsor of the G.E.C. 1972 Plan (the "UK Pension Plan") until it was considered wound up on the issue of the Section 75 certificate from the independent actuaries and the Deed of Discharge was executed on 10 December 2021. This followed the successful buy-in of the UK Pension Plan in September 2019 and the buy-out in February 2021.

Escrow 1

The UK Pension Plan escrow 1 was established in 2006 for the potential benefit of the UK Pension Plan.

In line with the amendments to the escrow 1 deeds signed shortly prior to the transaction with Rothesay Life in September 2019, the residual escrow funds of £29.3 million were returned to Telent during the year on the wind-up of the UK Pension Plan and the Group's obligations to maintain pension escrow arrangements have ceased.

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.

	2022	2021
Lost time incidents ¹⁾	2	-
Deaths/Major injuries ^{2) & 3)}	-	1
Dangerous occurrences ³⁾	-	-
Total	2	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 or Dangerous occurrences during the year.

As a result of the two RIDDORs (2 Lost Time Accidents, 0 Major), the target of a zero Accident Frequency Rate ("AFR") was not achieved for the year ended 31 March 2022. The final result for the financial year was an AFR of 0.03 (2021: 0.02). Due to a >7 day lost time injury in March 2022, the final lost time injury rate (LTIFR) was 0.23 compared to 0.15 for March 2021.

The Group continues to act on the leadership commitment to keep everyone safe and well.

Specifically targeted safety campaigns have been delivered and these are showing results with progressive reductions over the past 3 years in overall injury rates for slip/trip/falls, a common working risk in the environments in which we operate. In addition, injury reports due to manual handling (a key working risk for Telent) have also reduced over the past two years. The Driver Safety Programme continues to show benefits to our drivers in reducing fatigue, supporting mental health and road-related collisions and injury with a 60% (from 17 to 7) reduction in road collision-related injuries over the past 5 years.

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 2022.

Stakeholders

Employees – We could not fulfil our purpose of keeping the UK and Ireland's communications assets and data connected and protected without our skilled and dedicated employees. We engage with our staff by regularly updating them on the Group's performance and issues affecting them via our intranet, e-mail, Employee Forum, "Exec Connect" events and Roadshows. Our Employee Forum is attended by at least one Telent Group director, with three meetings taking place in the year and actions taken resulting in various changes being made around the business. 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. As a result of the equality, diversity and inclusion ("ED&I") survey issued to all staff in 2021 an ED&I Steering Group has been formed and aspirational metrics identified. ED&I Fundamental training has also been rolled out to all employees.

All employees that perform well or suggest innovative ideas can share in the Group's success via our Thanks Award scheme. Employees also have the opportunity to nominate their colleagues for Annual Telent Awards.

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 Group's procurement strategy is based on our supplier roadmaps together with our strategic aims and the macro and micro industry climates.

Customers – Our Group 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 STEM ambassadors deliver a programme of events to inspire local people to consider a career with us, and our Gender Pay Gap reporting informs our continuing efforts. We are 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, Stratford Ladies Rugby and Stratford Town FC Junior Academy. We also consult with local communities where required by legislation.

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.

G.E.C. 1972 Plan members – Telent Limited was the sponsor of the G.E.C. 1972 Pension Plan, which had required us to make regular cash contributions. The UK Pension Plan has been wound up by the Trustee and the former members of the G.E.C. 1972 Plan now benefit from individual pension insurance contracts through Rothesay Life.

Lloyds Bank plc – Telent has a revolving credit facility from its incumbent banking provider, Lloyds Bank plc. This facility includes various obligations and restrictions on Telent, requiring close co-operation between the Group 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

Covid-19 Pandemic – We have continued to provide essential services throughout the pandemic, working closely with our customers and our supply chain throughout this challenging time. An agile working policy is in place which encourages employees to return to the office when they have a purpose to do so. Telent has chosen not to claim any grants from the UK Government and has repaid any sums subject to deferral schemes.

Group HR Director Appointment – In July 2021 Jemimah Parnell was appointed as Group HR Director. Jemimah brings a wealth of HR experience, with the purpose of her role being to strengthen the HR leadership across the Company. A people strategy roadmap has been designed in line with the 5 Year Plan.

G.E.C. 1972 Pension Plan Buy-Out – Following completion of the buy-out of the UK Pension Plan in February 2021 by Rothersey Life, the Trustee has wound up the UK Pension Plan.

Revolving Credit Facility – The revolving credit facility secured from Lloyds Bank plc represents an ongoing committed source of funding for the Group, enabling long term growth opportunities.

ENERGY & CARBON REPORTING

The table below show the SECR Mandatory Reporting Requirements, methodology and energy efficiency actions.

	2022	2021
SECR Mandatory Reporting Requirements	UK and offshore	UK and offshore
Energy consumption used to calculate emissions <i>/kWh</i> Figure is comprised of gas, electricity, transport fuel and gas oil from backup generators	39,024,438.6	28,199,481.5
Emissions from combustion of gas <i>/tCO₂e</i> (Scope 1)	510.7	439.0
Emissions from combustion of fuel for transport purposes <i>/tCO₂e</i> (Scope 1)	7,608.2	4,694.8
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel <i>/tCO₂e</i> (Scope 3)	858.4	148.5
Emissions from purchased electricity (Scope 2) <i>/tCO₂e</i> (Location Based)	1,896.0	1,699.5
Emissions from purchased electricity (Scope 2) <i>/tCO₂e</i> (Market Based)	300.5	188.9
Total gross CO ₂ e based on above <i>/tCO₂e</i>	10,881.4	6,984.6
Intensity ratio: tCO ₂ e / FTE Employee	4.1	2.9

STRATEGIC REPORT (CONTINUED)

ENERGY & CARBON REPORTING (CONTINUED)

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.

During the reporting year we have seen our total gross carbon emissions and carbon intensity return to pre-pandemic levels. Our total gross carbon emissions increased by 56% from 2021 and 18% from 2020. Our carbon intensity increased by 41% from 2021 levels but remained approximately the same as pre-pandemic levels at 4.1 tCO₂e / FTE employee compared with 4.4 tCO₂e / FTE employee in 2020.

The increase in our total gross carbon emissions can be attributed to:

- Scope 1 - an increase in gas consumption from the addition of 7 new depots and improved data availability from landlords;
- Scope 1 – an increase in fuel consumption from transport purposes due to the addition of 326 (28%) vehicles to our fleet including 66 HGVs;
- Scope 3 – an increase in business travel in rental and private vehicles due to need to rent almost 700 vehicles during the reporting period as the result of lack of availability of fleet vehicles.

As our fleet continues to grow so does the proportion of low emission, ultra-low emission and zero emission vehicles; these now account for 13.8% of our car fleet. Emphasis over the reporting period has been placed on driver efficiency and selecting the most efficient vehicles to add to our fleet which has minimised the increase in emissions from fleet expansion.

Our Scope 2 emissions from purchased electricity increased by only 12% from 2021 and remain well below pre-pandemic levels. During the reporting year we have focussed on upgrading lighting at many of our premises including our Chorley office and warehouse, where we have invested in the upgrade of all warehouse lighting to PIR activated LED. We have consolidated our warehouse and logistics activities at Chorley resulting in the disposal of our Heathcote premises early in 2022, this has already realised significant energy savings and anticipate it to result in further energy savings over the next year.

We have committed to an agile working policy for our staff with many choosing to continue to work remotely. During the year we introduced a desk booking system which will allow us to measure office usage and inform any premises optimisation strategy in the future more accurately.

During the reporting period we have continued to purchase electricity from a Renewable Energy Guarantees of Origin backed tariff, and gas from a Renewable Gas Guarantees of Origin backed tariff. A number of our landlords have also committed to supplying renewable energy at our rented premises.

Our Science Based Target project is well underway and we anticipate submitting our targets for validation before the end of 2022. These targets will cover our Scope 1 and 2 emissions inventories as well as our Scope 3 emissions inventory which is being assessed.

STRATEGIC REPORT (CONTINUED)

RISKS AND UNCERTAINTIES

Financial Risks

As part of its ordinary activities, Telent is exposed to a number of financial risks, including liquidity risk, credit risk and foreign exchange risk.

Liquidity risk

Liquidity risk is the risk that the Group has insufficient liquid financial resources to manage working capital fluctuations and to provide a buffer against unexpected cost shocks. The Group manages liquidity risk by regularly reviewing forecast and actual cash flows. The revolving credit facility taken on during the year ended 31 March 2021, for an initial three year term, is an example of management taking appropriate action to ensure that sufficient committed funds are available to the Group.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group. Telent's customers largely consist of large blue chip companies and public sector entities, which helps mitigate this risk. In addition new customers are the subject of credit checks and management monitor for material changes in customers' financial health. Also, the Group's Treasury Policy limits the amount of cash that can be held with any one banking counterparty.

Foreign exchange risk

The Group 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.

Principal Risks and Uncertainties

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.

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 Group'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, including additional processes being implemented during the year. This includes processes designed to provide early warning of developing risks, with a view to their early mitigation.

STRATEGIC REPORT (CONTINUED)
RISKS AND UNCERTAINTIES (CONTINUED)
Principal Risks and Uncertainties (continued)

Legacy

Telent has a number of Liability Management issues, which were retained by the Group when it disposed of its telecommunications equipment and international services businesses to Ericsson in 2006. The Directors have provided for those amounts that they consider more likely than not to crystallise and have disclosed contingent liabilities over and above the amounts provided. The nature of the exposures, which include industrial disease and environmental contamination, is such that the amount provided may not be adequate, resulting in additional costs charged to the Group's profit and loss account and cash outflows. The Directors have sought to minimise the Group's exposure to such issues through careful management and the use of suitably qualified local advisors and keep the financial impact of these exposures under constant review.

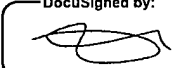
Appointment of a new Chairman

Paul Lester was appointed as Chairman of the board on 2 September 2022. Paul brings with him over 30 years of experience managing large, multi-national companies and chairing public, private and private equity-backed businesses. This is a key appointment for Telent which strengthens the Group's non-executive leadership team. Paul's experience will be invaluable in driving Telent's strategic plan forward as the business continues to innovate and further develop its digital solutions and services, which enable its customers' critical operations. With ever increasing demand for engineering services to deliver faster, more resilient networks, intelligent asset management, and to achieve the UK's net zero strategy, Paul's wide breadth of skills will support and accelerate Telent's future growth plans.

Paul succeeds Telent's previous Chairman, David Naylor-Leyland, who stepped back after 12 years in the position. David will continue to be a supportive member of the Board as a non-executive director. On behalf of the whole Group, I would like to extend our thanks to David for his service in the role of Chairman and look forward to his continued support

In conclusion, whilst this has been, in some respects, a challenging year, the foundations of improved performance are in place. On behalf of the Board, 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

DocuSigned by:

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J C Gretton

Chief Executive Officer

3 November 2022

DIRECTORS' REPORT

The Directors present their Annual Report and the audited financial statements of the Group and the Company for the year ended 31 March 2022.

DIRECTORS

The Directors holding office since 1 April 2021 are listed below:

J C Gretton	Chief Executive Officer	
H M Green	Chief Financial Officer	
P J Lester	Non-executive Chairman	Appointed 2 September 2022
D G E Naylor-Leyland	Non-executive Chairman	To 1 September 2022
	Non-executive Director	From 2 September 2022
F J McKay	Non-executive Director	
P D Yordan	Non-executive Director	

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 Group that operating subsidiaries agree with suppliers the best available terms taking account of quality, delivery, price and period of settlement and that they abide by those terms. Telent Limited is a holding company and, as distinct from the Group, has no revenue and no creditors from trading. It is therefore not possible to provide statistics for the Company as required by the Companies Act 2006. The average number of days taken to pay Group operating business suppliers was 30 days (2021: 28 days).

RESEARCH AND DEVELOPMENT

Research and development costs of £1.8 million were incurred in the year (2021: £1.7 million), which have been expensed to the profit and loss account as incurred.

CHARITABLE AND POLITICAL DONATIONS

The Group supported a number of charities and educational programmes during the year ended 31 March 2022. Charitable donations made by Group companies during the year amounted to £16,000 (2021: £24,500), 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 Group is also a major sponsor of Alzheimer's Society having adopted the organisation as its corporate charity on 1 January 2019. Since pledging its support to Alzheimer's Society, Telent and its staff have raised in excess of £175,000 for the charity, of which £75,000 was raised in the year ended 31 March 2022. In December 2021 employees voted to change to a new corporate charity, MIND.

No political donations were made during the year ended 31 March 2022 (2021: £Nil).

ANTI-BRIBERY, CORRUPTION AND TAX EVASION

The UK Bribery Act provides a legal framework to combat bribery and corrupt practices in UK businesses. The Criminal Finances Act 2017 introduced criminal offences of failure to prevent facilitation of tax evasion. In both cases, corporate ignorance of individual wrongdoing is not a defence and the laws apply to all instances of corruption or facilitation of tax evasion, whether in the UK or abroad.

Telent has issued an anti-bribery, corruption and tax evasion policy to all of its employees and failure to comply with this policy will be grounds for disciplinary action on the basis of gross misconduct and may lead to termination of employment.

DIRECTORS' REPORT (CONTINUED)

FINANCIAL OUTLOOK

Market and inflationary factors placed considerable pressure on our ability to generate profit from Infrastructure Services' contracts in the year and we have continued to suffer from delays and associated cost overruns on a challenging contract in the Transport sector awarded in 2018. Despite these factors, the rest of the business has remained extremely resilient. The Group's balance sheet shows net current assets of £86.9 million (2021: £61.7 million), including unrestricted cash balances of £40.1 million (2021: £28.8 million). Taking into account new contract wins and the first few months' trading since April 2022, 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 2023 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.

OUR EMPLOYEES

Health, safety, and wellbeing

Emerging from Covid-19

Over the last year, the safety and wellbeing of colleagues has continued to be paramount as the UK navigated the challenges of Covid-19. Telent has maintained necessary PPE, socially distanced working, and local testing arrangements in liaison with stakeholders and customers to support essential workers on critical national infrastructure programmes.

Following feedback from employees on the impact of working arrangements over the last 12 months, the business introduced an agile working model for office-based employees. With this offering, colleagues are able to balance the benefits of working virtually with collaborating, innovating, and socialising with one another at Telent sites.

As the UK Government publishes the next phase of the living with Covid plan, Telent will continue to maintain current workplace arrangements to ensure the health and safety of all teams. This includes maintaining social distancing where possible, providing hand and surface sanitising stations, and supporting colleagues who choose to continue wearing face masks.

Health and safety

In the summer of 2021, Telent carried out extensive research into health and safety around the business with an internal safety climate assessment. The results have supported a greater understanding of where challenges lie and identifying opportunities to build on Telent's excellent safety standards.

The business regularly holds dedicated safety weeks on various topics to engage all teams, share best practice, and promote discussion on raising the bar even further. Additionally, each month is dedicated to a specific topic related to driver safety. This programme has received recognition in the industry, as Telent was 'Highly Commended' at the 2021 Fleet Champions Awards in the Company Driver Safety Award category.

Wellbeing

Telent is committed to protecting the wellbeing of employees by nurturing a healthy working environment and promoting a culture where wellbeing is embraced by all. The business provides access to professional services, available to all colleagues in partnership with external organisations. Telent also runs wellbeing campaigns throughout the year and provides information, services, and webinars on specific wellbeing topics – both physical and mental.

Earlier in 2022, Telent also introduced a team of wellbeing champions – a group of colleagues dedicated to supporting people around the business with wellbeing concerns. The champions provide an additional channel for 1:1 support and signposting to further resources.

DIRECTORS' REPORT (CONTINUED)

OUR EMPLOYEES (CONTINUED)

Resourcing talent

The market has been extremely challenging over the last year, with reduced talent pools and market inflation for technical or unique skill sets. Retention of Telent's colleagues has remained a key focus, and Telent has continued to work hard on developing colleagues around the business. Over the last year, the business has recruited over 800 new candidates and taken on its biggest cohort of graduates and apprentices. Altogether 16 new graduates and 58 apprentices started in new programmes over the financial year, and the business has committed to expanding the graduate and apprenticeship offering in September 2022.

Telent actively supports initiatives aimed at increasing young people's interest in Science, Technology, Engineering, and Maths ("STEM") subjects and potential careers in these fields. Telent's engineering graduates are all STEM ambassadors, and regularly hold virtual activities with schools to engage with students. They also launched face-to-face mentoring programmes for young people last year, with some targeted towards underrepresented groups. The business continues to work proactively with customers and partners to support other initiatives in this area.

The development of Telent colleagues is an important part of the people strategy and a key focus over the next five years. In addition to providing regular development courses throughout the year, the business has recently introduced an enhanced performance management process to support colleagues in growing their career within Telent. Earlier this year, Telent also launched a rich training curriculum to support new and existing line managers in improving their management skills and better supporting their teams – which has a direct link to employee retention.

Telent continues to be a passionate supporter of service personnel and has a growing community of Armed Forces members and service leavers. Telent actively promotes and supports the recruitment of service leavers, and in summer last year the business was selected for a Silver Award as part of the Defence Employer Recognition Scheme.

Engagement and communication

Employee engagement and communication remains a top priority for Telent. To better understand how Telent colleagues felt about their work, their business area, and Telent as a whole, the business ran an all-employee engagement survey towards the end of 2021. The questions were designed to measure how committed and enthused Telent colleagues felt about various areas of the organisation – from communication methods to processes and policies. The results were analysed earlier this year and highlighted many areas in which Telent is doing well, and others in which the business needs to grow and improve. These results have also formed part of the business' strategy for the next few years, with employee engagement being a key focus area.

In addition, Telent continued to engage with colleagues through a variety of interactive forums and events. In 2021, the business launched a number of initiatives to provide more opportunities for colleagues to interact with one another and engage with the business. This included all-employee roadshows presented by members of the Executive team and "Exec Connect" events, where colleagues could build connections with people outside their area, and with Telent's Executive team. Telent also hosted regular employee forums, which provided opportunities for colleagues to raise queries, discuss important issues, and hear first-hand about proposed change programmes.

Earlier in 2022, Telent also hosted its first Annual Awards event to recognise and reward colleague contributions to the business over the last year. The nominees and winners for the award categories were chosen by Telent colleagues, with shortlists across 12 award categories selected from 160 nominations. The awards were designed to grow a culture of engagement and recognition among the wider Telent population, separate from top-down recognition schemes. Following much positive feedback from the evening, Telent is looking forward to growing this event next year.

Communication with colleagues around the business has also continued to develop and grow, with the introduction of a number of new channels to support agile working full-time. Over the last year, Telent has launched a weekly newsletter, produced exciting video content in collaboration with teams around the business, and expanded the Company intranet to include more positive news stories from colleagues in addition to information-sharing pieces.

DIRECTORS' REPORT (CONTINUED)
OUR EMPLOYEES (CONTINUED)

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

Telent is committed to creating an organisation where all people feel involved, respected, and connected, and where the richness of perspectives and skills are harnessed to build a truly inclusive culture. The business does not accept discrimination on the grounds of sex, race, colour, nationality, ethnic or national origins, marital or civil partnership status, age, religion or belief, sexual orientation, gender re-assignment, disability, or trade union membership.

In 2021, the business launched an all-employee training programme to ensure all people at Telent have a good level of understanding of ED&I. Telent also established an ED&I steering group – a diverse group of colleagues dedicated to implementing change around the business. The steering group has been fundamental in expanding discussion and awareness on ED&I topics. Activities include launching a calendar of events focused on ED&I topics, promoting colleague stories and discussion during awareness days (such as Pride Month and Black History Month), and hosting quarterly panel discussions – the most recent on International Women's Day. The steering group has also begun work on launching a reverse mentoring programme with members of the senior leadership team to build better allyship and understanding.

Additionally, Telent has focused on ensuring its policies and practices are as inclusive as possible, and earlier this year launched new family friendly policies as part of a wider programme of policy updates. The business is still working closely with equality, diversity, and inclusion consultants to ensure that all actions taken support long lasting change.

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.

Employment of Disabled Persons

Telent's policy is to use best practice processes when recruiting and retaining colleagues with disabilities. 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.

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) and details of the Group's use of financial instruments.

DIRECTORS' REPORT (CONTINUED)

GOING CONCERN

The year ended 31 March 2022 has been challenging for Telent but we have continued to generate operating profit from trading activities before exceptional items albeit below budgeted levels, largely due to the increased cost of supply within the Infrastructure Services division and the increase in loss provision on one particularly challenging contract within the Transport division. Both of these were major contributing factors in the operating cash outflow in the year.

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

- £29.3 million was returned to the Group from the UK Pension Plan escrows.
- The amount drawn down under a supplier finance facility at 31 March 2022 remains broadly stable when compared to the previous year at £11.1 million (2021: £12.8 million). The remaining balance on the supplier finance facility that could have been drawn as at 31 March 2022 was £19.3 million.
- A further £6.3 million was drawn on the revolving credit facility put in place with Group's bankers in the prior year such that £31.3m was drawn out of a total facility of £50.0 million. The facility expires Feb-24, which is outside of the going concern period and we anticipate this to be renewed.

The Directors have prepared forecasts and projections for the period to 31 December 2023 with the full involvement of the business and which have been subject to detailed review up to and including Board level, taking account of the Group's performance during the year ended 31 March 2022 and the first months of the new financial year. In preparing those forecasts, the Directors have considered downside sensitivities and their impact on the revolving credit facility covenants and have stress-tested the forecasts to which the Group's profitability and cash would have to fall to cause the business a significant risk of no longer remaining a going concern by virtue of a covenant breach. A significant proportion of the Group's budgeted turnover for the year ending 31 March 2023 and of management's projected turnover for the following year, is secured by firm and frame contracts with our customers. Taking this and other relevant factors into account, the Directors consider it remote that profitability would fall to the extent of the downside scenarios.

Having considered all of these factors, the Directors expect the Group to trade profitably during the year ending 31 March 2023 and to generate positive operating cash flows before taking into account any movements associated with the timing and levels of utilisation of the Group's supplier finance facility. The Directors do not anticipate the need to take on further borrowing facilities, beyond the existing levels, to fund the Group's trading.

Having taken into account the information described above, the Directors conclude that they have a reasonable expectation that the Group 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.

DIVIDENDS

No dividends were declared or paid in the year (2021: £150.1 million), representing a dividend per share of Nil pence (2021: 227.45 pence) per Ordinary share and 'B' Ordinary share held.

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.

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 Group'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) and to establish that the Group'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.

By Order of the Board

DocuSigned by:

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J C Gretton
Chief Executive Officer
3 November 2022

Registered Office:
Point 3,
Haywood Road
Warwick
CV34 5AH

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 and Group 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TELENT LIMITED

Opinion

We have audited the financial statements of Telent Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2022, which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement, the Company Balance Sheet, the Company Statement of Comprehensive Income, the Company Statement of Changes in Equity 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 Group's and of the Parent Company's affairs as at 31 March 2022 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Group and the Parent 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 Group's and the Parent 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 Group or the Parent Company to cease to continue as a going concern.

In our evaluation of the Directors' conclusions, we considered the inherent risks associated with the Group's and the Parent Company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the Directors and the related disclosures and analysed how those risks might affect the Group's and the Parent Company's financial resources or ability to continue operations over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Parent 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.

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.

The responsibilities of the Directors with respect to going concern are described in the 'Responsibilities of Directors for the financial statements' section of this report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TELENT LIMITED (CONTINUED)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 or a material misstatement of the other information. 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 Group and the Parent 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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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 for the financial statements

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TELENT 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.

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We understood how the Group and Parent Company are 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 Group and Parent 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 the jurisdictions in which the Group and Parent 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 Group's and Parent 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 Group and Parent 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 Financial Statements 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 team's:


INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TELENT LIMITED (CONTINUED)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)

- understanding of, and practical experience with audit engagements 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 Group and Parent 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
- 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 Group's and Parent 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 risks of material misstatement.
 - the applicable statutory provisions
 - the Group's and Parent 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 Group's and Parent Company's compliance with regulatory requirements and procedures to ensure that possible breaches of requirements are appropriately investigated and reported.

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.

DocuSigned by:

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Rebecca Eagle

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Birmingham

Date: 3 November 2022

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 March	Note	2022 Trading activities £ million	2022 Legacy & pensions £ million	2022 Total £ million	2021 Trading activities £ million	2021 Legacy & pensions £ million	2021 Total £ million
Turnover	4	485.3	-	485.3	472.1	-	472.1
Cost of sales	5	(436.9)	-	(436.9)	(401.7)	-	(401.7)
Gross profit	5	48.4	-	48.4	70.4	-	70.4
Administrative expenses		(49.7)	(0.8)	(50.5)	(58.4)	(0.9)	(59.3)
Other operating income	5	4.7	-	4.7	6.6	-	6.6
Operating profit/(loss)							
Excluding exceptional items and intangible asset amortisation		3.4	(0.8)	2.6	18.6	(0.9)	17.7
Intangible asset amortisation	13	(2.4)	-	(2.4)	(2.2)	-	(2.2)
Exceptional items	7	(4.1)	0.3	(3.8)	(3.4)	0.9	(2.5)
Total operating (loss)/profit	5,6	(3.1)	(0.5)	(3.6)	13.0	-	13.0
Interest receivable and similar income	9	0.6	1.0	1.6	-	1.6	1.6
Interest payable and similar charges	10	(1.0)	(0.2)	(1.2)	(1.8)	-	(1.8)
Profit/(loss) on ordinary activities before taxation							
Excluding exceptional items		0.6	-	0.6	14.6	0.7	15.3
Exceptional items	7	(4.1)	0.3	(3.8)	(3.4)	0.9	(2.5)
		(3.5)	0.3	(3.2)	11.2	1.6	12.8
Taxation							
Excluding exceptional items		(2.1)	-	(2.1)	(0.6)	0.2	(0.4)
Exceptional items	11	-	-	-	-	-	-
		(2.1)	-	(2.1)	(0.6)	0.2	(0.4)
(Loss)/profit for the year							
Excluding exceptional items		(1.5)	-	(1.5)	14.0	0.9	14.9
Exceptional items		(4.1)	0.3	(3.8)	(3.4)	0.9	(2.5)
		(5.6)	0.3	(5.3)	10.6	1.8	12.4

All results derive from continuing operations.

The notes on pages 31 to 62 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

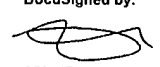
Year ended 31 March	Note	2022 £ million	2021 £ million
(Loss)/profit for the year		(5.3)	12.4
Exchange (losses)/gains on translation of foreign operations		(0.2)	1.5
Net unrealised (losses)/gains on available for sale investments	17	(0.2)	0.1
Re-measurement of defined benefit liability	28	0.3	(0.2)
Total recognised (expense)/income for the year		(5.4)	13.8

CONSOLIDATED BALANCE SHEET

As at 31 March	Note	2022 £ million	2021 £ million
Non-current assets			
Intangible assets and goodwill		12.0	6.1
Negative goodwill		(1.0)	(1.5)
Intangible assets and goodwill	13	11.0	4.6
Tangible fixed assets	14	8.9	9.6
Available for sale investments	17	-	30.1
Retirement benefit scheme asset	28	0.1	-
		<u>20.0</u>	<u>44.3</u>
Current assets			
Stocks	18	13.7	16.0
Debtors – due within one year	19	159.8	150.8
Debtors – due after one year	19	21.4	23.3
Cash and cash equivalents	20	42.5	31.2
<i>Of which unrestricted</i>		40.1	28.8
<i>Of which restricted</i>		2.4	2.4
		<u>237.4</u>	<u>221.3</u>
Creditors: amounts falling due within one year	21	(150.5)	(159.6)
Net current assets		<u>86.9</u>	<u>61.7</u>
Total assets less current liabilities		106.9	106.0
Creditors: amounts falling after more than one year	22	(31.7)	(26.8)
Retirement benefit scheme obligation	28	(0.2)	(0.4)
Provisions	23	(35.3)	(33.8)
Net assets		<u>39.7</u>	<u>45.0</u>
Capital and reserves			
Called-up share capital	24	0.7	0.7
Revaluation reserve	24	7.2	7.2
Retained earnings	24	31.8	37.1
Total equity		<u>39.7</u>	<u>45.0</u>

The financial statements of Telent Limited (company number 67307) were approved by the Board of Directors and authorised for issue on 3 November 2022. They were signed on its behalf by:

J C Gretton

DocuSigned by:

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Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Called-up share capital £ million	Revaluation reserve £ million	Retained earnings £ million	Total equity £ million
At 1 April 2020	0.7	7.2	173.1	181.0
Profit for the year	-	-	12.4	12.4
Other comprehensive income	-	-	1.4	1.4
Total recognised income for the year	-	-	13.8	13.8
Dividends paid	-	-	(150.1)	(150.1)
Share-based payments	-	-	0.3	0.3
At 1 April 2021	0.7	7.2	37.1	45.0
Loss for the year	-	-	(5.3)	(5.3)
Other comprehensive income	-	-	(0.1)	(0.1)
Total recognised expense for the year	-	-	(5.4)	(5.4)
Share-based payments	-	-	0.1	0.1
At 31 March 2022	0.7	7.2	31.8	39.7

Movements in retained earnings are shown in the consolidated statement of comprehensive income. Dividends and share-based payments are shown in Note 24.

Foreign exchange differences, included in retained earnings above, are as follows:

	£ million
At 1 April 2021	6.1
Exchange loss on translation of foreign operations	(0.2)
At 31 March 2022	5.9

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March	Note	2022 £ million	2021 £ million
Operating activities			
Net cash outflow from trading activities		(17.4)	(8.8)
Net cash outflow from liability management activities		(0.8)	(0.8)
Net cash outflow from operating activities before exceptional items		(18.2)	(9.6)
Cash outflow from exceptional items		(5.2)	(10.4)
Net cash flows used in operating activities	26	(23.4)	(20.0)
Investing activities			
Purchases of tangible fixed assets		(4.3)	(2.1)
Acquisition of business, net of cash acquired	12	(4.2)	-
Acquisition of intangible assets		(1.0)	(2.4)
Proceeds from disposal of tangible fixed assets ¹		3.0	-
Net sale of available for sale investments (UK Pension Plan escrows)		29.3	64.0
Income from deposits and UK Pension Plan escrows		0.8	-
Net cash generated from investing activities		23.6	59.5
Financing activities			
Proceeds from new borrowings		6.7	25.0
Financing receipt in advance		5.4	-
Interest paid on borrowing		(0.8)	-
Payment of hire purchase lease liabilities		(0.3)	(0.2)
Dividends paid		-	(150.1)
Net cash flows from/(used) in financing activities		11.0	(125.3)
Cash and cash equivalents at the beginning of the year		31.2	117.6
Net increase/(decrease) in cash and cash equivalents		11.2	(85.8)
Effect of foreign exchange rate changes		0.1	(0.6)
Cash and cash equivalents at the end of the year		42.5	31.2
<i>Of which unrestricted</i>		40.1	28.8
<i>Of which restricted</i>		2.4	2.4

¹ The proceeds are an exceptional investing cash inflow (see Note 7).

All cash flows derive from continuing operations.

NOTES TO THE CONSOLIDATED ACCOUNTS

1. GENERAL INFORMATION

Telent Limited is a company incorporated in the England and Wales under the Companies Act 2006. The address of the registered office is given in the Directors' Report. The nature of the Group's operations and its principal activities are set out in the Strategic Report.

These financial statements are presented in Sterling, as that is the currency of the primary economic environment in which the Group operates, and rounded to the nearest £'m. Foreign operations are included in accordance with the policies set out in Note 2.

2. PRINCIPAL ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with United Kingdom Accounting Standards, including 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 preparation of the financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Where such estimates are made they are indicated within the accounting policies below and in Note 3.

These financial statements have been prepared using the historical cost convention except where the measurement of balances at fair value is required as set out below. The following policies are those that the Group considers to be its principal accounting policies and have been applied in preparing the financial statements for the year ended 31 March 2022 and the comparative information for the year ended 31 March 2021.

Principles of consolidation

The Group financial statements include the results of the Parent Company and all of its subsidiary undertakings, together with the Group's share of the results of its joint ventures on an equity accounting basis.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

Joint ventures exist where two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Jointly controlled entities are joint ventures in which the parties with joint control have a contractual arrangement that establishes joint control over the economic control of the entity. The financial statements of the Group include its net investment in jointly controlled entities using the equity method of accounting, together with its share of the profit or loss (losses up to the carrying value of the joint venture), other comprehensive income and equity of the jointly controlled entity. All such amounts are measured in accordance with the terms of each arrangement, which are in proportion to the Group's interest in the jointly controlled entity.

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED)

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Going concern

The year ended 31 March 2022 has been challenging for Telent but we have continued to generate operating profit from trading activities before exceptional items albeit below budgeted levels, largely due to the increased cost of supply within the Infrastructure Services division and the increase in loss provision on one particularly challenging contract within the Transport division. Both of these were major contributing factors in the operating cash outflow in the year.

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

- The amount drawn down under a supplier finance facility at 31 March 2022 remains broadly stable when compared to the previous year at £11.1 million (2021: £12.8 million). The remaining balance on the supplier finance facility that could have been drawn as at 31 March 2022 was £19.3 million.
- £29.3 million was returned to the Group from the UK Pension Plan escrows.
- A further £6.3 million was drawn on the revolving credit facility put in place with Group's bankers in the prior year such that £31.3m was drawn out of a total facility of £50.0 million. The facility expires Feb-24, which is outside of the going concern period and we anticipate this to be renewed.

The Directors have prepared forecasts and projections for the period to 31 December 2023 with the full involvement of the business and which have been subject to detailed review up to and including Board level, taking account of the Group's performance during the year ended 31 March 2022 and the first months of the new financial year. In preparing those forecasts, the Directors have considered downside sensitivities and their impact on the revolving credit facility covenants and have stress-tested the forecasts to which the Group's profitability would have to fall to cause the business a significant risk of no longer remaining a going concern by virtue of a covenant breach. A significant proportion of the Group's budgeted turnover for the year ending 31 March 2023 and of management's projected turnover for the following year, is secured by firm and frame contracts with our customers. Taking this and other relevant factors into account, the Directors consider it remote that profitability would fall to the extent of the downside scenarios.

Having considered all of these factors, the Directors expect the Group to trade profitably during the year ending 31 March 2023 and before taking into account the repayment of the amount drawn under the supplier finance facility, to generate positive operating cash flows. The Directors do not anticipate the need to take on further borrowing facilities, beyond the existing levels, to fund the Group's trading.

Having taken into account the information described above, the Directors conclude that they have a reasonable expectation that the Group 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 CONSOLIDATED ACCOUNTS (CONTINUED)

2. 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 by the Group 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 Group 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.

Operating profit

Operating profit is stated after charging UK Pension Plan settlement costs, restructuring costs, legacy provision movements and includes the Group's share of results of joint ventures but is stated before investment income and finance costs.

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED)

2. 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 of the risks and rewards of ownership of the related assets to the lessee. All other leases are classified as operating leases.

The Group as lessee

Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the term of the lease.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

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.

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.

The Group has not provided for taxation on unremitted foreign earnings as the timing of any such remittances is controlled by the Group and any such remittances should be covered by UK tax attributes in respect of which no deferred tax asset is currently recognised.

The Group makes no provision for taxation on timing differences relating to investments in subsidiaries given that the realisation of such differences is controlled and is not probable in the foreseeable future.

Deferred tax on items charged or credited directly to other comprehensive income is dealt with in other comprehensive income.

Foreign currencies

The functional currency of each of the Group's subsidiaries is the local currency of the country in which each subsidiary is located. Transactions in currencies other than the functional currency are recorded at the prevailing rate of exchange on the date of the transaction. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the period end rate. The resulting exchange differences are taken into account in determining the profit or loss on ordinary activities before taxation. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at year-end exchange rates. Profit and loss account items are translated at the average rate for the period. Exchange differences arising are taken to reserves via the consolidated statement of comprehensive income. On disposal of an operation, these translation differences are recognised as income or expense in the period in which the operation is disposed of. Key rates used are as follows:

	Year end rates	
	2022	2021
US Dollar	1.3167	1.3797
Euro	1.1834	1.1739

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED)**2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)*****Business combinations and goodwill***

Business combinations are 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 Group in exchange for control of the acquired business. The identifiable assets, liabilities and contingent liabilities being acquired are recognised at their fair value at the acquisition date.

Intangible assets acquired are recognised separately from goodwill only when they are both separable from the acquired entity and give rise to other contractual rights.

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 currently between 3 and 8 years. Provision is made for any impairment.

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 that the Group will receive, which is currently between 3 and 8 years.

On disposal of a subsidiary, associate or joint venture, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Other intangible assets

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

Software costs	-	3 to 7 years straight line
Specific products	-	5 years straight line
Non-compete agreement	-	over the term of the non-complete agreement
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

Tangible fixed assets

Property, fixtures, fittings, tools and equipment are stated at cost less accumulated depreciation and less any recognised impairment loss.

Depreciation is charged in order to expense the cost of assets, other than land and assets under construction, over their estimated useful lives, using the straight-line method, on the following bases:

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 5 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 CONSOLIDATED ACCOUNTS (CONTINUED)

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Post-retirement benefits

The Group accounts for pensions and other post-retirement benefits under FRS 102.28 (Employee Benefits). For defined benefit retirement benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method and actuarial valuations for accounting purposes are carried out at each year-end. The operating and financing costs of these schemes are recognised separately in the profit and loss account.

Current service cost is spread systematically over the lives of employees and financing costs are recognised in the period in which they arise. Past service cost is recognised immediately when the amendment or curtailment occurs or when the related restructuring costs are recognised. Net interest on defined benefit obligations is presented within net finance income or expense and the re-measurement of defined benefit obligations is recognised in full in the period in which it occurs in the consolidated statement of comprehensive income.

The retirement benefit surplus or obligation recognised in the balance sheet represents the present value of the defined benefit obligation, as adjusted for unrecognised past service cost and offset by the fair value of scheme assets.

Payments to defined contribution retirement benefit schemes are charged to the profit and loss account as they fall due.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material. Potential recoveries against provisions are only recognised when realisation is virtually certain.

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 Group has a detailed formal plan for the restructuring that has been communicated to affected parties.

Contingent liabilities

Through the course of normal business, the Group is subject to legal proceedings and other claims, the settlement of which may involve cost to the Group. A determination of the amount of provision, if any, required for these contingencies is based on careful analysis of each issue with the assistance of external legal counsel where necessary. A provision is made where an adverse outcome is probable and associated costs can be estimated reliably. No provision is made for contingent liabilities, which are disclosed in Note 27, where an adverse outcome is possible.

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED)

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments

As allowed under FRS 102.11.2 (Basic Financial Instruments) and FRS 102.12.2 (Other Financial Instruments Issues), the Group has continued to apply the recognition and measurement provisions of IAS 39 (Financial Instruments: Recognition and Measurement) ("IAS 39").

Financial assets and liabilities are recognised in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

Financial assets are classified into the following specified categories: financial assets at 'fair value through profit or loss' ("FVTPL"), 'held-to-maturity' investments, 'available for sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined based on the definitions in IAS 39 at the time of initial recognition. The Group has not classified any financial assets as FVTPL or held-to-maturity during the financial year.

Available for sale financial assets

The UK Pension Plan escrows primarily comprised pooled investment vehicles, which were classified as 'available for sale' and were stated at fair value. Fair value was determined by reference to market bid values and updated on a monthly basis. Gains and losses arising from changes in fair value were recognised directly in other comprehensive income with the exception of impairment losses, interest calculated using the effective interest rate method and foreign exchange gains and losses, which were recognised directly in the profit and loss account. Where the investment was disposed of, the cumulative gain or loss previously recognised in other comprehensive income was included in the profit and loss account for the period.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indications of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impaired.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade debtors, where the carrying amount is reduced through the use of a bad and doubtful debt provision. When a trade debtor is considered uncollectible, it is written off against the bad and doubtful debt provision. Subsequent recoveries of amounts previously written off are credited to the profit and loss account. Changes in the carrying amount of the bad and doubtful debt provision are recognised in the profit and loss account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the profit and loss account to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed the value that the amortised cost would have been had the impairment not been recognised.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset. Interest income was recognised on an effective interest basis for the debt securities previously held as part of the UK Pension Plan escrows and classified as 'available for sale investments'.

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED)

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Loans and receivables

Trade debtors and other debtors that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost. Trade debtors do not carry any interest and are reduced by appropriate allowances for estimated irrecoverable amounts.

Cash and cash equivalents

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. These include cash held in escrow accounts, where the account is controlled by the Group but the use of the funds is restricted.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all of the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all of the risks and rewards of ownership and continues to control the asset, the Group recognises its retained interest in the asset and any associated liability for amounts it may have to pay.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. The classification depends on the nature and purpose of the financial liability or equity and is determined based on the definitions in IAS 39 at the time of initial recognition.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

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

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when the Group's obligations are discharged, cancelled or they expire.

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED)

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

In the application of the Group's accounting policies, which are described in Note 2, 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 consolidated balance sheet and the loss for the year reported in the consolidated profit and loss account.

Judgements

The judgements, apart from those involving estimations (see below), that the Directors have made in applying the accounting policies set out in Note 2 that have the most significant effect on the amounts recognised in the financial statements are set out below.

Contingent liabilities

As explained in Note 27, a subsidiary of a jointly controlled entity is the subject of a civil action by New Jersey Department of Environmental Protection seeking natural resource damages associated with a property in New Jersey, USA. At 31 March 2021, the Directors considered whether a reasonable estimate of the potential financial impact on the Group can be formed and concluded that, at that stage, it was not possible to reliably estimate the potential financial impact; following progress in the litigation during the year ended 31 March 2022, the Directors are now able to form a reliable estimate of the amount required to settle this claim.

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

The Group 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. The Group 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 Group 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. Further details on the methodology used is provided in the Provisions section of this note. 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.

Taxation - deferred

Recognition of the Group's deferred tax asset requires estimation by management of the likely level of the Group'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 CONSOLIDATED ACCOUNTS (CONTINUED)
3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimates (continued)

Provisions

The Group's provisions are set out in Note 23. 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 Directors have also considered whether provisions for industrial disease and environmental liabilities may also carry a similar risk of material adjustment in the year ending 31 March 2023 and have concluded that not to be the case for the reasons set out below.

Estimates are made by Telent's directors and internal legal counsel supported, as necessary, by external advisors. A provision is recognised when it is probable that an obligation exists for which a reliable estimate can be made after careful analysis of the individual matter. Matters that either are possible obligations or otherwise do not meet the recognition criteria for a provision are disclosed in Note 27, unless the possibility of transferring economic benefits is remote.

The Group has one (2021: two) contract where the Directors believe that there is a significant risk that, within the year ending 31 March 2023, there could be a material adjustment to the 31 March 2022 value of provisions for forecast losses. The Directors estimate that the reasonably foreseeable changes to the forecast losses on this contract could range from an upside of £4.8 million to a downside of £3.7 million.

The provision for industrial disease liabilities is based on a triennial independent actuarial review, which takes into account industry trends and Telent's specific experience of the number and types of claims and their values since the previous valuation. The last triennial independent actuarial review was carried out as at 31 December 2020. The independent actuarial review provides "Lower", "Central" and "Higher" projections, however it should be noted that the Lower and Higher amounts do not represent the minimum and maximum values of a range of possible outcomes. The actual experience may differ from that assumed in the actuarial valuation due to changes in the "mix" of the types of claim that Telent receives, the value of claims for higher amounts can be significantly affected by the age and earnings of the claimant and the level of contribution from the Financial Services Compensation Scheme. Based on their assessment of historical expenditure compared to that forecast in previous actuarial assessments, the Directors do not believe that there is a significant risk that such factors would lead to a requirement for a material change to the 31 March 2022 provision during the year ending 31 March 2023. They have also considered whether a change to the discount rate used could lead to material adjustment to the provision during the year ending 31 March 2023 and consider it is not plausible that the discount rate could change to such an extent.

The provision for environmental liabilities is based on the Group's share of projected long-term remediation costs principally associated with an overseas site occupied by the Marconi group and predecessor companies, as well as by third party companies, prior to the formation of Telent in 2006. The provision is based on the most recent environmental remediation proposals, based on known contamination and current environmental standards. The actual cost in future years may vary significantly from these estimates due to new information becoming available, such as the success rate of current remediation plans, changes in technology, the identification of currently unknown contamination and changes in future environmental standards and the Directors consider that it is not possible to indicate a meaningful range of potential outcomes for this provision relating to those factors. The Directors have assessed whether there is a significant risk that, within the year ending 31 March 2023, there could be a material adjustment to the 31 March 2022 provision from changes in the exchange rate or the discount rate. Having reviewed historical movements in both factors, the Directors have concluded that a change to either factor that would result in a material adjustment to the provision in the year ending 31 March 2023 is not plausible.

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED)
4. TURNOVER

An analysis of the Group's turnover by destination is as follows:

Year ended 31 March	2022 £ million	2021 £ million
United Kingdom	479.5	466.0
Europe	5.7	5.9
Other	0.1	0.2
	<u>485.3</u>	<u>472.1</u>

Turnover is attributable to the one principal activity of the Group, which is the provision of technology services. £4.5 million (2021: £4.5 million) of turnover originated from outside the United Kingdom.

An analysis of the Group's turnover by category is as follows:

Year ended 31 March	2022 £ million	2021 £ million
Revenue from services	463.3	445.8
Sales of goods	22.0	26.3
	<u>485.3</u>	<u>472.1</u>

	2022 £ million	2021 £ million
Contracts in progress at the balance sheet date:		
Trade debtors	7.2	10.5
Amounts recoverable under long term contracts (within accrued income in Note 19)	37.3	38.4
	<u>44.5</u>	<u>48.9</u>

The amount of long-term contract revenue recognised within turnover in the year amounted to £105.9 million (2021: £116.3 million).

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED)
5. TOTAL OPERATING PROFIT/(LOSS)

Year ended 31 March 2022	Before exceptional items £ million	Operating exceptional items £ million	Total £ million
Turnover	485.3	-	485.3
Cost of sales	(436.9)	-	(436.9)
Gross profit	48.4	-	48.4
Research and development	(1.8)	-	(1.8)
Selling and associated costs	(14.3)	-	(14.3)
Administration expenses	(36.8)	(3.8)	(40.6)
Other operating income	4.7	-	4.7
Operating profit/(loss)	0.2	(3.8)	(3.6)

Year ended 31 March 2021	Before exceptional items £ million	Operating exceptional items £ million	Total £ million
Turnover	472.1	-	472.1
Cost of sales	(401.7)	(2.2)	(403.9)
Gross profit/(loss)	70.4	(2.2)	68.2
Research and development	(1.7)	-	(1.7)
Selling and associated costs	(9.7)	-	(9.7)
Administration expenses	(50.1)	(0.3)	(50.4)
Other operating income	6.6	-	6.6
Operating profit/(loss)	15.5	(2.5)	13.0

All results derive from continuing operations.

6. OPERATING (LOSS)/PROFIT

Operating (loss)/profit is stated after charging/(crediting):

Year ended 31 March	2022 £ million	2021 £ million
Depreciation of tangible fixed assets	3.5	3.2
Amortisation of goodwill and other intangible assets	2.9	3.0
Amortisation of negative goodwill	(0.5)	(0.8)
Operating lease payments	7.6	8.1

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED)

7. EXCEPTIONAL ITEMS

These items have been analysed as follows:

Year ended 31 March		2022 £ million	2021 £ million
Trading activities			
Restructuring costs	i)	(2.4)	(1.2)
Covid-19	ii)	-	(2.2)
Property rationalisation	iii)	(1.7)	-
Legacy and pensions			
Legacy provision movements and recoveries	iv)	(2.7)	2.2
Pension settlement	v)	3.0	(1.3)
Exceptional items within operating (loss)/profit		<u>(3.8)</u>	<u>(2.5)</u>

- i) As part of the Group's cost reduction and continuous improvement actions, a net charge of £2.4 million was made in relation to the combined cost of employee severance and other restructuring costs in the year ended 31 March 2022 (2021: £1.2 million).
- ii) In the year ended 31 March 2021, Covid-19 costs of £2.2 million resulting from the impact of the global Covid-19 pandemic were incurred since the first UK lockdown commenced in mid-March 2020 and principally related to the costs of procuring initial supplies of personal protective equipment, costs related to the Group's internally-funded furlough scheme and to the cost of staff shielding and self-isolating.
- iii) The introduction of an agile working policy in May 2021 has provided an opportunity to begin the re-evaluation the Group's required owned and leased property portfolio. In the year, this has resulted in a profit of £1.5 million on the disposal of a freehold property, identification of two onerous operating leases for which a provision of £2.0 million was created (see Note 23) and recognition of a dilapidation provision of £1.2 million (see Note 23).
- iv) Legacy provisions are kept under continual review by management. This resulted in a net expense in the year of £2.7 million (2021: credit of £2.2 million), principally from an increase in provision for environmental liabilities offset by an increase in the estimated contribution from the Financial Services Compensation Scheme for industrial disease claims, reducing the Group's exposure.
- v) Pension settlement income of £3.0 million (2021: cost of £1.3 million) arose on completion of the buy-in and subsequent winding-up of the UK Pension Plan (see Note 28).

The taxation impact of these exceptional (charges)/credits was £Nil (2021: £Nil) due to the existence of accumulated historical tax losses.

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED)
8. EMPLOYEES

a) Directors' remuneration

Year ended 31 March	2022 £ million	2021 £ million
Directors' emoluments	<u>0.8</u>	<u>1.4</u>

The Directors are considered to be the individuals having authority and responsibility for planning, directing and controlling the Group's activities. The highest paid Director had emoluments of £0.4 million (2021: £0.5 million) and the Group made no contributions towards a defined contribution pension (2021: £Nil). No dividends were paid to Directors in the year (2021: £3.6 million).

The number of Directors who were members of the Group's defined contribution pension scheme was 2 (2021: 2).

b) Average monthly number of employees

An analysis of the average monthly employee headcount by category of activity is shown below.

Year ended 31 March	2022 Number	2021 Number
Operations	2,353	1,920
Selling and administration	<u>488</u>	<u>460</u>
	<u>2,841</u>	<u>2,380</u>

c) Staff costs

Year ended 31 March	2022 £ million	2021 £ million
Wages and salaries	127.2	108.4
Social security costs	13.5	12.1
Other pension costs	6.6	5.9
Share-based payments	<u>0.1</u>	<u>0.3</u>
	<u>147.4</u>	<u>126.7</u>

9. INTEREST RECEIVABLE AND SIMILAR INCOME

Year ended 31 March	2022 £ million	2021 £ million
Realised gains on UK Pension Plan escrows (see Note 17)	0.2	0.2
Net other UK Pension Plan escrow finance income	0.8	-
Foreign exchange gains	0.6	-
Interest receivable on overseas tax	-	0.7
Unwind of discount on creditors and provisions	-	0.7
	<u>1.6</u>	<u>1.6</u>

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED)**10. INTEREST PAYABLE AND SIMILAR CHARGES**

Year ended 31 March	2022 £ million	2021 £ million
Interest payable on borrowings	1.0	-
Unwind of discount on creditors and provisions	0.2	-
Foreign exchange losses	-	1.8
	<u>1.2</u>	<u>1.8</u>

11. TAXATION**a) Tax on (loss)/profit**

Year ended 31 March	2022 £ million	2021 £ million
Current tax:		
Current UK tax	(0.4)	(0.6)
Current overseas tax	(0.1)	-
UK tax under provision in respect of prior years	(0.3)	(0.5)
Overseas (under)/overprovision in respect of prior years	(0.1)	0.2
Deferred tax:		
UK rate change	2.5	-
Origination and reversal of timing differences	(3.7)	-
Recognition of previously unrecognised deferred tax assets	-	0.5
	<u>(2.1)</u>	<u>(0.4)</u>

b) Reconciliation of tax charge for the year

The charge for the year can be reconciled to the (loss)/profit before taxation per the profit and loss account as follows:

Year ended 31 March	2022 £ million	2021 £ million
(Loss)/profit before taxation on continuing operations	<u>(3.2)</u>	<u>12.8</u>
Tax at a standard rate of 19% (2021: 19%)	0.6	(2.4)
Tax effect of expenses that are not deductible in determining taxable profit	(1.8)	(0.6)
Utilisation of previously unrecognised deferred tax asset	0.7	2.9
Research and development tax credit under provision in respect of prior years	-	(0.5)
(Under)/over provision in respect of prior years	(0.4)	0.2
Effect of change in UK tax rate	2.5	-
Reduction in recognised deferred tax asset	(3.7)	-
Tax charge for the year	<u>(2.1)</u>	<u>(0.4)</u>

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED)
11. TAXATION (CONTINUED)

c) Deferred tax

The Group held the following deferred tax assets (all in the UK):

Year ended 31 March	2022		2021	
	Recognised £ million	Unrecognised £ million	Recognised £ million	Unrecognised £ million
Deferred tax arising from:				
Tax losses	2.5	716.6	15.0	518.5
Timing differences	17.6	91.1	6.5	93.0
Fair value adjustments on acquisition	(0.5)	-	(0.6)	-
	<u>19.6</u>	<u>807.7</u>	<u>20.9</u>	<u>611.5</u>

The Directors are of the opinion that the anticipated level of profits before tax over the foreseeable future supports the recognition of £19.6 million of deferred tax assets (2021: £20.9 million).

The utilisation of historic losses is uncertain and given the large amount of losses available the probability of them being fully used in the short to medium term is remote.

Timing differences relate principally to pension contributions and historically disclaimed capital allowances.

The substantively enacted UK corporation tax rate at 31 March 2022 and 2021 was 19%. From 1 April 2023 the substantively enacted corporation tax rate will increase from 19% to 25%. The recognised deferred tax asset at 31 March 2022 has therefore been calculated using a blended rate to reflect this increase. The impact of this increase is to increase the deferred tax asset by £2.5 million.

The charge through the profit and loss account can be analysed as follows:

	2022 £ million	2021 £ million
Asset arising from tax losses	(3.7)	0.5
Effect of UK rate change	2.5	-
	<u>(1.2)</u>	<u>0.5</u>

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED)
12. ACQUISITION OF BUSINESS

On 17 December 2021, Telent acquired 100% of the issued share capital of Harlequin Group Limited, and its subsidiaries Harlequin Implementation Limited and Harlequin Limited. Harlequin provide site acquisition, planning, and design capability for UK Mobile Network Operators and service providers.

The £7.2 million goodwill on the acquisition arises as follows:

	Book value 2022 £ million	Fair value adjustment 2022 £ million	Fair value 2022 £ million
Net assets acquired			
Other intangible assets	-	0.5	0.5
Tangible fixed assets	0.1	(0.1)	-
Trade debtors	2.5	-	2.5
Other debtors	0.9	-	0.9
Creditors	(3.4)	(0.1)	(3.5)
Provisions	-	(0.1)	(0.1)
Net assets acquired	0.1	0.2	0.3
Goodwill			7.2
Total			7.5
Satisfied by:			
Cash flow analysis:			
Cash consideration			6.5
Less: cash and cash equivalent balances acquired			(2.3)
Net cash outflow arising on acquisition			4.2
Deferred consideration			2.8
Settlement of pre-existing balances			0.5
Total cost of acquisition			7.5

Goodwill is being amortised on a straight line basis over 5 years.

Other intangibles primarily comprise customer contracts and a non-compete agreement which are being amortised on a straight line basis over 2 years.

Between acquisition and 31 March 2022, Harlequin has contributed £1.7 million to Group turnover and £0.2 million to Group profit.

On 8 March 2022, Telent acquired the trade and assets of WRB Solutions from its administrators for £0.1 million. WRB Solutions is a telecommunications infrastructure build business based in the West Midlands. The £0.1m of goodwill arising on the acquisition is being amortised on a straight line basis over 2 years.

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED)
13. INTANGIBLE ASSETS AND GOODWILL

£ million	Software costs	Other intangibles	Goodwill	Negative goodwill	Total
Cost					
At 1 April 2021	13.4	35.5	60.9	(14.5)	95.3
Acquisition of business	-	0.5	7.3	-	7.8
Additions	1.0	-	-	-	1.0
At 31 March 2022	14.4	36.0	68.2	(14.5)	104.1
Accumulated amortisation					
At 1 April 2021	(10.8)	(32.3)	(60.6)	13.0	(90.7)
Charge for the year	(1.0)	(1.3)	(0.6)	0.5	(2.4)
At 31 March 2022	(11.8)	(33.6)	(61.2)	13.5	(93.1)
Net book value					
At 31 March 2022	2.6	2.4	7.0	(1.0)	11.0
At 31 March 2021	2.6	3.2	0.3	(1.5)	4.6

Software costs primarily relate to computer software for the Group'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 £1.3 million amortisation charge for the year primarily relates to the other intangibles acquired following Telent's step-in to 100% of the former joint operation with Carillion.

Positive and negative goodwill are being amortised over between 3 and 8 years.

14. TANGIBLE FIXED ASSETS

£ million	Freehold property	Long leasehold property	Fixtures, fittings, tools and equipment	Total
Cost				
As at 1 April 2021	3.3	6.1	36.0	45.4
Additions	-	1.5	2.8	4.3
Disposals	(2.6)	(0.2)	(9.7)	(12.5)
As at 31 March 2022	0.7	7.4	29.1	37.2
Accumulated depreciation and impairment losses				
As at 1 April 2021	(1.6)	(3.6)	(30.6)	(35.8)
Charge for the year	(0.1)	(0.7)	(2.7)	(3.5)
Disposals	1.1	0.2	9.7	11.0
As at 31 March 2022	(0.6)	(4.1)	(23.6)	(28.3)
Net book value				
At 31 March 2022	0.1	3.3	5.5	8.9
At 31 March 2021	1.7	2.5	5.4	9.6

Within freehold property there is land with a cost and net book value of £Nil (2021: £0.9 million).

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED)**15. SUBSIDIARIES**

A list of all investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest, is given in the Company's separate financial statements (see Note IV).

16. JOINTLY CONTROLLED ENTITY

At 31 March 2022, the Group holds an interest in one jointly controlled entity, which is measured using the equity method: Plessey Holdings Limited, a joint venture with Siemens. This entity's group no longer trades but has environmental liabilities relating to a site in North America. Plessey Holdings Limited's US subsidiary is taking action to deal with this exposure, which has been funded from the Plessey Group's cash balances. The net investment in the jointly controlled entity is £Nil (2021: £Nil) and no profit or loss has been recognised from the jointly controlled entity in the year.

The Group has no capital commitments in relation to this jointly controlled entity. See Note 27 for contingent liabilities relating to the jointly controlled entity.

17. AVAILABLE FOR SALE INVESTMENTS

	2022 £ million	2021 £ million
UK Pension Plan escrow 1 carried at fair value	-	30.1

UK Pension Plan escrow 1 was established historically for the potential benefit of the G.E.C. 1972 Plan (the "UK Pension Plan").

In line with the amendments to the escrow 1 deeds signed shortly prior to the transaction with Rothesay Life in September 2019, the residual escrow funds of £29.3 million were returned to Telent on the wind-up of the UK Pension Plan. Until they were returned, escrow 1 assets were invested in pooled investment vehicles.

At the year end the UK Pension Plan escrows comprised the following balances:

	2022 £ million	2021 £ million
Available for sale investments	-	30.1
Other payables	-	(4.2)
	-	25.9

The movement on the UK Pension Plan escrows during the year ended 31 March 2022 is shown below:

	2022 £ million	2021 £ million
At 1 April	25.9	69.5
Unrealised (losses)/gains	(0.2)	0.1
Realised gains	0.2	0.2
Release from escrow	(29.3)	(39.1)
Buy-in transaction accrual release/(costs)	3.0	(4.2)
Contributions from/(to) UK Pension Plan	0.4	(0.6)
	-	25.9

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED)

18. STOCKS

	2022 £ million	2021 £ million
Raw materials and bought in components	8.6	5.0
Work in progress	5.1	11.0
	<u>13.7</u>	<u>16.0</u>

An impairment release of £0.2 million (2021: impairment loss of £0.3 million) was recognised in cost of sales against stock during the year due to a reduction (2021: increase) in the levels of slow-moving and obsolete stock.

19. DEBTORS

	2022 £ million	2021 £ million
Amounts falling due within one year		
Trade debtors	58.5	64.0
Accrued income	76.8	63.8
Research and development tax debtor	5.2	4.9
Other debtors	2.7	1.4
Prepayments	16.6	16.7
	<u>159.8</u>	<u>150.8</u>
Amounts falling after more than one year		
Other debtors	1.8	2.3
Prepayments	-	0.1
Deferred tax asset	19.6	20.9
	<u>21.4</u>	<u>23.3</u>

Trade debtors are stated after provision for impairment of £0.8 million (2021: £1.3 million). Accrued income is stated after provision for impairment of £1.5 million (2021: £nil).

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED)
20. CASH AND CASH EQUIVALENTS

	2022 £ million	2021 £ million
Unrestricted bank deposits	40.1	28.8
Restricted cash on deposit	2.4	2.4
Cash and cash equivalents	42.5	31.2
Analysis of restricted cash balances:		
Overseas tax escrow	1.8	1.8
Italian escrow	0.5	0.5
Other	0.1	0.1
	2.4	2.4
Cash and cash equivalents by currency:		
Sterling	36.9	24.8
Euros	3.5	3.6
US Dollars	2.1	2.6
Other	-	0.2
	42.5	31.2

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

Overseas tax escrow

During a prior year, the Group successfully negotiated a cash settlement with a former subsidiary which cancelled its rights and obligations under a tax deed and resulted in a £4.7 million profit. €2.2 million (£1.8 million; 2021: £1.8 million) was placed into escrow against potential overseas tax on this settlement.

Italian escrow

The Italian escrow was created during the year ended 31 March 2019 to cover any eventual unexpected costs arising from the anticipated liquidation of the Group's former Italian subsidiary.

Foreign currency balances

At 31 March 2022, the Group's cash included approximately US\$2.8 million (£2.1 million) and €4.0 million (£3.5 million) cash within the UK. This cash is not treated as a hedge for accounting purposes and gains and losses on retranslation of cash into Sterling are taken to finance costs or investment income. No currency risk arises from the remaining currency denominations as they are predominantly held in the country of origin.

Interest rates

Cash deposits are invested at short-term floating rates. The impact of a 1% movement in interest rates during the year would have changed earnings from interest on total cash invested by less than £1 million in the year to 31 March 2022. The average rate of interest achieved on invested cash was less than 0.1% per annum (2021: 0.1%). Floating rate assets bear interest based on relevant national LIBOR equivalents.

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED)**21. CREDITORS: AMOUNTS FALLING DUE IN LESS THAN ONE YEAR**

	2022 £ million	2021 £ million
Payments received in advance	23.2	32.0
Trade creditors (a)	29.7	30.6
Other taxation and social security	11.6	10.4
Other creditors (b)	13.2	5.0
Accruals and deferred income (c)	72.4	81.4
Amounts due under Hire Purchase agreements	0.3	0.2
Overseas corporation tax	0.1	-
	<u>150.5</u>	<u>159.6</u>

- a) Trade creditors principally comprise amounts outstanding for trade purchases and ongoing costs. The Directors consider that the carrying amount of trade payables approximates to their fair value. The Group has appropriate policies in place to ensure that, where possible, payments to suppliers are made within the agreed credit period. The average number of days in which we pay suppliers is 30 days (2021: 28 days).
- b) Other creditors includes a payment in advance of £5.4 million (2021: £Nil) on behalf of a customer, which in limited circumstances could be required to be re-paid to the bank that provided the advance, and so is considered to be a financial instrument. It is not expected that these circumstances will occur and therefore the payment in advance will be utilised to settle future sales invoices on this contract.
- c) Accruals and deferred income consist primarily of accruals for work carried out by subcontractors that has not yet been invoiced.

22. CREDITORS: AMOUNTS FALLING DUE IN MORE THAN ONE YEAR

	2022 £ million	2021 £ million
Bank borrowings	31.1	24.6
Other creditors	-	0.3
Accruals and deferred income	0.3	1.6
Amounts due under Hire Purchase agreements	0.3	0.3
	<u>31.7</u>	<u>26.8</u>

In the prior year, the Group entered into an unsecured £50.0 million revolving credit arrangement with Lloyds Bank, this facility is initially for three years, with options to request extensions for two further years. At 31 March 2022, the Group had drawn down £31.3 million (2021: £25.0 million) against this facility, accrued £0.1 million (2021: £0.1 million) of interest and has offset £0.3 million (2021: £0.5 million) of associated costs incurred in setting up the facility which will be charged to the profit and loss account over the initial term of the facility. Interest accrues on the drawn down balance at SONIA + 1.95% per annum (2021: SONIA + 1.95%) and a non-utilisation fee of 0.78% (2021: 0.78%) is charged on the undrawn balance.

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

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED)

23. PROVISIONS

	Re- structuring £ million	Warranties £ million	Contracts and commitments £ million	Litigation £ million	Other £ million	Total £ million
At 1 April 2021	0.1	0.7	18.3	12.6	2.1	33.8
Charged	3.8	-	19.2	3.7	0.1	26.8
Released	-	-	(0.3)	(0.7)	-	(1.0)
Utilised	(1.5)	-	(21.0)	(2.1)	(0.1)	(24.7)
Foreign exchange	-	-	-	0.4	-	0.4
At 31 March 2022	2.4	0.7	16.2	13.9	2.1	35.3
Current	2.0	0.7	13.3	2.5	0.2	18.7
Non-current	0.4	-	2.9	11.4	1.9	16.6
	2.4	0.7	16.2	13.9	2.1	35.3

Restructuring provisions comprise costs for onerous leases and dilapidations following a re-evaluation the Group's required owned and leased property portfolio after the introduction of an agile working policy in May 2021.

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

Provisions for contracts and commitments are for losses on contract work in progress where accumulated and projected costs exceed expected incomes. The increase in contract provisions of £19.2 million relates largely to a poorly performing contract in our Transport business. The non-current provision of £2.9 million is expected to predominately be utilised in the year ending 31 March 2024.

The amounts in litigation are held principally for legacy environmental liabilities and industrial disease. The utilisation of the £11.4 million of non-current provision is expected to take place over the next thirty years, due to the long-term nature of these exposures.

Provisions for legacy environmental liabilities at 31 March 2022 amounted to £8.8 million (2021: £6.7 million). The increase in the sum provided results from a reassessment of the amount required to settle legacy environmental liabilities in the USA.

The Group's exposure to industrial disease claims at 31 March 2022 is estimated at £5.1 million (31 March 2021: £5.9 million) after discounting at a rate of 0.69% (31 March 2021: 0.69%) and was assessed by an independent, external actuary at 31 December 2020. The provision of £5.1 million represents the net present value of the amount that it is estimated that Telent will be required to pay to settle claims, after taking into account the estimated contribution from the Financial Services Compensation Scheme, which amounts to £6.6 million (2021: £6.0 million). The next external actuarial assessment will be carried out as at 31 December 2023.

Other provisions primarily comprise an unfunded post-retirement agreement and reflects the latest actuarial valuation of this liability.

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED)
24. EQUITY SHAREHOLDERS' INTERESTS

Share capital

	Number of shares	2022 £ million	2021 £ million
Ordinary shares of 1p each			
Allotted, called-up and fully paid	64,409,935	0.7	0.7
'B' Ordinary shares of 1p each			
Allotted, called-up and fully paid	1,583,850	-	-
'C' Ordinary shares of 1p each			
Allotted, called-up and fully paid	200,000	-	-
'D' Ordinary shares of 1p each			
Allotted, called-up and fully paid	588	-	-

The ordinary shares entitle the holder to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. The 'B' Ordinary shares rank *pari passu* with the Ordinary shares in all respects. The 'C' Ordinary shares do not confer any voting rights nor any rights to dividends, except in certain circumstances as detailed in the Articles of Association. The 'C' Ordinary shareholders have the right to receive dividends only in the situation of a trade sale return or voluntary winding up. In the event of a sale, the 'C' Ordinary shares convert into a number of fully paid Ordinary shares, determined by the Articles of Association. The 'D' Ordinary shareholders have no rights, including any right to receive dividends or to vote, except in the situation of a sale of all or most of the business. In the event of a sale, the 'D' Ordinary shareholders have an option to require the holders of the Company's Ordinary Shares to purchase the 'D' Ordinary shares as detailed in the Articles of Association.

Share-based payments

During the year ended 31 March 2022, 42 (31 March 2021: 570) 1p 'D' Ordinary shares were issued at par, through a nominee company, to senior management participants and 24 (31 March 2021: Nil) were purchased by the Company and cancelled. The fair value of these share-based payments was £0.1m (31 March 2021: £0.3 million), which has been expensed to the profit and loss account in the year and was calculated using a binomial valuation. No share options were outstanding at either the beginning or end of the period.

Dividends

No dividends were declared or paid in the year (2021: £150.1 million), representing a dividend per share of Nil pence (2021: 227.45 pence) per Ordinary share and 'B' Ordinary share held.

Nature and purpose of reserves

Revaluation reserve

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

Retained earnings

Retained earnings includes all current and prior period retained profits and losses. The reserve also contains accumulated foreign exchange differences in respect of the consolidation of overseas subsidiaries as set out on page 29.

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED)

25. NET DEBT RECONCILIATION

	Note	At 1 April £ million	Cash flows £ million	New financing £ million	Other £ million	At 31 March £ million
Cash and cash equivalents	20	31.2	11.2	-	0.1	42.5
Bank loan	22	(24.6)	(5.5)	-	(1.0)	(31.1)
Hire purchase	21,22	(0.5)	0.3	(0.4)	-	(0.6)
Financing receipt in advance	21b	-	(5.4)	-	-	(5.4)
		<u>6.1</u>	<u>0.6</u>	<u>(0.4)</u>	<u>(0.9)</u>	<u>5.4</u>

26. NOTES TO THE CASH FLOW STATEMENT

Year ended 31 March	2022 £ million	2021 £ million
(Loss)/profit for the year	(5.3)	12.4
Taxation charge	2.1	0.4
Net interest (income)/expense	(0.4)	0.2
Operating (loss)/profit	(3.6)	13.0
Exceptional items	3.8	2.5
Depreciation, amortisation and impairments	5.9	5.4
Share-based payments	0.1	0.3
Operating cash flows before movements in working capital	6.2	21.2
Decrease in stocks	2.3	2.7
Increase in debtors	(4.9)	(36.5)
Decrease in creditors	(19.3)	(1.8)
Increase in provisions, including defined benefit asset/obligation	(2.3)	4.8
Cash outflow from operations	(18.0)	(9.6)
Net income taxes paid	(0.2)	-
Net cash outflow from operating activities before exceptional items	(18.2)	(9.6)
Cash outflow from exceptional items	(5.2)	(10.4)
Net cash outflow from operating activities after restructuring and other exceptional items	(23.4)	(20.0)

All cash flows derive from continuing operations.

27. CONTINGENT LIABILITIES

Litigation

At 31 March 2021, the Group disclosed that in December 2019, the Group was made aware that New Jersey Department of Environmental Protection had filed a civil action against a number of parties (including Plessey Inc ("Plessey"), a subsidiary of Plessey Holdings Limited, which is a joint venture between Telent and Siemens), seeking to recover natural resource damages associated with a property in New Jersey, USA. Plessey has an obligation to pay 75% of costs and/or claims arising out of environmental contamination at the site as a result of a legal settlement reached in 1997 between Plessey and the third party who has regulatory responsibility for environmental remediation actions at the site.

During the year ended 31 March 2022, as the litigation process has developed, management has been able to form an estimate of the amount that may be required to settle this claim. Accordingly, an appropriate amount is included within provisions (see Note 23). There remains uncertainty however as to the quantum and timing of outflows relating to this matter.

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED)
27. CONTINGENT LIABILITIES (CONTINUED)

Guarantees

At 31 March 2022, the Group had provided third parties with a total of £1.1 million (2021: £1.2 million) of performance bonds, the likelihood of exercise of which is considered to be remote.

A maturity profile of all bonds and guarantees outstanding at 31 March is set out below:

	2022 £ million	2021 £ million
Expiring:		
Within one year	-	0.1
Thereafter	0.5	0.5
No expiry date	0.6	0.6
	<u>1.1</u>	<u>1.2</u>

28. POST-RETIREMENT BENEFITS

G.E.C. 1972 Plan (the "UK Pension Plan")

The most significant pension plan within the Group was the UK Pension Plan until it was considered wound up on the issue of the Section 75 certificate from the independent actuaries and the Deed of Discharge was executed on 10 December 2021. The UK Pension Plan was administered by a Trustee and was legally separate from the Group. The final full statutory funding valuation for the UK Pension Plan was carried out as at 31 March 2019 and a valuation for accounting purposes was carried out as at 31 March 2021, both by independent qualified actuaries. The UK Pension Plan was closed to future accrual on 5 April 2010 and members of the UK Pension Plan and other eligible employees were invited to join the Telent 2010 Plan, a defined contribution scheme.

The wind up of the UK Pension Plan completed the process commenced in September 2019 when the Trustee of the UK Pension Plan signed two Bulk Purchase Annuity Policies (the Buy-out Policies) with Rothesay Life to provide insurance for pension liabilities under the UK Pension Plan. The terms of the Buy-out Policies provided for Rothesay Life to issue individual policies to beneficiaries under the UK Pension Plan. Full buy-out was achieved on 15 February 2021 when individual policies were issued to replace the current obligations of the UK Pension Plan to provide benefits for members.

At 31 March 2021 the only assets held by the UK Pension Plan were some residual AVC assets (and correspondingly equivalent liabilities) amounting to £9.5 million. During the year ended 31 March 2022, these policies were assigned to the individual members.

From 1 April 2020 the UK Pension Plan has paid the administration costs associated with settling the Plan.

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED)

28. POST-RETIREMENT BENEFITS (CONTINUED)

G.E.C. 1972 Plan (continued)

The following table shows a reconciliation for the UK Pension Plan from the opening balances to wind up and its components:

	Defined benefit obligation		Fair value of plan assets		Net defined benefit asset	
	2022 £ million	2021 £ million	2022 £ million	2021 £ million	2022 £ million	2021 £ million
Balance as at 1 April	(9.5)	(3,554.0)	9.5	3,554.0	-	-
Included in the profit and loss account						
Administration costs	-	-	-	(1.3)	-	(1.3)
Interest (expense)/income	-	(70.1)	-	70.1	-	-
Introductions, changes, curtailments and settlements	9.5	3,801.6	(9.5)	(3,801.6)	-	-
Included in Other Comprehensive Income						
Remeasurement of the Defined benefit obligation	-	(389.4)	-	389.4	-	-
Other						
Benefit Payments	-	202.4	-	(202.4)	-	-
Company contributions	-	-	-	1.3	-	1.3
Balance as at 31 March	-	(9.5)	-	9.5	-	-

Please see Note 17 for details of the UK Pension Plan escrows.

The principal assumptions used by the actuaries for the UK Pension Plan are:

Average assumptions used	2022 (% pa)	2021 (% pa)
Rate of increase in pensions in payment	n/a	3.68
Rate of increase for deferred pensioners (UK Pension Plan)	n/a	3.68
Discount rate applied to liabilities	n/a	2.03
Inflation assumption	n/a	3.68

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED)**28. POST-RETIREMENT BENEFITS (CONTINUED)*****Other defined benefit pension plans***

The Group continues to operate two other defined benefit plans. Neither of these schemes are considered to be material to the Group, and so the disclosure requirements of FRS 102 section 28 have not been applied in full.

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 a valuation for accounting purposes was carried out as at 31 March 2022 and 31 March 2021, all by independent qualified actuaries. The FRS 102 surplus at 31 March 2021 was £0.1 million (2021: deficit of £0.1 million). The next statutory funding valuation will take place as at 1 November 2023.

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 2019 and a valuation for accounting purposes was carried out as at 31 March 2022 and 31 March 2021, all by independent qualified actuaries. The FRS 102 deficit at 31 March 2022 was £0.2 million (2021: £0.3 million). The next statutory funding valuation will be performed as at 31 March 2022.

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

At 31 March	2022	2021
Average assumptions used	(% pa)	(% pa)
TCPSPS		
Rate of increase in pensions in payment	3.99	3.68
Rate of increase for deferred pensioners	3.99	2.03
Discount rate applied to liabilities	2.73	2.03
Inflation assumption	3.99	3.68
ESPF		
Rate of increase in pensions in payment (CPI)	3.20	2.80
Discount rate applied to liabilities	2.60	2.00
Rate of salary increase	3.20	2.80

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED)
28. POST-RETIREMENT BENEFITS (CONTINUED)

Other defined benefit pension plans (continued)

The following table shows a reconciliation for these two defined benefit pension plans from the opening balances for the net defined benefit liability and its components:

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	2022 £ million	2021 £ million	2022 £ million	2021 £ million	2022 £million	2021 £ million
Balance as at 1 April	(2.1)	(1.6)	1.7	1.4	(0.4)	(0.2)
Included in the profit and loss account						
Service cost	(0.1)	(0.1)	-	-	(0.1)	(0.1)
Included in Other Comprehensive Income						
Remeasurement of the Defined benefit obligation ¹	0.1	(0.4)	0.2	0.2	0.3	(0.2)
Other						
Company contributions	-	-	0.1	0.1	0.1	0.1
Balance as at 31 March	(2.1)	(2.1)	2.0	1.7	(0.1)	(0.4)
Disclosed as:						
Net defined benefit surplus/(obligation) (TCPSPS)					0.1	(0.1)
Net defined benefit obligation (ESPF)					(0.2)	(0.3)
					(0.1)	(0.4)

¹ Net actuarial losses of £0.2 million relating to the TCPSPS and £0.1 million relating to ESPF have been shown within Other Comprehensive Income.

The total assets held by the two plans have been included at fair value using the following fair value hierarchy:

Unadjusted quoted price in an active market	Level 1
Inputs other than quoted prices that are observable	Level 2
Inputs are unobservable (i.e. for which market data is unavailable)	Level 3

At 31 March 2022 £0.8 million are considered to be Level 1 (2021: £0.7million) and £1.2 million in Level 3 (2021: £1.0 million).

Defined contribution pension schemes

The Group operates defined contribution schemes in addition to the defined benefit schemes. Contributions to these schemes amounted to £6.3 million (2021: £5.7 million).

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED)
29. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At 31 March 2022, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2022 £ million	2021 £ million
Within one year	9.0	7.1
In the second to fifth years inclusive	12.3	9.3
After five years	13.7	14.4
	<u>35.0</u>	<u>30.8</u>

30. CAPITAL COMMITMENTS

Amounts contracted for but not provided in the financial statements amounted to £Nil (2021: £0.1 million) for the Group.

31. FEES PAID TO AUDITOR

Fees payable to the Company's auditors for the audit of the Company's annual accounts were £435,000 (2021: £342,000), of which £225,000 (2021: £180,000) is payable for the audit of the Group and Company and £210,000 (2021: £162,000) for the audit of individual subsidiaries.

£9,200 (2021: £Nil) of non-audit fees were payable to the Company's auditors for other services to the Group since their appointment as auditor for the audit of an associated pension scheme.

Other than the cost of the audit of the associated pension scheme, which was charged to the pension scheme, all of the amounts shown above were charged to the profit and loss account as an expense.

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED)**32. RELATED PARTY TRANSACTIONS**

Transactions and balances between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Balances between the Group and other related parties are disclosed below:

	Transaction value receipt/(payment)		Amounts owed by/(to) Related parties	
	2022 £million	2021 £million	2022 £million	2021 £million
Tusk Management LLP – administration fee	0.1	0.1	-	-
Co-Investment Guernsey Limited – management services	(0.5)	(0.5)	-	-

Tusk Management LLP is a related party by virtue of being part of the same Group, being responsible for procuring and providing management advice to the directors and general partners of entities within the Tusk Group that controls Telent.

Co-Investment Guernsey Limited is Telent Limited's immediate parent undertaking.

The Directors of the Company are deemed to be key management personnel and remuneration made to them. Certain members of senior management of Telent Technology Services Limited are also considered to be key management personnel and details of their aggregate remuneration are disclosed below:

Year ended 31 March	2022 £ million	2021 £ million
Short-term employee benefits	3.1	3.5
Pension contributions	-	-
Share-based payments	0.1	0.2
	<u>3.2</u>	<u>3.7</u>

33. FINANCIAL INSTRUMENTS

Year ended 31 March	2022 £ million	2021 £ million
Other financial assets measured at fair value		
Available for sale investments	-	30.1

The Group (excluding the UK Pension Plan escrows) uses financial instruments, including derivatives (principally forward foreign currency exchange contracts) to hedge currency exposure risks, when considered appropriate. At 31 March 2022 the Group had outstanding contracts to purchase USD 26.4 million (2021: USD 22.0 million), sell USD 5.6 million (2021: USD 6.3 million), purchase EUR 1.1 million (2021: EUR 0.1 million) and to sell EUR 1.0 million (2021: EUR 0.8 million). All such contracts mature in the year ending 31 March 2023, with the exception of contracts to purchase USD 3.8 million (2021: USD 6.2 million), of which USD 3.2 million matures in the year ending 31 March 2024 and USD 0.6 million in the year ending 31 March 2025. It is the Group's policy that there is no trading in financial hedging instruments, and that all financial hedging instruments are used solely for the purpose of financing or hedging identified exposures of the Group.

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED)

34. ULTIMATE CONTROLLING PARTY


The Directors regard Tusk Investments LP Inc, registered in Guernsey, as the ultimate controlling party of Telent Limited. Their registered office is Ground Floor, Western Suite, Mill Court, La Charroterie, St Peter Port, Guernsey, GY1 1EJ. The immediate parent undertaking is Co-Investment Guernsey Limited, which is registered in Guernsey.

COMPANY BALANCE SHEET

As at 31 March	Note	2022 £ million	2021 £ million
Fixed assets			
Investment in subsidiary undertakings	IV	426.9	434.1
Available for sale investments	V	-	30.1
		<u>426.9</u>	<u>464.2</u>
Current assets			
Debtors	VI	-	0.1
Cash and cash equivalents	VII	12.4	3.1
		<u>12.4</u>	<u>3.2</u>
Creditors: amounts falling due within one year	VIII	<u>(308.8)</u>	<u>(343.7)</u>
Net current liabilities		<u>(296.4)</u>	<u>(340.5)</u>
Total assets less current liabilities		<u>130.5</u>	<u>123.7</u>
Creditors: amounts falling due after more than one year	IX	(31.1)	(24.6)
Provisions	X	<u>(4.6)</u>	<u>(5.2)</u>
Net assets		<u>94.8</u>	<u>93.9</u>
Capital and reserves			
Called-up share capital	XI	0.7	0.7
Profit and loss account ¹		<u>94.1</u>	<u>93.2</u>
		<u>94.8</u>	<u>93.9</u>

The notes on pages 65 to 70 form an integral part of these financial statements.

These financial statements of Telent Limited (company number 67307) were approved by the Board of Directors and authorised for issue on 3 November 2022. They were signed on its behalf by:

DocuSigned by:

 2504471DCCA24AB...

J C Gretton

Chief Executive Officer

¹ The total recognised income for the year was £0.8 million (2021: £68.3 million).

COMPANY STATEMENT OF CHANGES IN EQUITY

	Called-up share capital £ million	Profit and loss account £ million	Total £ million
At 1 April 2020	0.7	174.7	175.4
Dividends paid	-	(150.1)	(150.1)
Share-based payments	-	0.3	0.3
Total recognised income for the year	-	68.3	68.3
At 1 April 2021	0.7	93.2	93.9
Share-based payments	-	0.1	0.1
Total recognised income for the year	-	0.8	0.8
As at 31 March 2022	0.7	94.1	94.8

Pursuant to Section 408 of the Companies Act 2006, the Company is not presenting its own profit and loss account in addition to the consolidated profit and loss account for the Telent Group. The profit of the Company for the financial year amounted to £0.8 million (2021: £68.2 million).

NOTES TO THE COMPANY ACCOUNTS

I. ACCOUNTING POLICIES FOR TELENT LIMITED

Telent 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 ("FRS 102").

The financial statements are prepared in Sterling, which is the functional currency of the Company, rounded to the nearest £'m and under the historical cost convention (except for available for sale investments which are presented at fair value).

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.

Going Concern

Whilst the Company balance sheet shows net current liabilities of £296.4 million, it is the Group position which is considered relevant for an assessment of going concern as support for the Company, if required, could be provided by subsidiary undertakings.

The rationale for the Group's adoption of the going concern basis of accounting is set out on page 32.

After making enquiries, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the annual report and financial statements.

Currency translation

Transactions denominated in foreign currencies are translated into the functional currency at the prevailing rate of exchange on the date of the transaction. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are retranslated at the year-end rate. These translation differences are dealt with in the profit and loss account.

Non-Sterling net assets are translated at year-end rates of exchange. Key rates used are as follows:

	Year end rates	
	2022	2021
US Dollar	1.3167	1.3797
Euro	1.1834	1.1739

Taxation

Taxation on profit on ordinary activities is that which has been paid or becomes payable in respect of the result for the year, after taking account of adjustments in respect of prior period liabilities. Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income or expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

NOTES TO THE COMPANY ACCOUNTS (CONTINUED)
I. ACCOUNTING POLICIES FOR TELENT LIMITED (CONTINUED)

Related party transactions

The Company has taken advantage of the exemption in FRS 102 section 33.11 and has not disclosed transactions or balances with entities which form part of the Group.

Investments

Investments in subsidiary undertakings, associates and jointly controlled entities are stated at cost less provision for impairment in value.

Finance costs

Finance costs of debt are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount.

Liquid resources

Liquid resources comprise term deposits with an original maturity of generally less than one year and other readily disposable current asset investments.

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.

Financial instruments

The Company has chosen to continue to apply the recognition and measurement provisions of IAS 39 as allowed under FRS 102.11.2 and FRS 102.12.2.

II. KEY JUDGEMENTS AND ACCOUNTING ESTIMATES

The Directors consider the key estimates to be the provisions for industrial disease liabilities, details of this estimate are set out in Note 3 to the Group Accounts, and the carrying value of investments in subsidiaries, details below. The Directors consider there are no longer any key judgements.

The carrying value of the Company's investment in subsidiaries requires estimation by management of the likely level of the subsidiary's future profits and cash generation. 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 into perpetuity of 5% would increase or decrease the carrying value of the Company's investment in subsidiaries by approximately £20 million.

III. STAFF COSTS

The average monthly number of employees in Telent Limited during the year was 8 (2021: 7).

Year ended 31 March	2022 £ million	2021 £ million
Wages and salaries	1.2	0.8
Social security costs	0.2	0.1
	<u>1.4</u>	<u>0.9</u>

The Directors' remuneration is disclosed in Note 8 to the Group Accounts.

NOTES TO THE COMPANY ACCOUNTS (CONTINUED)
IV. INVESTMENTS IN SUBSIDIARY AND ASSOCIATE UNDERTAKINGS

	Loans to Group undertakings		Shares in Group undertakings		Shares in jointly controlled entities and associates		Total
	Gross £ million	Provision £ million	Cost £ million	Provision £ million	Cost £ million	Provision £ million	
At 1 April 2021	0.4	(0.4)	3,770.5	(3,336.4)	30.2	(30.2)	434.1
Movements in Group loans	(0.4)	0.4	-	-	-	-	-
Provided in the year	-	-	-	(7.2)	-	-	(7.2)
At 31 March 2022	-	-	3,770.5	(3,343.6)	30.2	(30.2)	426.9

The increased provision in the year on shares in Group undertakings is predominately due to the increase in discount rate applied to the forecast of future profitability of a significant subsidiary.

A list of all related undertakings is given below.

Name	Voting rights	Registered office address
Allard Consultoria em Telecomunicacoes Ltda	100%	Rua Bonnard, n° 980 - Green Valley I – Bloco 10 - Andar 6 - Lado B - Sala 18 -Alphaville Empresarial – Barueri – SP – CEP 06465-134, Brazil
Associated Electrical Industries Limited *	100%	Point 3, Haywood Road, CV34 5AH, England
Enhance Communications Limited *	100%	Point 3, Haywood Road, CV34 5AH, England
Harlequin Group Limited	100%	Point 3, Haywood Road, CV34 5AH, England
Harlequin Implementation Limited	100%	Point 3, Haywood Road, CV34 5AH, England
Harlequin Limited	100%	Point 3, Haywood Road, CV34 5AH, England
M (Bruton Street) *	100%	Point 3, Haywood Road, CV34 5AH, England
M Communications International Holdings Limited *	100%	Point 3, Haywood Road, CV34 5AH, England
MONI Holdings LLC	100%	1209 Orange Street, Delaware 19801, USA
M Services (Hong Kong) Limited *	100%	16th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong
Regents Place LLC *	100%	1209 Orange Street, Delaware 19801, USA
Roadside Technology Services Limited	100%	Point 3, Haywood Road, CV34 5AH, England
RSCD Telecommunications India Private Limited	100%	P-24, Green Park Extension, New Delhi-110016, India
Telent Technology Services Limited	100%	Point 3, Haywood Road, CV34 5AH, England
Telent (UK) Limited *	100%	Point 3, Haywood Road, CV34 5AH, England
Telent Communications Holdings Limited *	100%	Point 3, Haywood Road, CV34 5AH, England
The English Electric Company, Limited *	100%	Point 3, Haywood Road, CV34 5AH, England
Plessey Holdings Limited *	50%	Pinehurst, 2 Pinehurst Road, Farnborough, Hampshire, GU14 7BF, England
Plessey Incorporated	50%	28 Liberty Street, New York, New York 10005, USA
British Sealed Beams Limited *	20%	4 Pancras Square, London N1C 4AG, England

* Denotes those investments held directly by the Company.

All interests are ordinary shares or equivalent.

NOTES TO THE COMPANY ACCOUNTS (CONTINUED)
V. AVAILABLE FOR SALE INVESTMENTS

	2022 £ million	2021 £ million
UK Pension Plan escrow 1 carried at fair value	-	30.1

Please see Note 17 to the Group Accounts for the full disclosures on available for sale investments.

VI. DEBTORS

	2022 £ million	2021 £ million
Amounts falling due within one year:		
Other debtors	-	0.1

Deferred tax assets of £480.6 million (2021: £362.4 million) 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.

VII. CASH AT BANK AND IN HAND

	2022 £ million	2021 £ million
Unrestricted cash and bank deposits	10.1	0.8
Restricted cash deposits	2.3	2.3
Cash and cash equivalents	12.4	3.1

Analysis of restricted cash balance:

	2022 £ million	2021 £ million
Overseas tax escrow	1.8	1.8
Italian escrow	0.5	0.5
Restricted cash	2.3	2.3

An explanation of the restricted cash balances is contained in Note 20 to the Group Accounts.

NOTES TO THE COMPANY ACCOUNTS (CONTINUED)
VIII. CREDITORS: AMOUNTS FALLING DUE IN LESS THAN ONE YEAR

	2022 £ million	2021 £ million
Amounts falling due within one year:		
Amounts owed to Group companies	306.9	337.2
Other creditors	1.9	6.5
	<u>308.8</u>	<u>343.7</u>

Amounts owed to Group companies are unsecured, interest free and repayable on demand.

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

	2022 £ million	2021 £ million
Amounts falling due within one year:		
Bank loans	<u>31.1</u>	<u>24.6</u>

An explanation of the bank loan is contained in Note 22 to the Group Accounts.

X. PROVISIONS

	Litigation £ million	Other £ million	Total £ million
At 1 April 2021	3.2	2.0	5.2
Charged	-	0.1	0.1
Release	(0.4)	-	(0.4)
Utilised	(0.2)	(0.1)	(0.3)
At 31 March 2022	<u>2.6</u>	<u>2.0</u>	<u>4.6</u>

Provisions for litigation comprise expected employee claims relating to industrial disease. The provision of £2.6 million represents the net present value of the amount that it is estimated that the Company will be required to pay to settle claims, after taking into account the estimated contribution from the Financial Services Compensation Scheme, which amounts to £3.5 million (2021: £3.3 million).

Other provisions primarily comprise an unfunded post-retirement agreement. See Note 23 to the Group Accounts for details on the expected timing of payments.

NOTES TO THE COMPANY ACCOUNTS (CONTINUED)
XI. CALLED UP SHARE CAPITAL

	Number of shares	2022 £ million	2021 £ million
Ordinary shares of 1p each			
Allotted, called-up and fully paid	64,409,935	0.7	0.7
'B' Ordinary shares of 1p each			
Allotted, called-up and fully paid	1,583,850	-	-
'C' Ordinary shares of 1p each			
Allotted, called-up and fully paid	200,000	-	-
'D' Ordinary shares of 1p each			
Allotted, called-up and fully paid	588	-	-

As at 31 March 2022 there were no share options outstanding in respect of the Company's ordinary shares.

Dividends

No dividends were declared or paid in the year (2021: £150.1 million), representing a dividend per share of Nil pence (2021: 227.45 pence) per Ordinary share and 'B' Ordinary share held.

XII. COMPANY RESERVES

Included within the profit and loss reserve is a credit of £0.1 million (2021: £0.3 million), which is non-distributable as a result of issue of 'D' Ordinary shares in the year.

XIII. POST-RETIREMENT BENEFITS

The UK Pension Plan was the principal pension fund of the Telent Group, until it was considered wound up on the issue of the Section 75 certificate from the independent actuaries and the Deed of Discharge was executed on 10 December 2021.

The wind up of the UK Pension Plan completed the process commenced in September 2019 when the Trustee of the UK Pension Plan signed two Bulk Purchase Annuity Policies (the Buy-out Policies) with Rothesay Life to provide insurance for pension liabilities under the UK Pension Plan. The terms of the Buy-out Policies provided for Rothesay Life to issue individual policies to beneficiaries under the UK Pension Plan. Full buy-out was achieved on 15 February 2021 when individual policies were issued to replace the current obligations of the UK Pension Plan to provide benefits for members.

At 31 March 2021 the only assets held by the UK Pension Plan were some residual AVC assets (and correspondingly equivalent liabilities) amounting to £9.5 million. During the year ended 31 March 2022, these policies were assigned to the individual members.

The assumptions used by the actuaries to determine the liabilities under FRS 102, and the asset valuations by class of asset for the UK Pension Plan are the same as those disclosed in the Group Accounts under the FRS 102.28 basis (see Note 28 to the Group Accounts).

XIV. ULTIMATE CONTROLLING PARTY

The Directors regard Tusk Investments LP Inc, registered in Guernsey, as the ultimate controlling party of Telent Limited. Their registered office is Ground Floor, Western Suite, Mill Court, La Charroterie, St Peter Port, Guernsey, GY1 1EJ. The immediate parent undertaking is Co-Investment Guernsey Limited, which is a company registered in Guernsey.

Telent Limited is the largest and smallest group of which the Company was a member at 31 March 2022 and for which Group financial statements are prepared. Those Group financial statements are attached to this document.