

Company Registration No. 67307

TELENT LIMITED

Annual Report and Financial Statements

Year ended 31 March 2023

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# Telent Limited

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## CHAIRMAN'S STATEMENT

Dear Stakeholders,

I joined Telent in September 2022 and apart from chairing the Board, I've spent time getting to know Telent as a business. I've met with a number of teams working on contracts for customers such as National Highways and Transport for London. I've also had the pleasure of meeting with the senior management of some of our key customers and spent time visiting all of our main offices around the country. I'd like to share with you my thoughts and observations since the end of last year.

First, that we have a very talented workforce with customer service culture at its heart. Our Vision at Telent is to be the leading service partner for our customers, delivering outstanding capability and customer experience. Our company Values of Be Inclusive, Take Responsibility, Collaborate, and Customer Focused provide the foundation for shaping this culture and it's clear these Values are demonstrated every day by our people in the work they do for our customers.

Second, there are considerable technologies and capabilities we can expedite in the coming years for the benefit of Telent and our customers. We are looking ahead to the future and, as you'll see later in this report, there is a strong pipeline of projects and service opportunities. Digital transformation, infrastructure investment, the drive to net zero and increasing demand for stronger cyber security protection are all drivers for growth in each of our markets.

Third, our relationships at customer operating level and at senior management level are strong. We are professionals at working collaboratively certainly within our own teams, but also with our customers and partners. We're trusted to get the work done to the high-quality standards our customers expect, we deliver year-on-year additional benefits to our customer's operations through our long-term maintenance contracts. It's by maintaining this trust that we continue to grow strong partnerships.

### ***Focusing on operational excellence***

All of the above is an excellent platform from which we can grow the business. Our focus on operational excellence remains paramount as we look ahead to the future, and a relentless focus on continuous improvement will make us more efficient.

During the year we had to contend with cutbacks in our Infrastructure Services division, partly due to a reduction of work from our customer but also as a result of our decision to exit work from unprofitable regions. This unfortunately meant we had to restructure the business with the loss of a significant number of jobs. However, this division is now in a strong position to implement existing and future contracts in a more efficient way and continue to deliver excellent service to our customer.

Our Network Services and Transport divisions are both well established and prepared for growth this coming year with significant programmes of work ongoing. Not only have these areas continued to support existing customers and grow the order book, but they are also looking forward to several exciting opportunities over the coming months.

I'd like to take this opportunity to acknowledge the leadership, operational, and business support teams who work hard and deliver all year round. It's been a pleasure meeting colleagues and working with CEO Jo Gretton and her Management team. I look forward to continuing to support Jo and the team and I have every confidence that we will continue to provide excellent results for our customers and shareholders.

Paul Lester CBE

Chairman

## STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 31 March 2023. 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 technology solutions to UK critical national infrastructure providers including 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, Cisco, Department of Health, East Sussex Fire & Rescue Service, EE, Frequentis, Giganet, Ireland Health Service Executive, Home Office, Irish Fire Service, 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, Tyne & Wear and Northumberland FRS, University of Bristol, University of Exeter, Virgin Media and West Midlands Travel.
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, Worcestershire, Stoke-on-Trent, East & West Sussex, West Yorkshire and Gloucestershire), 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), MTR Elizabeth Line and London Overground franchises.
Infrastructure Services	Deploying scale solutions for design, build, maintenance and rationalisation of fibre and copper networks.	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. Only a small number of legacy legal entities and associated liabilities now remain, none trade and they continue to be 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".

**OBJECTIVE AND BUSINESS STRATEGY**

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

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

Our strategy is to achieve sustainable and profitable growth through the provision of operational technology solutions and services to the UK critical network infrastructure market. 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.

Telent has committed to matching the UK's climate target to deliver "net zero" emissions by 2050.

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

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

The profit for the year from trading activities was £3.6 million (2022: loss of £5.6 million). After taking into account the net profit from liability management, the profit for the year amounted to £6.6 million (2022: loss of £5.3 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	Group
<b>Operating profit/(loss) excluding exceptional items, depreciation and intangible amortisation</b>	<b>14.0</b>	<b>(0.9)</b>	<b>13.1</b>
Depreciation	(3.4)	-	(3.4)
Intangible asset amortisation	(3.1)	-	(3.1)
Exceptional items	(5.2)	3.1	(2.1)
<b>Total operating profit</b>	<b>2.3</b>	<b>2.2</b>	<b>4.5</b>
Net finance (expense)/income	(0.7)	0.8	0.1
Tax excluding exceptional items	2.0	-	2.0
<b>Profit for the year</b>	<b>3.6</b>	<b>3.0</b>	<b>6.6</b>
<b>Turnover</b>	476.1		
<b>Operating profit margin excluding exceptional items, depreciation and intangible amortisation</b>	<b>2.9%</b>		

Turnover reduced during the year from £485.3 million to £476.1 million primarily as a result of reduced volumes in the Infrastructure Services division. Whilst this impacted operating profitability in the Infrastructure Services division, improved performance across Transport and Network Services, with a significant reduction in the level of provisions for loss-making contracts recorded in the year has resulted in a doubling of the operating profit from trading activities excluding exceptional items, depreciation and intangible amortisation to £14.0 million (2022: £6.9 million). Exceptional trading items charged to the profit and loss account relate to restructuring costs of £5.6 million (2022: £2.4 million) offset by a reduction in expected property rationalisation costs of £0.4 million (see Note 7 to the Group Accounts). After depreciation and amortisation of intangible assets of £6.5 million (2022: £5.9 million), the profit for the year from trading activities amounted to £3.6 million (2022: loss of £5.6 million).

Good overall progress continued in liability management where the profit for the year of £3.0 million comprised operating costs of £0.9 million (2022: £0.8 million) and an exceptional provision release of £3.1 million (2022: cost £2.7 million) reflecting a reduction in the provision for legacy industrial disease claims following the latest actuarial valuation as at 31 December 2022 and net finance income of £0.8m.

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

Over the last year, our Network Services business has continued to focus on its strategic core market areas, namely: Emergency Services, Telecom Service Providers, and Government. These areas provide major growth opportunities for us, with significant programmes of work ongoing.

The Emergency Services sector in particular remains a key growth area, with considerable programmes of work ongoing for customers in the Ambulance and Maritime sectors, as well as continued support for Fire authorities around the UK. We've delivered substantial work for major Service Providers, such as Virgin Media and BT Group (including EE) as well as relatively new providers, such as Giganet. This work has included new network build as well as the support and maintenance of existing networks.

We've continued to work closely with our main customers over the last year and have seen a number of existing support and maintenance contracts renewed, some as far out as 2030. Both Merseyside Fire and Rescue and East Sussex Fire and Rescue IT outsource contracts were successfully extended. Our main Firelink contract, which involves supporting with equipment for fire services on the Airwave network, was also extended, as was our radio support contract with the Maritime and Coastguard Agency (MCA). We have also extended our contract with the Health Service Executive, a publicly funded healthcare system in the Republic of Ireland. Not only have we continued to grow our order book with existing customers, but over the last year we've won a number of important opportunities. These new wins include a major network transformation project for the University of Bristol, a network build (working with American telecommunications company Cisco) for the Greater Manchester Combined Authority, an IT services outsource for the MCA, as well as a number of private mobile network builds.

Progressing well with ongoing projects

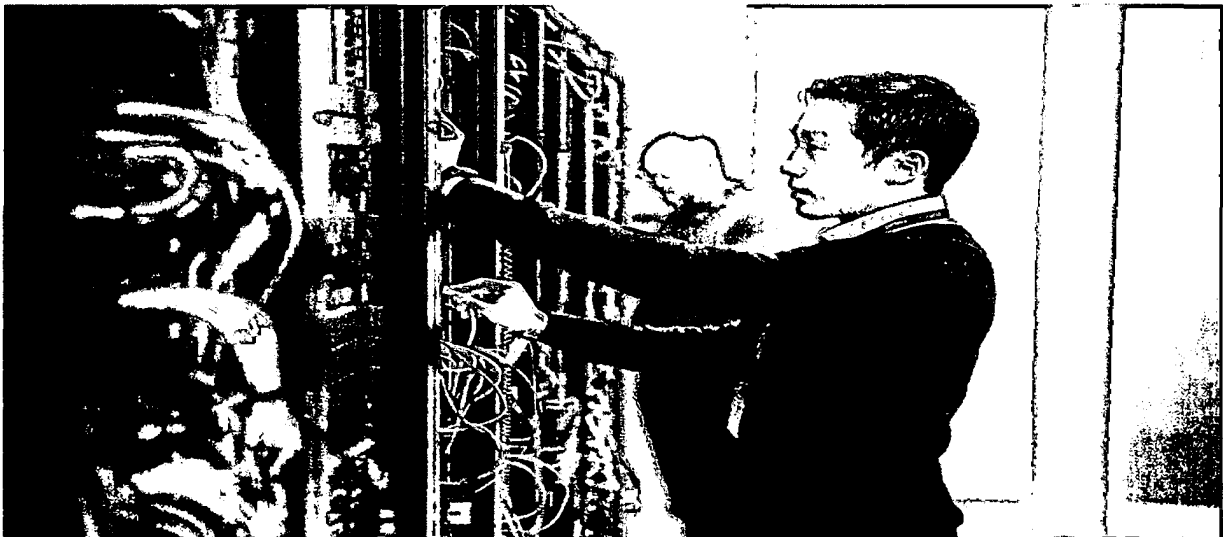
Two major projects have progressed well, and both have delivered more than the previous year. For the MCA, we're building a brand-new network, connecting remote radio sites based around 11,000 miles of UK coastline. The new network will replace the existing legacy infrastructure with a combination of full fibre and microwave technology.

For New Nuclear Build (NNB), we're providing the operational technology for the nuclear power station, Hinkley Point C, in Somerset. This work includes the design and provision of the data network (including amongst other elements, radio communications and CCTV).

Over the last year, we've continued to focus on the Mobile Service Provider sector and have benefited from a full year with The Harlequin Group, which was successfully acquired in December 2021.

Looking forward to the year ahead

Overall, we've grown our order book with our current customers and have seen sales rise since last year. For the year ahead, our Network Services business area will focus on ensuring a consistent high level of delivery with new and existing contracts, as well as further growth in strategic markets.



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

Over the last year, our Transport business has continued to support ongoing work with customers such as Network Rail, Train Operating Companies, Transport for London (TfL), National Highways, Boldyn Networks, Global Media, local and regional authorities, and numerous Tier 1 contractors across Transport.

With our customer TfL, we continue to be recognised as a strategic partner, who constantly strives to drive a whole life approach. We have continued to increase our legacy activities with TfL across our 1FM contract and specifically our project works which are focussed primarily on risk mitigation and cost avoidance. As TfL rolls out new technology, we have successfully delivered on our technical facilities management services contract, supported by our expanding suite of exclusive software products and technical domain knowledge. We were also successful in the TfL Surface Technology Contract Retender (STCR), winning work to upgrade and maintain CCTV and traffic signals in the South London region.

Outside London, we continue to grow our Traffic Signal business with huge demand from local authorities for LED and controller upgrades, driven partly by the declining availability of halogen bulbs and the increasing energy prices. As part of our work in this area, we're continuing to develop our leading edge Telent Optima Controller, which can be configured for all types of intersections and pedestrian control scenarios. The software architecture provides full support for a range of traffic applications, and our next generation product is due to launch in early 2024. Our recent acquisition of IDT increases our technology offerings with the innovative iMesh product.

Our Rail maintenance business continues to perform well, with strong customer relationships and annual revenue. Our in house developed technology, Arbitex, MICA, Acumen and Unity products continue to provide key differentiators. These technologies, along with our integrated operational platforms enable us to proactively manage assets efficiently, providing remote interventions, utilising a combination of technologies and a reliability centred maintenance approach giving efficient outcomes with minimal interventions. We also have a number of opportunities to expand our maintenance footprint with two new train operating companies.

We have continued to successfully deliver the National Roads Telecommunications Service (NRTS) transformation, upgrading and rolling out 11,000 network devices, implementing a new national high capacity transmission network and renewal of the 12 systems and networks used to operate the NRTS network. In December 2022 we completed the deployment and transformation of a new digital CCTV service across the UK, without any disruption to operations. Work is progressing well in this area and all network services will be migrated later this year. A new wireless alternative service and a complete refresh of the NRTS Service Management Systems have also been successfully deployed. Our position as the trusted NRTS Maintainer sees us collaborating with National Highways to find new and innovative ways to utilise technology.





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

**Project wins**

Over the last year, we've seen our Transport business secure the largest order book in over five years as well as expand our existing customer base.

Major new contract awards during the year include a multi-year programme with Network Rail to upgrade heritage communications equipment plus a major upgrade of station comms throughout the Wessex region, transmissions upgrades on the West Coast Mainline with Volkerrail and with Alstom as part of the Cambridge Re-Signalling Scheme (the largest in the UK). Our selection as Alstom's telecoms partner builds on our experience of working with Alstom on the Paddington to Reading (P2R) Project as part of the Elizabeth Line (Crossrail) Project.

We've also won a contract with the Cambridge Re-Signalling Relock Control (C3R) Project to replace a 40-year-old signalling system which covers 125 route miles in the Cambridge area. The work is expected to take up to two years and involves renewing the telecommunications systems, including the surveying, designing, installation, and commissioning of the new telecommunications components.

With our customer Network Rail, we've embarked on an upgrade of point-to-point transmission systems which have been carrying operational traffic since the 1980s. These Marconi and GEC systems are nearing end-of-life and present a significant risk to the day-to-day running of the railway if not replaced. Over the coming year, we will upgrade 176 sites, across two regions: Western and Wales (Wessex), and Southern (Sussex and Kent). Following the completion of surveys, designs, and installations we will be migrating circa 3000 circuits from the old systems to the new core network.

With National Highways, Telent were successful in being selected onto nine lots for the new National Highways Information Technology Commercial Framework. Combined with our strong position on the Operational Technology Commercial Framework, we are now positioned to support National Highways in the delivery of their Digital Roads Strategy. We were also successful in securing new contracts with the Smart Motorway Alliance for the installation of CCTV technology and have once again successfully extended maintenance services for National Highways across the M25 and supporting region. This extension means that Telent provide full end-to-end maintenance of Operational Technology, from the Control Office to the Roadside Device in the South East, South West and North East of England.

All of this sets a strong foundation with our customer National Highways and leads to us growing stronger in the Highways sector.

**Strong market fundamentals over the coming years**

These project wins come at a critical time within the Rail industry, as the strategic funding period for this sector, Control Period 6, enters its final year. In December 2022 the Department for Transport published the specification and Statement of Funds Available for Control Period 7. This covers the rail sector in England and Wales from April 2024 to March 2029. The UK Government has committed to £44 billion of spending through Network Rail over the coming five years.

This funding commitment, in combination with the Government's commitment to build HS2 and a rise in the number of passengers to pre-COVID levels, will ensure the Rail sector remains a strong and strategic market for our Transport business over the coming years.

Overall, the Transport markets continue to be positive for the design, build, operation, and maintenance of operational technology. We are seen as a proactive partner of choice combining our technical expertise and domain knowledge helping our customers to deliver their services. There remains a strong pipeline of projects and services, underpinned by a well performing set of annual maintenance contracts, which we look forward to continue focusing on in the coming years.

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

Our Infrastructure Services business has continued to deliver key services for its main customer, Openreach, over the last year. We've consistently delivered on fibre build projects and on the maintenance of the Openreach network each quarter and are one of Openreach's most reliable and trusted large-scale partners.

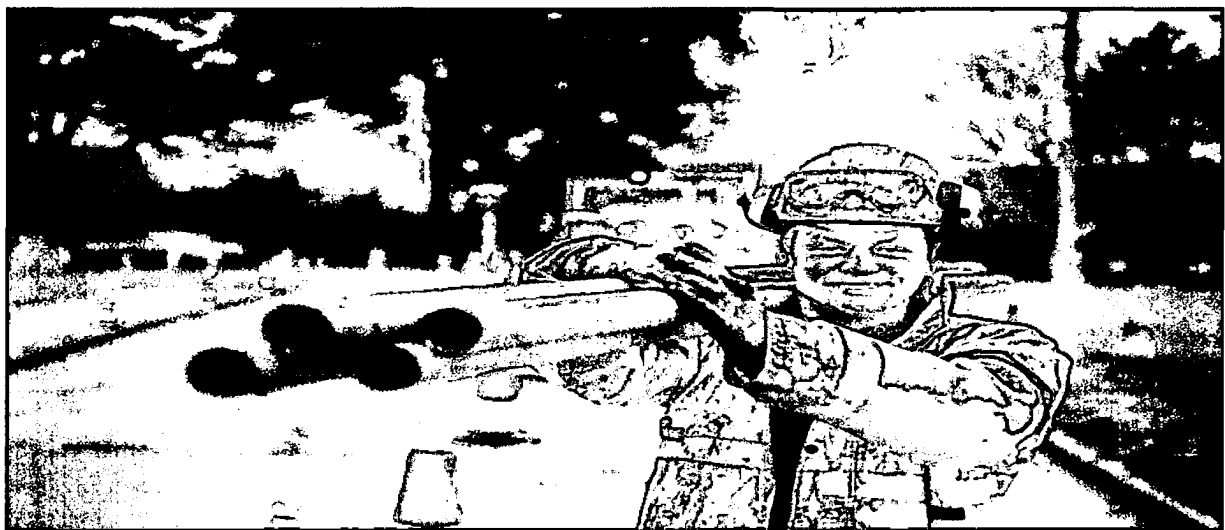
Over the last 12 months, we have overcome a number of challenges in this area. Having accelerated the build rate through the first half of the year we were then faced with rapid fluctuations in market demand and a change in Openreach's build strategy. As a result of these factors, work volumes decreased materially and in response we completed a major restructuring in February 2023.

By significantly reducing headcount and overheads, our business is leaner and more agile, leaving us in a better position to capitalise on the next wave of build tenders expected in Summer 2023. Over the year, we also exited the challenging South West region of the Openreach contract and closed a loss-making contract with our customer CityFibre in the North West.

*Navigating a challenging market*

In response to fluctuating market demands for resources and inflationary pressures we've continued to make changes to our delivery model and have invested in new processes and technology, including a new mobile field force application developed in-house.

Our business continues to use a combination of high-quality partners and direct labour to deliver services across contracts. In March 2022, we successfully acquired WRB Solutions, a telecommunications infrastructure build business. The integration of WRB's expertise has strengthened our capabilities in delivering poling operations.



*Focusing on profitable growth and expansion*

The UK Government's £5 billion commitment to deliver reliable broadband to homes and businesses, as part of Project Gigabit, will continue to provide opportunities for growth for us over the coming year. In particular, we're focusing on opportunities to win work under the Building Digital UK (BDUK) Framework and the geographically most remote 'Area 3' rollout of the programme.

We also expect to see continuing change in the Network Operator, Connection Provider, and Service Provider markets, with the merging of independent alternative networks (Altnets) becoming more likely.

Overall, our Infrastructure Services business is excellently placed to capitalise on exciting opportunities resulting from these market shifts, as well as prospects in adjacent industries. Our focus for the coming years will be on profitable growth and broadening our customer base in these sectors.

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

<b>£ million</b>	<b>2023</b>	<b>2022</b>
Net Assets	<b>46.4</b>	39.7
Cash and cash equivalents	<b>35.4</b>	42.5
Of which unrestricted	<b>32.6</b>	40.1
Bank drawdown	<b>(29.1)</b>	(31.3)

Group net assets increased to £46.4 million from £39.7 million.

At 31 March 2023, the Group has drawn down £29.1 million (2022: £31.3 million) of its £45.0 million (2022: £50.0 million) revolving credit facility. During the year, the committed facility was extended for a further year to February 2025. At the same time, at the request of the Group, the facility was reduced from £50.0 million to £45.0 million with the benefit of lowering the non-utilisation fee for the remaining term.

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

The table below summarises cash movements during the year ended 31 March 2023:

£ million	Trading Activities	Liability Management	Group
<b>Cash at 1 April 2022</b>			<b>42.5</b>
<i>Of which unrestricted</i>			40.1
<i>Of which restricted</i>			2.4
<b>Cash generated/(utilised) by operating activities*</b>	<b>9.9</b>	<b>(1.4)</b>	<b>8.5</b>
Exceptional items	(5.2)	(0.4)	(5.6)
Purchase of subsidiary (net of cash acquired)	(2.9)	-	(2.9)
Proceeds from sale of fixed assets	0.1	-	0.1
Capital expenditure	(3.6)	-	(3.6)
<b>Investing activities</b>			<b>(6.4)</b>
Interest on borrowings			(1.3)
Repayment of borrowings			(2.6)
<b>Net cash outflow</b>			<b>(7.4)</b>
Foreign exchange			0.3
<b>Cash at 31 March 2023</b>			<b>35.4</b>
<i>Of which unrestricted</i>			<b>32.6</b>
<i>Of which restricted</i>			<b>2.8</b>

\*Excludes exceptional items cash flows.

The Group's unrestricted cash balance remained strong at £32.6 million at 31 March 2023 (2022: £40.1 million). In addition to this unrestricted balance at 31 March 2023, the Group had a committed unutilised balance available on its revolving credit facility ("RCF") of £15.9 million and £11.5 million undrawn on a supplier finance facility with one of its major customers ("supplier finance facility").

The unrestricted cash balance at 31 March 2023 included the benefit of £15.1 million cumulative early receipt of invoiced funds drawn down under the supplier finance facility (2022: £11.1 million). The £4.0 million benefit is included in cash generated by operating activities which totalled £9.9 million after taking into account the cash spend associated with loss making contracts in Transport. During the year, the Group used unrestricted cash of £2.2 million to partially repay the Group's RCF (2022: £6.3 million additional draw down). Within trading activities are exceptional cash outflows of £5.2 million, which related to restructuring (£3.7 million) and property rationalisation (£1.5 million). The net cash outflow on the acquisition (£2.9 million) relates primarily to the deferred consideration on the acquisition of the Harlequin Group. During the year, the Group incurred capital expenditure of £3.6 million (2022: £5.3 million), and received proceeds from the sale of fixed assets of £0.1m (2022: £3.0 million).

The £0.8 million reduction in year-on-year cash outflow for Liability Management results mainly from the timing of cash flows relating to legacy environmental liabilities (2023: £1.8 million; 2022: £2.6 million).

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

**NON-FINANCIAL KEY PERFORMANCE INDICATORS**

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

	2023	2022
Lost time incidents <sup>1)</sup>	-	2
Deaths/Major injuries <sup>2) &amp; 3)</sup>	-	-
Dangerous occurrences <sup>3)</sup>	-	-
Total	-	2

- 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.

The target of a zero Accident Frequency Rate ("AFR") was achieved for the year ended 31 March 2023. The final result for the financial year was an AFR of 0.00 (2022: 0.03). Telent also monitors all other injuries and an injury rate for any lost time injury ( $\geq 1$  shift or day lost time). The final lost time injury rate for the year to 31 March 2023 was 0.07 compared to 0.23 for March 2022.

The Group continues to act on the leadership commitment to keep everyone safe and well with the launch of the Safely Connected programme which includes a focus on progressive development of Safety Leadership skills for Line Managers and has established a refreshed vision for safety in Telent. This reflects a renewed strategy for safety at Telent and a commitment to reduce all injuries to zero.

The corporate Safety Week campaign continues delivering a structured/guided Safety Conversation on a quarterly basis for Line Managers to engage the team on relevant safety and behavioural safety situations. In addition, targeted safety subjects are provided, including a monthly programme for Driver Safety Awareness, which support the progressive reduction over the past 3 years in overall injury rates, including reductions in real terms in injuries related to manual handling (a key working risk for Telent). A reporting culture is proactively encouraged with increasing numbers of "near miss" and "don't walk by" reports being monitored. During the reporting year, a programme of "Mind Safety" to improve general awareness of how behaviours and beliefs support or influence a Safety Culture and Safety Performance was launched to all employees. Safety values and behaviours have been fully integrated into the Telent Values and Behaviours.

## 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 2023.

#### **Stakeholders**

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

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 the 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](http://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 and Future Youth Zone in Dagenham. 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.

*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***

*Chairman Appointment* – Paul Lester was appointed as Chairman of the Board of Telent Limited 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. Paul's experience is 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. The future growth of Telent will benefit the following groups of stakeholders: employees; suppliers and subcontractors; and customers, as well as its shareholders.

*Investment in Cyro Cyber Limited* – Telent acquired a majority shareholding in Cyro Cyber Limited in December 2022. Cyro Cyber Limited is a dedicated cyber security business which will strengthen Telent's position as a leading industry specialist in cyber security technology and services. Cyro Cyber will provide a full portfolio of cyber security services, including both consultancy and managed services. The business will primarily focus on serving Telent's core critical national infrastructure sectors, where cyber security is an ever-increasing priority. The acquisition of Cyro Cyber limited is expected to benefit all of the Group's stakeholders.

*Chief Information Officer Appointment* - Luan Hughes was appointed as Chief Information Officer for Telent in January 2023. Luan has over 20 years' experience successfully directing global business transformations and IT operations. Her experience will enable Telent to further develop its IT strategy and make the most of its business applications and infrastructure. This will support Telent's drive for efficiency and help to ensure continued growth in existing markets and the ability to capitalise on new market opportunities.

*Infrastructure Services* - In response to challenging market conditions, we completed a major restructuring in February 2023, significantly reducing headcount and overheads, increasing the use of automation and rationalising our sub-contractor base to ensure we are well placed to maximise opportunities within the market going forwards. The ability to maximise market opportunities going forward will benefit the following groups of stakeholders: employees; suppliers and subcontractors; and customers, as well as its shareholders.

*Incentive Shares* – During the year, Telent issued a new class of incentive shares and amended the terms of certain existing incentive shares. All changes were made with the approval of those members affected by the decision.

*Revolving Credit Facility* – The Group's revolving credit facility with Lloyds Bank plc has been extended by a period of one year to February 2025. The facility represents an ongoing committed source of funding for the Group, enabling long term growth opportunities. The facility commitment has been reduced from £50.0 million to £45.0 million at the request of the Group, with the benefit of lowering the non-utilisation fee for the remaining term. The reduction in committed facility principally benefits Lloyds Bank plc, a key stakeholder.

**STRATEGIC REPORT (CONTINUED)**  
**ENERGY & CARBON REPORTING**

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

	2023	2022
<b>SECR Mandatory Reporting Requirements</b>	<b>UK and offshore</b>	<b>UK and offshore</b>
Energy consumption used to calculate emissions <i>/kWh</i> Figure is comprised of gas, electricity, transport fuel and gas oil from backup generators	37,398,950.8	39,024,438.6
Emissions from combustion of gas <i>/tCO<sub>2</sub>e</i> (Scope 1)	497.4	510.7
Emissions from combustion of fuel for transport purposes <i>/tCO<sub>2</sub>e</i> (Scope 1)	7,317.5	7,608.2
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel <i>/tCO<sub>2</sub>e</i> (Scope 3)	416.9	858.4
Emissions from purchased electricity (Scope 2) <i>/tCO<sub>2</sub>e</i> (Location Based)	1,490.8	1,896.0
Total gross CO <sub>2</sub> e based on above <i>/tCO<sub>2</sub>e</i>	9,722.6	10,881.4
Emissions from purchased electricity (Scope 2) <i>/tCO<sub>2</sub>e</i> (Market Based)	191.2	300.5
Intensity ratio: tCO <sub>2</sub> e / FTE Employee	3.5	3.9

**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.



## **STRATEGIC REPORT (CONTINUED)**

### **ENERGY & CARBON REPORTING (CONTINUED)**

#### ***Energy Efficiency Action***

During the reporting year we have verified our previously reported data and have amended our 2021/2022 FTE figure and intensity metric which has resulted in our intensity metric reducing from 4.1tCO<sub>2</sub>e/FTE to 3.9tCO<sub>2</sub>e/FTE.

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 decrease from the previous year. Our total gross carbon emissions decreased by 11% from 2021/2022. Our carbon intensity decreased by 10% from 2021/2022 and is 12% lower than pre-pandemic levels of 4.0 tCO<sub>2</sub>e / FTE employee in 2019/2020.

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

- Scope 1 - a 17% decrease in gas consumption from the closure of a number of depots and the upgrading of heating systems at Wellingborough;
- Scope 1 – a 9% decrease in fuel consumption for transport purposes due to the reduction of our HGV fleet;
- Scope 3 – a 51% reduction in emissions from rental and private vehicles due to a reduction in the use of short term hires and private vehicles for business related travel and the transfer of drivers to fleet vehicles where necessary.

As our fleet continues to grow so does the proportion of low emission, ultra-low emission and zero emission vehicles. Emphasis over the reporting period has been placed on reducing the number of vehicles on short-term hire and redeploying vehicles within our essential fleet in addition to increasing the number of fully electric vehicle options available to our benefit users. Our HGV fleet has also reduced in size due to changes in our operations.

In 2021 we introduced a centralised travel booking system to encourage the use of public transport and to increase data availability for reporting. During the reporting year we have seen travel by public transport increase by 160%, this can be attributed almost entirely to a significant increase in the amount of train travel during the year.

Our Scope 2 emissions from location based purchased electricity decreased by 21% from 2021/2022 and is now 27% lower than our first SECR reporting year. This reduction during the reporting year is the result of office rationalisation due to organisational changes, continued adoption of agile working by employees, upgrades to lighting and heating infrastructure and an investment in free-air cooling for our Wellingborough Laboratory. Our desk and meeting room booking system has been in use for over 12 months and is being used effectively to manage employee numbers and to monitor office usage.

During the reporting period we have continued to purchase electricity from a Renewable Energy Guarantees of Origin (REGO) backed tariff. Renewable electricity now accounts for more than 86% of the total energy used by Telent (up from 82% in the last reporting year). A number of our landlords have also committed to supplying renewable energy at our rented premises.

During the reporting year we have set science-based targets which have been approved by SBTi. We are now working to incorporate our reduction targets into our Carbon Reduction Plan. The Group commits to reduce absolute scope 1 and 2 GHG emissions by 46.2% by FY30 from a FY20 base year. The Group also commits to reduce scope 3 GHG emissions from purchased goods and services and capital goods by 55% per GBP value added within the same timeframe.

## **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 ensures that sufficient committed funds are available to the Group. During the year, this facility was renegotiated by the Group resulting in an extension to the facility to February 2025 and the Directors also chose to reduce the available facility from £50.0 million to £45.0 million.

##### **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. 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. 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.

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

27 July 2023

## 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 2023.

### DIRECTORS

The Directors holding office since 1 April 2022 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 commit to 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 36 days (2022: 30 days).

### RESEARCH AND DEVELOPMENT

Research and development costs of £2.1 million were incurred in the year (2022: £1.8 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 2023. Charitable donations made by Group companies during the year amounted to £30,000 (2022: £16,000), all of which were made to charities in the UK. These amounts exclude non-cash support provided by operating businesses to charitable organisations and educational establishments. In addition to Telent's direct charitable contributions, the Group is also a major sponsor of Mind having adopted the organisation as its corporate charity on 1 January 2022. Since pledging its support to Mind, Telent and its staff have raised in excess of £95,000 for the charity, of which £83,000 was raised in the year ended 31 March 2023.

No political donations were made during the year ended 31 March 2023 (2022: £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 continued to place considerable pressure on our ability to generate profit from Infrastructure Services' contracts in the year. However, the business has remained extremely resilient. The Group's balance sheet shows net current assets of £82.2 million (2022: £86.9 million), including unrestricted cash balances of £32.6 million (2022: £40.1 million). Taking into account new contract wins and the first few months' trading since April 2023, 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 2024 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

Over the last year, we've placed a significant emphasis on our people strategy and embedding the areas below into the culture of Telent. This year, we're also introducing a new people system to support with this strategy and drive efficiencies for managers and employees.

Our people strategy is all about developing and retaining our colleagues to ensure they reach their potential and continue to perform at their very best, as well as continuing to develop an inclusive culture that reflects our Values. During the last year this has meant that we've continued to focus on engagement and the elements of the strategy that will help us be an employer of choice.

The new people system will enable us to support some of our development aspirations. Our people system underpins many of our activities at Telent, including people practices and processes and supporting the development of our employees in delivering for our customers. Over the coming months, our main focus will be ensuring our colleagues are prepared for this new system and engaged with the benefits it will bring when it launches.

Health, safety, and wellbeing

#### *Health and safety*

Over the last 12 months, our focus in this area has been on developing a Safety Climate Programme to ensure that health and safety is embedded into the culture of Telent and everyone goes home safe and well at the end of each working day.

Over the last year, we've held dedicated safety weeks each quarter on a number of topics to engage our teams and encourage discussions around best practice. We've also launched a learning programme for all colleagues developed by MindSafety®. The programme is led by managers around Telent and is accompanied by huddle cards to support managers and teams in having regular conversations around health and safety best practice.

Additionally, our Fleet team run a programme of driver safety learning and information sharing each month. This programme has received recognition within the industry, with Telent winning a "RoSPA (Royal Society for the Prevention of Accidents) Fleet Safety" gold award for the third year in a row, and the "Wellbeing and Inclusivity in Fleet" award at the Fleet News Awards earlier this year.

#### *Wellbeing*

Wellbeing (including reward) has continued to evolve over the last year. The economic climate has been challenging over recent months, and this has put pressure on our colleagues and their families, both financially and with their wellbeing.

During the year, in addition to existing wellbeing initiatives we launched a new financial wellbeing service to colleagues through our partner Salary Finance. This service offers free education around finances plus access to financial products including debt consolidation loans, advances on earned pay, and savings options.

## **DIRECTORS' REPORT (CONTINUED)**

### **OUR EMPLOYEES (CONTINUED)**

#### ***Wellbeing (continued)***

We've also continued to grow our employee benefit offering and over the last 12 months have launched a brand-new Wellbeing Centre provided by our partner, Reward Gateway; introduced a new Cycle to Work scheme to support colleagues around Telent with their physical wellbeing; and launched a Professional Memberships scheme to support colleagues in applying to a professional body connected to their role and help keep their skills and qualifications up to date.

#### **Resourcing and growing talent**

The market for skills is more competitive than ever, and part of our people strategy for the next five years is to ensure our internal development programmes retain the best talent, and our external brand attracts people who share our Values and reflect our culture. Over the last year, we've focused on developing our Employee Value Proposition (EVP) which gives candidates a real insight into what they can expect from us when they apply, when they join, and throughout their career. Our Marketing team has been working to build our brand, develop our social media presence, and refresh our careers website to reflect this new EVP.

In line with our Be Inclusive Value, we've also introduced UInclude into our recruitment practices. UInclude is a writing tool that supports the creation of inclusive job descriptions and adverts. This ensures that the language we use in adverts and role descriptions isn't biased against underrepresented groups, which in turn supports a much better user experience.

We continue to be a passionate supporter of service personnel and have a growing community of Armed Forces members and service leavers. We actively promote and support the recruitment of service leavers and have recently launched a Service Leavers Community Group within the business to support with attracting new talent and linking colleagues together for support and connection.

We provide regular learning and development courses throughout the year for all colleagues, and a dedicated manager training curriculum to ensure new and existing managers have the tools they need to support their teams – which has a direct link to employee retention. We also work with Raise the Bar to deliver management development programmes such as Managing for Success and Stepping into Management.

#### **Engagement and communication**

Each year we run an employee engagement survey to provide metrics, highlight the areas where we're doing well, and receive feedback from employees on where we can focus our attention for future growth and development. Over the last year, we've also launched Employee Voice – an improved employee forum that provides opportunities for colleagues to ask questions on business performance and strategy and hear proposed change programmes that will impact colleagues.

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

Communication with colleagues has continued to develop and grow, and we're looking forward to developing this further over the coming months. Earlier this year, we launched a monthly *Manager's Digest* – a roundup of important information for managers to share directly with their teams during briefings and town halls. This helps to ensure we're reaching our colleagues in the field via alternative channels. Looking ahead, we will be launching Viva Engage in the coming months to further support with engagement, and our new Chief Information Officer, Luan Hughes, will be putting a strategy in place to ensure that we are driving maximum value from our technology investments, building future-proofed platforms and capabilities that underpin business objectives and creating an exceptional experience for our business users.

## **DIRECTORS' REPORT (CONTINUED)**

### **OUR EMPLOYEES (CONTINUED)**

#### **Equality, Diversity, and Inclusion (ED&I)**

Be Inclusive is one of our core Values at Telent, and over the last year we've been working hard to embed a culture of equality, diversity, and inclusion (ED&I) around the business. Led by our dedicated ED&I Steering Group, we've published our ED&I Action Plan internally and on our website. This plan sets out a clear framework for how we will continue to make ED&I central to Telent's culture and outlines our aims and focuses over the next few years.

This year, we've launched Community Groups around the business. These Communities build on quarterly panel discussions for prominent awareness days (such as Pride Month, Black History Month, and Armed Forces Day) and support colleagues with connection with like-minded people. Recently, we launched a Neurodiversity Celebration Community following an inspiring live talk with special guest speaker, Dr. Sally Finnie, a Doctor of Clinical Neuropsychology. The talk was held as part of Neurodiversity Celebration Week, and members of this Community are supporting the business with further actions in this space.

Additionally, we've worked with the Clear Company on a training programme focused on ED&I topics to encourage learning around unconscious bias, microaggressions, and privilege. To date, this training has launched among our Leadership teams with plans to roll the training out to managers and employees later this year.

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.

An example of one of these programmes is the Greater London Authority (GLA) Design Lab Programme, which we've been a proud part of over the last year. The year-long initiative, supported by the Mayor of London's Workforce Integration Network, is focused on increasing the representation of young Black men in the technology sector. It also explores the causes of under-representation while designing and testing approaches to tackle them. During the programme, we've been involved in workshops, one-to-one coaching, and engagement with young people as well as joining with other businesses as part of recruitment drives.

#### **Social Value**

Investing in Social Value is an important priority for Telent and goes hand-in-hand with our core Values: Be Inclusive, Take Responsibility, Collaborate and Customer Focused.

Telent continues to support a number of initiatives such as the "Inspire" Youth Zone local to its Chorley site and the "Future" Youth Zone for Barking and Dagenham. Together these youth zones provide inspirational environments for over 10,000 young people. We support the London Transport Museum's Enjoyment to Employment Programme and our flagship STEM Ambassador programme exposes graduates to real life experiences, whilst supporting communities by making engineering professionals available at local schools. In the coming year Telent are developing:

- additional governance and procedures to support the delivery of Social Value in line with strategic targets and objectives
- investment in Social Value offering to fulfil customer requirements
- education of Bid and Project Managers in the identification and adoption of Social Value opportunities.

#### ***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.

## **DIRECTORS' REPORT (CONTINUED)**

### **ITEMS COVERED IN THE STRATEGIC REPORT**

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

### **GOING CONCERN**

The financial statements for the year ended 31 March 2023 have been prepared on a going concern basis. In adopting the going concern basis, the Directors have considered the Group's business activities, principal risks and uncertainties as well as the operating result (both actual and forecast).

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

- The revolving credit facility was extended by one year to February 2025, which is outside of the going concern period and we anticipate this will be renewed. The Group chose to reduce the available facility from £50 million to £45 million, which has the benefit of a reduced non-utilisation fee. A small repayment of £2.2 million was also made during the year such that £29.1 million was drawn out of the total available facility of £45.0 million.
- The amount drawn down under a supplier finance facility at 31 March 2023 is £15.1 million (2022: £11.1 million). The remaining balance on the supplier finance facility that could have been drawn as at 31 March 2023 was £11.5 million.

An assessment of the Group's ability to continue as a going concern for the period to 30 September 2024 was carried out by the Directors. This assessment was based on the latest medium-term cash forecasts, which were derived from the Board approved budget. These base case forecasts indicate that financing facilities currently in place are sufficiently adequate to support the Group over this period.

The Directors have also stress-tested these forecasts in order to determine the level 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. The key risks considered include a deterioration in payment terms from customers; fluctuations in revenue volumes from key customers; and an increase in costs.

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

Furthermore, the Directors expect the Group to continue to trade profitably during the year ending 31 March 2024 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 and Liability Management activities.

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 (2022: £Nil), representing a dividend per share of Nil pence (2022: Nil 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

27 July 2023

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.

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 2023, 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 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 2023 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the 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 the cost of living crisis, we assessed and challenged the reasonableness of estimates made by the Directors and the related disclosures and analysed how those risks might affect the Group's and the Parent Company's financial resources or ability to continue operations over the going concern period.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

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

### ***Other information***

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

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

We have nothing to report in this regard.

### ***Opinions on other matters prescribed by the Companies Act 2006***

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

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

### ***Matter on which we are required to report under the Companies Act 2006***

In the light of the knowledge and understanding of the Group and the Parent Company and their 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 set out on page 24, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the 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.

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

- We understood how the 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 accounts with applicable financial reporting requirements.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - 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.

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


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

- 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.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### *Use of our report*

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

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: 27 July 2023

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 March	Note	2023 £ million	Restated 2022 £ million
Turnover	4	476.1	485.3
Cost of sales	5	(413.3)	(430.8)
Gross profit	5	62.8	54.5
Administrative expenses		(60.4)	(56.6)
Other operating income	5	7.3	4.7
<b>Operating profit/(loss)</b>			
Excluding exceptional items and intangible asset amortisation		9.7	2.6
Intangible asset amortisation	13	(3.1)	(2.4)
Exceptional items	7	(2.1)	(3.8)
<b>Total operating profit/(loss)</b>	5,6	4.5	(3.6)
Interest receivable and similar income	9	1.5	1.6
Interest payable and similar charges	10	(1.4)	(1.2)
<b>Profit/(loss) on ordinary activities before taxation</b>			
Excluding exceptional items		6.7	0.6
Exceptional items	7	(2.1)	(3.8)
		4.6	(3.2)
<b>Taxation</b>			
Excluding exceptional items		2.0	(2.1)
Exceptional items		-	-
	11	2.0	(2.1)
<b>Profit/(loss) for the year</b>			
Excluding exceptional items		8.7	(1.5)
Exceptional items		(2.1)	(3.8)
		6.6	(5.3)

All results derive from continuing operations.

The notes on pages 34 to 60 form an integral part of these financial statements.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<b>Year ended 31 March</b>	<b>Note</b>	<b>2023 £ million</b>	<b>2022 £ million</b>
<b>Profit/(loss) for the year</b>		<b>6.6</b>	<b>(5.3)</b>
Exchange losses on translation of foreign operations		<b>(0.6)</b>	<b>(0.2)</b>
Net unrealised losses on available for sale investments		-	<b>(0.2)</b>
Re-measurement of defined benefit asset/liability	27	<b>0.7</b>	<b>0.3</b>
<b>Total recognised income/(expense) for the year</b>		<b>6.7</b>	<b>(5.4)</b>

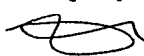


**CONSOLIDATED BALANCE SHEET**

<b>As at 31 March 2023</b>	<b>Note</b>	<b>2023 £ million</b>	<b>2022 £ million</b>
<b>Fixed assets</b>			
Intangible assets and goodwill		9.3	12.0
Negative goodwill		(0.6)	(1.0)
Total intangible assets and goodwill	13	8.7	11.0
Tangible fixed assets	14	8.3	8.9
Retirement benefit scheme asset	27	0.6	0.1
		<b>17.6</b>	<b>20.0</b>
<b>Current assets</b>			
Stocks	17	16.4	13.7
Debtors – due within one year	18	139.8	159.8
Debtors – due after one year	18	24.7	21.4
Cash at bank and in hand	19	35.4	42.5
<i>Of which unrestricted</i>		32.6	40.1
<i>Of which restricted</i>		2.8	2.4
		<b>216.3</b>	<b>237.4</b>
Creditors: amounts falling due within one year	20	(134.1)	(150.5)
<b>Net current assets</b>		<b>82.2</b>	<b>86.9</b>
<b>Total assets less current liabilities</b>		<b>99.8</b>	<b>106.9</b>
Creditors: amounts falling after more than one year	21	(29.8)	(31.7)
Retirement benefit scheme obligation	27	-	(0.2)
Provisions	22	(23.6)	(35.3)
<b>Net assets</b>		<b>46.4</b>	<b>39.7</b>
<b>Capital and reserves</b>			
Called-up share capital	23	0.7	0.7
Revaluation reserve	23	7.2	7.2
Retained earnings	23	38.5	31.8
<b>Total equity</b>		<b>46.4</b>	<b>39.7</b>

The financial statements of Telent Limited (company number 67307) were approved by the Board of Directors and authorised for issue on 27 July 2023. 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 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 1 April 2022	0.7	7.2	31.8	39.7
Profit for the year	-	-	6.6	6.6
Other comprehensive income	-	-	0.1	0.1
Total recognised income for the year	-	-	6.7	6.7
<b>At 31 March 2023</b>	<b>0.7</b>	<b>7.2</b>	<b>38.5</b>	<b>46.4</b>

Movements in retained earnings are shown in the consolidated statement of comprehensive income. Dividends and share-based payments are shown in Note 23.

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

	£ million
At 1 April 2022	5.9
Exchange loss on translation of foreign operations	(0.6)
<b>At 31 March 2023</b>	<b>5.3</b>

**CONSOLIDATED CASH FLOW STATEMENT**

<b>Year ended 31 March</b>	<b>Note</b>	<b>2023 £ million</b>	<b>2022 £ million</b>
<b>Operating activities</b>			
Net cash inflow/(outflow) from trading activities		<b>9.9</b>	(17.4)
Net cash outflow from liability management activities		<b>(1.4)</b>	(0.8)
Net cash inflow/(outflow) from operating activities before exceptional items		<b>8.5</b>	(18.2)
Cash outflow from exceptional items		<b>(5.6)</b>	(5.2)
<b>Net cash flows from/(used in) operating activities</b>	<b>25</b>	<b>2.9</b>	<b>(23.4)</b>
<b>Investing activities</b>			
Purchases of tangible fixed assets		<b>(3.0)</b>	(4.3)
Acquisition of business, net of cash acquired	<b>12</b>	<b>(2.9)</b>	(4.2)
Acquisition of intangible assets		<b>(0.6)</b>	(1.0)
Proceeds from disposal of tangible fixed assets		<b>0.1</b>	3.0
Net sale of available for sale investments (UK Pension Plan escrows)		-	29.3
Income from deposits and UK Pension Plan escrows		-	0.8
<b>Net cash (used in)/from investing activities</b>		<b>(6.4)</b>	<b>23.6</b>
<b>Financing activities</b>			
Repayment of borrowings		<b>(2.3)</b>	-
Proceeds from new borrowings		-	6.7
Financing receipt in advance		-	5.4
Interest paid on borrowing		<b>(1.3)</b>	(0.8)
Payment of hire purchase lease liabilities		<b>(0.3)</b>	(0.3)
<b>Net cash flows (used in)/from financing activities</b>		<b>(3.9)</b>	<b>11.0</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>42.5</b>	<b>31.2</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(7.4)</b>	<b>11.2</b>
Effect of foreign exchange rate changes		<b>0.3</b>	0.1
<b>Cash and cash equivalents at the end of the year</b>		<b>35.4</b>	<b>42.5</b>
<i>Of which unrestricted</i>		<b>32.6</b>	<b>40.1</b>
<i>Of which restricted</i>		<b>2.8</b>	<b>2.4</b>

All cash flows derive from continuing operations.

## NOTES TO THE CONSOLIDATED ACCOUNTS

### 1. GENERAL INFORMATION

Telent Limited is a company incorporated in 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 2023 and the comparative information for the year ended 31 March 2022.

#### *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 financial statements for the year ended 31 March 2023 have been prepared on a going concern basis. In adopting the going concern basis, the Directors have considered the Group's business activities, principal risks and uncertainties as well as the operating result (both actual and forecast).

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

- The revolving credit facility was extended by one year to February 2025, which is outside of the going concern period and we anticipate this will be renewed. The Group chose to reduce the available facility from £50 million to £45 million, which has the benefit of a reduced non-utilisation fee. A small repayment of £2.2 million was also made during the year such that £29.1 million was drawn out of the total available facility of £45.0 million.
- The amount drawn down under a supplier finance facility at 31 March 2023 is £15.1 million (2022: £11.1 million). The remaining balance on the supplier finance facility that could have been drawn as at 31 March 2023 was £11.5 million.

An assessment of the Group's ability to continue as a going concern for the period to 30 September 2024 was carried out by the Directors. This assessment was based on the latest medium-term cash forecasts, which were derived from the Board approved budget. These base case forecasts indicate that financing facilities currently in place are sufficiently adequate to support the Group over this period.

The Directors have also stress-tested these forecasts in order to determine the level 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. The key risks considered include a deterioration in payment terms from customers; fluctuations in revenue volumes from key customers; and an increase in costs.

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

Furthermore, the Directors expect the Group to continue to trade profitably during the year ending 31 March 2024 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 and Liability Management activities.

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 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	
	2023	2022
US Dollar	1.2364	1.3167
Euro	1.1381	1.1834

## 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
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 4 years on average

#### ***Stocks***

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



## NOTES TO THE 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. A surplus is only recognised where there is an expectation that it will be recovered through reduced contributions in the future or refunds from the plan.

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, and are netted off against the provision when they will be settled directly rather than by the Group (see Note 22).

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 26, where an adverse outcome is possible, but not probable.

## **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.

#### ***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 Directors do not consider that any of the judgements, apart from those involving estimations (see below), that they have made in applying the accounting policies set out in Note 2 have had a significant effect on the amounts recognised in the financial statements.

#### *Estimates*

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

#### *Revenue and profit recognition on long-term contracts (see Note 4)*

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 total costs likely to be incurred in delivering the contract, the forecast margin at completion and the related accrued or deferred income (see Notes 18 and 20). 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 (see Note 22). 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 (see Note 11) 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 22. 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, but not probable, obligations or otherwise do not meet the recognition criteria for a provision are disclosed in Note 26, unless the possibility of transferring economic benefits is remote.

The Group has no (2022: one) contracts 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 2023 value of provisions for forecast losses.

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 2022. 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 2023 provision during the year ending 31 March 2024. 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 2024 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 2024, there could be a material adjustment to the 31 March 2023 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 2024 is not plausible.

**NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED)****4. TURNOVER**

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

<b>Year ended 31 March</b>	<b>2023 £ million</b>	<b>2022 £ million</b>
United Kingdom	<b>470.6</b>	479.5
Europe	<b>5.5</b>	5.7
Other	<b>-</b>	0.1
	<b><u>476.1</u></b>	<b><u>485.3</u></b>

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

£4.0 million (2022: £4.5 million) of turnover originated from outside the United Kingdom.

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

<b>Year ended 31 March</b>	<b>2023 £ million</b>	<b>2022 £ million</b>
Revenue from services	<b>454.4</b>	463.3
Sales of goods	<b>21.7</b>	22.0
	<b><u>476.1</u></b>	<b><u>485.3</u></b>

	<b>2023 £ million</b>	<b>2022 £ million</b>
Contracts in progress at the balance sheet date:		
Trade debtors	<b>12.8</b>	7.2
Amounts recoverable under long term contracts (within accrued income in Note 18)	<b>31.3</b>	37.3
	<b><u>44.1</u></b>	<b><u>44.5</u></b>

The amount of long-term contract revenue recognised within turnover in the year amounted to £118.1 million (2022: £105.9 million).

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

<b>Year ended 31 March 2023</b>	<b>Before exceptional items £ million</b>	<b>Operating exceptional items £ million</b>	<b>Total £ million</b>
Turnover	476.1	-	476.1
Cost of sales	(413.3)	-	(413.3)
Gross profit	62.8	-	62.8
Research and development	(2.1)	-	(2.1)
Selling and associated costs	(14.6)	(2.1)	(16.7)
Administration expenses	(46.8)	-	(46.8)
Other operating income	7.3	-	7.3
Operating profit/(loss)	6.6	(2.1)	4.5

<b>Year ended 31 March 2022</b>	<b>Restated Before exceptional items £ million</b>	<b>Operating exceptional items £ million</b>	<b>Restated Total £ million</b>
Turnover	485.3	-	485.3
Cost of sales	(430.8)	-	(430.8)
Gross profit	54.5	-	54.5
Research and development	(1.8)	-	(1.8)
Selling and associated costs	(14.3)	-	(14.3)
Administration expenses	(42.9)	(3.8)	(46.7)
Other operating income	4.7	-	4.7
Operating profit/(loss)	0.2	(3.8)	(3.6)

All results derive from continuing operations.

**6. OPERATING PROFIT/(LOSS)**

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

<b>Year ended 31 March</b>	<b>2023 £ million</b>	<b>2022 £ million</b>
Depreciation of tangible fixed assets	3.4	3.5
Amortisation of goodwill and other intangible assets	3.5	2.9
Amortisation of negative goodwill	(0.4)	(0.5)
Operating lease payments	7.6	7.6

## NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED)

## 7. EXCEPTIONAL ITEMS

These items have been analysed as follows:

Year ended 31 March		2023 £ million	2022 £ million
Trading activities			
Restructuring costs	i)	(5.6)	(2.4)
Property rationalisation	ii)	0.4	(1.7)
Legacy and pensions			
Legacy provision releases and (increases)	iii)	3.1	(2.7)
Pension settlement accrual release	iv)	-	3.0
Exceptional items within operating profit/(loss)		<u>(2.1)</u>	<u>(3.8)</u>

- i) As part of the Group's cost reduction and continuous improvement actions, a net charge of £5.6 million was made in relation to the combined cost of employee severance and other restructuring costs in the year ended 31 March 2023 (2022: £2.4 million).
- ii) In the year ended 31 March 2023, £0.4 million of the dilapidation provision set up in the previous year was released, following conclusion of negotiations with the leaseholder. In the year ended 31 March 2022, following a re-evaluation of the Group's owned and leased property portfolio, provision was made for two onerous operating leases (£2.0 million) and a dilapidation provision of £1.2 million created; these were offset by a £1.5 million profit on the disposal of a freehold property.
- iii) Legacy provisions are kept under continual review by management. This resulted in a provision release in the year of £3.1 million (2022: net expense of £2.7 million), principally from a reduction in the provision for industrial disease claims, following the latest actuarial valuation to 31 December 2022 (See Note 22).
- iv) In the year ended 31 March 2022, pension settlement accrual release of £3.0 million arose on completion of the buy-in and subsequent winding-up of the UK Pension Plan.

The taxation impact of these exceptional (charges)/credits was £Nil (2022: £Nil) due to the existence of accumulated historical tax losses.



**NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED)****8. EMPLOYEES****a) Directors' remuneration**

<b>Year ended 31 March</b>	<b>2023 £ million</b>	<b>2022 £ million</b>
Directors' emoluments	<u>1.1</u>	<u>0.8</u>

The Directors are the individuals having authority and responsibility for planning, directing and controlling the Group's activities. The highest paid Director had emoluments of £0.5 million (2022: £0.4 million) and the Group made no contributions towards a defined contribution pension (2022: £Nil). No dividends were paid to Directors in the year (2022: £Nil).

The number of Directors who were members of the Group's defined contribution pension scheme was 2 (2022: 2).

**b) Average monthly number of employees**

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

<b>Year ended 31 March</b>	<b>2023 Number</b>	<b>2022 Number</b>
Operations	2,275	2,353
Selling and administration	<u>470</u>	<u>488</u>
	<u>2,745</u>	<u>2,841</u>

**c) Staff costs**

<b>Year ended 31 March</b>	<b>2023 £ million</b>	<b>2022 £ million</b>
Wages and salaries	130.0	127.2
Social security costs	14.7	13.5
Other pension costs	6.8	6.6
Share-based payments	-	0.1
	<u>151.5</u>	<u>147.4</u>

**9. INTEREST RECEIVABLE AND SIMILAR INCOME**

<b>Year ended 31 March</b>	<b>2023 £ million</b>	<b>2022 £ million</b>
Realised gains on UK Pension Plan escrows	-	0.2
Net other UK Pension Plan escrow finance income	-	0.8
Foreign exchange gains	0.5	0.6
Interest receivable from other loans and deposits	0.2	-
Unwind of discount on creditors and provisions	0.8	-
	<u>1.5</u>	<u>1.6</u>

## NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED)

## 10. INTEREST PAYABLE AND SIMILAR CHARGES

Year ended 31 March	2023 £ million	2022 £ million
Interest payable on borrowings	1.4	1.0
Unwind of discount on creditors and provisions	-	0.2
	<u>1.4</u>	<u>1.2</u>

## 11. TAXATION

## a) Tax on profit/(loss)

Year ended 31 March	2023 £ million	2022 £ million
Current tax:		
Current UK tax	(0.7)	(0.4)
Current overseas tax	(0.1)	(0.1)
UK tax under provision in respect of prior years	(0.7)	(0.3)
Overseas under provision in respect of prior years	-	(0.1)
Deferred tax:		
UK rate change	1.2	2.5
Origination and reversal of timing differences	2.3	(3.7)
	<u>2.0</u>	<u>(2.1)</u>

## b) Reconciliation of tax credit/(charge) for the year

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

Year ended 31 March	2023 £ million	2022 £ million
<b>Profit/(loss) before taxation on continuing operations</b>	<u>4.6</u>	<u>(3.2)</u>
Tax at a standard rate of 19% (2022: 19%)	(0.9)	0.6
Tax effect of expenses that are not deductible in determining taxable profit	0.8	(1.8)
Utilisation of previously unrecognised deferred tax asset	(0.7)	0.7
Under provision in respect of prior years	(0.7)	(0.4)
Effect of change in UK tax rate	1.2	2.5
Increase/(reduction) in recognised deferred tax asset	2.3	(3.7)
<b>Tax credit/(charge) for the year</b>	<u>2.0</u>	<u>(2.1)</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	2023		2022	
	Recognised £ million	Unrecognised £ million	Recognised £ million	Unrecognised £ million
Deferred tax arising from:				
Tax losses	2.5	729.9	2.5	716.6
Timing differences	20.9	89.4	17.6	91.1
Fair value adjustments on acquisition	(0.3)	-	(0.5)	-
	<u>23.1</u>	<u>819.3</u>	<u>19.6</u>	<u>807.7</u>

The Directors are of the opinion that the anticipated level of profits before tax over the foreseeable future supports the recognition of £23.1 million of deferred tax assets (2022: £19.6 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 historically disclaimed capital allowances (2022: pension contributions £3.8 million and historically disclaimed capital allowances £13.8 million).

The substantively enacted UK corporation tax rate at 31 March 2023 and 2022 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 2023 has therefore been calculated using a rate of 25% (March 2022 using a blended rate) to reflect this increase. The impact of this increase is to increase the deferred tax asset by £1.2 million. The credit/(charge) through the profit and loss account can be analysed as follows:

	2023 £ million	2022 £ million
Asset arising from tax losses and timing differences	2.3	(3.7)
Effect of UK rate change	1.2	2.5
	<u>3.5</u>	<u>(1.2)</u>

**12. ACQUISITION OF BUSINESS**

Following the acquisition of the Harlequin Group in the year ended 31 March 2022, the deferred consideration of £2.8 million was paid in the year to 31 March 2023.

On 1 December 2022, Telent acquired a 67% stake in Cyro Cyber Limited, a cyber security business. The fair value of the purchase consideration comprised the transfer to Cyro of existing Telent cyber contracts, which have been independently valued at £1.0 million. No goodwill arose on the acquisition. Between acquisition and 31 March 2023, Cyro has contributed £0.1m to Group turnover and a £0.2 million loss resulting from business mobilisation and start up costs.

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

<b>£ million</b>	<b>Software costs</b>	<b>Other intangibles</b>	<b>Goodwill</b>	<b>Negative goodwill</b>	<b>Total</b>
<b>Cost</b>					
At 1 April 2022	14.4	36.0	68.2	(14.5)	104.1
Acquisition of business	0.1	-	0.1	-	0.2
Additions	0.5	0.1	-	-	0.6
<b>At 31 March 2023</b>	<b>15.0</b>	<b>36.1</b>	<b>68.3</b>	<b>(14.5)</b>	<b>104.9</b>
<b>Accumulated amortisation</b>					
At 1 April 2022	(11.8)	(33.6)	(61.2)	13.5	(93.1)
Charge for the year	(0.9)	(1.1)	(1.5)	0.4	(3.1)
<b>At 31 March 2023</b>	<b>(12.7)</b>	<b>(34.7)</b>	<b>(62.7)</b>	<b>13.9</b>	<b>(96.2)</b>
<b>Net book value</b>					
<b>At 31 March 2023</b>	<b>2.3</b>	<b>1.4</b>	<b>5.6</b>	<b>(0.6)</b>	<b>8.7</b>
At 31 March 2022	2.6	2.4	7.0	(1.0)	11.0

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 £1.1 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**

<b>£ million</b>	<b>Freehold property</b>	<b>Long leasehold property</b>	<b>Fixtures, fittings, tools and equipment</b>	<b>Total</b>
<b>Cost</b>				
As at 1 April 2022	0.7	7.4	29.1	37.2
Additions	-	0.1	2.9	3.0
Disposals	-	-	(0.4)	(0.4)
<b>As at 31 March 2023</b>	<b>0.7</b>	<b>7.5</b>	<b>31.6</b>	<b>39.8</b>
<b>Accumulated depreciation and impairment losses</b>				
As at 1 April 2022	(0.6)	(4.1)	(23.6)	(28.3)
Charge for the year	-	(0.8)	(2.6)	(3.4)
Disposals	-	-	0.2	0.2
<b>As at 31 March 2023</b>	<b>(0.6)</b>	<b>(4.9)</b>	<b>(26.0)</b>	<b>(31.5)</b>
<b>Net book value</b>				
<b>At 31 March 2023</b>	<b>0.1</b>	<b>2.6</b>	<b>5.6</b>	<b>8.3</b>
At 31 March 2022	0.1	3.3	5.5	8.9

**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 2023, 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, Plessey Incorporated, is taking action to deal with this exposure, which has been funded from the Plessey Group's cash balances. One of Telent Group's US subsidiaries acts as Guarantor for 50% of Plessey Incorporated's exposures to these US environmental liabilities. The Group's assessment of possible exposure under this guarantee has been adequately provided for (see Note 22).

The net investment in the jointly controlled entity is £Nil (2022: £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.

**17. STOCKS**

	<b>2023</b>	2022
	<b>£ million</b>	£ million
Raw materials and bought in components	8.6	8.6
Work in progress	7.8	5.1
	<u>16.4</u>	<u>13.7</u>

An impairment release of £0.1 million (2022: £0.2 million) was recognised in cost of sales against stock during the year due to a reduction (2022: reduction) in the levels of slow-moving and obsolete stock.

**18. DEBTORS**

	<b>2023</b>	2022
	<b>£ million</b>	£ million
<b>Amounts falling due within one year</b>		
Trade debtors	55.0	58.5
Accrued income	63.5	76.8
Research and development tax debtor	7.3	5.2
Other debtors	1.7	2.7
Prepayments	12.3	16.6
	<u>139.8</u>	<u>159.8</u>
<b>Amounts falling after more than one year</b>		
Other debtors	1.6	1.8
Deferred tax asset	23.1	19.6
	<u>24.7</u>	<u>21.4</u>

Trade debtors are stated after provision for impairment of £0.7 million (2022: £0.8 million). Accrued income is stated after provision for impairment of £Nil (2022: £1.5 million).

**NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED)****19. CASH AT BANK AND IN HAND**

	<b>2023</b>	<b>2022</b>
	<b>£ million</b>	<b>£ million</b>
Unrestricted bank deposits	<b>32.6</b>	40.1
Restricted cash on deposit	<b>2.8</b>	2.4
Cash and cash equivalents	<b>35.4</b>	42.5
Analysis of restricted cash balances:		
Overseas tax escrow	<b>1.9</b>	1.8
Italian escrow	<b>0.4</b>	0.5
Other	<b>0.5</b>	0.1
	<b>2.8</b>	2.4
Cash and cash equivalents by currency:		
Sterling	<b>31.4</b>	36.9
Euros	<b>2.8</b>	3.5
US Dollars	<b>1.2</b>	2.1
	<b>35.4</b>	42.5

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 (£1.9 million; 2022: £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 2023, the Group's cash included approximately US\$1.5 million (£1.2 million) and €3.1 million (£2.8 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 2023. The average rate of interest achieved on invested cash was less than 0.1% per annum (2022: 0.1%).

## NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED)

## 20. CREDITORS: AMOUNTS FALLING DUE IN LESS THAN ONE YEAR

	2023 £ million	2022 £ million
Payments received in advance	21.0	23.2
Trade creditors (a)	38.9	29.7
Other taxation and social security	11.9	11.6
Other creditors (b)	7.7	13.2
Accruals and deferred income (c)	54.4	72.4
Amounts due under Hire Purchase agreements	0.2	0.3
Overseas corporation tax	-	0.1
	<u>134.1</u>	<u>150.5</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 36 days (2022: 30 days).
- b) Other creditors includes a payment in advance of £4.8 million (2022: £5.4 million) 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.

## 21. CREDITORS: AMOUNTS FALLING DUE IN MORE THAN ONE YEAR

	2023 £ million	2022 £ million
Bank borrowings	28.8	31.1
Accruals and deferred income	0.8	0.3
Amounts due under Hire Purchase agreements	0.2	0.3
	<u>29.8</u>	<u>31.7</u>

In March 2023, the Group extended its unsecured revolving credit arrangement with Lloyds Bank to February 2025, there is an option to request an extension of the arrangement for a further year. In addition, the Group has chosen to reduce the size of the facility from £50.0 million to £45.0 million.

At 31 March 2023 the Group had drawn down £29.1 million (2022: £31.3 million) against this facility, all interest was paid (2022: interest accrual of £0.1 million) and has offset £0.3 million (2022: £0.3 million) of associated costs incurred in setting up and extending the facility which will be charged to the profit and loss account over the remaining term of the facility. Interest accrues on the drawn down balance at SONIA + 1.95% per annum (2022: SONIA + 1.95%) plus a credit adjustment spread of, typically, 0.03% and a non-utilisation fee of 0.78% (2022: 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)**  
**22. PROVISIONS**

	Re- structuring £ million	Warranties £ million	Contracts and commitments £ million	Litigation £ million	Other £ million	Total £ million
At 1 April 2022	2.4	0.7	16.2	13.9	2.1	35.3
Charged/(credited)	5.5	0.3	7.3	(0.9)	0.2	12.4
Released	(0.9)	-	(0.4)	(2.6)	(0.4)	(4.3)
Utilised	(5.1)	-	(14.5)	(0.6)	(0.2)	(20.4)
Foreign exchange	-	-	-	0.6	-	0.6
<b>At 31 March 2023</b>	<b>1.9</b>	<b>1.0</b>	<b>8.6</b>	<b>10.4</b>	<b>1.7</b>	<b>23.6</b>
Current	1.9	0.9	8.2	3.3	0.3	14.6
Non-current	-	0.1	0.4	7.1	1.4	9.0
	<b>1.9</b>	<b>1.0</b>	<b>8.6</b>	<b>10.4</b>	<b>1.7</b>	<b>23.6</b>

Restructuring provisions comprise costs for onerous leases and dilapidations created following a re-evaluation of the Group's property portfolio after the introduction of an agile working policy in May 2021 and the rationalisation of the number sites in the Infrastructure Services business.

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 £7.3 million relates largely to two loss-making contracts in our Transport business.

The amounts in litigation are held principally for legacy environmental liabilities and industrial disease. The utilisation of the £7.1 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 2023 amounted to £7.9 million (2022: £8.8 million).

The Group's exposure to industrial disease claims at 31 March 2023 is estimated at £2.5 million (31 March 2022: £5.1 million) after discounting at a rate of 4.00% (31 March 2022: 0.69%) and was assessed by an independent, external actuary at 31 December 2022. The provision of £2.5 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 £4.1 million (2022: £6.6 million). The next external actuarial assessment will be carried out as at 31 December 2025.

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



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

***Share capital***

	<b>Number of shares</b>	<b>2023 £ million</b>	<b>2022 £ million</b>
<b>Ordinary shares of 1p each</b>			
Allotted, called-up and fully paid	<b>64,409,935</b>	<b>0.7</b>	<b>0.7</b>
<b>'B' Ordinary shares of 1p each</b>			
Allotted, called-up and fully paid	<b>1,583,850</b>	<b>-</b>	<b>-</b>
<b>'C' Ordinary shares of 1p each</b>			
Allotted, called-up and fully paid	<b>200,000</b>	<b>-</b>	<b>-</b>
<b>'D' Ordinary shares of 1p each</b>			
Allotted, called-up and fully paid	<b>568</b>	<b>-</b>	<b>-</b>
<b>'E' Ordinary shares of 1p each</b>			
Allotted, called-up and fully paid	<b>400</b>	<b>-</b>	<b>-</b>

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' and 'E' 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' and 'E' Ordinary shareholders have an option to require the holders of the Company's Ordinary Shares to purchase the 'D' and 'E' Ordinary shares as detailed in the Articles of Association.

***Share-based payments***

During the year ended 31 March 2023, 400 1p 'E' Ordinary shares (31 March 2022: 42 1p 'D' Ordinary shares) were issued at par, through a nominee company, to a Director and their spouse. The fair value of these share-based payments was £Nil (31 March 2022: £0.1 million), which has been expensed to the profit and loss account in the year and was calculated using a binomial valuation. 20 1p 'D' Ordinary shares were purchased by the Company and cancelled in the year (31 March 2022: 24). No share options were outstanding at either the beginning or end of the period.

***Dividends***

No dividends were declared or paid in the year (2022: £Nil), representing a dividend per share of Nil pence (2022: Nil 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 32.

**NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED)**  
**24. NET DEBT RECONCILIATION**

	<b>Note</b>	<b>At 1 April £ million</b>	<b>Cash flows £ million</b>	<b>New financing £ million</b>	<b>Other £ million</b>	<b>At 31 March £ million</b>
Cash and cash equivalents	19	42.5	(7.4)	-	0.3	<b>35.4</b>
Bank loan	21	(31.1)	3.6	-	(1.3)	<b>(28.8)</b>
Hire purchase	20,21	(0.6)	0.3	-	(0.1)	<b>(0.4)</b>
Financing receipt in advance	20b	(5.4)	-	-	0.6	<b>(4.8)</b>
		<b>5.4</b>	<b>(3.5)</b>	<b>-</b>	<b>(0.5)</b>	<b>1.4</b>

Other movements relate to foreign exchange movements, loan interest and fees, hire purchase interest and utilisation of receipt in advance.

**25. NOTES TO THE CASH FLOW STATEMENT**

<b>Year ended 31 March</b>	<b>2023 £ million</b>	<b>2022 £ million</b>
Profit/(loss) for the year	<b>6.6</b>	(5.3)
Taxation (credit)/charge	<b>(2.0)</b>	2.1
Net interest income	<b>(0.1)</b>	(0.4)
Operating profit/(loss)	<b>4.5</b>	(3.6)
Exceptional items	<b>2.1</b>	3.8
Depreciation, amortisation and impairments	<b>6.5</b>	5.9
Share-based payments	<b>-</b>	0.1
Operating cash flows before movements in working capital	<b>13.1</b>	6.2
(Increase)/decrease in stocks	<b>(2.8)</b>	2.3
Decrease/(increase) in debtors	<b>18.0</b>	(4.9)
Decrease in creditors	<b>(12.1)</b>	(19.3)
Increase in provisions, including defined benefit asset/obligation	<b>(7.6)</b>	(2.3)
Cash inflow/(outflow) from operations	<b>8.6</b>	(18.0)
Net interest received	<b>0.1</b>	-
Net income taxes paid	<b>(0.2)</b>	(0.2)
Net cash inflow/(outflow) from operating activities before exceptional items	<b>8.5</b>	(18.2)
Cash outflow from exceptional items	<b>(5.6)</b>	(5.2)
Net cash inflow/(outflow) from operating activities after restructuring and other exceptional items	<b>2.9</b>	(23.4)

All cash flows derive from continuing operations.

**NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED)****26. CONTINGENT LIABILITIES*****Guarantees***

At 31 March 2023, the Group had provided third parties with a total of £1.1 million (2022: £1.1 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:

	2023 £ million	2022 £ million
Expiring: Thereafter	0.7	0.5
No expiry date	0.4	0.6
	<u>1.1</u>	<u>1.1</u>

**27. POST-RETIREMENT BENEFITS*****Defined benefit pension plans***

The Group continues to operate two 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 2023 and 31 March 2022, all by independent qualified actuaries. The FRS 102 surplus at 31 March 2023 was £0.4 million (2022: £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 2022 and a valuation for accounting purposes was carried out as at 31 March 2023 and 31 March 2022, all by independent qualified actuaries. The FRS 102 surplus at 31 March 2023 was £0.2 million (2022: deficit £0.2 million). The next statutory funding valuation will be performed as at 31 March 2025.

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

At 31 March	2023	2022
Average assumptions used	(% pa)	(% pa)
<b>TCPSPS</b>		
Rate of increase in pensions in payment	3.60	3.99
Rate of increase for deferred pensioners	2.95	3.99
Discount rate applied to liabilities	4.72	2.73
Inflation assumption	3.60	3.99
<b>ESPF</b>		
Rate of increase in pensions in payment (CPI)	2.90	3.20
Discount rate applied to liabilities	4.80	2.60
Rate of salary increase	2.90	3.20

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

***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 surplus and its components:

	Defined benefit obligation		Fair value of plan assets		Net defined benefit surplus/(liability)	
	2023 £ million	2022 £ million	2023 £ million	2022 £ million	2023 £million	2022 £ million
Balance as at 1 April	(2.1)	(2.1)	2.0	1.7	(0.1)	(0.4)
<b>Included in the profit and loss account</b>						
Service cost	(0.1)	(0.1)	-	-	(0.1)	(0.1)
Interest income/(expense)	0.1	-	(0.1)	-	-	-
<b>Included in Other Comprehensive Income</b>						
Remeasurement of the Defined benefit obligation <sup>1</sup>	0.8	0.1	(0.1)	0.2	0.7	0.3
<b>Other</b>						
Company contributions	-	-	0.1	0.1	0.1	0.1
<b>Balance as at 31 March</b>	<b>(1.3)</b>	<b>(2.1)</b>	<b>1.9</b>	<b>2.0</b>	<b>0.6</b>	<b>(0.1)</b>
Disclosed as:						
Net defined benefit surplus (TCPSPS)					0.4	0.1
Net defined benefit surplus/(obligation) (ESPF)					0.2	(0.2)
					<b>0.6</b>	<b>(0.1)</b>

<sup>1</sup> Net actuarial gains of £0.3 million relating to the TCPSPS and £0.4 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 2023 £0.7 million are considered to be Level 1 (2022: £0.8million) and £1.2 million in Level 3 (2022: £1.2 million).

***Defined contribution pension schemes***

The Group operates defined contribution schemes in addition to the defined benefit schemes. Contributions to these schemes amounted to £6.7 million (2022: £6.3 million).

## NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED)

### 28. OPERATING LEASE ARRANGEMENTS

#### *The Group as lessee*

At 31 March 2023, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2023 £ million	2022 £ million
Within one year	7.0	9.0
In the second to fifth years inclusive	13.9	12.3
After five years	18.0	13.7
	<u>38.9</u>	<u>35.0</u>

### 29. CAPITAL COMMITMENTS

Amounts contracted for but not provided in the financial statements amounted to £1.0 million (2022: £Nil) for the Group.

### 30. FEES PAID TO AUDITOR

Fees payable to the Company's auditors for the audit of the Company's annual accounts were £459,000 (2022: £435,000), of which £232,000 (2022: £225,000) is payable for the audit of the Group and Company and £227,000 (2022: £210,000) for the audit of individual subsidiaries.

£10,375 (2021: £9,200) of non-audit fees were payable to the Company's auditors for other services to the Group 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.

### 31. PRIOR YEAR ADJUSTMENT

The results for the year ended 31 March 2022 have been restated to reflect a misclassification of administrative expenses as cost of sales. This has had the impact of reducing cost of sales from £436.9m to £430.8m in the Consolidated Profit and Loss account, increasing administrative expenses from £50.5m to £56.6m in the Consolidated Profit and Loss account, reducing cost of sales before exceptional items from £436.9m to £430.8m in Note 5 and increasing administration expenses before exceptional items from £36.8m to £42.9m in Note 5.

**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	
	2023 £million	2022 £million	2023 £million	2022 £million
Tusk Management LLP – administration fee	0.1	0.1	-	-
Co-Investment Guernsey Limited – management services	-	(0.5)	-	-
Cyro Cyber Limited – trading activity	0.4	n/a	0.3	n/a
Cyro Cyber Limited – trading activity	(0.7)	n/a	(0.3)	n/a

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.

Cyro Cyber Limited is a related party by virtue of being a non 100% owned subsidiary of the Group, following its acquisition in December 2022.

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 the total aggregate remuneration for key management personnel are disclosed below:

Year ended 31 March	2023 £ million	2022 £ million
Short-term employee benefits	3.4	3.1
Pension contributions	-	-
Share-based payments	-	0.1
	<u>3.4</u>	<u>3.2</u>

**33. FINANCIAL INSTRUMENTS**

The Group uses financial instruments, including derivatives (principally forward foreign currency exchange contracts) to hedge currency exposure risks, when considered appropriate. At 31 March 2023 the Group had outstanding contracts to purchase USD 27.4 million (2022: USD 26.4 million), sell USD 4.2 million (2022: USD 5.6 million), purchase EUR 0.4 million (2022: to purchase EUR 1.1 million and to sell EUR 1.0 million). All such contracts mature in the year ending 31 March 2024, with the exception of contracts to purchase USD 3.5 million (2022: USD 3.8 million), of which matures 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.

**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 PO Box 656, East Wing, Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 3PP. The immediate parent undertaking is Co-Investment Guernsey Limited, which is registered in Guernsey.

**COMPANY BALANCE SHEET**

<b>As at 31 March 2023</b>	<b>Note</b>	<b>2023 £ million</b>	<b>2022 £ million</b>
<b>Fixed assets</b>			
Investment in subsidiary undertakings	IV	<u>404.2</u>	<u>426.9</u>
<b>Current assets</b>			
Cash at bank and in hand	VI	<u>2.6</u>	<u>12.4</u>
		<u>2.6</u>	<u>12.4</u>
Creditors: amounts falling due within one year	VII	<u>(303.7)</u>	<u>(308.8)</u>
<b>Net current liabilities</b>		<u>(301.1)</u>	<u>(296.4)</u>
<b>Total assets less current liabilities</b>		<u>103.1</u>	<u>130.5</u>
Creditors: amounts falling due after more than one year	VIII	<u>(28.8)</u>	<u>(31.1)</u>
Provisions	IX	<u>(2.9)</u>	<u>(4.6)</u>
<b>Net assets</b>		<u>71.4</u>	<u>94.8</u>
Capital and reserves			
Called-up share capital	X	<u>0.7</u>	<u>0.7</u>
Profit and loss account <sup>1</sup>		<u>70.7</u>	<u>94.1</u>
<b>Total equity</b>		<u>71.4</u>	<u>94.8</u>

The notes on pages 63 to 67 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 27 July 2023. They were signed on its behalf by:

DocuSigned by:  
  
 2504471DCCA24AB...

J C Gretton

Chief Executive Officer

<sup>1</sup> The total recognised loss for the year was £23.4 million (2022: total recognised income of £0.8 million).

## COMPANY STATEMENT OF CHANGES IN EQUITY

	<b>Called-up share capital £ million</b>	<b>Profit and loss account £ million</b>	<b>Total £ million</b>
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
At 1 April 2022	0.7	94.1	94.8
Total recognised loss for the year	-	(23.4)	(23.4)
<b>As at 31 March 2023</b>	<b>0.7</b>	<b>70.7</b>	<b>71.4</b>

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 loss for the Company for the financial year amounted to £23.4 million (2022: profit of £0.8 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.

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 £301.1 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 35.

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	
	2023	2022
US Dollar	<b>1.2364</b>	1.3167
Euro	<b>1.1381</b>	1.1834

#### *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***

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company 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, and are netted off against the provision when they will be settled directly rather than by the Company (see Note IX).

***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 £10 million; alternatively an increase or decrease in discount rate of 1% would decrease or increase the carrying value of the Company's investment in subsidiaries by approximately £40 million.

**III. STAFF COSTS**

The average monthly number of employees in Telent Limited during the year was 6 (2022: 8).

<b>Year ended 31 March</b>	<b>2023 £ million</b>	<b>2022 £ million</b>
Wages and salaries	0.5	1.2
Social security costs	0.1	0.2
	<u>0.6</u>	<u>1.4</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	£ million
At 1 April 2022	-	-	3,770.5	(3,343.6)	30.2	(30.2)	426.9
Provided in the year	-	-	-	(22.7)	-	-	(22.7)
<b>At 31 March 2023</b>	<b>-</b>	<b>-</b>	<b>3,770.5</b>	<b>(3,366.3)</b>	<b>30.2</b>	<b>(30.2)</b>	<b>404.2</b>

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
Cyro Cyber Limited	67%	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. DEBTORS**

Deferred tax assets of £481.3 million (2022: £480.6 million) in respect of historic losses 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.

**VI. CASH AT BANK AND IN HAND**

	<b>2023</b>	<b>2022</b>
	<b>£ million</b>	<b>£ million</b>
Unrestricted cash and bank deposits	<b>0.1</b>	10.1
Restricted cash deposits	<b>2.5</b>	2.3
Cash and cash equivalents	<b>2.6</b>	12.4

Analysis of restricted cash balance:

	<b>2023</b>	<b>2022</b>
	<b>£ million</b>	<b>£ million</b>
Overseas tax escrow	<b>2.1</b>	1.8
Italian escrow	<b>0.4</b>	0.5
Restricted cash	<b>2.5</b>	2.3

An explanation of the restricted cash balances is contained in Note 19 to the Group Accounts.

**VII. CREDITORS: AMOUNTS FALLING DUE IN LESS THAN ONE YEAR**

	<b>2023</b>	<b>2022</b>
	<b>£ million</b>	<b>£ million</b>
<b>Amounts falling due within one year:</b>		
Amounts owed to Group companies	<b>301.7</b>	306.9
Other creditors	<b>2.0</b>	1.9
	<b>303.7</b>	308.8

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

**VIII. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>2023</b>	<b>2022</b>
	<b>£ million</b>	<b>£ million</b>
<b>Amounts falling due within one year:</b>		
Bank loans	<b>28.8</b>	31.1

An explanation of the bank loan is contained in Note 21 to the Group Accounts.

**NOTES TO THE COMPANY ACCOUNTS (CONTINUED)****IX. PROVISIONS**

	<b>Litigation £ million</b>	<b>Other £ million</b>	<b>Total £ million</b>
At 1 April 2022	2.6	2.0	4.6
Released	(1.2)	(0.3)	(1.5)
Utilised	-	(0.2)	(0.2)
<b>At 31 March 2023</b>	<b>1.4</b>	<b>1.5</b>	<b>2.9</b>

Provisions for litigation comprise expected employee claims relating to industrial disease. The provision of £1.4 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 £2.2 million (2022: £3.5 million).

Other provisions primarily comprise an unfunded post-retirement agreement. See Note 22 to the Group Accounts for details on the expected timing of payments.

**X. CALLED UP SHARE CAPITAL**

	<b>Number of shares</b>	<b>2023 £ million</b>	<b>2022 £ million</b>
<b>Ordinary shares of 1p each</b>			
Allotted, called-up and fully paid	<b>64,409,935</b>	<b>0.7</b>	<b>0.7</b>
<b>'B' Ordinary shares of 1p each</b>			
Allotted, called-up and fully paid	<b>1,583,850</b>	<b>-</b>	<b>-</b>
<b>'C' Ordinary shares of 1p each</b>			
Allotted, called-up and fully paid	<b>200,000</b>	<b>-</b>	<b>-</b>
<b>'D' Ordinary shares of 1p each</b>			
Allotted, called-up and fully paid	<b>568</b>	<b>-</b>	<b>-</b>
<b>'E' Ordinary shares of 1p each</b>			
Allotted, called-up and fully paid	<b>400</b>	<b>-</b>	<b>-</b>

As at 31 March 2023 there were no share options outstanding in respect of the Company's ordinary shares.

**Dividends**

No dividends were declared or paid in the year (2022: £Nil), representing a dividend per share of Nil pence (2022: Nil pence) per Ordinary share and 'B' Ordinary share held.

**XI. COMPANY RESERVES**

Included within the profit and loss reserve is a credit for the year ended 31 March 2023 of £Nil million (2022: £0.1 million), which is non-distributable as a result of issue of 'E' Ordinary shares in the year (2022: 'D' Ordinary shares).

**XII. 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 PO Box 656, East Wing, Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 3PP. 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 2023 and for which Group financial statements are prepared. Those Group financial statements are attached to this document.