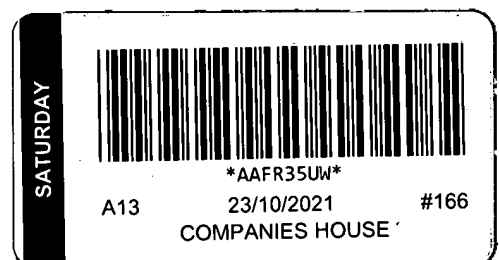


Company Registration No. 67307

## TELENT LIMITED

### Annual Report and Financial Statements Year ended 31 March 2021



# Telent Limited

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## CHAIRMAN'S STATEMENT

### A significant year in Telent's corporate development

The year ended 31 March 2021 has been a significant year in Telent's corporate development.

Completion of the transaction to buy out the liabilities of the Group's historic Defined Benefit pension plan in February 2021 has led to the benefits of all 39,000 plan members being secured in full through Rothesay Life. In parallel, historic restrictions on the Company's ability to take on secured financing and return capital to shareholders were lifted, and the Pension Plan Trustee agreed to an initial release of monies which had been held in pension escrow arrangements since the Company's formation in 2006.

As a result, the Board agreed to pay a series of special dividends to shareholders totalling £150.1 million. These were funded from the return of monies from the pension escrows, excess cash built up in the business over the years where restrictions applied, and monies drawn down under a newly implemented financing facility.

This leaves Telent with a robust balance sheet aligned to the size and requirements of its ongoing operations. The Group remains well financed with unrestricted cash of £28.8 million at 31 March 2021, undrawn financing facilities in excess of £50 million, further cash returns of £25.9 million expected from escrow upon wind-up of the pension plan later in the current year, and an operating business with a solid track record of strong cash generation.

### A challenging trading environment

Like many businesses, the last year has been characterised by a tremendous effort to adapt to the challenges brought about by Covid-19. Our results for the year demonstrate the resilience of our business operations thanks, in part, to the mission-critical nature of the services we provide. Although there were delays to a number of contracts at the onset of the pandemic, the vast majority of our operations continued and the business was quick to adapt to changing regulations, ensuring safe working procedures were agreed with customers and suppliers and put into practice. Our success is also a testimony to the ongoing dedication and support of colleagues across the Company, who have worked tirelessly to provide vital services for our customers.

Telent has also faced challenges of its own during the year. Headline revenues have reduced by £96.1 million. This was largely the result of a decision by our largest customer to diversify its supply chain for activities covering the build, maintenance and repair of its network infrastructure. This led to a reduction in the number of geographic regions covered by Telent. Telent has secured a major new contract win with CityFibre that will add to its infrastructure volumes as it mobilises for delivery in this new financial year and we continue to target new business growth in this exciting sector.

Reduced revenues had a direct impact on the Group's operating profit in the year, which was also hit by material cost over-runs on two highly complex projects in the Transport sector. Management has worked in close collaboration with its customers to adapt technical solutions and meet revised time commitments.

Over the last few months, Telent has recruited new members into its executive management team, with the appointment of a new Group Engineering Director<sup>1</sup> to bring renewed focus and discipline to our technical capability and a new Group People Director<sup>1</sup> to support our growth ambitions, with a focus on colleague retention and recruitment.

### Confidence in the business outlook

The Group remains in a strong financial position. With a record order book, the Directors are confident that the business will continue to trade profitably and to generate cash into the medium term. The Covid-19 pandemic has underscored how vital the UK's communication services are for everyone and that continued investment in digital transformation is essential. Thanks to our history of long-standing customer relationships, strong growth in our core markets, and our highly skilled technical workforce, we can look to the future with confidence.

*David Naylor-Leyland*

D G E Naylor-Leyland  
Chairman  
29 July 2021

<sup>1</sup> Neither the new Group Engineering Director nor the new Group People Director are Directors of Telent Limited; both are Directors of the principal trading subsidiary Telent Technology Services Limited.

## STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 31 March 2021. The Strategic Report aims to provide fair and balanced insight into the Group's main objectives, strategies and risks. It complements, supplements and provides context for the Group's financial statements.

## PRINCIPAL ACTIVITIES

### *Trading business*

The Group is a leading provider of mission-critical digital services to Telecom Service Providers, Public Safety organisations, Transport operators, Public Sector bodies and Large Enterprises. We deliver services through three business units aligned to our target sectors:

Sector / Business unit	Services provided	Examples of key customers
Network Services	Design, installation, integration and ongoing support of mission-critical digital infrastructure, including communication networks, storage and hosting systems, applications and terminals and devices.  Focused on Telecom Service Providers, Emergency Services, Maritime Safety, Public Sector and Large Enterprises.	BAE, BT, Cheshire Police, Devon & Cornwall Police, East Sussex Fire & Rescue Service, EDF, EE, Eli Lilly, Equiniti, Ericsson, GlaxoSmithKline, Ireland Health Service Executive, Home Office, Irish Fire Service, KCOM, London Ambulance Service, London Internet Exchange, Lumen, Maritime & Coastguard Agency, Mersey Fire and Rescue Service, Motorola, New Nuclear Build, North West Firecontrol, Northern Ireland Fire & Rescue Service, Parliamentary Digital Services, RNLI, Sky, SSE, Sure Guernsey, Telefonica, University of Exeter, Virgin Media and Vodafone.
Transport	Design, installation, integration and whole-life management and operation of mission-critical 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.	Highways England, Transport for London (London Underground, Highways, DLR, Bus and Coach Stations, Piers, Cycle Hire Stands, Substations, London Transport Museum and Offices), Transport for Greater Manchester, Local and County Councils (including Cumbria, Essex, Kent, Oxfordshire, Stoke-on-Trent, East & West Sussex, West Yorkshire and Wiltshire), Alstom, Crossrail, Global Media, Lumen, Network Rail, High Speed 1 and Train Operating Companies (including Arriva, FirstGroup and Trenitalia) covering the Southwest (SWR), Great Western (GWR), West Coast Mainline (Avanti), Northern, Mersey Rail, Essex Thameside (C2C) and London Overground franchises.
Infrastructure Services	Design, deployment and maintenance of mission-critical passive infrastructure. Focused on Network Operators.	Openreach and CityFibre.

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

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

**UK PENSION PLAN**

Telent is the sponsor of the G.E.C. 1972 Pension Plan ("UK Pension Plan"). As reported in the prior year Strategic Report, we announced the signing of a bulk-annuity insurance buy-out agreement with specialist regulated pensions insurer, Rothesay Life, in September 2019, which eliminated a disproportionately large funding obligation for the Group and ensures the long term security for members. The transaction had two phases. The initial buy-in transaction in September 2019 involved the transfer of the assets of the UK Pension Plan and a portion of the cash held in escrow by the Group for the benefit of the UK Pension Plan in return for an insurance policy. The second phase was the completion of the buy-out and this took place on 15 February 2021. The details and accounting treatment of the transaction is explained in the Business Performance Review that follows.

This transaction provided significant financial and strategic benefits for the Group, eliminating a disproportionately large liability outside of the Group's control, and removing the contractual obligation to utilise 45% of the Group's operating cash flows to provide plan funding and administration costs.

**OBJECTIVE, STRATEGY AND BUSINESS MODEL**

Telent is a market leader in the UK mission-critical digital services market. We have been providing services for over 30 years and are well established in the sectors we serve.

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

Our strategy is to achieve sustainable and profitable growth in our core and adjacent markets. Continued growth is forecast for the digital infrastructure market in the coming years, driven by significant ongoing investment in fibre networks, 5G technologies and solutions and digital transformation across our vertical markets. In addition to focused organic growth we will undertake selective acquisitions which enhance our market position or provide additional capabilities.

We develop domain expertise and customer alignment through market sector facing business units, supported by strong, but low-cost, 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 £10.6 million. After taking into account revisions to the residual charges associated with the UK Pension Plan and the net cost of liability management, the profit for the year amounted to £12.4 million. The key financial performance indicators are turnover and operating profit from trading activities excluding exceptional items and intangible amortisation.

£ million	Trading Activities	Liability Management	UK Pension Plan	Group
<b>Operating profit/(loss) excluding exceptional items and intangible amortisation</b>	<b>18.6</b>	<b>(0.9)</b>	<b>-</b>	<b>17.7</b>
Intangible asset amortisation	(2.2)	-	-	(2.2)
Exceptional items	(3.4)	2.2	(1.3)	(2.5)
<b>Total operating profit/(loss)</b>	<b>13.0</b>	<b>1.3</b>	<b>(1.3)</b>	<b>13.0</b>
Investment income	-	-	0.2	0.2
Net finance (expense)/income	(1.8)	1.4	-	(0.4)
Tax excluding exceptional items	(0.6)	0.2	-	(0.4)
<b>Profit/(loss) for the year</b>	<b>10.6</b>	<b>2.9</b>	<b>(1.1)</b>	<b>12.4</b>
<b>Turnover</b>	<b>472.1</b>			
<b>Operating profit margin excluding exceptional items and intangible amortisation</b>	<b>3.9%</b>			

Turnover decreased during the year from £568.2 million to £472.1 million, principally following the reduction in the number of geographical areas covered under the new Openreach contract by the Infrastructure Services business unit as a result of Openreach's strategic decision to further diversify its supply chain. This volume reduction, together with the loss provision recorded on two particularly challenging contracts in the Transport sector, were the principal reasons for the reduction in operating profit from trading activities excluding exceptional items and intangible amortisation to £18.6 million (2020: £32.2 million). Exceptional trading items charged to the profit and loss account relate to Covid-19 costs of £2.2 million and restructuring costs of £1.2 million (see Note 7 to the Group Accounts). After amortisation of intangible assets of £2.2 million (2020: £4.3 million), profit for the year from trading activities in a challenging year amounted to £10.6 million (2020: £24.1 million).

The initial impact of Covid-19 on our business was to cause temporary delays to a limited number of our projects. However, the nature of Telent's business, developing, maintaining and supporting Britain and Ireland's critical national infrastructure, meant that, even through the most challenging phases of the pandemic, Telent has been able to continue delivering operational services to our customers. Although bidding activity has been slowed by the pandemic, we have continued to win and mobilise new contracts. We have taken and continue to take all appropriate measures to protect and support Telent staff, those in our supply chain, our customers and the wider communities in which we work. We warmly recognise the ongoing commitment of all of our staff in helping to achieve this. The Group's strong financial position has meant that it has not been necessary to apply for any government or other sources of financial support, other than deferring the payment of VAT under the HMRC Covid-19 VAT deferral scheme, now fully paid: 31 March 2021 £Nil; 31 March 2020: £4.8 million.

Good overall progress continued in liability management and pre-exceptional costs remain steady at £0.9 million (2020: £0.9 million). Exceptional items (net credit of £2.2 million) reflects a reduction in historical industrial disease provisions following the triennial revaluation by independent actuaries and the release of time-expired overseas legacy liabilities, offset by higher forecast overseas environmental remediation costs. Increases in overseas discount rates and releases of overseas interest accruals resulted in a £1.4 million net finance income (2020: £1.1 million expense).

Following the buy-in of the UK Pension Plan in September 2019, buy-out in February 2021 and progress towards the wind up of the UK Pension Plan (see Notes 16 and 27 to the Group Accounts), an exceptional loss of £1.3 million (2020: £536.6 million) was charged to profit and loss.

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

During the year, work has continued for our new customer, New Nuclear Build, to provide the operational communication systems for Hinkley Point C, a new nuclear power station being built in Somerset. The work includes the turnkey design and deployment of all communications systems across the Hinkley Point C estate.

Network Services also won a number of significant new contracts over the last year. A new win with the Maritime and Coastguard Agency involves replacing existing legacy connectivity to over 150 Remote Radio sites around the coastline of the United Kingdom. The new communications infrastructure will be rolled-out over the next two to three years, and will include a mixture of fibre and microwave solutions; providing diverse, fully available, and highly resilient connectivity to all sites. The contract is for 10 years, moving into a managed service once the project phase completes.

In addition, the business won a significant contract with the Ambulance Radio Programme to replace radio equipment in ambulances across the UK – potentially covering all health trusts. As well as installing the technology, the contract will include support for the technology within the vehicles and control rooms. The new technology will enable ambulances to operate using the new Emergency Services Network being deployed by EE.

Network Services also won an important contract with BAe Systems. The contract involves providing new equipment to BAe for upgrades to the networks within the Royal Navy's two new aircraft carriers, the Queen Elizabeth and the Prince of Wales.

The System X business continues to support the legacy switching technology used by the large UK fixed network service providers. Updated software releases have been installed into customers' networks, ensuring the ongoing operability of the technology for years to come.

The business proved resilient to the impact of the pandemic, albeit with some delays to project work and bid activities, associated with customers putting some network changes on hold and prioritising network resilience to cope with significant increases in demand associated with lock-down working arrangements.



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

Investment in the UK's Rail and Highways infrastructures continues to be a key driver for Telent's Transport business, with ongoing work for customers such as Network Rail, Highways England, HS2, and Transport for London (TfL).

In 2020, Network Rail, TfL, and Crossrail temporarily ceased non-essential works during the first lockdown. This work has now re-commenced. New technology upgrade projects, transport infrastructure programmes, and operational improvement initiatives provide a long-term pipeline of opportunities for Transport, associated with growing demand for improved connectivity and operational services for passengers and with the HS2 build.

Our technology maintenance contracts for TfL continued throughout the year with successful delivery on our pan-TfL communications and traffic signal maintenance projects. Telent continues to play a key role in TfL's ongoing operations, and this should lead to more growth opportunities in the medium term, including with Crossrail when this goes live in 2022.

There was minimal impact from Covid-19 for our delivery to Highways England (HE). Over the last year, Transport continued to deliver nationwide operational communications services for HE, as well as support and maintenance services for roadside technology. Additional opportunities will be pursued over the coming year, created by the restructuring of HE's procurement frameworks.

Telent has also won a number of key new contracts over the last year. This included a major project with Transport for Greater Manchester (TfGM) to upgrade the Metrolink Communications Network. We also won a contract with Merseyrail to upgrade Station Information and Security Systems (SISS) over the next five years.

There was some temporary impact to sales in the Rail sector during the year due to Covid-19, with work stand-downs and delays to new contract awards. However, the sector continues to be a key economic enabler for the UK, and the growing pipeline of opportunities for Telent will support ongoing opportunities for future growth.

These opportunities will be further enhanced by customers such as HS2, Network Rail and HE implementing decarbonisation strategies to meet Government net-zero targets in the coming years





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

Over the last year, Telent's Infrastructure Services business has continued delivering for our main customer Openreach as a key supplier to its infrastructure maintenance and fibre build projects. A new Openreach Network Services Agreement (ONSA) was started this year, and income from this contract was in-line with expectations for the year across the eight regions we were awarded. Significant additional fibre build projects have also been secured over the year. These have now commenced and will ramp up over the next 12 months.

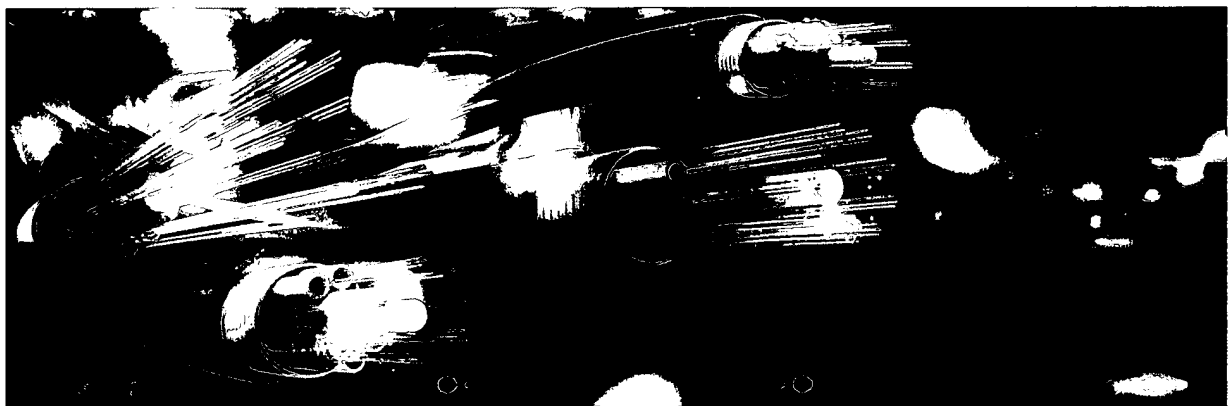
Infrastructure Services also won a major contract with new customer CityFibre to deploy full fibre services to around 300,000 homes in the North West of England. The work involves roll-outs across three towns and cities over the next three to four years. Work started in the year ended 31 March 2021 on the first project in Chester and began in Blackpool in April 2021. The business is now looking to extend its relationship with CityFibre further, with opportunities to cover additional towns and cities in the year ahead.

Technology is a key enabler for the business, particularly supporting the business processes that manage work activities in the field. Our latest technology investments have focused on progress management, compliance, and assurance. Technology is also being piloted in survey and design activities.

Infrastructure Services has successfully navigated the challenges of working under Covid-19 restrictions over the last 12 months. This has involved continually updating processes and methods to keep colleagues safe and fully operational despite the changing environment.

The business continues to expand its in-house field team. This in-house capability was initially focused on fibre deployment but is now expanding into the delivery of piling and civil engineering in the telecommunications network. This will help to support our significant growth expectations, and improve efficiency in network builds.

The Government's targets for full-fibre rollout and 5G coverage, plus ongoing public and private sector investment in digital infrastructure, provide ongoing growth opportunities for the business. Telent will continue to target new work over the next year to support continued growth in the sector.



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

£ million	2021	2020
Net Assets	45.0	181.0
Cash and cash equivalents	31.2	117.6
Of which unrestricted	28.8	115.1
Bank borrowings	(24.6)	-

Group net assets reduced to £45.0 million from £181.0 million as the continued profitable trading of the Group, together with the removal of constraints on returns of capital to shareholders following the UK Pension Plan buy-out, enabled the payment of £150.1 million of dividends.

The dividends were partially funded by the return of £64.0 million from the UK Pension escrow and from unrestricted cash and bank borrowings.

Following the completion of the buy-out of the UK Pension Plan, constraints on the Group's ability to borrow were lifted and the Group took out a £50.0 million revolving credit facility, of which £25.0 million was drawn down at 31 March 2021 (2020: £Nil). See Note 21.

Of the total net assets, a net investment of £25.9 million (2020: £90.9 million) continues to be held in escrow accounts for the future benefit of the UK Pension Plan, if required. This amount takes into account the forecast costs that will be borne from escrow to wind up the UK Pension Plan. The residual balance held in the escrow accounts will be released back to the Company, in accordance with the escrow deeds, no later than upon completion of the wind-up of the UK Pension Plan. Further details are provided in Note 16 (Available for sale investments).

**Prior year adjustments**

During the year ended 31 March 2021, following an internal review of Telent's compliance with various aspects of FRS 102 and the Companies Act, changes were made to the Group's accounting treatment in the following areas:

The timing of the recognition of revenue on services has been changed, which has resulted in the reclassification on the 31 March 2020 Consolidated balance sheet of £4.7 million of costs from work in progress to accrued income, relating to contracts in progress where the outcome of the contract cannot be assessed with reasonable certainty. This change had no impact on the profit for that year and net assets and net current assets were unaffected. Further details are provided in Note 34.

The profile of the amortisation of negative goodwill which arose on the step-in acquisition of the Carillion Telent joint venture has been amended to align it with the amortisation profile of the associated non-monetary assets, primarily other intangible assets, relating to that acquisition. The impact of the adjustment has been to reduce the negative goodwill balance at 31 March 2020 by £5.7 million to £2.3 million and corresponding credits of £4.6 million to retained earnings at 31 March 2020 and £1.1 million intangible asset amortisation in the year then ended. Further details are provided in Note 34.

In previous years' accounts, the current portion of provisions was disclosed within Creditors: Amounts falling due within one year. In these accounts, that presentation has been amended to correctly disclose all provisions below Total assets less current liabilities to be in compliance with the Companies Act. Comparative figures have been amended accordingly. This change in accounting treatment has resulted in the reclassification at 31 March 2020 of £18.6 million of provisions from Creditors: Amounts falling due within one year to Provisions. The Group's Net current assets at that date accordingly increased by the same amount. The change has no impact on the Consolidated profit and loss account and does not affect net assets in the Consolidated balance sheet. Further details are provided in Note 34.

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

The table below summarises cash movements during the year ended 31 March 2021:

£ million	Trading Activities	Liability Management	UK Pension Plan	Group
<b>Cash at 1 April 2020</b>				<b>117.6</b>
<i>Of which unrestricted</i>				115.1
<i>Of which restricted</i>				2.5
<b>Cash utilised by operating activities*</b>	<b>(8.8)</b>	<b>(0.8)</b>	-	<b>(9.6)</b>
Exceptional items	(4.8)	(5.6)	-	(10.4)
Net sale of bonds	-	-	64.0	64.0
Capital expenditure	(4.5)	-	-	(4.5)
<b>Investing activities</b>				<b>59.5</b>
Proceeds from new borrowings				25.0
Repayment of borrowings				(0.2)
Dividends paid				(150.1)
<b>Net cash outflow</b>				<b>(85.8)</b>
Foreign exchange				(0.6)
<b>Cash at 31 March 2021</b>				<b>31.2</b>
<i>Of which unrestricted</i>				28.8
<i>Of which restricted</i>				2.4

\*Excludes exceptional items cash flows.

The Group's unrestricted cash reduced by £86.3 million during the year from £115.1 million to £28.8 million at 31 March 2021. In addition to this unrestricted balance at 31 March 2021, the Group had a committed unutilised balance available on its revolving credit facility of £25.0 million and £25.9 million undrawn on a supplier finance facility with one of its major customers.

The Group's opening unrestricted cash balances at 31 March 2020 included the benefit of contingency measures taken at the onset of the Covid-19 pandemic, comprising the early receipt of invoiced funds of £49.4 million drawn down under a supplier finance facility and a benefit of £4.8 million from HMRC's Covid-19 VAT deferral scheme. At 31 March 2021, the VAT balance had been fully repaid and the balance drawn down under the supplier finance facility had reduced to £12.8 million. Adjusting for these two matters, the Group's underlying operating cash flow generated from Trading Activities was an inflow of £32.6 million. Exceptional cash outflows of £4.8 million related to the exceptional cash costs of Covid-19 and restructuring within Trading Activities. During the year, the Group incurred capital expenditure of £4.5 million (2020: £4.1 million).

The £3.3 million increase in year-on-year cash outflow for Liability management resulted mainly from additional spend on legacy environmental remediation initiatives in the US (2021: £6.4 million 2020: £3.1 million).

As described further below under UK Pension Plan, in November 2020, the Trustee of the UK Pension Plan agreed to release a total of £64.0 million from escrows 1 and 3, which was returned to the Group.

The completion of the buy-out of the UK Pension Plan took place in February 2021, resulting in the lifting of constraints on the Group's ability to borrow and the Group took out a £50.0 million revolving credit facility, of which a £25.0 million was drawn down at 31 March 2021 (2020: £Nil).

The Group paid cash dividends of £150.1 million in the year, which were funded by the monies released from the UK Pension Plan escrows, the drawdown under the revolving credit facility and from unrestricted cash.

**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.

	2021	2020
Lost time incidents <sup>1)</sup>	-	3
Deaths/Major injuries <sup>2) &amp; 3)</sup>	1	1
Dangerous occurrences <sup>3)</sup>	-	-
Total	1	4

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

As a result of the one RIDDOR (0 Lost Time Accidents, 1 Major), the target of a zero Accident Frequency Rate ("AFR") was not achieved for the year ended 31 March 2021. The final result for the financial year was an AFR of 0.02 (2020: 0.06). The Group continues to target zero injuries with the lost time injury rate dropping since the last reporting period from 0.24 (March 2020) to 0.15 (March 2021). Specifically targeted safety campaigns are developed to raise awareness of such types of incidents and subsequent injuries. In addition the Group safety management system includes procedures for risk assessment, compliance audit and investigation. The Group organisation includes embedded safety professionals to support delivery teams in the preparation and operation of Safe Systems of Work. The Group operates a safety culture framework and carries out monthly and quarterly reviews of performance and progress against improvement objectives. Quarterly company-wide safety weeks support a common focus on hot topics that help raise awareness and improve the attitude and behaviours across the Group in a consistent manner.

**STRATEGIC REPORT (CONTINUED)**  
**BUSINESS PERFORMANCE REVIEW (CONTINUED)**  
**UK PENSION PLAN**

Telent Limited is the principal employer and sponsor of the G.E.C. 1972 Plan (the "UK Pension Plan").

On 25 September 2019, the Trustee of the UK Pension Plan signed two Bulk Purchase Annuity Policies (the Buy-out Policies) with Rothesay. The terms of the policies provided for Rothesay to issue individual policies to beneficiaries under the UK Pension Plan. These individual policies were issued on 15 February 2021 and replaced the obligations of the UK Pension Plan to provide benefits for members. Members' benefits are now fully insured and the full wind up of the UK Pension Plan is now in progress.

***Valuation for FRS 102.28 accounting purposes***

The FRS 102.28 (Employee Benefits) valuation of the UK Pension Plan showed a £Nil balance at 31 March 2021 and 31 March 2020. The fair value of the insurance contract asset, valued at £3,540.2 million at 31 March 2020 was revalued at the date of the full buy-out of the UK Pension Plan on 15 February 2021 at £3,798.9 million. Plan liabilities measured using the same method, at 15 February 2021, were £3,798.9 million; the same as the value of the assets at this date. The movement in the value of the insurance contracts has been taken to Other Comprehensive Income. Further details of the FRS 102.28 valuation are set out in Note 27 to the Group Accounts (Post-retirement benefits).

**Escrow 1**

The UK Pension Plan escrow 1, which was established in 2006 for the potential benefit of the UK Pension Plan, was valued at £30.1 million at 31 March 2021 (2020: £79.3 million) – see Note 16 (Available for sale investments). The UK Pension Plan escrow 1 is invested in pooled investment vehicles.

Prior to signing the Buy-out Policies, the Trustee and Telent Limited executed a Deed of Amendment to the First Escrow Release Plan, dated 25 September 2019. Under the terms of this deed any remaining assets not used to purchase the Buy-out Policies in September 2019 were retained in UK Pension Plan escrow 1, available for use by the UK Pension Plan and any residual assets were to be released to the Company on completion of the wind-up of the UK Pension Plan or earlier with the agreement of the Trustee. In accordance with this agreement £39.1 million of UK Pension Plan escrow 1 was released in November 2020.

**Escrow 3**

As a result of the Framework Agreement a third escrow (escrow 3), held by a custodian for Telent and subject to a charge in favour of the Trustee, was established.

The original deed governing escrow 3 provided for sufficient assets to be transferred from escrow 3 such that they, when added to those of the UK Pension Plan and escrow 1, would meet the premium payable to an appropriate insurer to buy-out the liabilities of the UK Pension Plan. Prior to signing the buy-out policies, the Trustee and Telent executed a Deed of Amendment to the Third Deed of escrow under which assets were to remain in escrow 3, available for use by the UK Pension Plan if required. As the escrow 3 funds were no longer required by the UK Pension Plan, the remaining balance on escrow 3 of £24.9 million was returned to the Company in November 2020. Following which the charge in favour of the Trustee was lifted and escrow 3 closed.

Further details of the UK Pension Plan escrows are set out in Note 16 to the Group Accounts (Available for sale investments).

## 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 2021.

#### Stakeholders

*Employees* – We could not fulfil our purpose of keeping the UK and Ireland's communications assets and data connected and protected without our skilled and dedicated employees. We engage with our staff by regularly updating them on the Group's performance and issues affecting them via our intranet, e-mail, Employee Forum and Roadshows. Our Employee Forum is attended by at least one Telent Group director, with three meetings taking place in the year and actions taken resulting in various changes being made around the business. There are various other mechanisms for staff engagement across the business, including our Driver Safety Operating Group and local Environmental Health & Safety forums, with the outputs of these mechanisms being reported to senior management. This year the Group issued an equality, diversity and inclusion survey to all staff and will be implementing identified actions based on the findings. All staff that perform well or suggest innovative ideas can share in the Group's success via our Thanks Award scheme.

*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 our divisional Managing Directors 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 to provide our customers with service, commitment and value. 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 the Alzheimer's Society (our charity partner chosen by our staff) as well as supporting local initiatives such as the Chorley Youth Zone. We also consult with local communities where required by legislation.

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

*G.E.C. 1972 Plan members* – Telent Limited is the sponsor of the G.E.C. 1972 Pension Plan, which has required us to make regular cash contributions. In September 2019, Telent and the Trustee of the G.E.C. 1972 Pension Plan announced that an agreement had been entered into for a bulk annuity insurance buy-out of the UK Pension Plan by Rothesay Life, securing the pension benefits of members in full. In February 2021 the buy-out transaction completed, Rothesay Life issued individual pension policies to every member and therefore no further cash contributions are required from the Company. The UK Pension Plan is now in the process of being wound up by the Trustee.

*Lloyds Bank plc* – During the year Telent secured 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 captures emerging and established risks and is reviewed biannually. 24 risks are currently 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 on Principal Decisions**

*Covid-19 Pandemic* – We have continued to provide essential services throughout the pandemic, working closely with our customers and our supply chain throughout this challenging time. Our office based staff have been asked to work from home where possible, and we have established focus groups to determine our strategy for returning to the office and agile working more generally. Telent has chosen not to claim any grants from the UK Government and has repaid any sums subject to deferral schemes.

*CEO Appointment* – With effect from 1 July 2020 Jo Gretton was appointed as Chief Executive Officer. Jo is a longstanding staff member, having been a founding member of the Telent executive team back in 2006. This appointment represents our commitment to succession planning and developing our people.

*Engineering Director Appointment* – In January 2021 Mick Mohan was appointed to the new role as Engineering Director for the trading business, Telent Technology Services Limited. Mick brings a wealth of engineering experience in both the construction and automotive industries, with the purpose of his role being to strengthen the engineering leadership and capability across the Group.

*G.E.C. 1972 Pension Plan Buy-Out* – Following completion of the buy-out of the UK Pension Plan in February 2021 by Rothesay Life, we continue to work with the Trustee on preparations to wind up the UK Pension Plan.

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

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

	2021	2020
<b>SECR Mandatory Reporting Requirements</b>	UK and offshore	UK and offshore
Energy consumption used to calculate emissions <i>/kWh</i> Figure is comprised of gas, electricity, transport fuel and gas oil from backup generators	28,199,481.5	39,508,497.5
Emissions from combustion of gas <i>/tCO<sub>2</sub>e</i> (Scope 1)	439.0	442.9
Emissions from combustion of fuel for transport purposes <i>/tCO<sub>2</sub>e</i> (Scope 1)	4,694.8	7,141.1
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)	148.5	428.5
Emissions from purchased electricity (Scope 2) <i>/tCO<sub>2</sub>e</i> (Location Based)	1,699.5	2,051.6
Emissions from purchased electricity (Scope 2) <i>/tCO<sub>2</sub>e</i> (Market Based)	188.9	Not reported
Total gross CO <sub>2</sub> e based on above <i>/tCO<sub>2</sub>e</i>	6,984.6	10,065.5
Intensity ratio: tCO <sub>2</sub> e / FTE Employee	2.9	4.4
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.	
<b>Energy Efficiency Action:</b>		
Telent remains committed to using energy as efficiently as possible and minimising carbon emissions from our operations.		
During the reporting year we have seen a significant reduction, of approximately 30% in our total gross carbon emissions (Scope 1 & 2) and carbon intensity, compared to our previous reporting period. This reduction can be attributed to a combination of the continuation of energy efficiency and carbon reduction measures previously implemented as well as changes to working arrangements caused by the Covid-19 pandemic. Social distancing measures have led to many staff working remotely, which in turn has led to a large reduction in business mileage and associated emissions as well as a fall in electricity usage and associated emissions, as some office space has been closed or adapted for future agile working.		
Throughout the reporting period we have continued to purchase electricity from a Renewable Energy Guarantees of Origin (REGO) backed tariff, and gas from a Renewable Gas Guarantees of Origin (RGGO) backed tariff.		
We have also formally committed to setting Science Based Targets. Our intention is to have these targets validated and published during Q2/Q3 2022. These targets will cover our Scope 1 and 2 emissions inventories as well as our Scope 3 emissions inventory which is currently being assessed.		



## **STRATEGIC REPORT (CONTINUED)**

### **RISKS AND UNCERTAINTIES**

#### ***Financial Risks***

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

##### **Liquidity risk**

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

##### **Credit risk**

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

##### **Foreign exchange risk**

The Group seeks to minimise risk against foreign exchange rate movements, principally relating to purchases in US Dollars, by hedging committed expenditure as soon as reasonably practical following commitment through the use of forward foreign exchange contracts.

#### ***Principal Risks and Uncertainties***

##### **Market**

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

##### **Operational**

Telent operates in a number of demanding environments, including underground and main line railways, construction sites, highways, communication masts, motorways and customer telephone exchange buildings. We have a field force working 24 hours per day, sometimes using sophisticated heavy equipment. Safe working practices, including social-distancing, 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 and have disclosed contingent liabilities over and above the amounts provided. The nature of the exposures, which include industrial disease, environmental contamination and outstanding tax matters, 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.

In conclusion, this has been another positive year for Telent and on behalf of the Board. I would like to thank all our colleagues for their hard work and commitment, without which the achievements of 2020/21 would not have been possible. Similarly, the ongoing support of our customers, partners and supply chain has been essential to Telent's performance in this challenging year.

By Order of the Board



D G E Naylor-Leyland

Chairman

29 July 2021

## **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 2021.

### **DIRECTORS**

The Directors holding office since 1 April 2020 are listed below:

J C Gretton	Chief Executive Officer	Appointed 1 July 2020
H M Green	Chief Financial Officer	
D G E Naylor-Leyland	Non-executive Chairman	
F J McKay	Chief Executive Officer	To 30 June 2020
	Non-executive Director	From 1 July 2020
P D Yordan	Non-executive Director	

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

### **PAYMENT OF CREDITORS**

It is the policy of the Group that operating subsidiaries agree with suppliers the best available terms taking account of quality, delivery, price and period of settlement and that they abide by those terms. Telent Limited is a holding company and, as distinct from the Group, has no revenue and no creditors from trading. It is therefore not possible to provide statistics for the Company as required by the Companies Act 2006. The average number of days taken to pay Group operating business suppliers was 28 days (2020: 25 days).

### **RESEARCH AND DEVELOPMENT**

Research and development costs of £1.7 million were incurred in the year (2020: £2.3 million), which have been expensed to profit and loss as incurred.

### **CHARITABLE AND POLITICAL DONATIONS**

The Group supported a number of charities and educational programmes during the year ended 31 March 2021. Charitable donations made by Group companies during the year amounted to £24,500 (2020: £31,000), 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 Alzheimer's Society having adopted the organisation as its corporate charity on 1 January 2019. Since pledging its support to Alzheimer's Society, Telent and its staff have raised in excess of £100,000 for the charity, of which £13,000 was raised in the year ended 31 March 2021.

No political donations were made during the year ended 31 March 2021 (2020: £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

In a difficult financial year, impacted by the global Covid-19 pandemic, the reduction in the geographical footprint of our Openreach contracts and two challenging contracts in the Transport sector, Telent delivered a positive operating profit and positive underlying operating cash flows, albeit reduced from the previous year, demonstrating Telent's resilience. The Group's balance sheet shows net current assets of £61.7 million (2020: £104.4 million), including unrestricted cash balances of £28.8 million (2020: £115.1 million). Taking into account new contract wins and the first few months' trading since April 2021, 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 2022 and beyond will be supported by the relatively small and short-term impact of the Covid-19 pandemic, during which the need to keep supporting critical national infrastructure has benefitted our business and further influenced by the level of success in retaining existing contracts and winning new business and the health of the British economy as a whole.

### OUR EMPLOYEES

#### *Covid-19*

As a services business, our people are our most essential asset. So supporting their continuous development and their needs, during a period where business as usual has not been an option due to the disrupting effect of Covid-19, has been even more critical than ever before.

Maintaining the safety and wellbeing of Telent colleagues continued to be paramount during the year ended 31 March 2021. In March 2020, our business continuity arrangements enabled the vast majority of non-field-based colleagues to work remotely. For essential workers supporting critical national infrastructure programmes, Telent provided necessary PPE and introduced socially distanced working and travel arrangements in liaison with its customers.

In the first quarter, 75 employees were furloughed on more positive terms than the government arrangement. All furloughed staff returned to the business in summer 2020. This was fully funded by Telent with no claim made to government schemes.

Regular communications from the Executive team, plus information sharing via the company intranet and online forums, ensured all colleagues were kept up to date with important developments and had the opportunity to raise concerns. Our colleagues used our collaboration tools to keep in touch with each other. Additionally, Telent introduced weekly webinars on a range of wellbeing topics to support physical and mental health.

#### *Resourcing Telent*

The development of Telent colleagues is an important element of the resourcing and retention strategies; with succession plans reviewed at least annually and capability reviews to identify skills development needs. Telent has an established programme in leadership and management development and has recently launched a supervisor and first-time manager programme.

Telent continues to expand graduate programmes in engineering and other key skill areas, including project management. To ensure technology skills are keeping pace with external developments, our apprentice programmes have also been extended to higher levels and have grown into new areas such as Cyber Security, Network Engineering, and Finance. Telent actively supports initiatives aimed at increasing students' interest in Science, Technology, Engineering and Maths (STEM) subjects and potential careers in these fields. All engineering graduates are trained STEM ambassadors who visit schools to engage with students, and the business proactively works with customers and partners to support initiatives in this area.

Retaining people with key skills is essential to Telent's growth. To ensure the business remains competitive, Telent benchmarks remuneration packages and looks to identify creative retention tools. For example, to retain the skills of an ageing workforce, to help maintain legacy technology, we have introduced a flexible benefits package which enables skilled engineers to vary their terms and conditions in ways that suit their individual circumstances. This includes reducing weekly hours, facilitating annual hours contracts, buying additional holiday, or utilising retired employees as contractors to cover specific projects.

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

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

#### ***Colleague Engagement***

Colleagues actively participate in business discussions through a Group-wide Employee Forum. The Forum discusses Group performance and any proposed change programmes which could impact employees.

Communications with colleagues have been adapted due to extended remote working, with virtual tools replacing face-to-face sessions, and investment in technology tools to make information more accessible for a remote audience. Methods included:

- CEO video messages
- business focused webinar sessions hosted by senior managers
- business based newsletters
- the Telent intranet, hosting navigable information pages and videos
- twice annual roadshows led by the Executive team

#### ***Equality Diversity & Inclusion***

Telent promotes diversity and ensures equality of opportunity by building a culture of respect, dignity, and appreciation. Telent is committed to eliminating unfair discrimination through its policies, procedures, and actions. The business does not accept discrimination on the grounds of sex, race, colour, nationality, ethnic or national origins, marital or civil partnership status, age, religion or belief, sexual orientation, gender re-assignment, disability, or trade union membership. The aim is to have equality, diversity, and inclusion as core elements of Telent's culture and brand.

During the year, Telent commissioned equality, diversity, and inclusion consultants to better understand employee perceptions of how policies and processes are implemented and applied. Priority actions have been identified and are being developed into a plan to take the Group ED&I strategy forward. Additionally, work continued in partnership with key customers to support their policies and initiatives, which in turn promoted corporate social responsibility. This ranged from ethical sourcing policies to local programmes to provide opportunities for specific under-represented groups within local communities, to develop their skills and secure long-term employment.

#### ***Employment of Disabled Persons***

Telent's policy is to use best practice processes when recruiting and retaining colleagues with disabilities. The Occupational Health service assesses and identifies ways to support the employment of disabled persons and advice is sought from professional bodies. Every possible step is taken to ensure individuals are treated equally and fairly and that decisions over recruitment, selection, training, promotion, and career management are based solely on objective, job-related criteria.

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

The following items required by law to be covered in the Directors' Report have been covered in the Strategic Report: SECR Mandatory Reporting Requirements, stakeholder and employee engagement (included as part of Section 172 Statement) and principal risks and uncertainties.

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

### **GOING CONCERN**

During the year ended 31 March 2021, Telent has traded profitably, albeit at levels lower than were budgeted, and has generated positive underlying trading cash flows. This was despite the impact of the Covid-19 pandemic, reduced volumes on contracts with Openreach and two poorly-performing contracts in the Transport sector.

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

- As anticipated in last year's going concern assessment, the amount drawn down under a supplier finance facility at 31 March 2021 has reduced from the £49.4 million drawn down at 31 March 2020. The amount drawn down at 31 March 2021 was £12.8 million. The remaining balance on the supplier finance facility that could have been drawn as at 31 March 2021 was £25.9 million.
- the sum of £4.8 million VAT deferred at 31 March 2020 was repaid during the year, Telent has not taken advantage of any other UK Government support schemes for businesses affected by Covid-19.
- £64.0 million was returned to the Group from the UK Pension Plan escrows.
- A revolving credit facility for a total of £50.0 million was put in place with the Group's bankers and £25.0 million drawn down.
- £150.1 million of dividends were paid to shareholders, following careful consideration by the Directors of the Group's liquidity situation.

The Directors have prepared forecasts and projections for the period to 30 September 2022 with the full involvement of the business and which have been subject to detailed review up to and including Board level, taking account of actual profitability and cash flows during the year ended 31 March 2021 and the first months of the new financial year. In preparing those forecasts, the Directors have considered downside sensitivities and have stress-tested the forecasts by considering the levels to which the Group's profitability would have to fall to cause the business a significant risk of no longer remaining a going concern. A significant proportion of the Group's budgeted turnover for the year ending 31 March 2022 and of management's projected turnover for the following year, is secured by firm and frame contracts with our customers. Taking this and other relevant factors into account, the Directors consider it unlikely that profitability would fall to such an extent.

Having considered all of these factors, the Directors expect the Group to trade profitably during the year ending 31 March 2022 and to generate positive operating cash flows. The Directors do not anticipate the need to take on further borrowing facilities, beyond the existing levels, to fund the Group's trading.

Note 26 to the Group Accounts (Contingent Liabilities) describes the Group's exposure to contingent liabilities for environmental remediation issues. The Directors do not believe that it is likely that any material financial settlement will be required in respect of these matters in the short to medium term, but if any cash settlement were to be agreed during the period to 30 September 2022, it would not change the assessment of the appropriateness of the going concern basis of preparation of the accounts.

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**

Dividends of £150.1 million were declared and paid in the year (2020: £10.5 million), representing a dividend per share of 227.45 pence (2020: 15.91 pence) per Ordinary share and 'B' Ordinary share held.

### **AUDITOR**

KPMG LLP resigned as auditor on 7 December 2020. The Board appointed Grant Thornton UK LLP as auditor with effect from 8 December 2020 and will be deemed to be re-appointed as auditor for a further term 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

*David Naylor-Leyland*

D G E Naylor-Leyland  
Chairman  
29 July 2021

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

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and Group 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.

To the best of our knowledge:

- the financial statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.



## 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 2021, which comprise the Consolidated profit and loss account, Consolidated statement of comprehensive income, Consolidated balance sheet, Consolidated statement of changes in equity, Consolidated cash flow statement, Company balance sheet, Company statement of comprehensive income, 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 2021 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 Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the Directors and the related disclosures and analysed how those risks might affect the Group's and the Parent Company's financial resources or ability to continue operations over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

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

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

### ***Other information***

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

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

We have nothing to report in this regard.

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

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

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

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

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

### ***Matters on which we are required to report by exception***

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

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

### ***Responsibilities of Directors for the financial statements***

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

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

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

### *Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

- We understood how the Group is complying with those legal and regulatory frameworks by making enquiries of management. We corroborated our enquiries through our review of board minutes.
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group 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 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 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 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 of fraud or error.

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

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

- 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 including:
    - the provisions of the applicable legislation
    - the regulator's rules and related guidance, including guidance issued by relevant authorities that interprets those rules
    - the applicable statutory provisions
- We did not identify any matters relating to non-compliance with laws and regulation or relating to fraud.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Group's 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 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 compliance with regulatory requirements and procedures to ensure that possible breaches of requirements are appropriately investigated and reported.

### *Use of our report*

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

*Grant Thornton UK LLP*

Rebecca Eagle

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Birmingham

Date: 29 July 2021

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

<b>Year ended 31 March</b>	<b>Note</b>	<b>2021 Trading activities £ million</b>	<b>2021 Legacy &amp; pensions £ million</b>	<b>2021 Total £ million</b>	<b>Restated 2020 Trading activities £ million</b>	<b>2020 Legacy &amp; pensions £ million</b>	<b>Restated 2020 Total £ million</b>
Turnover	4	472.1	-	472.1	568.2	-	568.2
Cost of sales	5	(401.7)	-	(401.7)	(474.4)	-	(474.4)
Gross profit	5	70.4	-	70.4	93.8	-	93.8
Administrative expenses		(58.4)	(0.9)	(59.3)	(64.3)	(3.4)	(67.7)
Net other operating income	5	6.6	-	6.6	2.7	-	2.7
<b>Operating profit/(loss)</b>							
Excluding exceptional items and intangible asset amortisation		18.6	(0.9)	17.7	32.2	(3.4)	28.8
Intangible asset amortisation	12	(2.2)	-	(2.2)	(4.3)	-	(4.3)
Exceptional items	7	(3.4)	0.9	(2.5)	(4.4)	(535.7)	(540.1)
<b>Total operating profit/(loss)</b>	5,6	13.0	-	13.0	23.5	(539.1)	(515.6)
Investment income from UK Pension Plan escrows	9	-	0.2	0.2	-	56.9	56.9
Investment income other	9	-	-	-	0.6	-	0.6
Net finance (expense)/income	10	(1.8)	1.4	(0.4)	-	4.1	4.1
<b>Profit/(loss) on ordinary activities before taxation</b>							
Excluding exceptional items		14.6	0.7	15.3	28.5	57.6	86.1
Exceptional items	7	(3.4)	0.9	(2.5)	(4.4)	(535.7)	(540.1)
		11.2	1.6	12.8	24.1	(478.1)	(454.0)
<b>Taxation</b>							
Excluding exceptional items		(0.6)	0.2	(0.4)	-	(6.3)	(6.3)
Exceptional items	11	-	-	-	-	(33.1)	(33.1)
		(0.6)	0.2	(0.4)	-	(39.4)	(39.4)
<b>Profit/(loss) for the year</b>							
Excluding exceptional items		14.0	0.9	14.9	28.5	51.3	79.8
Exceptional items		(3.4)	0.9	(2.5)	(4.4)	(568.8)	(573.2)
		10.6	1.8	12.4	24.1	(517.5)	(493.4)

All results derive from continuing operations.

The notes on pages 32 to 63 form an integral part of these financial statements.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March	Note	2021	Restated 2020
		£ million	£ million
Profit/(loss) for the year		12.4	(493.4)
Exchange gains on translation of foreign operations		1.5	0.1
Unrealised loss on foreign exchange forward contracts		-	(0.1)
Net unrealised gains on available for sale investments	16	0.1	22.6
Realised gains on available for sale investments transferred to profit for the year	16	-	(52.1)
Re-measurement of defined benefit asset	27	-	(174.3)
Re-measurement of defined benefit liability	27	(0.2)	(0.1)
Deferred tax arising on re-measurement of defined benefit asset	11	-	33.1
<b>Total recognised income/(expenditure) for the year</b>		<b>13.8</b>	<b>(664.2)</b>

**CONSOLIDATED BALANCE SHEET**

<b>As at 31 March</b>	<b>Note</b>	<b>2021 £ million</b>	<b>Restated 2020 £ million</b>
<b>Non-current assets</b>			
Intangible assets and goodwill		6.1	6.7
Negative goodwill		(1.5)	(2.3)
Intangible assets and goodwill	12	4.6	4.4
Tangible fixed assets	13	9.6	10.7
Available for sale investments	16	30.1	104.2
		<u>44.3</u>	<u>119.3</u>
<b>Current assets</b>			
Stocks	17	16.0	14.0
Debtors – due within one year	18	150.8	119.7
Debtors – due after one year	18	23.3	23.1
Cash and cash equivalents	19	31.2	117.6
<i>Of which unrestricted</i>		28.8	115.1
<i>Of which restricted</i>		2.4	2.5
		<u>221.3</u>	<u>274.4</u>
Creditors: amounts falling due within one year	20	(159.6)	(170.0)
<b>Net current assets</b>		<u>61.7</u>	<u>104.4</u>
<b>Total assets less current liabilities</b>		<b>106.0</b>	<b>223.7</b>
Creditors: amounts falling after more than one year	21	(26.8)	(5.2)
Retirement benefit scheme obligation	27	(0.4)	(0.2)
Provisions	22	(33.8)	(37.3)
<b>Net assets</b>		<u>45.0</u>	<u>181.0</u>
<b>Capital and reserves</b>			
Called-up share capital	23	0.7	0.7
Revaluation reserve	23	7.2	7.2
Retained earnings		37.1	173.1
<b>Total equity</b>		<u>45.0</u>	<u>181.0</u>

The financial statements of Telent Limited (company number 67307) were approved by the Board of Directors and authorised for issue on 29 July 2021. They were signed on its behalf by:

D G E Naylor-Leyland

*David Naylor-Leyland*

Chairman

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Share capital £ million	Share premium account £ million	Capital reserve £ million	Revaluation reserve £ million	Retained earnings £ million	Total equity £ million
At 1 April 2019 – as reported	56.3	14.8	9.0	7.2	763.8	851.1
Restatement	-	-	-	-	4.6	4.6
At 1 April 2019 - restated	56.3	14.8	9.0	7.2	768.4	855.7
Loss for the year	-	-	-	-	(493.4)	(493.4)
Other comprehensive expenditure	-	-	-	-	(170.8)	(170.8)
Total recognised loss for the year	-	-	-	-	(664.2)	(664.2)
Dividends paid	-	-	-	-	(10.5)	(10.5)
Capital reduction	(55.6)	(14.8)	(9.0)	-	79.4	-
At 1 April 2020	0.7	-	-	7.2	173.1	181.0
Profit for the year	-	-	-	-	12.4	12.4
Other comprehensive income	-	-	-	-	1.4	1.4
Total recognised income for the year	-	-	-	-	13.8	13.8
Dividends paid	-	-	-	-	(150.1)	(150.1)
Share-based payments	-	-	-	-	0.3	0.3
<b>At 31 March 2021</b>	<b>0.7</b>	<b>-</b>	<b>-</b>	<b>7.2</b>	<b>37.1</b>	<b>45.0</b>

Movements in retained earnings are shown in the consolidated statement of comprehensive income. Dividends are shown in Note 23.

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

	£ million
At 1 April 2020	4.6
Exchange gain on translation of foreign operations	1.5
<b>At 31 March 2021</b>	<b>6.1</b>



**CONSOLIDATED CASH FLOW STATEMENT**

<b>Year ended 31 March</b>	<b>Note</b>	<b>2021 £ million</b>	<b>2020 £ million</b>
Net cash (outflow)/inflow from trading activities		(8.8)	102.8
Net cash outflow from liability management activities		(0.8)	(0.9)
Net cash inflow/(outflow) from pension administration and pension deficit funding		-	(7.5)
Net cash (outflow)/inflow from operating activities before exceptional items		(9.6)	94.4
Cash outflow from exceptional items		(10.4)	(300.0)
<b>Net cash flows used in operating activities</b>	<b>25</b>	<b>(20.0)</b>	<b>(205.6)</b>
<b>Investing activities</b>			
Purchases of tangible fixed assets		(2.1)	(3.6)
Acquisition of business, net of cash acquired		-	(14.9)
Acquisition of intangible assets		(2.4)	(0.5)
Net sale/(purchase) of available for sale investments (UK Pension Plan escrows)		64.0	282.9
Income from deposits and UK Pension Plan escrows		-	6.2
<b>Net cash generated from investing activities</b>		<b>59.5</b>	<b>270.1</b>
<b>Financing activities</b>			
Proceeds from new borrowings		25.0	-
Payment of hire purchase lease liabilities		(0.2)	(0.3)
Dividends paid		(150.1)	(10.5)
<b>Net cash flows used in financing activities</b>		<b>(125.3)</b>	<b>(10.8)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>117.6</b>	<b>63.6</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(85.8)</b>	<b>53.7</b>
Effect of foreign exchange rate changes		(0.6)	0.3
<b>Cash and cash equivalents at the end of the year</b>		<b>31.2</b>	<b>117.6</b>
<i>Of which unrestricted</i>		<b>28.8</b>	<b>115.1</b>
<i>Of which restricted</i>		<b>2.4</b>	<b>2.5</b>

All cash flows derive from continuing operations.

## NOTES TO THE ACCOUNTS

### 1. GENERAL INFORMATION

Telent Limited is a company incorporated in the United Kingdom 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 2021 and the comparative information for the year ended 31 March 2020.

#### *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 operation), 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 ACCOUNTS (CONTINUED)

### 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

#### *Going concern*

During the year ended 31 March 2021, Telent has traded profitably, albeit at levels lower than were budgeted, and has generated positive underlying trading cash flows. This was despite the impact of the Covid-19 pandemic, reduced volumes on contracts with Openreach and two poorly-performing contracts in the Transport sector.

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

- As anticipated in last year's going concern assessment, the amount drawn down under a supplier finance facility at 31 March 2021 has reduced from the £49.4 million drawn down at 31 March 2020. The amount drawn down at 31 March 2021 was £12.8 million. The remaining balance on the supplier finance facility that could have been drawn as at 31 March 2021 was £25.9 million.
- the sum of £4.8 million VAT deferred at 31 March 2020 was repaid during the year, Telent has not taken advantage of any other UK Government support schemes for businesses affected by Covid-19.
- £64.0 million was returned to the Group from the UK Pension Plan escrows.
- A revolving credit facility for a total of £50.0 million was put in place with the Group's bankers and £25.0 million drawn down.
- £150.1 million of dividends were paid to shareholders, following careful consideration by the Directors of the Group's liquidity situation.

The Directors have prepared forecasts and projections for the period to 30 September 2022 with the full involvement of the business and which have been subject to detailed review up to and including Board level, taking account of actual profitability and cash flows during the year ended 31 March 2021 and the first months of the new financial year. In preparing those forecasts, the Directors have considered downside sensitivities and have stress-tested the forecasts by considering the levels to which the Group's profitability would have to fall to cause the business a significant risk of no longer remaining a going concern. A significant proportion of the Group's budgeted turnover for the year ending 31 March 2022 and of management's projected turnover for the following year, is secured by firm and frame contracts with our customers. Taking this and other relevant factors into account, the Directors consider it unlikely that sales would fall to such an extent.

Having considered all of these factors, the Directors expect the Group to trade profitably during the year ending 31 March 2022 and to generate positive operating cash flows. The Directors do not anticipate the need to take on further borrowing facilities, beyond the existing levels, to fund the Group's trading.

Note 26 to the Group Accounts (Contingent Liabilities) describes the Group's exposure to contingent liabilities for environmental remediation issues. The Directors do not believe that it is likely that any material financial settlement will be required in respect of these matters in the short to medium term, but if any cash settlement were to be agreed during the period to 30 September 2022, it would not change the assessment of the appropriateness of the going concern basis of preparation of the accounts.

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 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.

#### ***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 arrangements but is stated before investment income and finance costs.

#### ***Exceptional items***

Exceptional items are those items of income or expense which management deem to be unusual in either size or nature.

## **NOTES TO THE ACCOUNTS (CONTINUED)**

### **2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

#### ***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.

#### ***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.

#### ***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.

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 arrangement, 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	-	3 to 7 years straight line
Specific products	-	5 years straight line
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

#### ***Research and development***

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

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

## **NOTES TO THE ACCOUNTS (CONTINUED)**

### **2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

#### ***Post-retirement benefits***

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

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

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

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

#### ***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 Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

#### ***Financial assets***

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

#### ***Available for sale financial assets***

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

The fair value of available for sale financial assets denominated in a foreign currency is determined in that currency and translated at the spot rate at the balance sheet date. The change in fair value attributable to translation differences that results from a change in amortised cost of the asset is recognised in the profit and loss account and other changes are recognised in other comprehensive income.

## NOTES TO THE ACCOUNTS (CONTINUED)

### 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

#### *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.

For assets classified as available for sale, a significant or prolonged decline in the fair value of the asset below its cost is considered to be an indication of potential impairment. Where there is such an indication, assets are assessed individually to determine whether the decline in the fair value is expected to reverse or whether any impairment should be recognised. For all other financial assets, objective evidence of impairment could include significant financial difficulty of a customer or counterparty or default in payments.

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.

With the exception of available for sale equity instruments, 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 profit or loss 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.

In respect of available for sale equity instruments, impairment losses previously recognised through the profit and loss account are reversed directly through other comprehensive income.

#### *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 is 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'.

#### *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.

#### *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.

## **NOTES TO THE ACCOUNTS (CONTINUED)**

### **2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

#### ***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.

#### ***Derivative contracts***

Derivative contracts included in the UK Pension Plan escrows are valued at fair value. Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in the fair value of derivative contracts are recognised immediately in the profit and loss account.

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

#### ***Taxation***

The charge or credit for taxation is based on the taxable profits for the financial year and includes the effect of temporary 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 temporary 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.



**NOTES TO THE ACCOUNTS (CONTINUED)**  
**2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

***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 period-end exchange rates. Profit and loss 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	
	2021	2020
US Dollar	1.3797	1.2400
Euro	1.1739	1.1301

***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
Leasehold property	Over the shorter of the lease term or 50 years
Fixtures, fittings, tools and equipment	Over 5 years on average

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the lease.

***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 lessor***

Rental income from operating leases is recognised on a straight-line basis over the term of the lease.

***The Group as lessee***

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

## **NOTES TO THE ACCOUNTS (CONTINUED)**

### **2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

#### ***Provisions***

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

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

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

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

#### ***Contingent liabilities***

Through the course of normal business, the Group is subject to legal proceedings and other claims, the settlement of which may involve cost to the Group. A determination of the amount of provision, if any, required for these contingencies is based on careful analysis of each issue with the assistance of external legal counsel where necessary. A provision is made where an adverse outcome is probable and associated costs can be estimated reliably. No provision is made for contingent liabilities, which are disclosed in Note 26, where an adverse outcome is possible.

### **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 profit for the year reported in the Consolidated Profit and Loss Account.

#### ***Judgements***

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

#### ***Jointly controlled entities***

Until the year ended 31 March 2020, the investment held in a jointly controlled entity was accounted for using the proportionate consolidation basis, which is inconsistent with accounting required by FRS 102.15.13, which requires the equity method of accounting to be applied. This error has been corrected during the year ended 31 March 2021. The Directors have made the judgement that it is not necessary to restate the comparative figures for this change, as they do not consider it to be material. If a change had been made to the comparative figures, the impact would have been to reduce bank balances and provisions, both by £2.0 million, and therefore no impact on net assets at 31 March 2020.

#### ***Available for Sale Investments***

The investments held in UK Pension Plan escrows are in pooled investment vehicles. When the escrows were established, the Directors reviewed the classification of the investments under the criteria in IAS 39 (as allowed under FRS 102) and determined that they should be classified as Available for Sale Investments. Further information is provided in Note 16.

**NOTES TO THE ACCOUNTS (CONTINUED)****3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)*****Judgements (continued)******UK Pension Plan settlement costs***

As explained in Note 27, the UK Pension Plan achieved buy-in in September 2019. In the year ended 31 March 2020, the Directors considered whether the buy-in and expected future buy-out of the UK Pension Plan should be treated as a single transaction and the resulting settlement loss being treated as a charge to profit and loss, or as two separate events and the settlement loss on buy-in being charged to Other Comprehensive Income. The Directors concluded that as a buy-in contract existed and they could see no reasonable reason why it would not be converted to a buy-out, the settlement loss was charged to profit and loss (see Note 7). During the year ended 31 March 2021, this judgement was confirmed to have been correct, as the UK Pension Plan achieved buy-out in February 2021, and a revision to the settlement loss was charged to profit and loss (see Note 7)

***Contingent liabilities***

As explained in Note 26, a subsidiary of a jointly controlled entity is the subject of a civil action by New Jersey Department of Environmental Protection seeking natural resource damages associated with a property in New Jersey, USA. A subsidiary of the jointly controlled entity has also received a letter alleging contamination at a further site. The Directors have considered whether a reasonable estimate of the potential financial impact on the Group can be formed and have concluded that, at this stage, it is impractical to do so.

***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.

***Taxation - deferred***

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

It is difficult to set boundaries on the extent to which actual future profits may differ from those forecast, but to provide context to this disclosure, an increase or decrease in forecast future profits over the whole forecast period of £10.0 million would increase or decrease the recognised deferred tax asset by £1.9 million.

***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 2022 and have concluded that not to be the case for the reasons set out below.

Estimates are made by Telent's directors and internal legal counsel supported, as necessary, by external advisors. A provision is recognised when it is probable that an obligation exists for which a reliable estimate can be made after careful analysis of the individual matter. Matters that either are possible obligations or otherwise do not meet the recognition criteria for a provision are disclosed in Note 26, unless the possibility of transferring economic benefits is remote.

The Group has two (2020: two) contracts where the Directors believe that there is a significant risk that, within the year ending 31 March 2022, there could be a material adjustment to the 31 March 2021 value of provisions for forecast losses. The Directors estimate that the reasonably foreseeable changes to the forecast losses on these two contracts could range from an upside of £3.2 million to a downside of £3.7 million.

**NOTES TO THE ACCOUNTS (CONTINUED)****3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)*****Estimates (continued)******Provisions (continued)***

The provision for industrial disease liabilities is based on a triennial independent actuarial review, which takes into account industry trends and Telent's specific experience of the number and types of claims and their values since the previous valuation. The last triennial independent actuarial review was carried out as at 31 December 2020. The independent actuarial review provides "Lower", "Central" and "Higher" projections, however it should be noted that the Lower and Higher amounts do not represent the minimum and maximum values of a range of possible outcomes. The actual experience may differ from that assumed in the actuarial valuation due to changes in the "mix" of the types of claim that Telent receives and the value of claims for higher amounts can be significantly affected by the age and earnings of the claimant. 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 2021 provision during the year ending 31 March 2022. 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 2022 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 2022, there could be a material adjustment to the 31 March 2021 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 2022 is not plausible.

***Revenue and profit recognition on long-term contracts***

The Group has a large number of contracts with customers in a number of business sectors. Those contracts which are long-term in nature and which involve the delivery of a product or service over more than one financial year can include significant estimation uncertainty, including the measurement and timing of revenue recognition, the forecast margin at completion and the related accrued or deferred income and work-in-progress. 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. 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, work-in-progress 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. It is not practical to provide a quantitative analysis of the aggregated judgements that are applied, and we do not believe that disclosing a potential range of outcomes would be practical.

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

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

<b>Year ended 31 March</b>	<b>2021 £ million</b>	<b>2020 £ million</b>
United Kingdom	466.0	561.6
Europe	5.9	6.1
Other	0.2	0.5
	<u>472.1</u>	<u>568.2</u>

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

£4.5 million (2020: £5.2 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>2021 £ million</b>	<b>2020 £ million</b>
Revenue from services	445.8	525.3
Sales of goods	26.3	42.9
	<u>472.1</u>	<u>568.2</u>

**5. TOTAL OPERATING PROFIT**

<b>Year ended 31 March 2021</b>	<b>Before exceptional items £ million</b>	<b>Operating exceptional items £ million</b>	<b>Total £ million</b>
Turnover	472.1	-	472.1
Cost of sales	(401.7)	(2.2)	(403.9)
Gross profit/(loss)	70.4	(2.2)	68.2
Research and development	(1.7)	-	(1.7)
Selling and administration expenses	(59.8)	(0.3)	(60.1)
Net other operating income	6.6	-	6.6
Operating profit/(loss)	<u>15.5</u>	<u>(2.5)</u>	<u>13.0</u>

<b>Year ended 31 March 2020</b>	<b>Restated Before exceptional items £ million</b>	<b>Operating exceptional items £ million</b>	<b>Restated Total £ million</b>
Turnover	568.2	-	568.2
Cost of sales	(474.4)	(0.3)	(474.7)
Gross profit/(loss)	93.8	(0.3)	93.5
Research and development	(2.3)	-	(2.3)
Selling and administration expenses	(69.7)	(540.7)	(610.4)
Net other operating income	2.7	0.9	3.6
Operating profit/(loss)	<u>24.5</u>	<u>(540.1)</u>	<u>(515.6)</u>

All results derive from continuing operations.

**NOTES TO THE ACCOUNTS (CONTINUED)****6. OPERATING PROFIT**

Operating profit is stated after charging/(crediting):

	2021 £ million	Restated 2020 £ million
<b>Year ended 31 March 2021</b>		
Depreciation of tangible fixed assets	3.2	4.6
Amortisation of goodwill and other intangible assets	3.0	6.8
Amortisation of negative goodwill	(0.8)	(2.5)
Operating lease payments	8.1	8.0
Operating lease income	-	(0.8)

**7. EXCEPTIONAL ITEMS**

These items have been analysed as follows:

<b>Year ended 31 March</b>		2021 £ million	2020 £ million
Trading activities			
Restructuring costs	i)	(1.2)	(4.1)
Covid-19	ii)	(2.2)	(0.3)
Legacy and pensions			
Legacy provision movements and recoveries	iii)	2.2	0.9
Pension settlement	iv)	(1.3)	(536.6)
Exceptional items within operating profit		<u>(2.5)</u>	<u>(540.1)</u>

- i) As part of the Group's cost reduction and continuous improvement actions, a net charge of £1.2 million was made in relation to the combined cost of employee severance, onerous leases and other restructuring costs in the year ended 31 March 2021 (2020: £4.1 million).
- ii) Covid-19 costs of £2.2 million (2020: £0.3 million) are the impact of the global Covid-19 pandemic incurred since the UK lockdown commenced in mid-March 2020 and principally relate to the costs of procuring initial supplies of personal protective equipment and costs relating to the Group's internally-funded furlough scheme and to the cost of staff shielding and self-isolating.
- iii) Legacy provisions are kept under continual review by management. This resulted in a net credit in the year of £2.2 million (2020: net credit of £0.9 million) from the release of time-expired unsubstantiated legacy creditor balances in an overseas territory (£1.5 million); a reduction in industrial disease provisions following a triennial review by independent external actuaries (£1.4 million); and agreement for the net favourable settlement of an historic overseas retention (£0.8m); offset by an increase in the estimate of environmental liabilities (£1.3 million); and other movements of £0.2 million.
- iv) Pension settlement costs of £1.3 million (2020: £536.6m) arose on the buy-in of the UK Pension Plan (see Note 27).

The taxation impact of these exceptional (charges)/credits was £Nil (2020: £Nil) due to the existence of accumulated historical tax losses.

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

<b>Year ended 31 March</b>	<b>2021 £ million</b>	<b>2020 £ million</b>
Directors' emoluments	<u>1.4</u>	<u>2.2</u>

The Directors are considered to be the individuals having authority and responsibility for planning, directing and controlling the Group's activities. The highest paid Director had emoluments of £0.5 million (2020: £1.0 million) and the Group made no contributions towards a defined contribution pension (2020: £Nil). Dividends of £3.6 million were paid to Directors in the year (2020: £0.3 million).

The number of Directors who were members of the Group's defined contribution pension scheme was 2 (2020: 1).

**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>2021 Number</b>	<b>2020 Number</b>
Operations	1,920	1,802
Selling and administration	<u>460</u>	<u>506</u>
	<u>2,380</u>	<u>2,308</u>

**c) Staff costs**

<b>Year ended 31 March</b>	<b>2021 £ million</b>	<b>2020 £ million</b>
Wages and salaries	108.4	103.5
Social security costs	12.1	11.5
Other pension costs	5.9	5.5
Share-based payments	<u>0.3</u>	<u>-</u>
	<u>126.7</u>	<u>120.5</u>

**9. INVESTMENT INCOME**

<b>Year ended 31 March</b>	<b>2021 £ million</b>	<b>2020 £ million</b>
<b>Available for sale investments</b>		
Interest receivable from UK Pension Plan escrows (see Note 16)	-	4.8
Realised gains on UK Pension Plan escrows (see Note 16)	<u>0.2</u>	<u>52.1</u>
	<u>0.2</u>	<u>56.9</u>
<b>Loans and receivables</b>		
Interest receivable from other loans and deposits	-	0.6
	<u>-</u>	<u>0.6</u>

**NOTES TO THE ACCOUNTS (CONTINUED)**  
**10. NET FINANCE INCOME**

<b>Year ended 31 March</b>	<b>2021 £ million</b>	<b>2020 £ million</b>
Net notional interest on defined benefit asset (see Note 27)	-	5.3
Net other UK Pension Plan escrow finance costs (see Note 16)	-	(0.2)
Foreign exchange losses	(1.8)	(0.1)
Interest on overseas tax under appeal	0.7	1.3
Unwind of discount on creditors and provisions	0.7	(2.2)
	<u>(0.4)</u>	<u>4.1</u>

**11. TAXATION**

**a) Tax charge**

<b>Year ended 31 March</b>	<b>2021 £ million</b>	<b>2020 £ million</b>
Current tax:		
Current UK tax	(0.6)	(0.2)
UK tax under provision in respect of prior years	(0.5)	(0.1)
Overseas overprovision in respect of prior years	0.2	1.0
Deferred tax:		
UK rate change	-	2.1
Origination and reversal of temporary differences	-	(5.7)
Written off in the year	-	(36.5)
Recognition of previously unrecognised deferred tax assets	0.5	-
	<u>(0.4)</u>	<u>(39.4)</u>

**b) Reconciliation of tax charge for the year**

The charge for the year can be reconciled to the profit per the Profit and Loss Account as follows:

<b>Year ended 31 March</b>	<b>2021 £ million</b>	<b>2020 £ million</b>
<b>Profit/(loss) before taxation on continuing operations</b>	<b>12.8</b>	<b>(454.0)</b>
Tax at a standard rate of 19% (2020: 19%)	(2.4)	86.3
Tax effect of expenses that are not deductible in determining taxable profit	(0.6)	(1.2)
Utilisation of previously unrecognised deferred tax asset	2.9	-
Research and development tax credit under provision in respect of prior years	(0.5)	(0.1)
Overseas over provision in respect of prior years	0.2	1.0
Effect of change in UK tax rate	-	2.1
Deferred tax asset written off	-	(36.5)
Deferred tax asset not recognised on current year losses	-	(91.0)
<b>Tax charge for the year</b>	<b>(0.4)</b>	<b>(39.4)</b>



**NOTES TO THE ACCOUNTS (CONTINUED)****11. TAXATION (CONTINUED)****c) Deferred tax**

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

Year ended 31 March	2021		2020	
	Recognised £ million	Unrecognised £ million	Recognised £ million	Unrecognised £ million
Deferred tax arising from:				
Tax losses	15.0	518.5	15.0	515.2
Timing differences	5.9	93.0	6.4	98.4
Fair value adjustments on acquisition	-	-	(1.0)	-
	<u>20.9</u>	<u>611.5</u>	<u>20.4</u>	<u>613.6</u>

The Directors are of the opinion that the anticipated level of profits before tax over the foreseeable future supports the recognition of £20.9 million of deferred tax assets (2020: £20.4 million).

The substantively enacted UK corporation tax rate at 31 March 2021 and 2020 was 19%. The deferred tax asset at 31 March 2021 has been calculated based on this rate.

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

	2021 Trading Activities £ million	2021 UK Pension Plan £ million	2021 Total £ million	2020 Trading Activities £ million	2020 UK Pension Plan £ million	2020 Total £ million
Asset arising from tax losses	0.5	-	0.5	(2.1)	(92.1)	(94.2)
Liability arising from retirement benefit scheme asset	-	-	-	-	51.1	51.1
Liability from amortisation of intangible fixed assets	-	-	-	0.9	-	0.9
Effect of UK rate change	-	-	-	1.5	0.6	2.1
	<u>0.5</u>	<u>-</u>	<u>0.5</u>	<u>0.3</u>	<u>(40.4)</u>	<u>(40.1)</u>

In the 3 March 2021 Budget, it was announced that the rate of corporation tax will increase to 25% from April 2023. As the proposal to increase the rate had not been substantively enacted at 31 March 2021, its effects have not been included in these financial statements. The impact of a change of the tax rate from 19% to 25% would be to increase the recognised deferred tax asset by £6.6 million.

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

£ million	Software costs	Other intangibles	Goodwill	Negative goodwill	Total
<b>Cost</b>					
At 1 April 2020	11.0	35.5	60.9	(14.5)	92.9
Additions	2.4	-	-	-	2.4
<b>At 31 March 2021</b>	<b>13.4</b>	<b>35.5</b>	<b>60.9</b>	<b>(14.5)</b>	<b>95.3</b>
<b>Accumulated amortisation</b>					
At 1 April 2020 – restated (see Note 34)	(10.2)	(30.4)	(60.1)	12.2	(88.5)
Charge for the year	(0.6)	(1.9)	(0.5)	0.8	(2.2)
<b>At 31 March 2021</b>	<b>(10.8)</b>	<b>(32.3)</b>	<b>(60.6)</b>	<b>13.0</b>	<b>(90.7)</b>
<b>Net book value</b>					
<b>At 31 March 2021</b>	<b>2.6</b>	<b>3.2</b>	<b>0.3</b>	<b>(1.5)</b>	<b>4.6</b>
At 31 March 2020 – restated (see Note 34)	0.8	5.1	0.8	(2.3)	4.4

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 £1.9 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.

**13. TANGIBLE FIXED ASSETS**

£ million	Freehold property	Long leasehold property	Fixtures, fittings, tools and equipment	Total
<b>Cost</b>				
As at 1 April 2020	3.3	5.7	34.3	43.3
Additions	-	0.4	1.7	2.1
<b>As at 31 March 2021</b>	<b>3.3</b>	<b>6.1</b>	<b>36.0</b>	<b>45.4</b>
<b>Accumulated depreciation and impairment losses</b>				
As at 1 April 2020	(1.5)	(3.2)	(27.9)	(32.6)
Charge for the year	(0.1)	(0.4)	(2.7)	(3.2)
<b>As at 31 March 2021</b>	<b>(1.6)</b>	<b>(3.6)</b>	<b>(30.6)</b>	<b>(35.8)</b>
<b>Net book value</b>				
<b>At 31 March 2021</b>	<b>1.7</b>	<b>2.5</b>	<b>5.4</b>	<b>9.6</b>
At 31 March 2020	1.8	2.5	6.4	10.7

Within freehold property there is land with a cost and net book value of £0.9 million (2020: £0.9 million).

## NOTES TO THE ACCOUNTS (CONTINUED)

### 14. 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).

### 15. JOINTLY CONTROLLED ENTITY

At 31 March 2021, the Group holds an interest in one jointly controlled entity, which is measured using the equity method (2020: consolidated using the proportionate consolidation basis – see Note 3): Plessey Holdings Limited, a joint venture with Siemens. This entity's group no longer trades but has environmental remediation liabilities relating to a site in North America. Plessey Holdings Limited's US subsidiary is taking action to deal with this exposure, which is funded from the Plessey Group's cash balances. The net investment in the jointly controlled entity is £Nil (2020: the Group consolidated 21% using the proportionate consolidation basis) and no profit or loss has been recognised from the jointly controlled entity in the year.

The Group has no capital commitments in relation to this jointly controlled entity. See Note 26 for contingent liabilities relating to the jointly controlled entity.

### 16. AVAILABLE FOR SALE INVESTMENTS

	2021 £ million	2020 £ million
UK Pension Plan escrow 1	30.1	79.3
UK Pension Plan escrow 3	-	24.9
Available for sale investments carried at fair value	<u>30.1</u>	<u>104.2</u>

UK Pension Plan escrows 1 and 3 were established historically for the potential benefit of the G.E.C. 1972 Plan (the "UK Pension Plan").

In amendments to the escrow 1 and 3 deeds signed shortly prior to the transaction with Rothesay Life in September 2019, it was agreed that the remaining escrow assets would continue to be held for the potential benefit of the UK Pension Plan until full buy-out and wind up of the Plan had been achieved. Full buy-out was achieved in February 2021 with £64.0 million having been released to the Company in November 2020. The remaining balance in escrow 1 at 31 March 2021 of £30.1 million will continue to be used to cover the ongoing costs associated with winding up the Plan. Residual escrow funds will be returned to Telent once wind up has been achieved.

Escrow 1 assets are held by a nominee on trust for the benefit of the Company, but with security over such amount being provided to the Trustee. Under an agreement with the Trustee, since buy-in in September 2019 the escrow has been invested in pooled investment vehicles.

Between September 2019 and the transfer of funds to Telent in November 2020, escrow 3 was invested in a pooled investment vehicle with Deutsche Bank.

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

	Escrow 1		Escrow 3	
	2021 £ million	2020 £ million	2021 £ million	2020 £ million
Available for sale investments	30.1	79.3	-	24.9
Other payables	(4.2)	-	-	(3.5)
	<u>25.9</u>	<u>79.3</u>	<u>-</u>	<u>21.4</u>
Other payables – amount due to UK Pension Plan	-	(9.8)	-	-
	<u>25.9</u>	<u>69.5</u>	<u>-</u>	<u>21.4</u>

**NOTES TO THE ACCOUNTS (CONTINUED)**  
**16. AVAILABLE FOR SALE INVESTMENTS (CONTINUED)**

The movement on the UK Pension Plan escrows during the year ended 31 March 2021 is shown below:

	Escrow 1		Escrow 3	
	2021	2020	2021	2020
	£ million	£ million	£ million	£ million
At 1 April	69.5	279.3	21.4	15.6
Unrealised gains/(losses)	0.1	(28.0)	-	(1.5)
Plan investment management fees offset against expected return on assets within SOCIE	-	(2.1)	-	-
Realised gains	0.2	50.3	-	1.8
Interest income	-	4.7	-	0.1
Finance costs – escrow investment management and custody fees	-	(0.2)	-	-
Release from escrow	(39.1)	-	(24.9)	-
Transfer from operating business	-	-	-	11.7
Buy-in transaction costs	(4.2)	-	3.5	(6.3)
Contributions to UK Pension Plan	(0.6)	(234.5)	-	-
	<u>25.9</u>	<u>69.5</u>	<u>-</u>	<u>21.4</u>

**17. STOCKS**

	2021	Restated 2020
	£ million	£ million
Raw materials and bought in components	5.0	6.9
Work in progress	11.0	7.1
	<u>16.0</u>	<u>14.0</u>

An impairment loss of £0.3 million (2020: impairment release of £1.0 million) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

	2021	Restated 2020
	£ million	£ million
Contracts in progress at the balance sheet date:		
Trade debtors	10.5	13.4
Amounts recoverable under long term contracts (within accrued income in Note 18)	38.4	36.1
	<u>48.9</u>	<u>49.5</u>

The amount of long-term contract revenue recognised within turnover in the year amounted to £116.3 million (2020: £168.2 million).

## NOTES TO THE ACCOUNTS (CONTINUED)

## 18. DEBTORS

	2021 £ million	Restated 2020 £ million
<b>Amounts falling due within one year</b>		
Trade debtors	64.0	61.2
Accrued income	63.8	43.1
Research and development tax debtor	4.9	1.5
Other debtors	1.4	2.7
Prepayments	16.7	11.2
	<u>150.8</u>	<u>119.7</u>
<b>Amounts falling after more than one year</b>		
Other debtors	2.3	2.5
Prepayments	0.1	0.2
Deferred tax asset	20.9	20.4
	<u>23.3</u>	<u>23.1</u>

Trade debtors are stated after provision for impairment of £1.3 million (2020: £1.7 million).

## 19. CASH AND CASH EQUIVALENTS

	2021 £ million	2020 £ million
Unrestricted bank deposits	28.8	115.1
Restricted cash on deposit	2.4	2.5
Cash and cash equivalents	<u>31.2</u>	<u>117.6</u>
Analysis of restricted cash balances:		
Overseas tax escrow	1.8	1.9
Italian escrow	0.5	0.5
Other	0.1	0.1
	<u>2.4</u>	<u>2.5</u>
Cash and cash equivalents by currency:		
Sterling	24.8	112.8
Euros	3.6	2.6
US Dollars	2.6	2.0
Other	0.2	0.2
	<u>31.2</u>	<u>117.6</u>

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. Of the £117.6 million at 31 March 2020, Telent's share of jointly controlled entity cash balances was £2.0 million, see also Notes 3 and 15.

**Overseas tax escrow**

During a prior year, the Group successfully negotiated a cash settlement with a former subsidiary which cancelled its rights and obligations under a tax deed and resulted in a £4.7 million profit. €2.2 million (£1.8 million; 2020: £1.9 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.

**NOTES TO THE ACCOUNTS (CONTINUED)**  
**19. CASH AND CASH EQUIVALENTS (CONTINUED)**

***Foreign currency balances***

At 31 March 2021, the Group's cash included approximately-US\$3.6 million (£2.6 million) and €4.3 million (£3.6 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 2021. The average rate of interest achieved on invested cash was less than 0.1% per annum (2020: 0.7%). Floating rate assets bear interest based on relevant national LIBOR equivalents.

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

	2021 £ million	Restated 2020 £ million
Payments received in advance	32.0	20.5
Trade creditors (see Note a) below)	30.6	32.0
Other taxation and social security	10.4	14.0
Other creditors (see Note b) below)	5.0	15.4
Accruals and deferred income (see Note c) below)	81.4	87.8
Amounts due under Hire Purchase agreements	0.2	0.2
Corporation tax	-	0.1
	<u>159.6</u>	<u>170.0</u>

Note 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 28 days (2020: 25 days).

Note b): Included within other creditors is £Nil due to be paid to the UK Pension Plan out of the UK Pension Plan escrow 1 (2020: £9.8 million). Also see Notes 3, 16 and 27.

Note 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**

	2021 £ million	2020 £ million
Bank borrowings	24.6	-
Other creditors	0.3	0.6
Accruals and deferred income	1.6	4.1
Amounts due under Hire Purchase agreements	0.3	0.5
	<u>26.8</u>	<u>5.2</u>

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

## NOTES TO THE ACCOUNTS (CONTINUED)

## 22. PROVISIONS

	Re- structuring £ million	Warranties £ million	Contracts and commitments £ million	Litigation £ million	Other £ million	Total £ million
At 1 April 2020	1.1	0.5	14.3	19.3	2.1	37.3
Charged	0.7	0.2	21.3	0.6	0.2	23.0
Released	(0.5)	-	(0.2)	(1.4)	-	(2.1)
Utilised	(1.2)	-	(17.1)	(5.0)	(0.2)	(23.5)
Foreign exchange	-	-	-	(0.9)	-	(0.9)
<b>At 31 March 2021</b>	<b>0.1</b>	<b>0.7</b>	<b>18.3</b>	<b>12.6</b>	<b>2.1</b>	<b>33.8</b>
Current	0.1	0.7	14.0	2.2	0.2	17.2
Non-current	-	-	4.3	10.4	1.9	16.6
	<b>0.1</b>	<b>0.7</b>	<b>18.3</b>	<b>12.6</b>	<b>2.1</b>	<b>33.8</b>

Restructuring provisions mainly comprise costs for employee severance.

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 £21.3 million relates largely to two poorly performing contracts in our Transport business. The non-current provision of £4.3m is expected to largely be utilised in the year ending 31 March 2023.

The amounts in litigation are held principally for legacy environmental liabilities, industrial disease and other employee claims and other commercial litigation. The utilisation of the £10.4 million of non-current provision is expected to take place over the next thirty years, due to the long-term nature of these exposures.

The Group's exposure to industrial disease claims at 31 March 2021 is estimated at £5.9 million (31 March 2020: £7.5 million) after discounting at a rate of 0.69% (31 March 2020: 1.003%) and was assessed by an independent, external actuary at 31 December 2020. The provision of £5.9 million represents the net present value of the amount that it is estimated that Telent will be required to pay to settle claims, after taking into account the estimated contribution from the Financial Services Compensation Scheme, which amounts to £6.0 million (2020: £7.6 million). The next assessment will be carried out as at 31 December 2023.

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

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

**Share capital**

	Number of shares	2021 £ million	2020 £ million
<b>Ordinary shares of 1p each</b>			
Allotted, called-up and fully paid	64,409,935	0.7	0.7
<b>'B' Ordinary shares of 1p each</b>			
Allotted, called-up and fully paid	1,583,850	-	-
<b>'C' Ordinary shares of 1p each</b>			
Allotted, called-up and fully paid	200,000	-	-
<b>'D' Ordinary shares of 1p each</b>			
Allotted, called-up and fully paid	570	-	n/a

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.

**Share-based payments**

During the year ended 31 March 2021, 570 1p 'D' Ordinary shares were issued at par, through a nominee company, to senior management participants. The fair value of these share-based payments was £0.3 million, which has been expensed in the year and was calculated using a binomial valuation. The 'D' Ordinary shareholders have no rights, including any right to receive dividends or to vote, except in the situation of a sale of all or most of the business. In the event of a sale, the 'D' Ordinary shareholders have an option to require the holders of the Company's Ordinary Shares to purchase the 'D' Ordinary shares as detailed in the Articles of Association.

No share options were outstanding at either the beginning or end of the period.

**Dividends**

Dividends of £150.1 million were declared and paid in the year (2020: £10.5 million), representing a dividend per share of 227.45 pence (2020: 15.91 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%.

**24. NET DEBT RECONCILIATION**

	At 1 April £ million	Cash flows £ million	New bank loan £ million	Other £ million	At 31 March £ million
Cash and cash equivalents	117.6	(85.8)	-	(0.6)	31.2
Bank loan	-	-	(25.0)	0.4	(24.6)
Hire purchase	(0.7)	0.2	-	-	(0.5)
<b>Net debt</b>	<b>116.9</b>	<b>(85.6)</b>	<b>(25.0)</b>	<b>(0.2)</b>	<b>6.1</b>



**NOTES TO THE ACCOUNTS (CONTINUED)**  
**25. NOTES TO THE CASH FLOW STATEMENT**

<b>Year ended 31 March</b>	<b>2021 £ million</b>	<b>Restated 2020 £ million</b>
Profit/(loss) for the year	12.4	(493.4)
Taxation	0.4	39.4
Net interest income	0.2	(61.6)
Operating profit/(loss)	13.0	(515.6)
Exceptional items	2.5	540.1
Loss on sale of fixed assets	-	0.1
Depreciation, amortisation and impairments	5.4	8.9
Share-based payments	0.3	-
UK Pension Plan escrow finance costs	-	(6.0)
Operating cash flows before movements in working capital	21.2	27.5
Decrease in stocks	2.7	4.7
(Increase)/decrease in debtors	(36.5)	56.0
Decrease in creditors	(1.8)	(0.5)
Increase in provisions, including defined benefit asset/obligation	4.8	6.7
Cash (outflow)/inflow from operations	(9.6)	94.4
Net income taxes paid	-	-
Net cash (outflow)/inflow from operating activities before exceptional items	(9.6)	94.4
Cash outflow from exceptional items	(10.4)	(300.0)
Net cash outflow from operating activities after restructuring and other exceptional items	(20.0)	(205.6)

All cash flows derive from continuing operations.

**26. CONTINGENT LIABILITIES**

***Litigation***

As disclosed last year, in December 2019, the Group was made aware that New Jersey Department of Environmental Protection (DEP) had filed a civil action against a number of parties (including Plessey Inc (Plessey), a subsidiary of Plessey Holdings Limited, which is a joint venture between Telent and Siemens), seeking to recover natural resource damages (NRD) associated with a property in New Jersey, USA. Plessey has an obligation to pay 75% of costs and/or claims arising out of environmental contamination at the site as a result of a legal settlement reached in 1997 between Plessey and the third party who has regulatory responsibility for environmental remediation actions at the site. Plessey has appointed legal counsel and environmental experts to assess the merits of the claim and the potential quantum of damages payable should the claim be successful. However, although it is deemed probable that the New Jersey NRD case will have a financial consequence for the Plessey Group, the DEP did not quantify in December 2019 and since then has still not quantified the value of NRD that it is seeking to recover, nor is there a clear methodology on which such quantification might be based. Additionally, there is no past pattern of similar judgements in recent times against which to form a comparison and range of potential outcomes.

Also, during the year ended 31 March 2020, Plessey received a letter of intent from the current owner of another site, notifying it of alleged contamination at that site and demanding that Plessey take all steps necessary to investigate and remediate the contamination. The site owner has not pursued these allegations since Plessey's response in October 2020.

Provision has been made for many years for the estimated remediation and monitoring costs associated with the New Jersey site and is reflected in the net investment in the Plessey Holdings Limited joint venture under equity accounting rules. Due to the factors outlined above, it is impractical at this stage to provide an estimate of the amount or timing of any outflow relating to either matter and therefore whether any contribution by Plessey's shareholders may be required under guarantees that are in place.

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

**Guarantees**

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

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

	2021 £ million	2020 £ million
Expiring:		
Within one year	0.1	0.1
Thereafter	0.5	0.5
No expiry date	0.6	0.6
	<u>1.2</u>	<u>1.2</u>

**27. POST-RETIREMENT BENEFITS**

The most significant pension plan within the Group is the G.E.C. 1972 Plan (the "UK Pension Plan") which is administered by a Trustee and is legally separate from the Group. A full statutory funding valuation for the UK Pension Plan was carried out as at 31 March 2019 and a valuation for accounting purposes was carried out as at 31 March 2021 and 31 March 2020, all by independent qualified actuaries. The UK Pension Plan was closed to future accrual on 5 April 2010 and members of the UK Pension Plan and other eligible employees were invited to join the Telent 2010 Plan, a defined contribution scheme.

On 25 September 2019, the Trustee of the UK Pension Plan signed two Bulk Purchase Annuity Policies (the Buy-out Policies) with Rothesay Life. These provide insurance for pension liabilities under the UK Pension Plan. The terms of the Buy-out Policies provide for Rothesay Life to issue individual policies to beneficiaries under the UK Pension Plan. Full buy-out was achieved on 15 February 2021 when individual policies were issued to replace the current obligations of the UK Pension Plan to provide benefits for members. From 15 February 2021 members' benefits were fully insured and the wind up of the Plan is now in progress.

Whilst the UK Pension Plan was in the process of moving from the buy-in stage to full buy-out, the Group was obliged to continue to engage a firm of actuaries to carry out an independent valuation of the Plan liabilities for accounting purposes. Now that the buy-out phase is complete and the Trustee has fully discharged its liabilities to the Plan members, the Group no longer recognise any asset or obligation relating to the UK Pension Plan as at 31 March 2021 other than some residual AVC assets (and correspondingly equivalent liabilities) amounting to £9.5 million. These policies are in the process of being assigned to the individual members; a process which is expected to be complete by 30 June 2021.

Group deficit funding contributions made to the UK Pension Plan in the year totalled £Nil (2020: £2.0 million).

From 1 April 2020 the UK Pension Plan has paid the administration costs associated with settling the Plan. Prior to this the Group paid the costs of administration, including the Pension Protection Fund levy, which totalled £5.8 million in the year ended 31 March 2020.

The Group operates defined contribution schemes in addition to the defined benefit schemes. Contributions to these schemes amounted to £5.7 million (2020: £5.3 million).

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 2021 and 31 March 2020, all by independent qualified actuaries. The FRS 102 deficit at 31 March 2021 was £0.1 million (2020: £Nil). 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 of certain staff related to a specific contract. A full statutory funding valuation for ESPF was carried out as at 31 March 2019 and a valuation for accounting purposes was carried out as at 31 March 2021 and 31 March 2020, all by independent qualified actuaries. The FRS 102 deficit at 31 March 2021 was £0.3 million (2020: £0.2 million). The next statutory funding valuation will take place as at 31 March 2022.

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

The assumptions used by the actuaries to determine the liabilities on an FRS 102 basis for both the UK Pension Plan and TCPSPS are set out below:

<b>At 31 March</b>	<b>2021</b>	<b>2020</b>
<b>Average assumptions used</b>	<b>(% pa)</b>	<b>(% pa)</b>
Rate of increase in pensions in payment	<b>3.68</b>	3.06
Rate of increase for deferred pensioners (UK Pension Plan)	<b>3.68</b>	3.06
Rate of increase for deferred pensioners (TCPSPS)	<b>2.03</b>	2.31
Rate of credited interest	<b>2.50</b>	2.50
Discount rate applied to liabilities	<b>2.03</b>	2.31
Inflation assumption	<b>3.68</b>	3.06
Rate of salary increase (TCPSPS only)	<b>3.68</b>	3.06

The assumptions used by the actuaries to determine the liabilities on an FRS 102 basis for Telent's participation in the ESPF are set out below:

<b>At 31 March</b>	<b>2021</b>	<b>2020</b>
<b>Average assumptions used</b>	<b>(% pa)</b>	<b>(% pa)</b>
Rate of increase in pensions in payment (CPI)	<b>2.80</b>	1.80
Discount rate applied to liabilities	<b>2.00</b>	2.30
Rate of salary increase	<b>2.80</b>	1.80

***Pension plans***

The life expectancies implied by the mortality assumption adopted at each year-end are as follows:	<b>2021</b>	<b>2020</b>
	<b>Years</b>	<b>Years</b>

**For the UK Pension Plan and TCPSPS:**

Participant aged 65:		
Men	<b>88.4</b>	88.3
Women	<b>89.7</b>	89.7
Participant who will be 65 in 15 years' time:		
Men	<b>89.5</b>	89.5
Women	<b>91.3</b>	91.2

**For ESPF:**

Participant aged 65:		
Men	<b>86.1</b>	86.6
Women	<b>88.7</b>	88.6
Future pensioners (members aged 45 at the last formal valuation):		
Men	<b>86.9</b>	87.5
Women	<b>90.0</b>	90.3

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

The UK Pension Plan provided benefits to members on the best of three bases. One of the bases is a money purchase underpin in which a discretionary level of credited interest was applied to a percentage of members' contributions. The discretionary level of credited interest has been treated as a constructive obligation.

The total assets held in all three defined benefit pension plans comprise:

Year ended 31 March	2021 £ million	2020 £ million
Buy-out Policies	-	3,540.0
Bonds	0.1	0.1
Equities	0.6	0.4
Property	0.1	0.1
Cash and other investments	10.4	14.8
<b>Fair value of pension assets</b>	<b>11.2</b>	<b>3,555.4</b>
<b>Defined benefit obligations</b>	<b>(11.6)</b>	<b>(3,555.6)</b>
<b>Net defined benefit liability</b>	<b>(0.4)</b>	<b>(0.2)</b>
Disclosed as:		
<b>Net defined benefit asset (the UK Pension Plan)</b>	-	-
<b>Net defined benefit obligation (TCPSPS)</b>	(0.1)	-
<b>Net defined benefit obligation (ESPF)</b>	(0.3)	(0.2)

The values of the UK Pension Plan assets as shown above have been estimated by the Trustee of the UK Pension Plan using the following fair value hierarchy. The bases on which fair value is determined are set out in Note 3 Critical accounting judgements and estimates:

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

The total assets held in all three plans have been included at fair value as follows:

	2021 £ million	2020 £ million
Level 1	0.7	0.5
Level 2	-	-
Level 3	10.5	3,554.9
	<b>11.2</b>	<b>3,555.4</b>

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

TCPSPS and ESPF expose Telent to a number of risks, namely:

- Credit risk – the risk that one party to a financial instrument will cause a financial loss of the other party by failing to discharge an obligation
- Market risk – the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market prices. Market risk comprises currency risk, interest rate risk and other price risk (including inflation)
- Mortality – the risk of life expectancy changes.

As a result of the purchase of the Buy-out Policies on 25 September 2019 and the subsequent full buy-out as at 15 February 2021 the UK Pension Plan no longer exposes Telent to any of the risks mentioned above.

The calculation of scheme liabilities is sensitive to the actuarial assumptions listed above. The key sensitivities to which the UK Pension Plan was exposed until full buy-out was achieved on 15 February 2021 are assumptions relating to discount rate, price inflation (which impacts increases in pensions in payment and deferred pensions) and mortality. After the purchase of the Buy-out Policies any movements in scheme liabilities caused by the above factors were offset by an equal and opposite movement in the value of the Buy-out Policies (scheme asset) until full buy-out was achieved, as Rothesay Life was responsible under the Buy-out Policies for all pension liabilities. As a result sensitivity analysis for the UK Pension Plan are not disclosed.

Due to the size of TCPSPS and ESPF the disclosed results are not materially sensitive to the typical range of sensitivities shown in corporate accounts, and are therefore not disclosed. The pensioner liability is backed by an insurance contract meaning that changes in the liability should be matched by changes in the asset and that the deficit is not sensitive to experience in this population. However, with both Schemes being very small actual events for the non-pensioner population, such as the death of one member, may or may not result in gains or losses which are a material percentage of the liabilities.

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

The following table shows a reconciliation for all three defined benefit pension plans from the opening balances for the net defined benefit (liability)/asset and its components:

	Defined benefit obligation		Fair value of plan assets		Net defined benefit (liability)/asset	
	2021	2020	2021	2020	2021	2020
	£ million	£ million	£ million	£ million	£ million	£ million
Balance as at 1 April	(3,555.6)	(3,653.2)	3,555.4	4,113.3	(0.2)	460.1
<b>Included in profit and loss account</b>						
Administration costs	-	-	(1.3)	(2.5)	(1.3)	(2.5)
Service cost	(0.1)	-	-	-	(0.1)	-
Interest (cost)/income	(70.1)	(78.7)	70.1	84.0	-	5.3
Introductions, changes, curtailments and settlements	3,801.6	(22.6)	(3,801.6)	(514.0)	-	(536.6)
<b>Included in Other Comprehensive Income</b>						
Remeasurement of the Defined benefit obligation <sup>1</sup>	(389.8)	(2.7)	389.6	-	(0.2)	(2.7)
Return on Plan assets greater/(lower) than discount rate	-	-	-	(171.7)	-	(171.7)
<b>Other</b>						
Benefit Payments	202.4	201.6	(202.4)	(201.6)	-	-
Company contributions <sup>2</sup>	-	-	1.4	247.9	1.4	247.9
<b>Balance as at 31 March</b>	<b>(11.6)</b>	<b>(3,555.6)</b>	<b>11.2</b>	<b>3,555.4</b>	<b>(0.4)</b>	<b>(0.2)</b>
Disclosed as:						
Net defined benefit asset (the UK Pension Plan)					-	-
Net defined benefit obligation (TCPSPS)					(0.1)	-
Net defined benefit obligation (ESPF)					(0.3)	(0.2)
					<b>(0.4)</b>	<b>(0.2)</b>

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

<sup>2</sup> Company contributions of £1.4 million comprise contributions recognised in the year of £1.3 million relating to the UK Pension Plan and £0.1 million relating to TCPSPS.

Please see Note 16 for details of the UK Pension Plan escrows.

**NOTES TO THE ACCOUNTS (CONTINUED)**  
**28. OPERATING LEASE ARRANGEMENTS**

***The Group as lessee***

At 31 March 2021, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2021 £ million	2020 £ million
Within one year	7.1	6.2
In the second to fifth years inclusive	9.3	11.3
After five years	14.4	14.2
	<u>30.8</u>	<u>31.7</u>

**29. CAPITAL COMMITMENTS**

Amounts contracted for but not provided in the financial statements amounted to £0.1million (2020: £0.1 million) 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 £342,000, of which £180,000 is payable for the audit of the Group and Company and £162,000 for the audit of individual subsidiaries.

No non-audit fees were payable to the Company's auditors for other services to the Group since their appointment as auditor.

The fees paid to the Company's former auditors for the year ended 2020 were: for the audit of the Company's annual accounts £381,000, of which £190,500 is payable for the audit of the Group and Company and £190,500 for the audit of individual entities; and non-audit fees for other services to the Group for pensions advice £25,000, tax advisory fees £4,000, and other fees £4,000.

All non-audit services for a value of more than £50,000 performed by the auditors are pre-approved by the Board, following a competitive tender process where appropriate, and are established in accordance with the Group's auditor's independence policy.

All of the amounts shown above were charged to profit and loss as an expense.

**NOTES TO THE ACCOUNTS (CONTINUED)****31. 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	
	2021 £million	2020 £million	2021 £million	2020 £million
Tusk Management LLP – administration fee	0.1	0.1	-	-
Co-Investment Guernsey Limited – management services	(0.5)	(0.5)	-	-

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

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

The Directors of the Company are deemed to be key management personnel and remuneration made to them is disclosed in Note 8 to the accounts above. Certain members of senior management of Telent Technology Services Limited are also considered to be key management personnel and details of their aggregate remuneration are disclosed below:

Year ended 31 March	2021 £ million	2020 £ million
Short-term employee benefits	3.5	4.0
Pension contributions	-	-
Share-based payments	0.2	-
	<u>3.7</u>	<u>4.0</u>

**32. FINANCIAL INSTRUMENTS**

Year ended 31 March	2021 £ million	2020 £ million
Other financial assets measured at fair value		
Available for sale investments	<u>30.1</u>	<u>104.2</u>

The Group (excluding the UK Pension Plan escrows) uses financial instruments, including derivatives (principally forward foreign currency exchange contracts) to hedge currency exposure risks, when considered appropriate. At 31 March 2021 the Group had outstanding contracts to purchase USD 22.0 million (2020: USD 20.6 million), sell USD 6.3 million (2020: USD 1.0 million), purchase EUR 0.1 million (2020: EUR 0.2 million) and to sell EUR 0.8 million (2020: EUR 1.1 million). All such contracts mature in the year ending 31 March 2022, with the exception of contracts to purchase USD 6.2 million (2020: USD 6.8 million), of which USD 3.2 million matures in the year ending 31 March 2023, USD 2.6 million in the year ending 31 March 2024 and USD 0.4 million 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.



**NOTES TO THE ACCOUNTS (CONTINUED)****33. ULTIMATE CONTROLLING PARTY**

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

**34. PRIOR YEAR ADJUSTMENTS**

During the year ended 31 March 2021, following an internal review of Telent's compliance with various aspects of FRS 102 and the Companies Act, management has identified changes made to the Group's accounting treatment in the following areas. These changes, individually or in aggregate, are not considered sufficiently fundamental to require the provision of a restated 31 March 2019 Consolidated balance sheet and notes thereto.

- i) Having analysed Telent's compliance with Section 23 of FRS 102, in relation to the timing of the recognition of revenue on the rendering of services, the Group has restated long-term contract work in progress and accrued income balances in relation to certain contracts to more closely align with the requirements of Section 23. The adjustment relates to contracts in progress where the outcome of the contract cannot yet be assessed with reasonable certainty. The impact of the change on the profit and loss account for the year ended 31 March 2020 was a nil impact on gross profit, operating profit and profit for the year, so no restatement of the 2020 Consolidated profit and loss account has been presented.
- ii) The amortisation profile of negative goodwill has been inconsistent with the amortisation profile of the non-monetary assets acquired, as required by FRS 102.19.24(c). The Group has restated the amortisation of negative goodwill to reflect the amortisation profile of the associated non-monetary assets, primarily other intangible assets.
- iii) In previous years' accounts, the current portion of provisions was disclosed within Creditors: Amounts falling due within one year. In these accounts, that presentation has been amended to correctly disclose all provisions below Total assets less current liabilities, to be in compliance with the Companies Act. Comparative figures have been amended accordingly. The change has no impact on the Consolidated profit and loss account and does not affect net assets in the Consolidated balance sheet.

The impact of these adjustments is shown below:

Detailed account	Note	2020 as reported £ million	2020 adjustment £ million	2020 restated £ million	2019 as reported £ million	2019 adjustment £ million	2019 restated £ million
Intangible asset amortisation (Profit and Loss account)	ii)	(5.4)	1.1	(4.3)			
Negative goodwill (Balance sheet)	ii)	(8.0)	5.7	(2.3)	(9.4)	4.6	(4.8)
Work in progress (Balance sheet)	i)	11.8	(4.7)	7.1			
Accrued sales (Balance sheet)	i)	38.4	4.7	43.1			
Creditors: Amounts falling due within one year (Balance sheet)	iii)	(188.6)	18.6	(170.0)			
Provisions (Balance sheet)	iii)	(18.7)	(18.6)	(37.3)			
Retained earnings (Balance sheet)	ii)	167.4	4.6	172.0	763.8	4.6	768.4

## COMPANY BALANCE SHEET

As at 31 March	Note	2021 £ million	2020 £ million
<b>Fixed assets</b>			
Investment in subsidiary undertakings	iv	434.1	487.7
Available for sale investments	v	30.1	104.2
		<u>464.2</u>	<u>591.9</u>
<b>Current assets</b>			
Debtors	vi	0.1	-
Cash and cash equivalents	vii	3.1	3.2
		<u>3.2</u>	<u>3.2</u>
Creditors: amounts falling due within one year	viii	<u>(343.7)</u>	<u>(413.7)</u>
<b>Net current liabilities</b>		<u>(340.5)</u>	<u>(410.5)</u>
<b>Total assets less current liabilities</b>		<u>123.7</u>	<u>181.4</u>
Creditors: amounts falling due after more than one year	ix	(24.6)	-
Provisions	x	<u>(5.2)</u>	<u>(6.0)</u>
<b>Net assets</b>		<u>93.9</u>	<u>175.4</u>
Capital and reserves			
Called-up share capital	xi	0.7	0.7
Profit and loss account <sup>1</sup>		<u>93.2</u>	<u>174.7</u>
		<u>93.9</u>	<u>175.4</u>

The notes on pages 66 to 73 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 29 July 2021. They were signed on its behalf by:

*David Naylor-Leyland*

D G E Naylor-Leyland

Chairman

<sup>1</sup> The profit for the year was £68.2 million (2020: loss for the year £508.5 million).

## COMPANY STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March	2021 £ million	2020 £ million
Profit/(loss) for the year	68.2	(508.5)
Net unrealised profit on available for sale investments	0.1	22.6
Realised gains on available for sale investments transferred to profit for the year	-	(52.1)
Re-measurement of defined benefit asset	-	(174.3)
Deferred tax arising on re-measurement of defined benefit asset	-	33.1
<b>Total recognised income/(expense) for the year</b>	<b>68.3</b>	<b>(679.2)</b>

## COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital account £ million	Share premium account £ million	Capital reserve £ million	Profit and loss account £ million	Total £ million
At 1 April 2019	56.3	14.8	9.0	785.0	865.1
Dividends paid	-	-	-	(10.5)	(10.5)
Total recognised expense for the year	-	-	-	(679.2)	(679.2)
Capital reduction	(55.6)	(14.8)	(9.0)	79.4	-
At 1 April 2020	0.7	-	-	174.7	175.4
Dividends paid	-	-	-	(150.1)	(150.1)
Share-based payments	-	-	-	0.3	0.3
Total recognised income for the year	-	-	-	68.3	68.3
<b>As at 31 March 2021</b>	<b>0.7</b>	<b>-</b>	<b>-</b>	<b>93.2</b>	<b>93.9</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 profit of the Company for the financial year amounted to £68.2 million (2020: loss of £508.5 million).

## NOTES TO THE COMPANY ACCOUNTS

### I. ACCOUNTING POLICIES FOR TELENT LIMITED

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

These financial statements have been prepared in accordance with Financial Reporting Standard 102 ("FRS 102").

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

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

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

#### **Going Concern**

Whilst the Company balance sheet shows net current liabilities of £340.5 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 33.

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 accounts.

#### **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 period 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	
	2021	2020
US Dollar	1.3797	1.2400
Euro	1.1739	1.1301

#### **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.

***Post-retirement benefits***

The cost of providing benefits under defined benefit retirement benefit schemes 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 'Finance costs' and the re-measurement of defined benefit obligations are recognised in full in the period in which they occur in the 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 reduced by the fair value of scheme assets.

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

***Available for sale financial assets***

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

Where applicable, the fair value of available for sale financial assets denominated in a foreign currency is determined in that currency and translated at the spot rate at the balance sheet date. The change in fair value attributable to translation differences that results from a change in amortised cost of the asset is recognised in the profit and loss account and other changes are recognised in other comprehensive income.

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

***Available for sale financial assets (continued)***

**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 is recognised on an effective interest basis for the assets held as part of the UK Pension Plan escrow and classified as 'available for sale investments'.

**Impairment**

Available for sale financial assets are assessed for indicators of impairment at each balance sheet date and 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.

For assets classified as available for sale, a significant or prolonged decline in the fair value of the asset below its cost is considered to be an indication of potential impairment. Where there is such an indication, assets are assessed individually to determine whether the decline in the fair value is expected to reverse or whether any impairment should be recognised.

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 profit or loss 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.

***Provisions***

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

***Financial instruments***

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

**II. KEY JUDGEMENTS AND ACCOUNTING ESTIMATES**

The Directors consider the key judgements to be those relating to the categorisation of available for sale assets and treatment of the UK Pension Plan settlement costs.

The Directors consider the key estimates to be those relating to the UK Pension Plan settlement costs and provisions for industrial disease liabilities.

Details of all these matters are set out in Note 3 to the Group Accounts.

**III. STAFF COSTS**

The average monthly number of employees in Telent Limited during the year was 7 (2020: 10).

<b>Year ended 31 March</b>	<b>2021 £ million</b>	<b>2020 £ million</b>
Wages and salaries	0.8	1.0
Social security costs	0.1	0.2
	<u>0.9</u>	<u>1.2</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 2020	8.3	(5.5)	3,770.5	(3,285.6)	30.2	(30.2)	487.7
Movements in							
Group loans	(2.4)	-	-	-	-	-	(2.4)
Foreign exchange	(0.4)	0.4	-	-	-	-	-
Disposals	(5.1)	5.1	-	-	-	-	-
Provisions	-	(0.4)	-	(50.8)	-	-	(51.2)
<b>At 31 March 2021</b>	<b>0.4</b>	<b>(0.4)</b>	<b>3,770.5</b>	<b>(3,336.4)</b>	<b>30.2</b>	<b>(30.2)</b>	<b>434.1</b>

A list of all related undertakings is given below.

Name	Voting rights	Registered office address
Allard Consultoria em Telecomunicacoes Ltda	100%	Rua Bonnard, nº 980 - Green Valley I – Bloco 10 - Andar 6 - Lado B - Sala 18 -Alphaville Empresarial – Barueri – SP – CEP 06465-134, Brazil
Associated Electrical Industries Limited *	100%	Point 3, Haywood Road, CV34 5AH, England
Enhance Communications Limited *	100%	Point 3, Haywood Road, CV34 5AH, England
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
Mp Software International Limited *	100%	Point 3, Haywood Road, CV34 5AH, England
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
Stanhope Pension Services Limited *	100%	Point 3, Haywood Road, CV34 5AH, England
Telent SPV Limited *	100%	Point 3, Haywood Road, CV34 5AH, England
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
TSS Solutions Limited *	100%	Point 3, Haywood Road, CV34 5AH, England
Plessey Holdings Limited *	50%	Faraday House, Sir William Siemens Square, Frimley, Camberley, Surrey GU16 8QD, England
Plessey Incorporated	50%	28 Liberty Street, New York, New York 10005, USA
British Sealed Beams Limited *	20%	4 Pancras Square, London N1C 4AG, England

\* Denotes those investments held directly by the Company.

All interests are ordinary shares or equivalent.

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

	2021 £ million	2020 £ million
UK Pension Plan escrow 1	30.1	79.3
UK Pension Plan escrow 3	-	24.9
Available for sale investments carried at fair value	<u>30.1</u>	<u>104.2</u>

Please see Note 16 to the Group Accounts for the full disclosures on available for sale investments.

**VI. DEBTORS**

	2021 £ million	2020 £ million
<b>Amounts falling due within one year:</b>		
Other debtors	<u>0.1</u>	<u>-</u>

Deferred tax assets of £362.4 million (2020: £362.9 million) have not been recognised as the Company is not sufficiently certain that it will be able to recover these assets within a relatively short period of time.

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

	2021 £ million	2020 £ million
Unrestricted cash and bank deposits	0.8	0.8
Restricted cash deposits	<u>2.3</u>	<u>2.4</u>
Cash and cash equivalents	<u>3.1</u>	<u>3.2</u>

Analysis of restricted cash balance:

	2021 £ million	2020 £ million
Overseas tax escrow	1.8	1.9
Italian escrow	<u>0.5</u>	<u>0.5</u>
Restricted cash	<u>2.3</u>	<u>2.4</u>

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



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

	2021 £ million	2020 £ million
<b>Amounts falling due within one year:</b>		
Amounts owed to Group companies	337.2	398.3
Other creditors	6.5	15.4
	<u>343.7</u>	<u>413.7</u>

Included within other creditors is £Nil due to be paid to the UK Pension Plan out of the UK Pension Plan escrow 1 (2020: £9.8 million, which was paid during the year).

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

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

	2021 £ million	2020 £ million
<b>Amounts falling due within one year:</b>		
Bank loans	<u>24.6</u>	<u>-</u>

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

**X. PROVISIONS**

	Litigation £ million	Other £ million	Total £ million
At 1 April 2020	4.0	2.0	6.0
Charged	-	0.1	0.1
Released	(0.7)	-	(0.7)
Utilised	(0.1)	(0.1)	(0.2)
<b>At 31 March 2021</b>	<u>3.2</u>	<u>2.0</u>	<u>5.2</u>

Provisions for litigation comprise expected employee claims relating to industrial disease. The provision of £3.2 million represents the net present value of the amount that it is estimated that the Company will be required to pay to settle claims, after taking into account the estimated contribution from the Financial Services Compensation Scheme, which amounts to £3.3 million (2020: £4.1 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.

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

	Number of shares	2021 £ million	2020 £ million
<b>Ordinary shares of 1p each</b>			
Allotted, called-up and fully paid	64,409,935	0.7	0.7
<b>'B' Ordinary shares of 1p each</b>			
Allotted, called-up and fully paid	1,583,850	-	-
<b>'C' Ordinary shares of 1p each</b>			
Allotted, called-up and fully paid	200,000	-	-
<b>'D' Ordinary shares of 1p each</b>			
Allotted, called-up and fully paid	570	-	n/a

As at 31 March 2021 there were no share options outstanding in respect of the Company's ordinary shares.

**Dividends**

Dividends of £150.1 million were declared and paid in the year (2020: £10.5 million), representing a dividend per share of 227.45 pence (2020: 15.91 pence) per Ordinary share and 'B' Ordinary share held.

**XII. COMPANY RESERVES**

Included within the profit and loss reserve is a credit of £0.3 million (2020: £Nil), which is non-distributable as a result of issue of 'D' Ordinary shares in the year.

**XIII. POST-RETIREMENT BENEFITS**

The UK Pension Plan is the principal pension fund of the Telent Group and is a funded defined benefit plan.

A full valuation for accounting purposes was carried out as at 31 March 2021 by independent qualified actuaries under FRS 102.28, the results of which are disclosed in the notes to the Group Accounts (see Note 27).

On 25 September 2019, the Trustee of the UK Pension Plan signed two Bulk Purchase Annuity Policies (the Buy-out Policies) with Rothesay Life. These provide insurance for pension liabilities under the UK Pension Plan. The terms of the Buy-out Policies provide for Rothesay Life to issue individual policies to beneficiaries under the UK Pension Plan. Full buy-out was achieved on 15 February 2021 when individual policies were issued to replace the current obligations of the UK Pension Plan to provide benefits for members. From 15 February 2021 members' benefits were fully insured and the wind up of the Plan is now in progress.

Whilst the UK Pension Plan was in the process of moving from the buy-in stage to full buy-out, the Group was obliged to continue to engage a firm of actuaries to carry out an independent valuation of the Plan liabilities for accounting purposes. Now that the buy-out phase is complete and the Trustee has fully discharged its liabilities to the Plan members, the Group no longer recognise any asset or obligation relating to the UK Pension Plan as at 31 March 2021 other than some residual AVC assets (and correspondingly equivalent liabilities) amounting to £9.5 million. These policies are in the process of being assigned to the individual members; a process which is expected to be complete by 30 June 2021.

The assumptions used by the actuaries to determine the liabilities under FRS 102, and the asset valuations by class of asset for the UK Pension Plan are the same as those disclosed in the Group Accounts under the FRS 102.28 basis (see Note 27 to the Group Accounts).

**NOTES TO THE COMPANY ACCOUNTS (CONTINUED)**  
**XIV. ULTIMATE CONTROLLING PARTY**

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

Telent Limited is the largest and smallest group of which the Company was a member at 31 March 2021 and for which Group financial statements are prepared. Those Group financial statements are attached to this document.