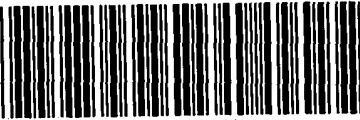


TELENT TECHNOLOGY SERVICES LIMITED
Annual Report and Financial Statements
Year ended 31 March 2023

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TELENT TECHNOLOGY SERVICES LIMITED
REPORT AND FINANCIAL STATEMENTS 2023

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TELENT TECHNOLOGY SERVICES LIMITED

REPORT AND FINANCIAL STATEMENTS 2023

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

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

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AUDITOR

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

STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 31 March 2023. The Strategic Report aims to provide a fair and balanced insight into the Company's main objectives, strategies and risks, including a review of the Company's performance and financial position. It complements, supplements and provides context for the financial statements.

PRINCIPAL ACTIVITIES

The Company is a leading provider of technology solutions to UK critical national infrastructure providers including Telecom Service Providers, Public Safety organisations, Transport operators, Public Sector bodies and Large Enterprises. We deliver services through three business units aligned to our target sectors:

Sector / Business unit	Services provided	Examples of key customers
Network Services	Design, installation, integration and ongoing support of digital infrastructure, including communication networks, storage and hosting solutions, applications and terminals and devices. Focused on Telecom Service Providers, Emergency Services, Maritime Safety, Public Sector and Large Enterprises.	BAE, BT, Cisco, Department of Health, East Sussex Fire & Rescue Service, EE, Frequentis, Giganet, Ireland Health Service Executive, Home Office, Irish Fire Service, London Ambulance Service, London Internet Exchange, Lumen, Maritime & Coastguard Agency, Mersey Fire and Rescue Service, Motorola, New Nuclear Build, North West Firecontrol, Northern Ireland Fire & Rescue Service, Parliamentary Digital Services, RNLI, Tyne & Wear and Northumberland FRS, University of Bristol, University of Exeter, Virgin Media and West Midlands Travel.
Transport	Design, installation, integration and whole-life management and operation of digital infrastructure, including operational networks, transport communication and management systems, control and automation systems and digital asset management. Focused on the Rail, Metro and Highways sectors.	National Highways, Transport for London (London Underground, Highways, DLR, Bus and Coach Stations, Piers, Cycle Hire Stands, Substations, London Transport Museum and Offices), Transport for Greater Manchester, Local and County Councils (including Cumbria, Essex, Kent, Worcestershire, Stoke-on-Trent, East & West Sussex, West Yorkshire and Gloucestershire), Alstom, CHC Highways, Crossrail, Global Media, Lumen, Network Rail, Ringway, High Speed 1 and Train Operating Companies (including Arriva, FirstGroup and Trenitalia) covering the Southwest (SWR), Great Western (GWR), West Coast Mainline (Avanti), Northern, Mersey Rail, Essex Thameside (C2C), MTR Elizabeth Line and London Overground franchises.
Infrastructure Services	Deploying scale solutions for design, build, maintenance and rationalisation of fibre and copper networks.	Openreach.

STRATEGIC REPORT (CONTINUED)

OBJECTIVE AND BUSINESS STRATEGY

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

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

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

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

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

BUSINESS PERFORMANCE REVIEW

The key financial performance indicators are turnover and operating profit from trading activities excluding exceptional items and intangible amortisation. Operating profit of £0.4 million (2022: loss of £2.0 million) comprises:

£ million	2023	2022
Operating profit from trading activities	12.4	7.0
Depreciation	(3.4)	(3.6)
Intangible amortisation	(2.3)	(2.8)
Exceptional items	(6.3)	(2.6)
Total operating profit/(loss)	0.4	(2.0)
Revenue	466.8	483.6
Cash at bank¹	32.4	28.5

¹ Includes £15.1 million (2022: £11.1 million) drawn down under a supplier finance facility with one of our major customers ("supplier finance facility")

Turnover reduced during the year from £483.6 million to £466.8 million primarily as a result of reduced volumes in the Infrastructure Services division. Whilst this impacted operating profitability in the Infrastructure Services division, improved performance across Transport and Network Services, with a significant reduction in the level of provisions for loss-making contracts recorded in the year has resulted in an increase in the operating profit from trading activities excluding exceptional items, depreciation and intangible amortisation to £12.4 million (2022: £7.0 million). Exceptional trading items charged to the profit and loss account (see Note 6) relate to restructuring costs of £5.5 million (2022: £0.9 million) and the impairment to the investment in the Harlequin Group following the hive-up into the Company (£1.2 million) offset by a reduction in expected property rationalisation costs of £0.4 million. After depreciation and amortisation of intangible assets of £5.7 million (2022: £6.4 million), the profit for the year amounted to £0.4 million (2022: loss of £2.0 million).

Cash at bank increased to £32.4 million at 31 March 2023 (2022 £28.5 million). This reflects positive operating cash flows¹, offset by exceptional cash costs, capital expenditure and the settlement of £2.8 million of deferred consideration on the acquisition of the Harlequin Group.

STRATEGIC REPORT (CONTINUED) BUSINESS PERFORMANCE REVIEW (CONTINUED)

NON-FINANCIAL KEY PERFORMANCE INDICATORS

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

	2023	2022
Lost time incidents ¹⁾	-	2
Deaths/Major injuries ^{2) & 3)}	-	-
Dangerous occurrences ³⁾	-	-
	<hr/>	<hr/>
Total	-	2

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

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

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

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

STRATEGIC REPORT (CONTINUED) BUSINESS PERFORMANCE REVIEW (CONTINUED)

Network Services

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

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

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

Progressing well with ongoing projects

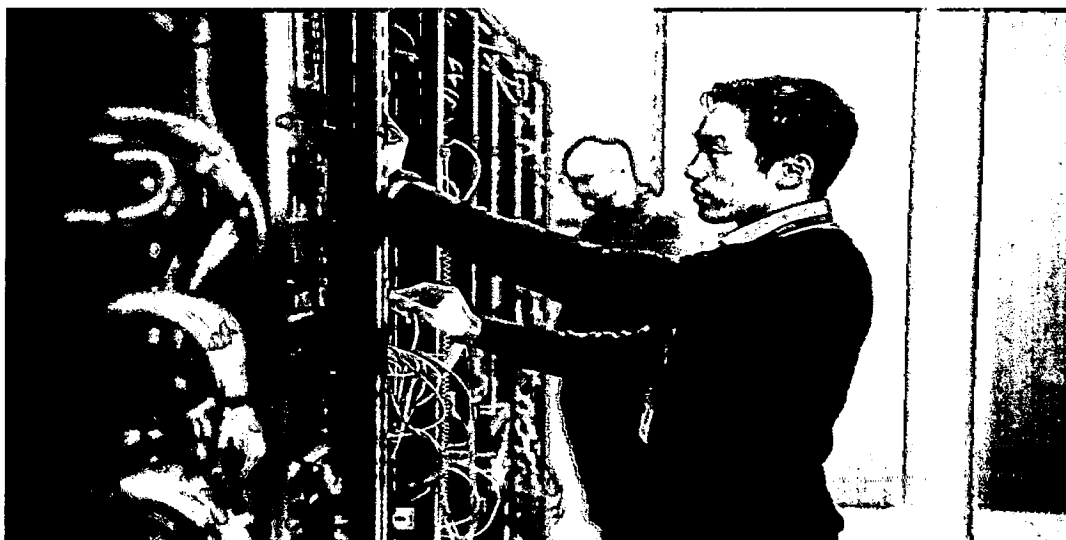
Two major projects have progressed well, and both have delivered more than the previous year. For the MCA, we're building a brand-new network, connecting remote radio sites based around 11,000 miles of UK coastline. The new network will replace the existing legacy infrastructure with a combination of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

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

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

Looking forward to the year ahead

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



STRATEGIC REPORT (CONTINUED) BUSINESS PERFORMANCE REVIEW (CONTINUED)

Transport

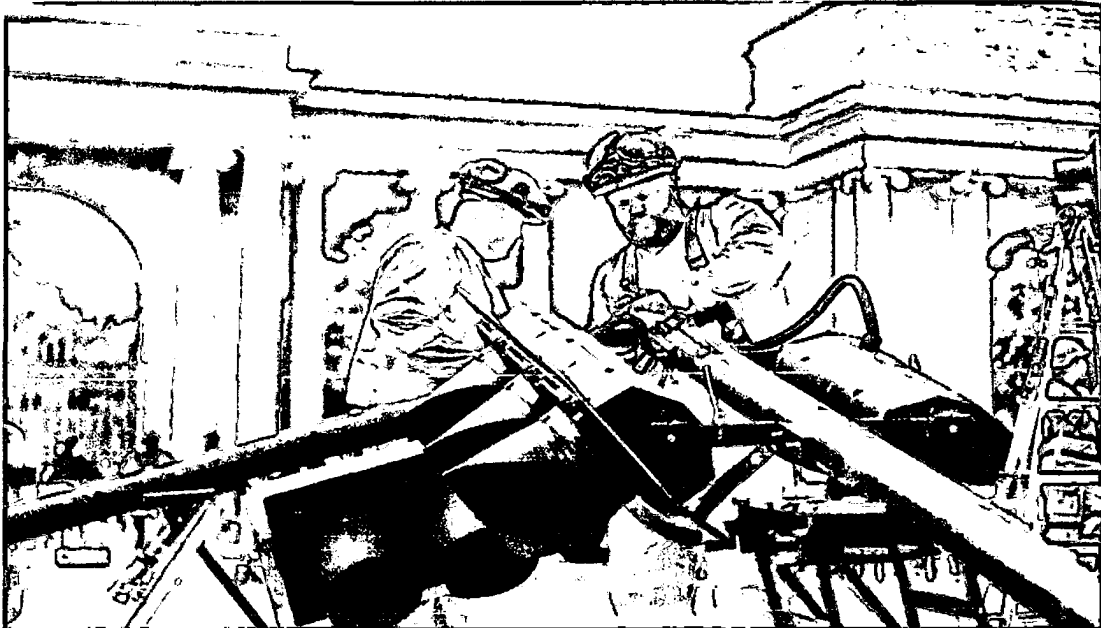
Over the last year, our Transport business has continued to support ongoing work with customers such as Network Rail, Train Operating Companies, Transport for London (TfL), National Highways, Boldyn Networks, Global Media, local and regional authorities, and numerous Tier 1 contractors across Transport.

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

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

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

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



STRATEGIC REPORT (CONTINUED) BUSINESS PERFORMANCE REVIEW (CONTINUED)

Transport (continued)

Project wins

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

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

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

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

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

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

Strong market fundamentals over the coming years

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

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

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

STRATEGIC REPORT (CONTINUED) BUSINESS PERFORMANCE REVIEW (CONTINUED)

Infrastructure Services

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

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

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

Navigating a challenging market

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

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



Focusing on profitable growth and expansion

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

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

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

STRATEGIC REPORT (CONTINUED)

SECTION 172(1) STATEMENT

The Directors have identified the following issues, factors and stakeholders as relevant in complying with their duties under section 172(1) Companies Act 2006 and sets out below how these have been considered and impacted their principal decisions during the financial year ended 31 March 2023.

Stakeholders

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

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

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

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

Communities – We are conscious of the impact of our business on the communities we serve. Our STEM ambassadors deliver a programme of events to inspire local people to consider a career with us, and our Gender Pay Gap reporting informs our continuing efforts. We are committed to charity fundraising, and we hold regular events in support of MIND (our charity partner chosen by our staff) as well as supporting local initiatives such as the Chorley Youth Zone, and Future Youth Zone in Dagenham. We also consult with local communities where required by legislation.

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

STRATEGIC REPORT (CONTINUED)

SECTION 172(1) STATEMENT (CONTINUED)

Issues and Factors

The Company maintains a risk register which has been modelled on best practice and requirements of ISO27001 & ISO31000 and captures emerging and established risks and is reviewed periodically. Risks are identified with treatment actions identified and tracked to completion where appropriate. Some of these risks are summarised in the Risks and Uncertainties section of this report.

Impact of Principal Decisions

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

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

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

Statement of corporate governance arrangements

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

Principle 1 – Purpose and Leadership

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

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

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

Purpose 2 – Board Composition

A total of 10 directors are appointed to the board. We have been advised following an independent review that this board size is in line with sector best practice, and we believe that it is appropriate for the scale and complexity of the Company.

Our board includes 9 executive directors - a Chief Executive Officer, Finance Director, Group Engineering Director, Strategy Director, Legal & Commercial Director and HR Director, as well as 3 Managing Directors. Each Managing Director is aligned to a business unit that is resourced to meet the needs of a particular market segment. Executive director biographies can be found at www.telent.com/about/management-team. In addition, Heather Green is a non-executive director of the Company, and she brings extensive experience in investor relations and financial controller roles for both Alstom and Marconi.

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

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

Principle 3 - Responsibilities

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

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

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

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

Principle 4 – Opportunity and Risk

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

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

Principle 5 - Remuneration

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

Principle 6 – Stakeholders

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

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

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

	2023	2022
SECR Mandatory Reporting Requirements	UK and offshore	UK and offshore
Energy consumption used to calculate emissions <i>/kWh</i> Figure is comprised of gas, electricity, transport fuel and gas oil from backup generators	37,398,950.8	39,024,438.6
Emissions from combustion of gas <i>/tCO₂e</i> (Scope 1)	497.4	567.6
Emissions from combustion of fuel for transport purposes <i>/tCO₂e</i> (Scope 1)	7,317.5	7,608.2
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel <i>/tCO₂e</i> (Scope 3)	416.9	858.4
Emissions from purchased electricity (Scope 2) <i>/tCO₂e</i> (Location Based)	1,490.8	1,896.0
Total gross CO ₂ e based on above <i>/tCO₂e</i>	9,722.6	10,930.2
Intensity ratio: tCO ₂ e / FTE Employee	3.5	3.9
Emissions from purchased electricity (Scope 2) <i>/tCO₂e</i> (Market Based)	191.2	300.5
Methodology	Green House Gas emissions have been calculated in accordance with Chapter 6 of the GHG Protocol Corporate Standard, using activity data derived from fuel purchases, metered electricity and mileage claims. Appropriate conversion factors and emissions factors have been obtained from the 'UK Government GHG Conversion Factors for Company Reporting' in order to calculate consumption in kWh and GHG emissions.	

Energy Efficiency Action

During the reporting year we have verified our previously reported data and have amended our 2021/2022 FTE figure and intensity metric which has resulted in our intensity metric reducing from 4.1tCO₂e/FTE to 3.9tCO₂e/FTE.

Telent remains committed to using energy as efficiently as possible and minimising carbon emissions from our operations.

During the reporting year we have seen our total gross carbon emissions and carbon intensity decrease from the previous year. Our total gross carbon emissions decreased by 11% from 2021/2022. Our carbon intensity decreased by 10% from 2021/2022 and is 12% lower than pre-pandemic levels of 4.0 tCO₂e / FTE employee in 2019/2020.

STRATEGIC REPORT (CONTINUED)

ENERGY & CARBON REPORTING (CONTINUED)

Energy Efficiency Action (continued):

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

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

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

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

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

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

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

Market

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

Operational

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

STRATEGIC REPORT (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES

Delivery

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

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

FINANCIAL RISK

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

Liquidity risk

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

Credit risk

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

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

Foreign exchange risk

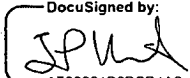
The Company makes some purchases and sales in foreign currencies: principally US Dollar and Euro. It seeks to minimise risk against foreign exchange rate movements, principally relating to purchases in US Dollars, by hedging committed expenditure as soon as reasonably practical following commitment through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

Inter-company debtor

The Directors acknowledge that a significant proportion of the Company's net current assets is represented by inter-company debtor balances of £275.2 million (2022: £279.9 million) but note that the Company is not dependent on those balances for its current or foreseeable future solvency.

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

By Order of the Board

DocuSigned by:

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J P Kimpton

Director

27 July 2023

DIRECTORS' REPORT

The Directors present their Report and the audited financial statements of the Company for the year ended 31 March 2023.

DIRECTORS

The Directors holding office since 1 April 2022 are listed below:

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

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

PAYMENT OF CREDITORS

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

The average number of days in which we pay trade creditors, excluding amounts owed to companies in the Telent Group, is 36 days (2022: 30 days).

RESEARCH AND DEVELOPMENT

Research and development costs of £2.1 million were incurred in the year (2022: £1.8 million), which have been expensed to the profit and loss account as incurred.

TRADING OUTLOOK

Market and inflationary factors continued to place pressure on our profitability, especially from Infrastructure Services' contracts in the year, however, the business has remained extremely resilient with improved performance across Transport and Network Services.

The Company's balance sheet shows net current assets, excluding the inter-company debtor, of £78.2 million (2022: £74.3 million). Taking into account new contract wins and the first few months' trading since April 2023, the Directors are confident that Telent will continue to trade profitably over the remainder of the new financial year and into the medium term. Telent's ability to maintain growth in the year ending 31 March 2024 and beyond will be underpinned by the need to keep supporting critical national infrastructure; the level of success in retaining existing contracts; winning new business; and the health of the British economy as a whole.

DIRECTORS' REPORT (CONTINUED)

OUR EMPLOYEES

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

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

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

Health, safety, and wellbeing

Health and safety

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

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

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

Wellbeing

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

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

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

DIRECTORS' REPORT (CONTINUED) OUR EMPLOYEES (CONTINUED)

Resourcing and growing talent

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

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

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

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

Engagement and communication

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

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

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

DIRECTORS' REPORT (CONTINUED)

OUR EMPLOYEES (CONTINUED)

Equality, Diversity, and Inclusion (ED&I)

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

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

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

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

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

Social Value

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

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

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

Employment of Disabled Persons

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

DIRECTORS' REPORT (CONTINUED)

ITEMS COVERED IN THE STRATEGIC REPORT

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

CHARITABLE AND POLITICAL DONATIONS

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

No political donations were made during the year ended 31 March 2023 (2022: £Nil).

GOING CONCERN

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

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

- The amount drawn down under a supplier finance facility at 31 March 2023 is £15.1 million (2022: £11.1 million). The remaining balance on the supplier finance facility that could have been drawn as at 31 March 2023 was £11.5 million.
- The Company paid £2.8 million of deferred consideration on the acquisition of Harlequin in the year ending 31 March 2023.

An assessment of the Company's ability to continue as a going concern for the period to 30 September 2024 was carried out by the Directors. This assessment was derived from the latest medium-term cash forecasts, which was based on the Board approved budget.

The Directors have also stress-tested these forecasts in order to determine the level to which the Company's profitability and cash would have to fall to cause the business a significant risk of no longer remaining a going concern by virtue of a covenant breach. The key risks considered include a deterioration in payment terms from customers; fluctuations in revenue volumes from key customers; and an increase in costs.

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

Furthermore, the Directors expect the Company to continue to trade profitably during the year ending 31 March 2024 and to generate positive operating cash flows, before taking into account any movements associated with the timing and levels of utilisation of the Company's supplier finance facility.

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

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' CONFIRMATION

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

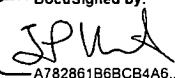
- so far as the Director is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit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

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

AUDITOR

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

By Order of the Board

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J P Kimpton

Director

27 July 2023

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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

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

OPINION

We have audited the financial statements of Telent Technology Services Limited (the 'Company') for the year ended 31 March 2022, which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity, the Statement of Comprehensive Income and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

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

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

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

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

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

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

OTHER INFORMATION

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

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

We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

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

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

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement set out on page 21, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

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


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

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

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

USE OF OUR REPORT

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

DocuSigned by:

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Rebecca Eagle

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Birmingham

Date: 27 July 2023

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

	Note	2023 £ million	Restated 2022 £ million
TURNOVER	3	466.8	483.6
Cost of sales		<u>(407.9)</u>	<u>(429.8)</u>
GROSS PROFIT	4	58.9	53.8
Administrative expenses	4	(57.2)	(54.5)
Net other operating income	4	7.3	4.1
OPERATING PROFIT:			
Excluding operating exceptional items and intangible amortisation	4	9.0	3.4
Intangible amortisation	9	(2.3)	(2.8)
Operating exceptional items	6	(6.3)	(2.6)
TOTAL OPERATING PROFIT/(LOSS)		0.4	(2.0)
Interest receivable and similar income	5	<u>1.8</u>	<u>0.6</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		2.2	(1.4)
Tax on profit/(loss) on ordinary activities	8	<u>2.0</u>	<u>(2.1)</u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		<u>4.2</u>	<u>(3.5)</u>

All results derive from continuing operations.

The notes on pages 29 to 48 form an integral part of these financial statements.

BALANCE SHEET**At 31 March 2023**

	Note	2023 £ million	2022 £ million
FIXED ASSETS			
Intangible assets and goodwill		14.4	11.0
Negative goodwill		(0.6)	(1.0)
Total intangible assets and goodwill	9	13.8	10.0
Tangible fixed assets	10	8.1	8.6
Investments in subsidiaries	11	4.1	9.8
Retirement benefit scheme asset	21	0.6	0.1
		<u>26.6</u>	<u>28.5</u>
CURRENT ASSETS			
Stocks	12	16.4	13.7
Debtors – due within one year	13	415.1	437.6
Debtors – due after one year	13	24.7	21.5
Cash at bank and in hand		32.4	28.5
		<u>488.6</u>	<u>501.3</u>
Creditors: amounts falling due within one year	14	(135.2)	(147.1)
NET CURRENT ASSETS		<u>353.4</u>	<u>354.2</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		380.0	382.7
Creditors: amounts falling due after more than one year	15	(1.1)	(0.6)
Provisions	16	(11.6)	(19.5)
Retirement benefit scheme obligation	21	-	(0.2)
NET ASSETS		<u>367.3</u>	<u>362.4</u>
CAPITAL AND RESERVES			
Called up share capital	17	-	-
Capital contributions	17	16.7	16.7
Revaluation reserve	17	7.2	7.2
Profit and loss account	17	343.4	338.5
SHAREHOLDER'S FUNDS		<u>367.3</u>	<u>362.4</u>

The notes on pages 29 to 48 form an integral part of these financial statements.

The financial statements of Telent Technology Services Limited (company number 703317) were approved by the Board of Directors and authorised for issue on 27 July 2023. They were signed on its behalf by:

DocuSigned by:

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 J P Kimpton
 Director

STATEMENT OF CHANGES IN EQUITY

	Called-up share capital £ million	Capital contributions £ million	Revaluation reserve £ million	Profit and loss account £ million	Total £ million
At 1 April 2021	-	16.7	7.2	341.7	365.6
Loss for the year	-	-	-	(3.5)	(3.5)
Other comprehensive income for the year	-	-	-	0.3	0.3
Total recognised expense for the year	-	-	-	(3.2)	(3.2)
At 1 April 2022	-	16.7	7.2	338.5	362.4
Profit for the year	-	-	-	4.2	4.2
Other comprehensive income for the year	-	-	-	0.7	0.7
Total recognised income for the year	-	-	-	4.9	4.9
At 31 March 2023	-	16.7	7.2	343.4	367.3

STATEMENT OF COMPREHENSIVE INCOME

	Note	2023 £ million	2022 £ million
Profit/(loss) for the financial year		4.2	(3.5)
Actuarial gains	21	0.7	0.3
Total recognised income/(expense) for the year		4.9	(3.2)

The notes on pages 29 to 48 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

1. PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

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

Related party transactions

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

Group financial statements

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Going concern

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

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

- The amount drawn down under a supplier finance facility at 31 March 2023 is £15.1 million (2022: £11.1 million). The remaining balance on the supplier finance facility that could have been drawn as at 31 March 2023 was £11.5 million.
- The Company paid £2.8 million of deferred consideration on the acquisition of Harlequin in the year ending 31 March 2023.

An assessment of the Company's ability to continue as a going concern for the period to 30 September 2024 was carried out by the Directors. This assessment was derived from the latest medium-term cash forecasts, which was based on the Board approved budget.

The Directors have also stress-tested these forecasts in order to determine the level to which the Company's profitability and cash would have to fall to cause the business a significant risk of no longer remaining a going concern by virtue of a covenant breach. The key risks considered include a deterioration in payment terms from customers; fluctuations in revenue volumes from key customers; and an increase in costs.

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

Furthermore, the Directors expect the Company to continue to trade profitably during the year ending 31 March 2024 and to generate positive operating cash flows, before taking into account any movements associated with the timing and levels of utilisation of the Company's supplier finance facility.

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Turnover and profit recognition on contracts

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

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

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

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

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

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

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

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

Research and development

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

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

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

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

Operating leases

The annual rentals of operating leases are charged to the profit and loss account on an accruals basis.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Finance leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors.

Interest receivable and payable

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

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

Taxation

Taxation on profit on ordinary activities is that which has been paid or becomes payable in respect of profits for the year.

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.

Exceptional items

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

Foreign currency

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

Derivative contracts

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

Tangible fixed assets

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

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

Stocks and contracts in progress

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Provisions

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

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

Pensions and other post-retirement benefits

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

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

Business combinations and goodwill

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

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

Negative goodwill arises where the fair value of the costs of acquisition is less than the fair value of net assets acquired. Negative goodwill arising on acquisitions is capitalised and amortised over the period of expected economic benefit the Company will receive, which is currently between 3 and 8 years.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company 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 Company does not currently have any 'financial liabilities at FVTPL'. Trade payables are not interest bearing and are stated at their nominal value.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Intangible fixed assets

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

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

Cash and cash equivalents

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

Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

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

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

Non-financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

2. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Judgements

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

Estimates

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

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

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

Provisions

The Company's provisions are set out in Note 16. Those provisions that have a significant risk of a material adjustment to their carrying amounts within the next financial year are those relating to loss-making contracts. The Company has no (2022: one) contracts where the Directors believe that there is a significant risk that, within the year ending 31 March 2024, there could be a material adjustment to the 31 March 2023 value of provisions for forecast losses.

Taxation - deferred

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

3. TURNOVER**TURNOVER BY DESTINATION**

	2023 £ million	2022 £ million
United Kingdom	461.3	477.8
Europe	5.5	5.7
Other	-	0.1
	<u>466.8</u>	<u>483.6</u>

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

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

TURNOVER BY CATEGORY

	2023 £ million	2022 £ million
Rendering of services	445.1	461.6
Sale of goods	21.7	22.0
	<u>466.8</u>	<u>483.6</u>

	2023 £ million	2022 £ million
Contracts in progress at the balance sheet date:		
Trade debtors	12.8	7.2
Amounts recoverable under long term contracts (within accrued income in Note 13)	<u>31.3</u>	<u>37.3</u>
	<u>44.1</u>	<u>44.5</u>

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

4. OPERATING PROFIT/(LOSS)

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

	2023 £ million	2022 £ million
Depreciation and amounts written off tangible fixed assets	(3.4)	(3.6)
Amortisation of goodwill and other intangible assets	(2.7)	(3.3)
Amortisation of negative goodwill	0.4	0.5
Operating lease payments	(7.6)	(7.7)
Auditor's remuneration:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	<u>(0.2)</u>	<u>(0.2)</u>

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

	2023 £ million	Restated 2022 £ million
Gross profit	58.9	53.8
Selling and associated costs	(14.7)	(14.7)
Administration expenses	(40.4)	(38.0)
Research & development costs	(2.1)	(1.8)
Other income	<u>7.3</u>	<u>4.1</u>
Operating profit excluding exceptional items and intangible amortisation	<u>9.0</u>	<u>3.4</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

5. INTEREST RECEIVABLE

	2023 £ million	2022 £ million
Interest receivable and similar income		
Income from cash on deposit	0.2	-
Foreign exchange gains	0.4	0.6
Dividend income	1.2	-
	<u>1.8</u>	<u>0.6</u>

6. OPERATING EXCEPTIONAL ITEMS

		2023 £ million	2022 £ million
Restructuring costs	i)	(5.5)	(0.9)
Property restructuring	ii)	0.4	(1.7)
Investment impairment	iii)	(1.2)	-
		<u>(6.3)</u>	<u>(2.6)</u>

- i) As part of the Company's cost reduction and continuous improvement actions, a charge of £5.5 million was made in relation to the combined cost of employee severance and other restructuring costs in the year ended 31 March 2023 (2022: £0.9 million).
- ii) In the year ended 31 March 2023, £0.4 million of the dilapidation provision set up in the previous year was released, following conclusion of negotiations with the leaseholder. In the year ended 31 March 2022, following a re-evaluation of the Company's owned and leased property portfolio, provision was made for two onerous operating leases (£2.0 million) and a dilapidation provision of £1.2 million created; these were offset by a £1.5 million profit on the disposal of a freehold property.
- iii) On 31 March 2023, the investment in Harlequin Group Limited was impaired following the hive-up of the trade and assets of the Harlequin Group (See Note 11).

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

7. DIRECTORS AND EMPLOYEES

Employees

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

Year ended 31 March	2023 Number	2022 Number
Operations	2,229	2,335
Selling and administration	464	479
	<u>2,693</u>	<u>2,814</u>

Staff costs for the above persons were:	2023 £ million	2022 £ million
Wages and salaries	128.0	125.8
Social security costs	14.4	13.3
Other pension costs	6.8	6.6
	<u>149.2</u>	<u>145.7</u>

DIRECTORS

Directors' remuneration:	2023 £ million	2022 £ million
Emoluments (excluding pension contributions)	3.4	2.7
Pension contributions	-	-
	<u>3.4</u>	<u>2.7</u>

The number of directors who were contributing members of the defined contribution pension scheme was 6 (2022: 6). The highest paid director had emoluments of £0.5 million (2022: £0.4 million) and the Company contributed £Nil towards a defined contribution pension (2022: £Nil).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

8. TAXATION

a) Tax on profit/(loss) on ordinary activities

	2023 £ million	2022 £ million
Current taxation		
UK taxation at 19% (2022: 19%)	0.1	(0.4)
Current overseas tax	(0.1)	(0.1)
UK tax under provision in respect of prior years	(0.7)	(0.3)
Overseas under provision in respect of prior years	(0.8)	(0.1)
Deferred taxation		
UK rate change	1.2	2.5
Origination and reversal of timing differences	2.3	(3.7)
Tax credit/(charge) on profit/(loss) on ordinary activities	<u>2.0</u>	<u>(2.1)</u>

b) Reconciliation of total tax charge for the year

	2023 £ million	2022 £ million
Profit/(loss) on ordinary activities before taxation	<u>2.2</u>	<u>(1.4)</u>
Tax on profit/(loss) at UK statutory rate of 19% (2022: 19%)	(0.4)	0.3
Tax effect of expenses that are not deductible in determining taxable profit	0.3	(0.3)
Research and development tax credit under provision in respect of prior years	-	(0.3)
Overseas under provision in respect of prior years	(0.7)	(0.1)
Utilisation of previously unrecognised deferred tax asset	(0.7)	(0.5)
UK rate change	1.2	2.5
Increase/(reduction) in recognised deferred tax asset	2.3	(3.7)
Total tax credit/(charge) for the year	<u>2.0</u>	<u>(2.1)</u>

c) Deferred tax

The net deferred tax asset recognised in the financial statements of £23.1 million (2022: £19.7 million) is made up of £2.5 million relating to the potential future benefit of tax losses and £21.1 million of other timing differences (principally pension contributions and historically disclaimed capital allowances) offset by £0.5 million liability on intangible assets. The movement in the recognised deferred tax asset can be summarised as follows:

	£ million
Opening balance at 1 April 2022	19.7
Amount charged to the profit and loss account	<u>3.4</u>
Closing balance at 31 March 2023	<u>23.1</u>

Deferred tax assets of £335.1 million (2022: £330.6 million) consisting of £251.4 million of tax losses and £83.7 million of other timing differences (principally pension contributions and historically disclaimed capital allowances) have not been recognised, as the Company is not sufficiently certain that it will be able to recover these assets within a relatively short period of time.

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

9. INTANGIBLE ASSETS AND GOODWILL

	Software costs	Other intangibles	Goodwill	Negative Goodwill	Total Intangible Assets and Goodwill
	£ million	£ million	£ million	£ million	£ million
Cost					
At 1 April 2022	14.4	25.5	25.2	(14.5)	50.6
Acquisitions on hive-up	-	0.2	5.4	-	5.6
Additions	0.5	-	-	-	0.5
At 31 March 2023	14.9	25.7	30.6	(14.5)	56.7
Amortisation					
At 1 April 2022	(11.7)	(23.6)	(18.8)	13.5	(40.6)
Charge for the year	(0.9)	(0.8)	(1.0)	0.4	(2.3)
At 31 March 2023	(12.6)	(24.4)	(19.8)	13.9	(42.9)
Net book value					
At 31 March 2023	2.3	1.3	10.8	(0.6)	13.8
At 31 March 2022	2.7	1.9	6.4	(1.0)	10.0

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

Other intangibles primarily comprise customer contracts and customer relationships. The £0.8 million amortisation charge for the year principally relates to the other intangibles acquired following Telent's step-in to 100% of the former joint operation with Carillion.

On 31 March 2023, the deemed other intangibles and goodwill from the hive-up of the trade and assets of the Harlequin Group (See Note 11) have been transferred from investments in subsidiaries.

Positive goodwill is being amortised over between 5 and 20 years.

Negative goodwill is being amortised over between 3 and 8 years.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

10. TANGIBLE FIXED ASSETS

	Freehold property £ million	Long leasehold property £ million	Fixtures, fittings, tools and equipment £ million	Total £ million
Cost				
At 1 April 2022	0.1	7.4	29.0	36.5
Additions	-	0.2	2.9	3.1
Disposals	-	-	(0.4)	(0.4)
At 31 March 2023	0.1	7.6	31.5	39.2
Depreciation				
At 1 April 2022	-	(4.2)	(23.7)	(27.9)
Charge for the year	-	(0.8)	(2.6)	(3.4)
Disposals	-	-	0.2	0.2
At 31 March 2023	-	(5.0)	(26.1)	(31.1)
Net book value				
At 31 March 2023	0.1	2.6	5.4	8.1
At 31 March 2022	0.1	3.2	5.3	8.6

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

11. INVESTMENTS IN SUBSIDIARIES

	Total £ million
Cost	
At 1 April 2022	9.8
Additions	1.1
At 31 March 2023	<u>10.9</u>
Provisions	
At 1 April 2022	-
Transfer to intangible assets and goodwill	(5.6)
Impairment in the year	(1.2)
At 31 March 2023	<u>(6.8)</u>
Net book value	
At 31 March 2023	<u>4.1</u>
At 31 March 2022	<u>9.8</u>

The Company's subsidiary undertakings are:

Harlequin Group Limited, which was acquired on 17 December 2021. It is registered at Point 3, Haywood Road, CV34 5AH, England and the Company directly holds 100% (2022: 100%) of the ordinary share capital. On 31 March 2023, the trade and assets were hived up to the Company. Prior to hive-up, the Harlequin Group provided site acquisition, planning, and design capability for UK Mobile Network Operators and service providers.

On 1 December 2022, Telent acquired a 67% stake in Cyro Cyber Limited, a cyber security business which is registered at Point 3, Haywood Road, CV34 5AH, England. The cost of investment comprised the transfer from the Company to Cyro of existing cyber contracts, which have been independently valued at £1.0 million. Since acquisition, Cyro's turnover is £0.1m with an associated loss of £0.2 million resulting from business mobilisation and start up costs.

12. STOCKS

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

13. DEBTORS

	2023	2022
	£ million	£ million
Amounts falling due within one year		
Trade debtors	54.9	56.3
Accrued income	63.2	76.8
Amounts owed by Group undertakings	275.2	279.9
Research and development tax debtor	7.3	5.2
Other debtors	2.4	2.9
Prepayments	12.1	16.5
	415.1	437.6
Amounts falling due in more than one year		
Other debtors	1.6	1.8
Deferred tax asset (see Note 8)	23.1	19.7
	24.7	21.5

Amounts owed by Group undertakings are non-interest bearing and repayable on demand. Trade debtors are stated after provision for impairment of £0.7 million (2022: £0.8 million). Accrued income is stated after provision for impairment of £Nil (2022: £1.5 million).

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2023	2022
	£ million	£ million
Payments received on account	20.6	22.6
Trade creditors	39.0	29.3
Amounts owed to Group undertakings	3.1	0.4
Other taxation and social security	11.8	11.5
Other creditors	6.8	11.2
Accruals and deferred income	53.7	71.8
Amounts due under hire purchase agreements	0.2	0.3
	135.2	147.1

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

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

	2023 £ million	2022 £ million
Amounts due under hire purchase agreements	0.2	0.3
Accruals and deferred income	0.9	0.3
	<u>1.1</u>	<u>0.6</u>

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

16. PROVISIONS FOR LIABILITIES

	Re- structuring £ million	Warranties £ million	Contracts and Commitments £ million	Total £ million
At 1 April 2022	2.4	0.7	16.4	19.5
Utilised	(5.1)	-	(14.7)	(19.8)
Charged	5.5	0.3	7.4	13.2
Released	(0.9)	-	(0.4)	(1.3)
At 31 March 2023	<u>1.9</u>	<u>1.0</u>	<u>8.7</u>	<u>11.6</u>
Current	1.9	0.9	8.3	11.1
Non-current	-	0.1	0.4	0.5
	<u>1.9</u>	<u>1.0</u>	<u>8.7</u>	<u>11.6</u>

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

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

Provisions for contracts and commitments are for losses on contract work in progress where accumulated and projected costs exceed expected incomes. The increase in contract provisions of £7.4 million relates largely to two loss-making contracts in our Transport business.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

17. SHARE CAPITAL AND RESERVES

	2023 £ million	2022 £ million
Allotted, called up and fully paid 1,000 (2022: 1,000) ordinary shares of £1 each	-	-

Dividends

No dividends were declared or paid in the year (2022: £Nil).

Nature and purpose of reserves

Capital contributions

The capital contribution reserves results from historic share option schemes. As at 31 March 2023 and 2022 there were no share options outstanding in respect of the Company's ordinary shares.

Revaluation reserve

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

Profit and loss account

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

18. CONTINGENT LIABILITIES

The Company is party to a Group bank offset arrangement with the Company's main UK clearing bank whereby positive and negative cash balances in certain Telent Group companies may be offset. The Company has committed to pay and satisfy to the bank on written demand any money and liabilities owing to it by any of these Group companies in the offset agreement and to indemnify the bank against any loss incurred by it in respect of these liabilities. The maximum liability of the Company at any time shall not exceed the unrestricted cash balance in the Company's account with that bank, which amounted to £22.1 million at 31 March 2023 (2022: £24.2 million).

The Company is an obligor under Telent Limited's, the parent of the Telent Group, £45 million Revolving Credit Facility (2022: £50 million). £29.1 million had been drawn on this facility at 31 March 2023 (2022: £31.3 million).

19. OPERATING LEASE COMMITMENTS

The Company as lessee

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

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

20. CAPITAL COMMITMENTS

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

NOTES TO THE FINANCIAL STATEMENTS**Year ended 31 March 2023****21. PENSIONS**

The Telent Communications Public Sector Pension Scheme ("TCPSPS") provides benefits for certain former employees of the Mersey Fire and Rescue Service. A full statutory funding valuation for TCPSPS was carried out as at 1 November 2020 and a valuation for accounting purposes was carried out as at 31 March 2023 and 31 March 2022, all by independent qualified actuaries. The FRS 102 surplus at 31 March 2023 was £0.4 million (2022: £0.1 million). The next statutory funding valuation will take place as at 1 November 2023.

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

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

Average assumptions used	2023 % pa	2022 % pa
TCPSPS		
Rate of increase in pensions in payment	3.60	3.99
Rate of increase for deferred pensioners	2.95	3.99
Discount rate applied to liabilities	4.72	2.73
Inflation assumption	3.6	3.99
ESPF		
Rate of increase in pensions in payment (CPI)	2.90	3.20
Discount rate applied to liabilities	4.80	2.60
Rate of salary increase	2.90	3.20

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

Year ended 31 March	2023 £ million	2022 £ million
Equities	0.6	0.7
Bonds	0.1	0.1
Property	0.1	0.1
Annuity contracts	1.1	1.1
Fair value of pension assets	1.9	2.0
Defined benefit obligation	(1.3)	(2.1)
Net pension asset/(liability)	0.6	(0.1)
Split as:		
TCPSPS	0.4	0.1
ESPF	0.2	(0.2)
	0.6	(0.1)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

21. PENSIONS (CONTINUED)

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

Year ended 31 March	2023 £ million	2022 £ million
Balance at 1 April	(0.1)	(0.4)
Service cost	(0.1)	(0.1)
Contributions	0.1	0.1
Remeasurement of the Defined benefit obligation	0.7	0.3
Balance at 31 March	0.6	(0.1)

Contributions to the defined contribution plans amounted to £6.7 million during the year (2022: £6.3 million).

22. PARENT UNDERTAKINGS

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

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

23. PRIOR YEAR ADJUSTMENT

The results for the year ended 31 March 2022 have been restated to reflect a misclassification of administrative expenses as cost of sales. This has had the impact of reducing cost of sales from £440.7m to £429.8m in the Profit and Loss account, increasing administrative expenses from £43.6m to £54.5m in the Profit and Loss account, increasing gross profit from £42.9m to £53.8m in Note 4 and increasing administrative expenses from £27.1m to £38.0m in Note 4.