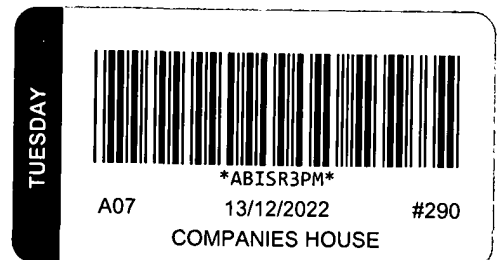


TELENT TECHNOLOGY SERVICES LIMITED
Annual Report and Financial Statements
Year ended 31 March 2022



TELENT TECHNOLOGY SERVICES LIMITED
REPORT AND FINANCIAL STATEMENTS 2022

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TELENT TECHNOLOGY SERVICES LIMITED

REPORT AND FINANCIAL STATEMENTS 2022

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
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STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 31 March 2022. The Strategic Report aims to provide 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 digital services to Telecom Service Providers, Public Safety organisations, Transport operators, Public Sector bodies and Large Enterprises. We deliver services through three business units aligned to our target sectors:

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

STRATEGIC REPORT (CONTINUED) OBJECTIVE AND BUSINESS STRATEGY

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

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

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

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

BUSINESS PERFORMANCE REVIEW

The key financial performance indicators are turnover and operating profit from trading activities excluding exceptional items and intangible amortisation. Operating loss of £2.0 million (2021: profit of £7.9 million) comprises:

£ million	2022	2021
Operating profit from trading activities	7.0	22.0
Depreciation	(3.6)	(3.3)
Intangible amortisation	(2.8)	(3.0)
Exceptional items	(2.6)	(7.8)
Total operating (loss)/profit	(2.0)	7.9
Revenue	483.6	472.1
Cash at bank¹	28.5	27.7

¹ Includes £11.1 million (2021: £12.8 million) drawn down under supplier finance facility with one of its major customer ("supplier finance facility")

Turnover increased during the year from £472.1 million to £483.6 million as we maintained revenues across all the sectors we work in and in addition, saw an increase in volumes in our Transport sector. The reduction in operating profit excluding exceptional items, depreciation and intangible amortisation to £7.0 million (2021: £22.0 million) was predominantly due to two isolated factors: i) a significant increase in the loss provision on one particularly challenging contract within the Transport division; and ii) the impact of labour shortages and increased cost of supply within the Infrastructure Services division, which has materially impacted the profitability of that division. All other areas have continued to generate profits at a similar level to the previous year. Exceptional trading items charged to the profit and loss account this year relate to restructuring costs of £0.9 million and property rationalisation costs of £1.7 million (see Note 7). After depreciation and intangible amortisation of £6.4 million (2021: £6.3 million), operating loss for the year amounted to £2.0 million (2021: profit of £7.9 million).

Cash at bank increased to £28.5 million at 31 March 2022 (2021 £27.7 million). Property rationalisation realised £3.0 million on the disposal of a freehold property. The cash outflow on the acquisition of the Harlequin Group was £6.5 million, with a further £2.8 million of deferred consideration paid in the year ending 31 March 2023.

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.

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

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

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

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

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

STRATEGIC REPORT (CONTINUED) BUSINESS PERFORMANCE REVIEW (CONTINUED)

Network Services

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

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

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

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

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

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



STRATEGIC REPORT (CONTINUED) BUSINESS PERFORMANCE REVIEW (CONTINUED)

Transport

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

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



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

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

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

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

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

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

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

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

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



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

Technology continues to play a critical part for Infrastructure Services, particularly within the business processes that deliver vital work in the field. The latest technology investments are focusing on process, compliance,

and assurance. Technology is also being explored in survey and design activities.

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

STRATEGIC REPORT (CONTINUED)

SECTION 172(1) STATEMENT

The Directors have identified the following issues, factors and stakeholders as relevant in complying with their duties under section 172(1) Companies Act 2006 and sets out below how these have been considered and impacted their principal decisions during the financial year ended 31 March 2022.

Stakeholders

Employees – We could not fulfil our purpose of keeping the UK and Ireland’s communications assets and data connected and protected without our skilled and dedicated employees. We engage with our employees by regularly updating them on the Company’s performance and issues affecting them via our intranet, e-mail, Employee Forum, “Exec Connect” events and Roadshows. Our Employee Forum is attended by at least one Telent Group director, with meetings taking place in the year and actions taken resulting in various changes being made around the business. There are various other mechanisms for staff engagement across the business, including our Driver Safety Operating Group and local Environmental Health & Safety forums, with the outputs of these mechanisms being reported to senior management.

As a result of the equality, diversity and inclusion (‘ED&I’) survey issued to all staff in 2021 an ED&I Steering Group has been formed and aspirational metrics identified. ED&I Fundamental training has also been rolled out to all employees.

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

Suppliers and subcontractors – Our supply chain is also essential in providing the products and resource that we need to fulfil our purpose. We hold regular meetings with our suppliers based on the level of spend and risk, and we run a supplier assurance programme. We hold certain key vendor partnerships as set out at www.telent.com/partners, with our staff attending their vendor conferences as well as meeting quarterly with their executives. The 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 to provide our customers with service, commitment and value. Many of our projects stem from a bidding process designed by the customer, based on their own requirements, therefore regular engagement with customers is essential. We develop joint account plans and continuous service improvement plans based on customer needs, as well as attending networking events, industry forums and project board meetings.

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

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

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

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

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

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 new 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, the employee forum and the periodic employee survey. The Company holds an Investors in People silver accreditation, which indicates that we have actively applied their principles consistently throughout our organisation from a senior level.

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. Every year the board is briefed on their directors' duties.

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. Every year, directors are given 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 show the SECR Mandatory Reporting Requirements, methodology and energy efficiency actions.

	2022	2021
SECR Mandatory Reporting Requirements	UK and offshore	UK and offshore
Energy consumption used to calculate emissions <i>/kWh</i> Figure is comprised of gas, electricity, transport fuel and gas oil from backup generators	39,024,438.6	28,199,481.5
Emissions from combustion of gas <i>/tCO_{2e}</i> (Scope 1)	51.7	439.0
Emissions from combustion of fuel for transport purposes <i>/tCO_{2e}</i> (Scope 1)	7,608.2	4,694.8
Emissions from business travel in rental cars or employee-owned vehicles where the Company is responsible for purchasing the fuel <i>/tCO_{2e}</i> (Scope 3)	858.4	148.5
Emissions from purchased electricity (Scope 2) <i>/tCO_{2e}</i> (Location Based)	1,896.0	1,699.5
Emissions from purchased electricity (Scope 2) <i>/tCO_{2e}</i> (Market Based)	300.5	188.9
Total gross CO _{2e} based on above <i>/tCO_{2e}</i>	10,881.4	6,984.6
Intensity ratio: tCO _{2e} / FTE Employee	4.1	2.9
Methodology	Green House Gas emissions have been calculated in accordance with Chapter 6 of the GHG Protocol Corporate Standard, using activity data derived from fuel purchases, metered electricity and mileage claims. Appropriate conversion factors and emissions factors have been obtained from the 'UK Government GHG Conversion Factors for Company Reporting' in order to calculate consumption in kWh and GHG emissions.	

Energy Efficiency Action

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

During the reporting year we have seen our total gross carbon emissions and carbon intensity return to pre-pandemic levels. Our total gross carbon emissions increased by 56% from 2021 and 18% from 2020. Our carbon intensity increased by 41% from 2021 levels but remained approximately the same as pre-pandemic levels at 4.1 tCO_{2e} / FTE employee compared with 4.0 tCO_{2e} / FTE employee in 2020.

STRATEGIC REPORT (CONTINUED)

ENERGY & CARBON REPORTING (CONTINUED)

Energy Efficiency Action (continued):

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

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

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

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

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

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

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

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, including social-distancing, are extremely important to protect everyone involved in, or affected by, our activities. We have highly developed quality and safety processes within our business and are regularly audited by professional bodies and our customers. We have long established working practices and controls to minimise the risks of injury and damage to property and carry appropriate insurance to mitigate the potential financial impact associated with these risks.

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

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. The counterparties are all UK banks with a high credit rating assigned by international credit rating agencies.

Foreign exchange risk

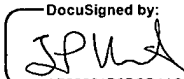
The Company makes some purchases and sales in foreign currencies: principally US Dollar and Euro. All purchases and sales above a level determined by the Telent Group are hedged through the use of forward foreign exchange contracts to minimise foreign exchange risk.

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 £279.9 million (2021: £304.4 million) but note that the Company is not dependent on those balances for its current or foreseeable future solvency.

In conclusion, whilst this has been, in some respects, a challenging year, the foundations of improved performance are in place. On behalf of the Board, I would like to voice our appreciation for our colleagues' hard work and commitment, and similarly, for the continuing support of our customers, partners and supply chain, which has been essential to Telent's performance.

By Order of the Board

DocuSigned by:

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J P Kimpton

Director

3 November 2022

DIRECTORS' REPORT

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

DIRECTORS

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

S R Dalton

H M Green

J C Gretton

N Harvey

J P Kimpton

J Meade (resigned 30 June 2021)

C E Metcalfe

M J Mohan

P W A Moir

J Parnell (appointed 1 July 2021)

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 abide by those terms.

The average number of days in which we pay trade creditors, excluding amounts owed to companies in the Telent Group, is 30 days (2021: 28 days).

RESEARCH AND DEVELOPMENT

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

TRADING OUTLOOK

Market and inflationary factors placed considerable pressure on our ability to generate profit from Infrastructure Services' contracts in the year and we have continued to suffer from delays and associated cost overruns on a challenging contract in the Transport sector awarded in 2018. Despite these factors, the rest of the business has remained extremely resilient.

The Company's balance sheet shows net current assets, excluding the inter-company debtor, of £74.3 million (2021: £62.0 million). Taking into account new contract wins and the first few months' trading since April 2022, the Directors are confident that Telent will continue to trade profitably over the remainder of the new financial year and into the medium term. Telent's ability to maintain growth in the year ending 31 March 2023 and beyond will be underpinned by the need to keep supporting critical national infrastructure and by the level of success in retaining existing contracts and winning new business and the health of the British economy as a whole.

DIRECTORS' REPORT (CONTINUED)

OUR EMPLOYEES

Health, safety, and wellbeing

Emerging from Covid-19

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

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

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

Health and safety

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

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

Wellbeing

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

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

Resourcing talent

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

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

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

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

DIRECTORS' REPORT (CONTINUED) OUR EMPLOYEES (CONTINUED)

Engagement and communication

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

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

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

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

Equality, Diversity, and Inclusion (ED&I)

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

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

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

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

Employment of Disabled Persons

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

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) and details of the Group'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 2022. Charitable donations made during the year amounted to £16,000 (2021: £24,500), all of which were made to charities in the UK. These amounts exclude non-cash support provided by operating businesses to charitable organisations and educational establishments. In addition to Telent's direct charitable contributions, the Company is also a major sponsor of Alzheimer's Society having adopted the organisation as its corporate charity on 1 January 2019. Since pledging its support to Alzheimer's Society, Telent and its staff have raised in excess of £175,000 for the charity, of which £75,000 was raised in the year ended 31 March 2022. In December 2021 employees voted to change to a new corporate charity, MIND.

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

GOING CONCERN

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

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

- The amount drawn down under a supplier finance facility at 31 March 2022 remains broadly stable when compared to the previous year at £11.1 million (2021: £12.8 million). The remaining balance on the supplier finance facility that could have been drawn as at 31 March 2022 was £19.3 million
- The Company paid £6.5 million in cash, and £0.5 million in the deemed settlement of pre-existing balances, on the acquisition of Harlequin Group in the year, with a further £2.8 million of deferred consideration having been paid in the year ending 31 March 2023.

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

Having considered all of these factors, the Directors expect the Company to trade profitably during the year ending 31 March 2023 and to generate positive operating cash flows before taking into account any movements associated with the timing and levels of utilisation of the 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:

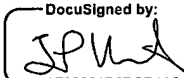
- so far as the Director is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit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

DocuSigned by:

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J P Kimpton

Director

3 November 2022

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual Report and 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

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 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the 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 Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the Directors and the related disclosures and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

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

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

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

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

OTHER INFORMATION

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

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

We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

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

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

In the light of the knowledge and understanding of the 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 FOR THE FINANCIAL STATEMENTS

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

In preparing the financial statements, the Directors are responsible for assessing the 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 (continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

EXPLANATION AS TO WHAT EXTENT THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

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

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

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


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

EXPLANATION AS TO WHAT EXTENT THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD (CONTINUED)

- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the industry in which the client operates
 - understanding of the legal and regulatory requirements specific to the Company including:
 - the provisions of the applicable legislation
 - the regulators rules and related guidance, including guidance issued by relevant authorities that interprets those rules
 - the applicable statutory provisions
- We did not identify any matters relating to non-compliance with laws and regulation or relating to fraud.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the 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.

USE OF OUR REPORT

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

DocuSigned by:

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Rebecca Eagle

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Birmingham

Date: 3 November 2022

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

	Note	2022 £ million	2021 £ million
TURNOVER	3	483.6	472.1
Cost of sales		<u>(440.7)</u>	<u>(402.0)</u>
GROSS PROFIT	4	42.9	70.1
Administrative expenses	4	(43.6)	(58.0)
Net other operating income	4	4.1	6.6
OPERATING PROFIT:			
Excluding operating exceptional items and intangible amortisation	4	3.4	18.7
Intangible amortisation	10	(2.8)	(3.0)
Operating exceptional items	7	(2.6)	(7.8)
TOTAL OPERATING (LOSS)/PROFIT		(2.0)	7.9
Interest receivable and similar income	5	0.6	0.1
Interest payable and similar charges	6	-	<u>(1.8)</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(1.4)	6.2
Tax on profit on ordinary activities	9	<u>(2.1)</u>	<u>(0.6)</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		<u>(3.5)</u>	<u>5.6</u>

All results derive from continuing operations.

The notes on pages 27 to 45 form an integral part of these financial statements.

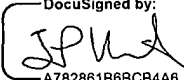
BALANCE SHEET

At 31 March

	Note	2022 £ million	2021 £ million
NON-CURRENT ASSETS			
Intangible assets and goodwill		10.9	13.1
Negative goodwill		(0.9)	(1.5)
Intangible assets and goodwill	10	10.0	11.6
Tangible fixed assets	11	8.6	9.4
Investments in subsidiaries	12	9.8	-
Retirement benefit scheme asset	22	0.1	-
		<u>28.5</u>	<u>21.0</u>
CURRENT ASSETS			
Stocks	13	13.7	16.0
Debtors – due within one year	14	437.6	454.7
Debtors – due after one year	14	21.5	23.3
Cash at bank and in hand		28.5	27.7
		<u>501.3</u>	<u>521.7</u>
Creditors: amounts falling due within one year	15	<u>(147.1)</u>	<u>(155.3)</u>
NET CURRENT ASSETS		<u>354.2</u>	<u>366.4</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>382.7</u>	<u>387.4</u>
Creditors: amounts falling due after more than one year	16	(0.6)	(2.2)
Provisions	17	(19.5)	(19.2)
Retirement benefit scheme obligation	22	(0.2)	(0.4)
NET ASSETS		<u>362.4</u>	<u>365.6</u>
CAPITAL AND RESERVES			
Called up share capital	18	-	-
Capital contributions	18	16.7	16.7
Revaluation reserve	18	7.2	7.2
Profit and loss account	18	338.5	341.7
SHAREHOLDER'S FUNDS		<u>362.4</u>	<u>365.6</u>

The notes on pages 27 to 45 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 3 November 2022. 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 2020	-	16.7	7.2	400.8	424.7
Profit for the year	-	-	-	5.6	5.6
Other comprehensive expense for the year	-	-	-	(0.2)	(0.2)
Total recognised income for the year	-	-	-	5.4	5.4
Dividend paid	-	-	-	(64.5)	(64.5)
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 31 March 2022	-	16.7	7.2	338.5	362.4

STATEMENT OF COMPREHENSIVE INCOME

	Note	2022 £ million	2021 £ million
(Loss)/profit for the financial year		(3.5)	5.6
Actuarial gains/(losses)	22	0.3	(0.2)
Total recognised income for the year		(3.2)	5.4

The notes on pages 27 to 45 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

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 £'m and under the historical cost convention.

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

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

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 14 and 15 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 year ended 31 March 2022 has been challenging for Telnet but we have continued to generate operating profit from trading activities before exceptional items albeit below budgeted levels, largely due to the increased cost of supply within the Infrastructure Services division and the increase in loss provision on one particularly challenging contract within the Transport division.

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

- The amount drawn down under a supplier finance facility at 31 March 2022 remains broadly stable when compared to the previous year at £11.1 million (2021: £12.8 million). The remaining balance on the supplier finance facility that could have been drawn as at 31 March 2022 was £19.3 million
- The Company paid £6.5 million in cash, and £0.5 million in the deemed settlement of pre-existing balances, on the acquisition of Harlequin Group in the year, with a further £2.8 million of deferred consideration having been paid in the year ending 31 March 2023.

The Directors have prepared forecasts and projections for the period to 31 December 2023 with the full involvement of the business and which have been subject to detailed review up to and including Board level, taking account of the Company's performance during the year ended 31 March 2022 and the first months of the new financial year. In preparing those forecasts, the Directors have considered downside sensitivities and their impact on the revolving credit facility covenants and have stress-tested the forecasts to which the 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. A significant proportion of the Company's budgeted turnover for the year ending 31 March 2023 and of management's projected turnover for the following year, is secured by firm and frame contracts with our customers. Taking this and other relevant factors into account, the Directors consider it remote that profitability would fall to the extent of the downside scenarios.

Having considered all of these factors, the Directors expect the Company to trade profitably during the year ending 31 March 2023 and to generate positive operating cash flows before taking into account any movements associated with the timing and levels of utilisation of the 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 2022

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 5 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 2022

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 22. 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 2022

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 2022

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.

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

Revenue and profit recognition on long-term contracts

The 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. 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. Further details on the methodology used is provided in the Provisions section of this note. The estimation uncertainty associated with those forecasts means that there is a significant risk that there could be material adjustment to the carrying amounts of accrued and deferred revenue or loss-making contract provisions within the next financial year. The extent to which actual results differ from estimates made at the reporting date depends on the combined outcome and timing of a large number of variables associated with performance across multiple contracts.

Provisions

The Company's provisions are set out in Note 17. 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 one (2021: two) contract where the Directors believe that there is a significant risk that, within the year ending 31 March 2023, there could be a material adjustment to the 31 March 2022 value of provisions for forecast losses. The Directors estimate that the reasonably foreseeable changes to the forecast losses on this contract could range from an upside of £4.8 million to a downside of £3.7 million.

Taxation - deferred

Recognition of the Company's deferred tax asset 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 2022

3. TURNOVER

TURNOVER BY DESTINATION

	2022 £ million	2021 £ million
United Kingdom	477.8	466.0
Europe	5.7	5.9
Other	0.1	0.2
	<u>483.6</u>	<u>472.1</u>

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

£4.5 million (2021: £4.5 million) of turnover originated from outside the United Kingdom.

TURNOVER BY CATEGORY

	2022 £ million	2021 £ million
Rendering of services	461.6	445.8
Sale of goods	22.0	26.3
	<u>483.6</u>	<u>472.1</u>

	2022 £ million	2021 £ million
Contracts in progress at the balance sheet date:		
Trade debtors	7.2	10.5
Amounts recoverable under long term contracts (within accrued income in Note 14)	<u>37.3</u>	<u>38.4</u>
	<u>44.5</u>	<u>48.9</u>

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

4. OPERATING (LOSS)/PROFIT

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

	2022 £ million	2021 £ million
Depreciation and amounts written off tangible fixed assets	(3.6)	(3.3)
Amortisation of goodwill and other intangible assets	(3.3)	(3.8)
Amortisation of negative goodwill	0.5	0.8
Operating lease payments	(7.7)	(8.1)
Auditor's remuneration:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	<u>0.2</u>	<u>0.1</u>

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

	2022 £ million	2021 £ million
Gross profit	42.9	70.1
Selling and associated costs	(14.7)	(12.3)
Administration expenses	(27.1)	(44.0)
Research & development costs	(1.8)	(1.7)
Other income	<u>4.1</u>	<u>6.6</u>
Operating profit excluding exceptional items and intangible amortisation	<u>3.4</u>	<u>18.7</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

5. INTEREST RECEIVABLE

	2022 £ million	2021 £ million
Interest receivable and similar income		
Income from cash on deposit	-	0.1
Foreign exchange gains	0.6	-
	<u>0.6</u>	<u>0.1</u>

6. INTEREST PAYABLE

	2022 £ million	2021 £ million
Interest payable and similar charges		
Foreign exchange losses	-	1.8
	<u>-</u>	<u>1.8</u>

7. OPERATING EXCEPTIONAL ITEMS

		2022 £ million	2021 £ million
Restructuring costs	i)	(0.9)	(0.1)
Property restructuring	ii)	(1.7)	-
Industrial disease indemnity	iii)	-	(5.5)
Covid-19 costs	iv)	-	(2.2)
		<u>(2.6)</u>	<u>(7.8)</u>

- i) As part of the Company's cost reduction and continuous improvement actions, a charge of £0.9 million was made in relation to the combined cost of employee severance and other restructuring costs in the year ended 31 March 2022 (2021: £0.1 million).
- ii) The introduction of an agile working policy in May 2021 has provided an opportunity to begin the re-evaluation the Company's required owned and leased property portfolio. In the year, this has resulted in a profit of £1.5 million on the disposal of a freehold property, identification of two onerous operating leases for which a provision of £2.0 million was created (see Note 17) and recognition of a dilapidation provision of £1.2 million (see Note 17).
- iii) In the year ended 31 March 2021, Telent Limited agreed to provide the Company with an indemnity against all past, present and future liabilities relating to legacy industrial disease or injury related claims in consideration of a one-off payment by the Company in the amount of £5.5 million.
- iv) In the year ended 31 March 2021, Covid-19 costs of £2.2 million were the impact of the global Covid-19 pandemic incurred since the first UK lockdown commenced in mid-March 2020 and principally related to the costs of procuring initial supplies of personal protective equipment and costs related to the Company's internally-funded furlough scheme and to the cost of staff shielding and self-isolating.

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

8. 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	2022 Number	2021 Number
Operations	2,335	1,920
Selling and administration	479	439
	2,814	2,359

Staff costs for the above persons were:	2022 £ million	2021 £ million
Wages and salaries	125.8	107.2
Social security costs	13.3	11.9
Other pension costs	6.6	5.9
	145.7	125.0

DIRECTORS

Directors' remuneration:	2022 £ million	2021 £ million
Emoluments (excluding pension contributions)	2.7	3.5
Pension contributions	-	-
	2.7	3.5

The number of directors who were contributing members of the defined contribution pension scheme was 6 (2021: 6). The highest paid director had emoluments of £0.4 million (2021: £0.6 million) and the Company contributed £Nil towards a defined contribution pension (2021: £Nil).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

9. TAXATION

a) Tax on profit on ordinary activities

	2022 £ million	2021 £ million
Current taxation		
UK taxation at 19% (2021: 19%)	(0.4)	(0.6)
Current overseas tax	(0.1)	-
UK tax under provision in respect of prior years	(0.3)	(0.5)
Overseas under provision in respect of prior years	(0.1)	-
Deferred taxation		
UK rate change	2.5	-
Origination and reversal of timing differences	(3.7)	-
Recognition of previously unrecognised deferred tax assets	-	0.5
Tax charge on profit on ordinary activities	(2.1)	(0.6)

b) Reconciliation of total tax charge for the year

	2022 £ million	2021 £ million
(Loss)/profit on ordinary activities before taxation	(1.4)	6.2
Tax on (loss)/profit at UK statutory rate of 19% (2021: 19%)	0.3	(1.2)
Tax effect of expenses that are not deductible in determining taxable profit	(0.3)	(0.7)
Research and development tax credit under provision in respect of prior years	(0.3)	(0.5)
Overseas under provision in respect of prior years	(0.1)	-
Utilisation of previously unrecognised deferred tax asset	(0.5)	1.3
UK rate change	2.5	-
(Reduction)/increase in recognised deferred tax asset	(3.7)	0.5
Total tax charge for the year	(2.1)	(0.6)

c) Deferred tax

The net deferred tax asset recognised in the financial statements of £19.7 million (2021: £20.9 million) is made up of £2.5 million relating to the potential future benefit of tax losses and £17.2 million of other timing differences (principally pension contributions and historically disclaimed capital allowances). The movement in the recognised deferred tax asset can be summarised as follows:

	£ million
Opening balance at 1 April 2021	20.9
Amount charged to the profit and loss account	(1.2)
Closing balance at 31 March 2022	19.7

Deferred tax assets of £330.6 million (2021: £249.1 million) consisting of £241.7 million of tax losses and £88.9 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 2022 and 2021 was 19%. From 1 April 2023 the substantively enacted corporation tax rate will increase from 19% to 25%. The recognised deferred tax asset at 31 March 2022 has therefore been calculated using a blended rate to reflect this increase. The impact of this increase is to increase the deferred tax asset by £2.5 million.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

10. INTANGIBLE ASSETS AND GOODWILL

	Software costs	Other intangibles	Goodwill	Negative Goodwill	Net Intangible Assets and Goodwill
	£ million	£ million	£ million	£ million	£ million
Cost					
At 1 April 2021	13.3	25.5	25.1	(14.5)	49.4
Acquisition of business	-	-	0.1	-	0.1
Additions	1.1	-	-	-	1.1
At 31 March 2022	14.4	25.5	25.2	(14.5)	50.6
Amortisation					
At 1 April 2021	(10.7)	(22.3)	(17.8)	13.0	(37.8)
Charge for the year	(1.0)	(1.3)	(1.0)	0.5	(2.8)
At 31 March 2022	(11.7)	(23.6)	(18.8)	13.5	(40.6)
Net book value					
At 31 March 2022	2.7	1.9	6.4	(1.0)	10.0
At 31 March 2021	2.6	3.2	7.3	(1.5)	11.6

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 £1.0 million amortisation charge for the year principally relates to the other intangibles acquired following Telent's step-in to 100% of the former joint operation with Carillion.

Positive goodwill is being amortised 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 2022

11. TANGIBLE FIXED ASSETS

	Freehold property £ million	Long leasehold property £ million	Fixtures, fittings, tools and equipment £ million	Total £ million
Cost				
At 1 April 2021	2.8	6.1	35.9	44.8
Additions	-	1.5	2.8	4.3
Disposals	(2.7)	(0.2)	(9.7)	(12.6)
At 31 March 2022	0.1	7.4	29.0	36.5
Depreciation				
At 1 April 2021	(1.1)	(3.6)	(30.7)	(35.4)
Charge for the year	(0.1)	(0.8)	(2.7)	(3.6)
Disposals	1.2	0.2	9.7	11.1
At 31 March 2022	-	(4.2)	(23.7)	(27.9)
Net book value				
At 31 March 2022	0.1	3.2	5.3	8.6
At 31 March 2021	1.7	2.5	5.2	9.4

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

12. INVESTMENTS IN SUBSIDIARIES

	Total £ million
Cost	
At 1 April 2021	-
Additions	9.8
At 31 March 2022	9.8
Provisions	
At 1 April 2021 and 31 March 2022	-
Net book value	
At 31 March 2022	9.8
At 31 March 2021	-

The Company's only subsidiary undertaking is 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 held 100% of the ordinary share capital. Since acquisition, Harlequin's turnover is £1.7 million, with an associated profit of £0.2 million.

Harlequin Group provide site acquisition, planning, and design capability for UK Mobile Network Operators and service providers.

Harlequin Group Limited has one direct subsidiary, Harlequin Limited, which in turn has one direct subsidiary Harlequin Implementation Limited; both of which are registered at Point 3, Haywood Road, CV34 5AH, England.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

13. STOCKS

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

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

14. DEBTORS

	2022 £ million	2021 £ million
Amounts falling due within one year		
Trade debtors	56.3	62.7
Accrued income	76.8	63.8
Amounts owed by Group undertakings	279.9	304.4
Research and development tax debtor	5.2	4.9
Other debtors	2.9	2.2
Prepayments	16.5	16.7
	<u>437.6</u>	<u>454.7</u>
Amounts falling due in more than one year		
Prepayments	-	0.1
Other debtors	1.8	2.3
Deferred tax asset (see Note 9)	19.7	20.9
	<u>21.5</u>	<u>23.3</u>

Amounts owed by Group undertakings are non-interest bearing and repayable on demand. Accrued income is stated after provision for impairment of £1.5 million (2021: £nil).

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022 £ million	2021 £ million
Payments received on account	22.6	32.0
Trade creditors	29.3	30.5
Amounts owed to Group undertakings	0.4	2.5
Other taxation and social security	11.5	10.5
Other creditors	11.2	3.0
Accruals and deferred income	71.8	76.6
Amounts due under hire purchase agreements	0.3	0.2
	<u>147.1</u>	<u>155.3</u>

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

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

	2022 £ million	2021 £ million
Other creditors	-	0.3
Amounts due under hire purchase agreements	0.3	0.3
Accruals and deferred income	0.3	1.6
	0.6	2.2

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

17. PROVISIONS FOR LIABILITIES

	Re- structuring £ million	Warranties £ million	Contracts and Commitments £ million	Total £ million
At 1 April 2021	0.1	0.7	18.4	19.2
Utilised	(1.4)	-	(20.9)	(22.3)
Charged	3.7	-	19.2	22.9
Released	-	-	(0.3)	(0.3)
At 31 March 2022	2.4	0.7	16.4	19.5
Current	2.0	0.7	13.5	16.2
Non-current	0.4	-	2.9	3.3
	2.4	0.7	16.4	19.5

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

18. SHARE CAPITAL AND RESERVES

	2022 £ million	2021 £ million
Allotted, called up and fully paid 1,000 (2021: 1,000) ordinary shares of £1 each	-	-

Dividends

No dividends were declared or paid in the year (2021: £64.5 million).

Nature and purpose of reserves**Capital contributions**

The capital contribution reserves results from historic share option schemes. As at 31 March 2022 and 2021 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.

19. 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 £24.2 million at 31 March 2022 (2021: £19.8 million).

The Company is an obligor under Telent Limited's, the parent of the Telent Group, £50 million Revolving Credit Facility. £31.3 million had been drawn on this facility at 31 March 2022 (2021: £25.0 million).

20. OPERATING LEASE COMMITMENTS**The Company as lessee**

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

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

21. CAPITAL COMMITMENTS

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

22. 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 2022 and 31 March 2021, all by independent qualified actuaries. The FRS 102 surplus at 31 March 2022 was £0.1 million (2021: deficit of £0.1 million). The next statutory funding valuation will take place as at 1 November 2023.

Telent is a participating employer in the East Sussex Pension Fund ("ESPF") as the result of the transfer in of certain staff related to a specific contract. A full statutory funding valuation for ESPF was carried out as at 31 March 2019 and a valuation for accounting purposes was carried out as at 31 March 2022 and 31 March 2021, all by independent qualified actuaries. The FRS 102 deficit at 31 March 2022 was £0.2 million (2021: £0.3 million). The next statutory funding valuation will be performed as at 31 March 2022.

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

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

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

Year ended 31 March	2022 £ million	2021 £ million
Equities	0.7	0.6
Bonds	0.1	0.1
Property	0.1	0.1
Annuity contracts	1.1	0.9
Fair value of pension assets	2.0	1.7
Defined benefit obligation	(2.1)	(2.1)
Net pension liability	(0.1)	(0.4)
Split as:		
TCPSPS	0.1	(0.1)
ESPF	(0.2)	(0.3)
	(0.1)	(0.4)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

22. PENSIONS (CONTINUED)

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

Year ended 31 March	2022 £ million	2021 £ million
Balance at 1 April	(0.4)	(0.2)
Service cost	(0.1)	(0.1)
Contributions	0.1	0.1
Return on plan assets greater than discount rate	0.1	0.2
Actuarial gain/(loss) – financial assumptions	0.2	(0.4)
Balance at 31 March	(0.1)	(0.4)

Contributions to the defined contribution plans amounted to £6.3 million during the year (2021: £5.7 million).

23. PARENT UNDERTAKINGS

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

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