

Babcock International Group PLC

Full year results for the year ended 31 March 2026

This announcement contains inside information

22 June 2026

Capability for a changing world

Statutory results	31 March 2026	31 March 2025
Revenue ²	£5,177.7m	£4,831.3m
Operating profit	£305.1m	£363.9m
Earnings per share (EPS) - basic	42.1p	49.1p
Full year dividend per share	7.5p	6.5p
Cash generated from operations	£447.3m	£357.4m

Underlying results ¹	31 March 2026	31 March 2025
Contract backlog	£9.8bn	£10.4bn
Underlying operating profit	£293.3m	£362.9m
Underlying operating margin	5.7%	7.5%
Underlying EPS	39.6p	50.3p
Type 31 charge ²	£140.0m	-
Underlying operating profit excluding Type 31 charge ²	£433.3m	£362.9m
Underlying operating margin excluding Type 31 charge ²	8.2%	7.5%
Underlying EPS excluding Type 31 charge ²	60.5p	50.3p
Underlying free cash flow	£261.8m	£153.4m
Net debt ³	£(329.0)m	£(373.3)m
Net debt/EBITDA (covenant basis)	0.2x	0.3x

David Lockwood, Chief Executive Officer, said:

"Against an increasingly uncertain geopolitical backdrop, Babcock has delivered continued strategic and operational progress. We achieved strong underlying growth, improved margins and robust cash generation, while securing important contract wins that further strengthen our position in defence and nuclear markets, where long-term demand is increasingly structural.

"We remain on track to deliver our medium-term guidance. With our core capabilities aligned to our customers' evolving priorities, we are building a high-quality pipeline of long-term growth opportunities. Babcock is a more resilient business today, with clear momentum and strong visibility. Our people remain our most important asset, and we continue to build a talent-led culture with the right skills, capability and leadership. I leave with confidence that the Group is well positioned for its next phase of delivery, growth and value creation."

Strong momentum driving underlying performance

- **Revenue:** £5,178 million², grew 8% organically, driven by strong performances in Nuclear and Aviation
- **Underlying operating profit** of £293 million² reflecting strong underlying performance offset by a £140 million charge on the Type 31 contract. Excluding this, underlying operating profit increased 19% to £433 million
- **Underlying operating margin:** 5.7%², or 8.2% excluding the Type 31 charge, exceeding our target of 8.0%
- **Underlying EPS** grew 20% to 60.5p excluding the Type 31 charge
- **Underlying free cash flow** increased 71% to £262 million, driven by strong operating cash conversion
- **Net debt:** reduced to £329 million³, delivering a gearing ratio of 0.2x
- **Dividend:** recommended full year dividend of 7.5 pence per share, up 15%
- **Contract backlog:** £9.8 billion (FY25: £10.4 billion), reflects FY25 awards and ongoing contract execution
- **Share buyback:** £200 million completed in April 2026, further £200 million announced, expected during FY27
- **Outlook:** FY27 expectations are unchanged, medium-term guidance reiterated

Continued delivery driving growth and margin expansion

- On track to deliver our medium-term target of $\geq 9\%$
- Successfully delivered final year of the submarine Future Maritime Support Programme into a six-month extension
- Re-opened Devonport's 15 Dock facility increasing submarine maintenance capability
- Further ramp-up of activity at Hinkley Point C nuclear power station under the MEH alliance
- Completed float-off the first two Type 31 frigates, production of ship three and four under way
- Ramped up the £1 billion DSG British Army vehicle support contract
- Progressed mobilisation of our Mentor 2 military air training contract

Strategic progress to drive long-term growth in defence and nuclear in UK and internationally

- Expanded partnership with HII including approval to support the US Virginia Class submarine build programme and an MOU to deliver autonomous launch and recovery of unmanned underwater vehicles
- Signed Maritime Partnership Programme framework agreement with Indonesia worth up to £4 billion
- Secured major role as Great British Energy-Nuclear's Owners Engineer for the UK Small Modular Reactors
- Signed a teaming agreement with Patria to offer its 6x6 armoured personnel carrier to the UK Armed Forces
- Agreement with Hanwha Ocean to be In-Service Support partner on the Canadian Patrol Submarine Project
- Secured a first defence contract in South Africa, for submarine support

Strong balance sheet and disciplined capital allocation drive value creation and returns

- Organic investment in advanced manufacturing capabilities and shipbuilding capacity at our Rosyth facility
- Recommended a 15% increase in full year dividend to 7.5 pence per share
- Completed £200 million buyback in April 2026, announced further £200 million buyback to complete during FY27
- Assessing pipeline of inorganic investment opportunities in line with our disciplined M&A strategy

Outlook

- For FY27 we expect another year of good progress, supported by strong revenue visibility with around 70% revenue under contract at 1 April 2026, a similar percentage to the prior year
- We reaffirm our medium-term guidance of average mid-single digit organic revenue growth, underlying operating margin of at least 9% and average underlying operating cash conversion of at least 80%

Notes to statutory and underlying results on page 1

1. Alternative Performance Measures (APMs):

The Group provides alternative performance measures (APMs), including underlying operating profit, underlying margin, underlying earnings per share, underlying operating cash flow, underlying free cash flow, net debt and net debt excluding leases to enable users to have a more consistent view of the performance and earnings trends of the Group. These measures are considered to provide a consistent measure of business performance from year to year. They are used by management to assess operating performance and as a basis for forecasting and decision-making, as well as the planning and allocation of capital resources. They are also understood to be used by investors in analysing business performance.

The Group's APMs are not defined by IFRS and are therefore considered to be non-GAAP measures. The measures may not be comparable to similar measures used by other companies, and they are not intended to be a substitute for, or superior to, measures defined under IFRS. The Group's APMs are consistent with those for the year ended 31 March 2025. The Group has defined and outlined the purpose of its APMs in the Financial Glossary on page 29.

2. Type 31 contract charge

The Type 31 contract charge of £140.0 million, which covers the remaining cost of the programme, includes a revenue reversal of £95.5 million. The table below sets out the impacts of the charge. Further details are available on page 9.

FY26	Underlying results excluding Type 31 charge	Impacts of the Type 31 charge	Underlying results
Revenue	£5,273.2m	£(95.5)m	£5,177.7m
YOY growth	9%		7%
Organic growth (at constant FX)	10%		8%
Underlying operating profit	£433.3m	£(140.0)m	£293.3m
YOY growth	19%		(19)%
Underlying operating margin	8.2%	(2.5)%	5.7%
YOY variance	70bps		(180)bps
Underlying EPS	60.5p	(20.9)p	39.6p
YOY growth	20%		(21)%

3. Net debt

Net debt excluding leases as at 31 March 2026 reduced to £22.7 million (FY25: £101.2 million).

The person responsible for arranging for the release of this announcement on behalf of the Company is Jack Borrett, the Corporate Secretary, Babcock International

Results presentation:

A presentation for investors and analysts will be held on 22 June 2026 at 09:00 am (BST). The presentation will be webcast live and will be available on demand at www.babcockinternational.com/investors/results-and-presentations. A transcript of the presentation and Q&A will also be made available on our website.

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CEO review

Introduction

FY26 was another year of strong strategic, operational and financial progress. We delivered good underlying growth, improved margins and cash generation, and further strengthened Babcock's position in defence and nuclear, which now account for around 80% of Group revenue. This reflects our focus on markets where our engineering expertise, critical infrastructure and customer relationships create durable competitive advantage.

That focus is increasingly aligned with the priorities of our customers. In a more uncertain world, defence and energy security have become strategic imperatives for the UK and its allies. Rapid technological change, the need for sovereign capability and greater operational agility are reshaping customer requirements. Babcock's deep engineering know-how, proven operational delivery and close customer relationships position us well to deliver the mission-critical capabilities they need.

FY26 performance

The Group's strong underlying financial results were partly offset by a charge of £140 million on the Type 31 contract, which covers the remaining cost of the programme, fully recognised in FY26 (see note 2 on page 3).

Revenue grew 8% at constant currency, with particularly strong growth in Nuclear and Aviation. Underlying operating profit decreased to £293 million (FY25: £363 million) due to the Type 31 charge. Excluding this, operating profit increased 19%, driving a 70 basis point improvement in operating margin to 8.2%, with progress in all sectors.

Cash performance was also robust, with free cash flow increasing to £262 million (FY25: £153 million). This further strengthened the balance sheet, reducing net debt to £329 million (FY25: £373 million) and covenant gearing to 0.2x (FY25: 0.3x).

Sector performance (at constant FX) was resilient across the Group. Marine revenue grew 2%, with growth in LGE and Skynet offset by the revenue reversal due to the Type 31 charge. Excluding the Type 31 charge, margin improved 40 basis points to 6.5%. Nuclear delivered another strong year, with revenue up 14% and margin up 70 basis points to 9.5%. Land revenue declined 3% due to lower civil activity but returned to growth in the second half, delivering a 110 basis points increase in margin to 8.8%. Aviation delivered the highest growth, with revenue up 34% and margin up 90 basis points to 7.1%.

Contract backlog was £9.8 billion (FY25: £10.4 billion), reflecting large multi-year orders won in FY25 and ongoing contract execution. At year-end, the £3.5 billion Future Maritime Support Programme (FMSP) moved to a six-month bridging agreement while the multi-year follow-on contract is finalised. Our long-duration backlog, which excludes around £2.8 billion of framework orders, continues to provide strong revenue visibility.

Confidence in our platform and future growth has enabled us to increase the full-year dividend by 15% and launch a further £200 million share buyback, following successful completion of the previous £200 million programme in April.

Type 31

During the year, operational progress continued, including the float-off of ships one and two, keel laying for ship three, and steel cut for ship four.

As announced in our trading update on 13 May 2026, we recognised a £140 million charge at the year-end following higher-than-expected rework during the outfitting of ship one and an updated estimate of the cost to complete the programme. The full charge is recognised in FY26 operating profit, with related cash costs expected over the remainder of the contract. We outline in more detail in the Financial Review on page 8.

Importantly, through the Type 31 programme, we are establishing a leading naval shipbuilding capability with a flexible build and support model which is already having success in export markets, including Indonesia and Poland. While we were disappointed not to be selected for the Swedish corvette opportunity, we remain well positioned for further multi-billion-pound naval programmes, as allied governments expand and upgrade their fleets.

Delivering momentum across strategic areas

Against a rapidly changing geopolitical backdrop, demand for Babcock's critical defence and nuclear capabilities remains strong. During the year, we continued to deliver against our strategy through consistent operational performance, stronger product and export capability, deeper strategic partnerships and an enhanced position in key markets. We also secured a number of important contract wins with the potential to generate significant medium and long-term revenue.

In November we signed the Maritime Partnerships Programme (MPP) framework with the Indonesian Government for up to £4 billion. Indonesia has since signed a Letter of Intent for two further Arrowhead 140 frigate licences, expected in the coming months, while negotiations continue on the contract structures for the broader programme. This reinforces our position as a trusted government delivery partner on strategically important international programmes.

Our partnership with HII, the United States' largest military shipbuilder, strengthened further during the year, expanding to support the US Virginia Class nuclear submarine programme. Babcock is now authorised to manufacture complex submarine assemblies at our advanced manufacturing facility in Rosyth. The initial engineering contract is underway and could expand materially over time.

In Land, we secured contracts to deliver 270 Light Utility Vehicles to the British Army and the first tranche of off-road vehicles to Albania. These early wins, developed in partnership with Toyota, strengthen our position in future UK and export vehicle opportunities, including the British Army's Land Rover replacement programme.

At year-end, we agreed a six-month FMSP bridging agreement with the UK MOD to maintain continuity of nuclear submarine fleet support and naval base management services, while the MOD signed a Letter of Intent to finalise the multi-year replacement contract, Gateway, by October 2026. We also secured a two-year extension for critical Royal Navy surface ship maintenance and infrastructure support.

In civil nuclear, we secured an important role on Great British Energy – Nuclear's first small modular reactor (SMR) project at the Wylfa site in North Wales. Through Litmus Nuclear, our joint venture with Amentum, we will deliver the Owner's Engineer contract, worth up to £300 million over 14 years, supporting regulatory compliance and long-term low-carbon power generation.

Structural growth in our core markets

This year, organic growth in defence was 8% and in civil nuclear 19%, reflecting the strength of our exposure to markets with attractive structural growth.

Higher defence spending from governments continues to support demand as the nature of conflict evolves rapidly, shaped by new technologies and changing operational requirements. While some governments are balancing these priorities against fiscal constraints, as reflected in the delayed publication of the UK's Defence Investment Plan (DIP), the long-term trend remains clear. Demand is increasingly structural, driven by the need for more advanced, adaptable and integrated capability.

Energy security is also driving renewed government commitment to nuclear power. Global expenditure on new nuclear is expected to reach \$2.2 trillion by 2050, with growing interest in SMRs and advanced modular reactors (AMRs). In the UK, the Government has already allocated £2.5 billion to support early SMR deployment.

Together, these trends are expected to support sustained defence demand and increased civil nuclear investment for the foreseeable future.

Capabilities aligned to structural growth trends

These structural growth drivers, together with accelerating technological change, are reshaping customer priorities across our core markets.

Autonomy: Autonomous technology is transforming defence demand across all domains, as an enabler of interoperability and operational effectiveness. Babcock's expertise in complex assets, mission-critical support and systems integration positions us well to help customers adopt and integrate new technologies.

Energy security: Rising electricity demand, energy security and decarbonisation are strengthening the long-term case for nuclear. The ongoing conflicts in Europe and the Middle East have further highlighted the importance of sovereign capability and energy resilience. Against this backdrop, the UK Government has set out a roadmap to increase nuclear power generation capacity from 6GW to 24GW by 2050, underlining the scale of the opportunity. With specialist capabilities across the full nuclear lifecycle, from legacy reactors to next-generation technologies, Babcock is well placed to support the Government's evolving nuclear agenda and broader global demand.

Supply chain sovereignty: Customers are increasingly prioritising sovereign capability and supply chain resilience. As an integrator of complex supply chains, Babcock brings together major partners, SMEs and specialist technology providers, with SMEs accounting for 30% of our supplier spend. Our new SME Charter is designed to help broaden access and participation across Babcock and the wider UK defence sector.

Agility: Customers need capability delivered faster and more affordably. The increasing adoption of autonomy and artificial intelligence is shortening technology cycles and accelerating upgrade requirements, while legacy platforms still need to remain relevant and interoperable for decades to come. As an OEM-agnostic technology and systems integrator, Babcock is uniquely positioned to upgrade, operate and support both current and next-generation capability at scale.

Through-life support: In a more demanding global environment, asset availability and readiness are critical at the same time militaries modernise and scale. We deliver integrated product and service solutions that meet customers' requirements for availability, affordability and capability across long asset lifecycles.

Babcock's advantage

In our core defence and nuclear markets, we provide technology-enabled support and product solutions that strengthen customer capability and resilience.

- **Mission-critical provider of defence and strategic resilience:** We deliver engineering expertise through long-term, highly regulated programmes and critical infrastructure aligned to national defence and energy priorities.
- **Differentiated capability in complex, long-life assets:** We have decades of technical, and operational expertise developed through the design, build, integration and support of complex assets with long lifecycles. These capabilities are difficult to replicate and support repeat work and scope opportunities.
- **Deep customer embed and long-term relationships:** Our delivery heritage gives us a unique understanding of our customer's requirements and a durable advantage in highly regulated, high-consequence environments.
- **Partnership-led model with supply chain integration:** Strategic partnerships and supply chain integration broaden our opportunity set and strengthen our ability to solve complex customer challenges.

Building pipeline of significant long-term growth opportunities across defence and nuclear

Aligned to these emerging structural trends, Babcock has increasing visibility of multi-decade, multi-billion GBP growth opportunities across three pillars: defence nuclear (submarines), broader defence programmes and energy security. Most sit within our core capabilities, where we see potential for meaningful long-term scale.

In defence nuclear, long-duration contracts and high incumbency provide significant growth potential. In the UK, submarine fleet expansion and transition will increase long-term support and infrastructure requirements. Internationally, AUKUS offers further upside through Australia's developing nuclear submarine capability under Pillar I, including supply chain, training, infrastructure and support. Momentum is building with the AUKUS partner nations, Australia, the UK and the US, signing the first Pillar II project last month, to develop enabling systems for Uncrewed Undersea Vehicles (UUVs).

Across defence programmes, our naval shipbuilding capability, Arrowhead 140 platform, Indonesian framework agreement, autonomous maritime partnerships and growing land vehicle activities all create opportunities for significant medium- and long-term growth in the UK and internationally. In Aviation, we also see multiple opportunities to scale our military aviation technical training and specialist support services.

In energy security, the UK's civil nuclear renaissance could represent up to a £25–30 billion addressable opportunity for Babcock through to 2050. Our existing position at Hinkley Point C can be scaled through Sizewell C and further new large gigawatt reactors that may be required to meet the UK's future energy requirements. We also see multiple routes to long-term growth across SMRs, AMRs and fuels, both in the UK and internationally, built from our Owners Engineer status in the UK and our wider advanced nuclear capabilities.

Building capability to support sustainable growth

Our people remain a critical strategic asset and a key enabler of growth. We continue to build a talent-led culture focused on having the right skills, capability and leadership to support performance, delivery and growth.

In FY26, we welcomed 500 apprentices and more than 260 graduates, our largest UK intake to date, taking total apprentice and graduate roles across the business to around 1,800.

Our successful STEM outreach programme continues to build future skills resilience. During the year, we delivered more than 300 engagement events across the UK, reaching over 27,000 young people.

Disciplined capital allocation

Robust cash generation and a healthy balance sheet give us flexibility to invest for growth while increasing shareholder returns. In FY26, we continued to invest in the business through capital expenditure, while assessing further organic growth opportunities and selective inorganic options. We also increased the full-year dividend by 15% to 7.5 pence per share. In April 2026, we completed the £200 million share buyback launched last summer and have since announced a further £200 million programme, expected to commence imminently and complete in the current financial year.

CEO succession and Board changes

In January 2026, I was pleased the Board announced that Harry Holt would succeed me as CEO upon my retirement later this year. Harry has been an integral member of my senior management team for the past three years as CEO of Babcock's Nuclear sector. He also brings more than a decade of executive experience across the aerospace, defence, security and nuclear sectors, following a long and distinguished military career as an officer in the British Army. I am confident in his ability to lead Babcock through its next phase of growth and delivery.

We have been undertaking a thorough transition process over the last five months, which is progressing well. Harry was appointed Deputy CEO on 1 April and will become CEO and join the Board on 1 August.

Outlook

For FY27, we expect another year of good progress, supported by strong visibility with around 70% of revenue under contract at 1 April 2026.

Looking further ahead, we reaffirm our medium-term guidance of average mid-single digit organic revenue growth, underlying operating margin of at least 9% and average underlying operating cash conversion of at least 80%.

Other information

Dividend

A final dividend of 5.0 pence per ordinary share (FY25: 4.5 pence) is payable on 25 September 2026 to shareholders whose names appear on the register at the close of business on 14 August 2026. If approved by the Shareholders at the AGM on 16 September 2026 this will give a total dividend for the year of 7.5 pence (FY25: 6.5 pence). Shareholders may participate in the dividend re-investment plan and elections must be made by 4 September 2026. Details of the dividend re-investment plan can be found, and shareholders can make elections, at www.babcock-shares.com.

Notes to CEO Statement

All profit and earnings figures are stated on an underlying basis as defined in the Group's alternative performance measures (APMs). See note 1 on page 3.

Financial review

The Group provides alternative performance measures (APMs), including underlying operating profit, underlying margin, underlying earnings per share, underlying operating cash flow, underlying free cash flow, net debt and net debt excluding leases, to enable users to have a more consistent view of the performance and earnings trends of the Group. These measures are considered to provide a consistent measure of business performance from year to year. They are used by management to assess operating performance and as a basis for forecasting and decision-making, as well as the planning and allocation of capital resources. They are also understood to be used by investors in analysing business performance.

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The reconciliation from the IFRS statutory income statement to the underlying income statement is shown below.

Income statement

	31 March 2026			31 March 2025		
	Underlying £m	Specific adjusting items £m	Statutory £m	Underlying £m	Specific adjusting items £m	Statutory £m
Revenue	5,177.7	–	5,177.7	4,831.3	–	4,831.3
Operating profit	293.3	11.8	305.1	362.9	1.0	363.9
Operating margin	5.7%	–	5.9%	7.5%		7.5%
Share of results of joint ventures and associates	7.4	–	7.4	8.4	(11.1)	(2.7)
Net finance costs	(33.5)	4.7	(28.8)	(31.9)	(0.2)	(32.1)
Profit before tax	267.2	16.5	283.7	339.4	(10.3)	329.1
Income tax (expense)/benefit	(69.2)	(3.8)	(73.0)	(84.1)	3.9	(80.2)
Profit/(loss) after tax	198.0	12.7	210.7	255.3	(6.4)	248.9
Non-controlling interest	0.5	–	0.5	(1.8)	–	(1.8)
Profit/(loss) attributable to the owners of the parent	198.5	12.7	211.2	253.5	(6.4)	247.1
Basic EPS	39.6p		42.1p	50.3p		49.1p
Diluted EPS	38.8p		41.3p	49.3p		48.0p

A full statutory income statement can be found on page 38.

As described above, statutory operating profit includes specific adjusting items (SAIs) that are not included in underlying operating profit, which is a key APM for the Group. A reconciliation of statutory operating profit to underlying operating profit is shown in the table above and in note 2 of the preliminary financial statements.

Revenue of £5,177.7 million after £95.5 million revenue reversal at the year-end, due to the Type 31 charge, represents an increase of 8% on an organic basis, driven by strong growth in Nuclear and Aviation.

See segmental tables on page 18:

- **Marine** revenue increased 2% (at constant FX) to £1,591.5 million, with higher volumes in our LGE business and growth of the Skynet programme partly offset by the £95.5 million Type 31 reversal and lower UK and international ship support activity, as expected.
- **Nuclear** revenue increased 14% (at constant FX) to £2,070.4 million, due to strong growth in our Cavendish Nuclear business (+18%) and higher submarine support activity, more than offsetting the expected decline in Major Infrastructure Programme revenue.
- **Land** revenue decreased 3% (at constant FX) to £1,084.4 million, although returned to growth in the second half of the year as expected. Growth in our defence businesses was more than offset by lower volumes in our Civil businesses, particularly Rail and South Africa.
- **Aviation** revenue increased 34% (at constant FX) to £431.4 million, due the ramp up of the Mentor 2 programme in France and the British Columbia HEMS contract in Canada, and increased scope in UK military support contracts.

Underlying operating profit decreased 19% to £293.3 million, with strong underlying performance offset by the Type 31 charge at the year-end of £140.0 million. As a result, underlying operating margin decreased to 5.7% (FY25: 7.5%). Excluding the Type 31 charge, underlying operating profit increased 19% to £433.3 million and underlying operating margin increased 70 basis points to 8.2%, ahead of our target of 8%, with all four sectors delivering increased margin. See segmental tables on page 18:

- **Marine** underlying operating loss of £29.8 million reflects the Type 31 charge of £140.0 million, resulting in an underlying operating margin of (1.9)% (FY25: 6.1%). Excluding the Type 31 charge, underlying operating profit increased 14% to £110.2 million driven by performance on LGE orders and improvements in contract profitability increasing the operating margin to 6.5%.
- **Nuclear** underlying operating profit increased 23% to £197.1 million, due to revenue growth, mix and the final year of trading on the Future Maritime Support Programme (FMSP) contract. As a result, underlying operating margin increased to 9.5% (FY25: 8.8%).
- **Land** underlying operating profit increased 11% to £95.3 million, reflecting growth in higher-margin defence programmes and contract completion. As a result, underlying operating margin increased to 8.8% (FY25: 7.7%).
- **Aviation** underlying operating profit increased 54% to £30.7 million, due to growth in higher-margin defence revenues. As a result, underlying operating margin increased 90 basis points to 7.1% (FY25: 6.2%).

Further analysis of financial performance is included in each sector's operational review, starting on page 19.

Type 31 contract update

The Type 31 contract typically represents less than 4% of Group revenue. During the year we floated off the first and second ships in the five-ship programme, laid the keel of ship three and formally commenced the build of ship four at its steel cutting ceremony.

As outlined in our trading update on 13 May 2026, as we finish structural completion of ship one, the bulk of the remaining work now relates to outfitting and commissioning. During the outfitting stage we have experienced higher than expected levels of rework as a result of changes to the design and the long-term impacts of out-of-sequence build activity earlier in the programme. Whilst the number of such rework events is not entirely unexpected, the work is being performed in the later stages of completion and therefore is more complex and more costly. The ability to increase levels of programme productivity through full enablement of production tasks has also been impacted. As the build of ship two is close behind ship one, there is also some cross over in the design-related rework necessary to this ship. With ships three and four still in the early construction stages, the extent of impact on these and future vessels is comparatively reduced.

As a consequence, we have performed an engineering maturity review, and we have updated our financial estimates to complete the programme, given the elevated levels of rework due to engineering change and productivity. These re-estimates not only cover the production costs of material and personnel, but also an increased programme risk contingency.

This is reflected in a charge on the contract at the year-end of £140.0 million for the revised costs to complete delivery of the Type 31 design and build contract, which is fully recognised in FY26, but the cash costs of which will be incurred over the remainder of the programme. Within the £140.0 million charge, £95.5 million is recognised as a revenue reversal in FY26 (with a corresponding increase in contract liabilities) and the balance increases the contract loss provision. See further disclosures on page 43.

Statutory operating profit decreased to £305.1 million (FY25: £363.9 million) due to the impact of the Type 31 charge, with a small positive impact from the revaluation of derivatives, and the final recovery of loan receivables originating from the disposal of the Civil Training business in FY23. As a result, statutory operating margin decreased to 5.9% (FY25: 7.5%). The specific adjusting items between statutory and underlying operating profit are set out in the table below.

Reconciliation of statutory to underlying operating profit

	31 March 2026 £m	31 March 2025 £m
Statutory operating profit	305.1	363.9
Amortisation of acquired intangibles	10.0	8.2
Business acquisition, merger and divestment-related items	(10.2)	(1.5)
Curtailed gain on pension scheme closure	–	(1.2)
Fair value movement on derivatives	(11.6)	(6.5)
Specific adjusting items impacting operating profit	(11.8)	(1.0)
Underlying operating profit	293.3	362.9

Share of joint ventures and associates on a statutory basis was a £7.4 million profit (FY25: £2.7 million loss, which included an £11.1 million charge following a review by our Ascent flight training joint venture to align its accounting to IFRS principles). The underlying share of results from joint ventures and associates was a profit of £7.4 million (FY25: £8.4 million profit).

Net finance costs

- **Underlying net finance costs** increased to £33.5 million (FY25: £31.9 million), with higher net interest income on cash balances and lower interest charges on pension liabilities more than offset by interest costs arising from the outcome of a legacy legal case.
- **Statutory net finance costs** decreased to £28.8 million (FY25: £32.1 million), reflecting the items above and the fair value movement of derivatives which hedge interest cost.

Income tax expense

- **Underlying income tax expense** decreased to £69.2 million (FY25: £84.1 million), reflecting lower underlying operating profits. This represents an effective underlying tax rate of 26.6% (FY25: 25.4%), calculated using underlying profit before tax excluding the share of income from joint ventures and associates (which is a post-tax number). The Group's effective underlying tax rate is expected to remain broadly stable over the medium term, depending on country profit mix.
- **Statutory income tax expense** decreased to £73.0 million (FY25: £80.2 million), higher than the underlying income tax expense, due to the tax impact of the specific adjusting items outlined above and in note 2 of the preliminary financial statements.

Basic earnings per share

- **Underlying basic earnings per share** of 39.6 pence (FY25: 50.3 pence) decreased due to lower underlying operating profit for the year driven by the Type 31 charge. Excluding the Type 31 charge, underlying basic earnings per share increased to 60.5 pence.
- **Basic earnings per share** on a statutory basis decreased to 42.1 pence (FY25: 49.1 pence), reflecting the lower underlying earnings per share and the post-tax impact of the specific adjusting items outlined above.

Reconciliation of statutory profit and basic EPS to underlying profit and basic EPS

	31 March 2026		31 March 2025	
	£m	Basic EPS	£m	Basic EPS
Statutory profit after tax for the year	210.7	42.1p	248.9	49.1p
Specific adjusting items, net of tax	(12.7)	2.5p	6.4	1.2p
Underlying profit after tax for the year	198.0	39.6p	255.3	50.3p

Dividend per share

	31 March 2026 pence	31 March 2025 pence
Interim	2.5	2.0
Final	5.0	4.5
Total	7.5	6.5

The Board has recommended a final dividend of 5.0 pence per ordinary share for approval by shareholders at the 2026 Annual General Meeting, which will result in a total dividend for FY26 of 7.5 pence (FY25: 6.5 pence), a 15% increase.

Exchange rates

The translation impact of foreign currency movements resulted in an increase in revenue of £14.2 million and an increase in underlying operating profit of £0.2 million. The main currencies that have impacted our results are the Australian Dollar, Canadian Dollar, Euro, New Zealand Dollar and South African Rand. The currencies with the greatest potential to impact results are the South African Rand, the Australian Dollar, the Euro and the Canadian Dollar:

- A 10% movement in the South African Rand against Sterling would affect revenue by around £37 million and underlying operating profit by around £3 million per annum
- A 10% movement in the Australian Dollar against Sterling would affect revenue by around £30 million and underlying operating profit by around £2 million per annum
- A 10% movement in the Euro against Sterling would affect revenue by around £20 million and underlying operating profit by around £2 million per annum
- A 10% movement in the Canadian Dollar against Sterling would affect revenue by around £21 million and underlying operating profit by around £2 million per annum

Cash flow and net debt

Underlying cash flow and net debt

Underlying cash flows are used by the Group to measure operating performance as they provide a more consistent measure of business performance from year to year.

	31 March 2026 £m	31 March 2025 £m
Statutory operating profit	305.1	363.9
Add back: specific adjusting items (see table on page 30)	(11.8)	(1.0)
Underlying operating profit	293.3	362.9
Right of use asset depreciation & impairment	50.4	33.0
Other depreciation & amortisation	85.2	78.3
Non-cash items	10.9	11.0
Working capital movements	12.0	2.1
Provisions	48.1	(23.5)
Net capital expenditure	(107.2)	(122.2)
Lease principal payments	(44.5)	(45.4)
Underlying operating cash flow	348.2	296.2
Underlying operating cash conversion (%)	119%	82%
Pension contributions in excess of income statement	(23.4)	(89.1)
Interest paid (net)	(26.6)	(26.8)
Tax paid	(47.5)	(39.1)
Dividends from joint ventures and associates	11.1	12.2
Underlying free cash flow	261.8	153.4
Net acquisitions and disposals of subsidiaries	8.1	(1.1)
Purchase of other investments	(3.9)	–
Dividends paid (including non-controlling interests)	(36.7)	(28.0)
Purchase of own shares	(155.3)	(18.8)
Lease principal payments	44.5	45.4
Net new lease arrangements	(73.3)	(87.2)
Leases disposed of/(acquired) with subsidiaries	–	1.1
Other non-cash debt movements	(3.2)	(2.1)
Fair value movement in debt and related derivatives	9.3	0.5
Exchange movements	(7.0)	(1.1)
Movement in net debt	44.3	62.1
Opening net debt	(373.3)	(435.4)
Closing net debt	(329.0)	(373.3)
Add back: leases	306.3	272.1
Closing net debt excluding leases	(22.7)	(101.2)

A full statutory cash flow statement can be found on page 41 and a reconciliation to net debt on page 32.

Underlying operating cash flow increased to £348.2 million (FY25: £296.2 million), representing underlying operating cash conversion of 119%. Excluding the impact of the Type 31 charge at the year-end, underlying cash conversion was 84% (FY25: 82%). Net capex of £107.2 million (FY25: £122.2 million) remains ahead of depreciation as we continue to invest across the portfolio. See financial glossary page 29 for the reconciliation of underlying cash conversion and page 33 for the reconciliation of capital expenditure.

The £12.0 million inflow of working capital includes a £95.5 million increase in contract liabilities due to the Type 31 revenue reversal as described on page 9. Together with deposits received on new contracts, this more than offset the expected unwind of advance payments on certain existing contracts, notably LGE due to the record order intake in the prior year and the increase in inventory due to slower sales of construction equipment in Africa.

Underlying free cash flow of £261.8 million (FY25: £153.4 million), reflects higher underlying operating cash flow and lower pension deficit repair contributions following the agreement of long-term funding arrangements for our three main schemes.

Acquisitions and disposals

Cash receipts and related fair value gains of £8.1 million arose on the final settlement of loan receivables originating from the disposal of the Civil Training business in FY23.

New lease arrangements

In addition to net capital expenditure, £73.3 million of net additional lease liabilities were entered into in the year (FY25: £87.2 million). The increase includes aircraft leases to support new contracts in Australia and Canada. These are new lease obligations and are therefore included in net debt, but do not involve any cash outflows at inception.

Reconciliation of underlying operating cash flow to statutory net cash flows from operating activities

	31 March 2026 £m	31 March 2025 £m
Underlying operating cash flow	348.2	296.2
Add: net capital expenditure	107.2	122.2
Add: lease principal payments	44.5	45.4
Less: pension contributions in excess of income statement	(23.4)	(89.1)
Less: Non-operating cash items (excluded from underlying cash flow)	(29.2)	(17.3)
Cash generated from operations	447.3	357.4
Tax paid	(18.3)	(21.8)
Net interest paid	(26.6)	(26.8)
Net cash flows from operating activities	402.4	308.8

Statutory cash flow summary

	31 March 2026 £m	31 March 2025 £m
Net cash flow from operating activities	402.4	308.8
Net cash flow from investing activities	(91.7)	(110.8)
Net cash flow from financing activities	(239.5)	(92.7)
Net increase in cash, cash equivalents and bank overdrafts	71.2	105.3

Net cash flow from operating activities was £402.4 million (FY25: £308.8 million). This reflects lower operating profit and lower pension deficit payments.

Net cash flow from investing activities was an outflow of £91.7 million (FY25: outflow of £110.8 million), reflecting lower net capex.

Net cash flow from financing activities was an outflow of £239.5 million (FY25: outflow of £92.7 million), including £44.5 million lease payments (FY25: £45.4 million), £36.7 million dividends paid (FY25: £28.0 million) and £155.3 million purchase of own shares (FY25: £18.8 million).

Movement in net debt – reconciliation of statutory cash flows to net debt

	31 March 2026 £m	31 March 2025 £m
Net increase in cash, cash equivalents and bank overdrafts	71.2	105.3
Cash flow from the (increase)/decrease in debt	(13.8)	29.9
Change in net funds resulting from cash flows	57.4	135.2
Additional lease obligations	(73.1)	(96.2)
New lease receivables granted	60.9	24.7
Debt held by disposed subsidiaries	–	1.1
Other non-cash movements and changes in fair value	6.1	(1.6)
Foreign currency translation differences	(7.0)	(1.1)
Movement in net debt in the year	44.3	62.1
Opening net debt	(373.3)	(435.4)
Closing net debt	(329.0)	(373.3)

Net debt

Net debt at 31 March 2026 was £329.0 million, a reduction of £44.3 million due to increased underlying free cash flow, partially offset by dividend payments of £36.7 million (FY25: £28.0 million), purchases of own shares of £155.3 million (FY25: £18.8 million) and net new leases of £73.3 million (FY25: £87.2 million) in excess of lease principal payments of £44.5 million (FY25: £45.4 million). Net debt excluding leases was £22.7 million, representing a reduction of £78.5 million.

Cash components of net debt

	31 March 2026 £m	31 March 2025 £m
Cash and cash equivalents	723.6	646.5
Current liabilities – bank debt and other loans	(299.7)	(0.5)
Non-current liabilities – bank debt and other loans	(474.9)	(750.7)
Other debt instruments (includes loans to JVs)	(16.6)	(38.6)
Net finance leases	44.9	42.1
Closing net debt excluding leases	(22.7)	(101.2)
Include leases	(306.3)	(272.1)
Closing net debt	(329.0)	(373.3)

Summarised balance sheet

	31 March 2026 £m	31 March 2025 £m
Intangible assets	913.8	920.6
Property, plant and equipment and right of use assets	849.8	787.7
Investment in joint ventures and associates, and other investments	44.2	43.5
Working capital	(704.3)	(694.2)
Provisions	(201.5)	(138.3)
Net retirement benefit deficits	(34.0)	(8.4)
Net tax assets	73.3	76.1
Net other financial assets and liabilities	17.0	8.1
Leases	(306.3)	(272.1)
Net debt excluding leases	(22.7)	(101.2)
Net assets	629.3	621.8

Property, plant and equipment (PP&E) and right of use assets were £849.8 million, an increase of £62.1 million. PP&E increased by £42.4 million to £601.3 million, reflecting additions of £155.4 million (FY25: £105.0 million) less disposals of £50.9 million (FY25: £5.4 million), depreciation of £66.0 million (FY25: £59.0 million) and impairment and currency adjustments. The disposals primarily relate to aircraft acquired and then sold and leased back within the year. Right of use assets increased by £19.7 million to £248.5 million including new leases of £63.5 million (net of disposals) less depreciation and impairment of £50.4 million (FY25: £33.0 million) and currency adjustments.

Working capital was £(704.3) million, a decrease of £10.1 million. This reflects a £95.5 million increase in contract liabilities due to the Type 31 revenue reversal and deposits received on new contracts, which more than offset the expected unwind of advance payments on certain existing contracts and an increase in inventory from slower sales of construction equipment in Africa.

Funding and liquidity

As of 31 March 2026, the Group had access to a total of £1.4 billion of borrowings and facilities. These comprised:

- £600 million RCF, maturing July 2031
- £300 million bond maturing on 5 October 2026
- €550 million bond, hedged at £493 million, maturing on 13 September 2027
- An overdraft facility of £50 million

At 31 March 2026, the Group's net cash (cash and cash equivalents less overdrafts) balance was £723.6 million. This, combined with the undrawn amounts under our committed RCF and overdraft facilities, gave us liquidity of around £1.4 billion.

Net debt to EBITDA (covenant basis)

While there are several facets to balance sheet strength, a primary measure relevant to Babcock is the net debt/EBITDA gearing ratio within our debt covenant of a maximum of 3.5x. This measure is used in the covenant in our RCF and includes several adjustments from reported net debt and EBITDA. The net debt/EBITDA gearing ratio (covenant basis) at 31 March 2026 reduced to 0.2x (FY25: 0.3x) due to strong underlying free cash flow and lower underlying operating profit.

	31 March 2026 £m	31 March 2025 £m
Underlying operating profit	293.3	362.9
Depreciation and amortisation	85.2	78.3
Covenant adjustments ¹	1.5	(2.6)
EBITDA	380.0	438.6
JV and associate dividends	11.1	12.2
EBITDA + JV and associate dividends (covenant basis)	391.1	450.8
Net debt excluding lease liabilities	(22.7)	(101.2)
Covenant adjustments ²	(54.0)	(51.9)
Net debt (covenant basis)	(76.7)	(153.1)
Net debt/EBITDA	0.2x	0.3x

1. Various adjustments made to EBITDA to reflect accounting standards at the time of inception of the original RCF agreement. The main adjustments are to the treatment of leases within operating profit and pension costs.

2. Removing loans to JVs, finance lease receivables and non-recourse debt.

Return on invested capital, pre-tax (ROIC)

This measure is one of the Group's key performance indicators.

	31 March 2026 £m	31 March 2025 £m
Underlying operating profit	293.3	362.9
Underlying share of results of joint ventures and associates	7.4	8.4
Underlying operating profit plus results of JVs and associates	300.7	371.3
Net debt excluding leases	22.7	101.2
Leases	306.3	272.1
Shareholder funds – see balance sheet on page 39	629.3	621.8
Retirement (surplus)/deficit – note 17	34.0	8.4
Invested capital	992.3	1,003.5
ROIC	30.3%	37.0%

Pensions

The Group has a number of defined benefit pension schemes. The principal defined benefit pension schemes in the UK are the Devonport Royal Dockyard Pension Scheme (DRDPS), the Babcock International Group Pension Scheme (BIGPS) and the Rosyth Royal Dockyard Pension Scheme (RRDPS) – the principal schemes.

IAS 19

At 31 March 2026, the IAS 19 valuation for accounting purposes was a net deficit of £34.0 million (FY25: £8.4 million). The increase in net accounting deficit is driven by the lower fair value of plan assets of £2,804.4 million (down by £26.6 million year on year), driven by contributions of £31.7 million offset by asset returns of £145.1 million and benefits paid of £200.3 million. The present value of pension benefit obligations of £2,838.4 million decreased by £1.0 million driven by interest costs and experience losses offsetting benefits paid. The fair value of the assets and liabilities of the Group pension schemes at 31 March 2026 and the key assumptions used in the IAS 19 valuation of our schemes are set out in note 17 on page 60.

	31 March 2026 £m	31 March 2025 £m
Fair value of plan assets (note 17)	2,804.4	2,831.0
Present value of benefit obligations (note 17)	(2,838.4)	(2,839.4)
Net (deficit) at 31 March	(34.0)	(8.4)

Income statement charge

The charge included within underlying operating profit in FY26 was £8.3 million (FY25: £17.9 million), of which £3.4 million (FY25: £11.1 million) related to service costs and £4.9 million (FY25: £6.8 million) related to expenses. In addition to this, there was a net interest credit of £0.4 million (FY25: charge of £4.5 million). The reduction follows the closure of defined benefit schemes to future accrual.

Technical provision

An estimate of the aggregate actuarial deficits of the Group's defined benefit pension schemes (excluding those in surplus), including all longevity swap funding gaps, calculated using each scheme's technical provisions basis, as at 31 March 2026 was approximately £100 million (FY25: c.£125 million). Such valuations use discount rates based on UK gilts which differ from the corporate bond approach of IAS 19. This technical provision estimate reflects the assumptions used within the latest agreed valuation prior to 31 March 2026 for each of the principal schemes.

Actuarial valuations are carried out every three years to determine the Group's cash contributions to the schemes. The valuation of the three largest schemes is set so only one scheme is undertaking its valuation in any one year, to spread the financial impact of market conditions. The valuation of the DRDPS as at 31 March 2023 was completed in FY24, the valuation of the RRDPS as at 31 March 2024 was finalised in April 2025, and the valuation of the BIGPS at 31 March 2025 was finalised in May 2026.

We expect annual deficit repair payments to be c.£20 million per annum over the coming years.

Cash contributions

Group cash contributions made into the defined benefit pension schemes, excluding expenses and salary sacrifice contributions, were as follows:

	31 March 2026 £m	31 March 2025 £m
Future service contributions	4.7	14.6
Deficit recovery	18.5	52.7
Longevity swap	1.8	27.2
Total cash contributions – employer	25.0	94.5

Segmental analysis

The Group reports its performance through four reporting sectors.

31 March 2026	Marine £m	Nuclear £m	Land £m	Aviation £m	Total £m
Contract backlog	2,806.8	1,792.7	3,086.9	2,068.8	9,755.2
Revenue	1,591.5	2,070.4	1,084.4	431.4	5,177.7
Add back Type 31 revenue reversal	95.5	-	-	-	95.5
Revenue excluding Type 31 revenue reversal	1,687.0	2,070.4	1,084.4	431.4	5,273.2
Statutory operating profit / (loss)	(28.4)	197.1	103.4	33.0	305.1
Statutory operating margin	(1.8)%	9.5%	9.5%	7.7%	5.9%
Underlying operating profit / (loss)	(29.8)	197.1	95.3	30.7	293.3
Add back Type 31 charge	140.0	-	-	-	140.0
Underlying operating profit excluding Type 31 charge	110.2	197.1	95.3	30.7	433.3
<i>Underlying operating margin</i>	<i>(1.9)%</i>	<i>9.5%</i>	<i>8.8%</i>	<i>7.1%</i>	<i>5.7%</i>
<i>Underlying operating margin excluding Type 31 charge</i>	<i>6.5%</i>	<i>9.5%</i>	<i>8.8%</i>	<i>7.1%</i>	<i>8.2%</i>
31 March 2025	Marine £m	Nuclear £m	Land £m	Aviation £m	Total £m
Contract backlog	3,026.5	1,983.9	3,466.1	1,939.7	10,416.2
Revenue	1,576.4	1,816.0	1,116.6	322.3	4,831.3
Statutory operating profit	99.3	161.4	86.3	16.9	363.9
Statutory operating profit margin	6.3%	8.9%	7.7%	5.2.%	7.5%
Underlying operating profit	96.5	160.3	86.2	19.9	362.9
Underlying operating margin	6.1%	8.8%	7.7%	6.2%	7.5%

Operational reviews

Marine

Our c.7,500 employees design, develop, build, manufacture and integrate specialist systems, and deliver technical through-life support for complex systems and platforms in the marine sector. Over 75% of Marine's revenue is derived from defence, with our technology-led Liquid Gas Equipment (LGE) business delivering civil revenue.

Operational highlights

- Two UK Type 31 Inspiration Class frigates now floated-off and in outfitting phase, ships three and four in build
- Signed Maritime Partnership Programme framework agreement with Indonesia, worth up to £4 billion
- Awarded initial engineering contract on US Virginia Class nuclear submarine build programme
- Secured a two-year FMSP extension to support the UK Royal Navy's surface ships and infrastructure
- LGE completed significant milestones securing 150th ecoSMRT[®] order for LNG reliquification technology, and successfully completed delivery of a world-first CO₂ carrier cargo handling system

Financial review

	31 March 2026 £m	31 March 2025 £m
Contract backlog*	2,806.8	3,026.5
Revenue	1,591.5	1,576.4
Underlying operating (loss)/profit*	(29.8)	96.5
Underlying operating margin*	(1.9)%	6.1%
Revenue excluding the Type 31 revenue reversal	1,687.0	1,576.4
Underlying operating profit excluding the Type 31 charge*	110.2	96.5
Underlying operating margin excluding the Type 31 charge*	6.5%	6.1%

* Alternative Performance Measures are defined in the Financial Glossary on page 29.

Contract backlog reduced to £2,807 million, reflecting delivery of the record LGE order intake in FY25 and revenue recognised on long-term contracts, partially offset by scope increases and renewals in UK and international defence contracts and the two-year extension to the FMSP ship support contract.

As outlined in the Financial Review on page 8, a £140.0 million charge was recorded in relation to Type 31, which is fully recognised in FY26. The cash impact of this charge is expected to be realised over the remainder of the programme. This has resulted in a revenue reversal of £95.5 million in FY26.

Revenue increased 2% (at constant FX) to £1,591.5 million, with growth in our LGE business and the Skynet programme partly offset by the Type 31 revenue reversal and lower UK and international ship support activity, as expected.

The underlying operating loss of £29.8 million reflects the Type 31 charge of £140.0 million, resulting in an underlying operating margin of (1.9)% (FY25: 6.1%). Excluding the Type 31 charge, underlying operating profit increased 14% to £110.2 million driven by performance on LGE orders and improvements in the profitability of existing contracts, increasing the operating margin to 6.5%.

Operational review

Defence

UK defence (48% of Marine revenue)

The Type 31 Inspiration Class programme to build five frigates for the Royal Navy at our facility in Rosyth continues to progress across multiple ships. During the year we floated off the first and second ships in the five-ship programme, laid the keel of ship three and formally commenced the build of ship four at its steel cutting ceremony.

Also at Rosyth, the advanced manufacturing of missile tubes for the UK-US Common Missile Compartment has achieved record levels of output, delivering 12 missile tube assemblies over the year for the US Columbia Class and UK Dreadnought submarine programmes. Following Rosyth's success as a centre of excellence for advanced manufacturing of complex nuclear submarine components, Babcock has further expanded its strategic partnership with HII, with an initial contract to support the US Virginia Class submarine build programme.

Babcock delivered the final year of critical surface ship support within the Future Maritime Support Programme (FMSP) contract, and at the year-end, agreed a two-year extension ahead of the future long-term Naval Support Integrated

Global Network (NSIGN) contract. During the year we delivered upgrade and maintenance work on Type 23 vessels, alongside fleet time support in the UK and overseas. Deployed support for Type 23s was delivered in South Korea, Australia, Crete and Gibraltar, ensuring high availability for the UK Carrier Strike Group. We also assumed further support packages for two Type 23 frigates as they enter extended readiness.

As the Type 23 fleet is phased out, Babcock is expanding its support focus to the new Type 26 frigates, planned to be base-ported at HMNB Devonport. Our specialist in-service support team is already planning routes to support these vessels when they enter service, ensuring they are delivered, upgraded, and maintained efficiently. As the new ships enter service, managing their critical equipment under a single, integrated support arrangement will become increasingly important, improving efficiency and reducing reliance on multiple external contracts.

As part of our ten-year contract to deliver maintenance and docking on the UK Queen Elizabeth Class aircraft carriers, HMS Queen Elizabeth successfully docked in Rosyth for routine work during the year.

In December 2025, our Mission Systems business led a group of established and startup companies to demonstrate integrated autonomous Maritime Domain Awareness (MDA) technology to several European navies. The MDA demonstration included a range of autonomous platforms, delivering aerial, surface and sub-surface Intelligence Surveillance and Reconnaissance outcomes.

The Mission Systems team continues to provide critical, long-term support, evidenced by the third renewal contract supporting in-service Royal Navy submarine effector systems, worth £110 million over nine years. Meanwhile we've completed two years of service on the Skynet contract, where we are responsible for operating the UK's constellation of military satellites and ground stations, including the integration of terminals into the MOD network.

[International defence \(29% of Marine revenue\)](#)

In Canada, we are continuing to deliver an Extended Docking Work Period (EDWP), for the HMCS Victoria submarine, on schedule as part of the Victoria In-Service Support Contract (VISSC). This year, we received a contract amendment aligning HMCS Victoria's EDWP with the current VISSC contract end date in 2027. Babcock also supports the Fleet Maintenance Facility Cape Scott in Nova Scotia where the submarine HMCS Windsor's EDWP is taking place.

During the year, we signed a teaming agreement focused on in-service support with Hanwha Ocean, one of two short-listed suppliers for the Canadian Patrol Submarine Project (CPSP), to acquire Canada's next-generation conventionally-powered submarines.

In South Africa, we secured our first defence contract, for the survey and refit of two submarines at Simonstown Dockyard, alongside spares and product supply contracts. This marks a major strategic milestone and our entry into the defence sector in South Africa.

In Australia, we play a critical role as the Royal Australian Navy's surface ship sustainment provider in Western Australia, supporting four ship classes in parallel at Henderson. As Regional Maintenance Provider - West, we expanded our sustainment portfolio to include Arafura Class offshore patrol vessels, supply class auxiliary oiler replenishment ships, and Anzac Class frigates.

Under contract with BAE Systems Maritime Australia, Babcock completed the Critical Design Review for the Air Weapons Handling System for the Royal Australian Navy's new Hunter Class frigates.

In New Zealand, as Strategic Maritime Partner to the New Zealand Defence Force, we work closely with our 600 local suppliers to deliver maritime fleet sustainment services to the Royal New Zealand Navy (RNZN). During the year, we completed the largest maintenance package to date on HMNZS Te Mana, an Anzac Class frigate, as well as critical maintenance work on the RNZN fleet tanker HMNZS Aotearoa.

In Sweden, we were disappointed to learn our Arrowhead 120 design was not selected for preferred bidder on the Luleå Class surface combatant programme, after a decision was made in late May 2026.

In Denmark, we are awaiting an announcement from the Danish Government as to its preferred naval platform, with the Arrowhead 140 design under consideration.

In Poland, Babcock signed a strategic cooperation agreement with PGZ SA to collaborate on naval design, construction, maintenance, military aircraft sustainment and strategic asset management for the Polish armed forces.

In Indonesia, we signed the £4 billion Maritime Partnership Programme framework agreement to support Indonesia in areas of maritime defence, maritime security and maritime modernisation alongside an agreement for the sale of two further Arrowhead 140 frigate licences.

In Brazil, we have extended our support contract on landing platform dock, NAM Atlantico (previously HMS Ocean), to August 2026, with negotiations ongoing to extend further. Meanwhile we are also engaged to offer support to NDM Oiapoque (previously HMS Bulwark) to integrate into the Marinha do Brazil in FY27.

Civil (23% of Marine revenue)

Our LGE business performed well in the year, successfully delivering 42 projects featuring cargo handling and fuel gas supply systems for LPG, LNG, CO₂, and ethane liquefied gas carriers, including the successful delivery and trials of the cargo handling system for a world-first CO₂ carrier. A further milestone was reached with the winning of the 150th ecoSMRT® system. The business completed nine dry dock service operations globally to support its patented ecoSMRT® LNG reliquefaction systems, with a significant number already secured for FY27.

The company also secured its first contracts for the design and supply of ammonia fuel gas supply systems using our ecoFGSS-FLEX® technology, supporting the transition to ammonia as a zero-carbon marine fuel.

Nuclear

Our c.11,100 employees provide complex through-life engineering support to the entirety of the UK's nuclear submarine fleet. We own and manage critical national infrastructure and provide engineering integration support to AWE. We operate across UK civil nuclear, including new build, generation support and decommissioning.

Operational highlights

- Signed a six-month FMSP bridging agreement with the UK MOD to continue delivery of critical submarine support and naval base management until the expected replacement contract in FY27
- Devonport's 9 Dock complete with HMS Victorious docked down to continue deep maintenance programme
- Secured major role as Great British Energy-Nuclear's Owners Engineer for the UK Small Modular Reactors
- Ramped up activity on the large gigawatt nuclear new build programme at Hinkley Point-C
- H&B Defence (JV with HII) secured its first contract to enhance AUKUS supply chain capabilities

Financial review

	31 March 2026 £m	31 March 2025 £m
Contract backlog*	1,792.7	1,983.9
Revenue	2,070.4	1,816.0
Underlying operating profit*	197.1	160.3
Underlying operating margin*	9.5%	8.8%

* Alternative Performance Measures are defined in the Financial Glossary on page 29.

Contract backlog decreased to £1,793 million, primarily reflecting trading on our multi-year FMSP submarine support, HMS Victorious deep maintenance and Major Infrastructure Programme (MIP) contract maturity, partly offset by the £0.5 billion six-month FMSP bridging agreement at the year-end

Revenue increased 14% (at constant FX) to £2,070.4 million due to strong growth in our Cavendish Nuclear business (+18%) and higher submarine support activity, more than offsetting the expected decline in MIP revenue to £438 million (FY25: £504 million).

Underlying operating profit increased 23% to £197.1 million due to revenue growth, mix and the final year of trading of the Future Maritime Support Programme (FMSP) contract. As a result, underlying operating margin increased 70 basis points to 9.5% (FY25: 8.8%).

Operational review

Defence

UK Defence (86% of Nuclear revenue)

A six-month bridging arrangement, under our FMSP contract with the UK MOD, has been secured to maintain continuity of critical submarine fleet support and naval base management services. The contract bridges to a longer-term agreement, which is in the latter stages of negotiation. As part of the bridging arrangement, the MOD, the Royal Navy and Babcock have signed a Letter of Intent that reinforces the commitment to a long-term strategic relationship.

As a core partner in Team Plymouth, we announced the location of the new Babcock Capability Centre in Plymouth city centre, to relocate 2,000 colleagues from our Devonport Dockyard facility. This will bring thousands of highly skilled roles into the city centre, increasing footfall, supporting local businesses, and stimulating wider economic activity. First announced in June 2025, the centre will support Babcock's long-term operations, strengthen Plymouth's role as a national defence engineering hub, and free up dockyard capacity to enable the efficient delivery of complex defence programmes.

Operationally, we are nearing completion of the base maintenance period for the first Astute Class submarine to undergo this type of maintenance activity in Devonport. Final activities are progressing in 15 Dock, to enable the transition to sea-readiness activities. This marks a return to our capability to maintain two nuclear-powered submarines in parallel at our Devonport facility.

HMS Victorious continues its deep maintenance period in dry dock at Devonport, extending its operational life into the 2030's ahead of the transition to the Dreadnought Class submarines. The programme is progressing through to the rebuild phase.

Our Major Nuclear Capital Programmes (MNCP) business, which manages the delivery of MIP, continues to focus on providing modern facilities and major upgrades that meet the evolving needs of the Royal Navy. This work now spans significant infrastructure delivery across Devonport, including the close-out of the 9 Dock buildings, the major upgrades to 10 Dock and the 5 Basin berths, and the delivery of essential secondary facilities. Work is also progressing well on the Submarine Refit Complex at Devonport, enabling essential maintenance required for the future defueling programme. In addition, Rosyth has been designated by the MOD to host a Contingent Dock Facility (CDF) for the future Dreadnought Class submarines due in the early 2030s. Activity on the CDF continues to accelerate, with the design passing through concept phase before entering detailed design and manufacture later in 2026.

In Scotland, major infrastructure and development work is required at HMNB Clyde, the MOD operational submarine base where we manage and deliver all in-service support and base maintenance periods for all UK nuclear submarines. The UK Government has announced the Clyde 2070 programme, a multi-decade, multi-billion programme representing one of the most significant UK Government investments over the coming decades, to ensure the Royal Navy can deliver the Continuous At Sea Deterrent from a modern, efficient base. The MOD's initial three-year, £250 million investment into their site aims to fund early site enabling activity, development and approval for the first major programmes and working with industry to design an organisation and structure to deliver transformation at scale. Through our continued delivery at the naval base and our prime expertise delivering the Devonport MIP, we are well positioned to capture future opportunities to support delivery of this complex programme.

During the year, we progressed work to enable the first defueling of a decommissioned Trafalgar Class submarine in over two decades, completing key activities on the first defuel platform and advancing a second as part of the programme rollout. Further afloat work planned for FY27 will improve efficiency and reduce docking duration, supporting a three-year, £114 million programme awarded in June 2025 and delivered with the wider Defence Nuclear Enterprise to defuel four submarines.

Our Rosyth facility marked a milestone in March 2026 with 40% of material removed from Swiftsure as we progress to complete dismantling by the end of 2026, using a world-first methodology. This project is on track to ensure that 90% of materials can be reused or recycled, setting a new standard for sustainable submarine recycling.

At AWE Aldermaston and Burghfield sites, work continues on the design, installation and commissioning of complex plant and engineering equipment in support of the Continuous at Sea Deterrent (CASD).

International defence

Our joint venture with HII, H&B Defence, secured its first contract to enhance supply chain capabilities for the global AUKUS enterprise through the Australian Submarine Supplier Qualification (AUSSQ) pilot programme, Australia's gateway into the US submarine supply chain. In August 2025, the first Australian supplier received an RFQ for the US Virginia Class submarine programme following successful qualification through AUSSQ. The AUSSQ programme also enables Australian suppliers to compete for future maintenance activity in Australia on Astute Class submarines. H&B Defence is developing a syllabus to advance nuclear knowledge amongst Western Australian businesses after securing a state government grant to deliver a series of new defence industry training courses.

Internationally, MNCP delivery in the UK strengthens our ability to support global programmes, including opportunities related to AUKUS-aligned infrastructure at Henderson in Western Australia and at Osborne in South Australia.

We continue to provide in-service support, deploying specialists to Australia to support the Astute Class submarine maintenance period, an important step in deepening the AUKUS trilateral partnership ahead of Submarine Rotational Force-West from 2027.

Civil

UK Civil (14% of Nuclear revenue)

At Hinkley Point C, Cavendish Nuclear's contribution to the MEH alliance, a partnership of four organisations, has grown to around 900 people (up from around 550 in FY25), with further growth anticipated as programme activity continues to increase.

During the year, the UK Government confirmed full funding for Sizewell C as Britain's next nuclear power station, adopting a Regulated Asset Base funding model in contrast to the approach used for Hinkley Point C. As part of the Sizewell C consortium and alliance partnership, we are coordinating the supply of materials and equipment to enhance installation efficiency, while also creating jobs and apprenticeships, and supporting delivery of this nationally significant project and the UK's clean energy future. Alongside our role in nuclear build, we continue to provide critical support to EDF as it extends the operational lives of the UK's existing generating nuclear reactors.

Our Cavendish Nuclear business, as part of the Litmus Nuclear Joint Venture with Amentum, has been selected as Owner's Engineer for the Great British Energy-Nuclear (GBE-N) as a UK-first for the SMR programme. In this role, we provide independent technical advice and oversight, supporting safe and efficient delivery. This 14-year programme, valued at around £300 million, positions us at the centre of the UK's SMR market, creating opportunities to export UK owner-engineer expertise and services. This follows the selection of GBE-N's preferred bidder to build SMRs in the UK, and we will play a key role in supporting deployment. As GBE-N moves from design into the delivery phase of the SMR procurement programme, it is expected to award a series of contracts to the supply chain over the next two years. We continue to actively develop manufacturing and wider delivery ecosystem opportunities.

The UK Government has provided clarity on how privately led advanced nuclear technology projects can be accelerated, with the launch of the Advanced Nuclear Framework. It provides a structured route for credible developers to progress toward deployment, supported by clearer planning, regulatory reform and access to specialist expertise. Coupled with the announcement of the Atlantic Partnership, a UK-US Government Agreement for Advanced Nuclear Energy, we see significant potential to support advanced nuclear technology developers.

We are also supporting Urenco in the design of an expansion to the tails management facility, a specialist nuclear site used to manage and process 'tails', converting the depleted uranium hexafluoride that remains after uranium enrichment to the lower hazard uranium oxide material for long term storage. We have started the front-end engineering design for the facility, which is expected to complete at the end of 2026.

In decommissioning, we continue to target major framework opportunities with Sellafield. In October 2025, our joint venture, Nuclear Decommissioning Solutions (NDS), secured a contract under the £4.6 billion Sellafield Ltd Decommissioning and Nuclear Waste Partnership framework to support retrievals activities within the site's high-hazard risk reduction programme.

We have also signed contracts for the provision of radiometric and environmental analysis support, which secures our position as a critical service supplier to Sellafield over the next four years.

International Civil

In the USA, Cavendish Nuclear, as part of the Southern Ohio Cleanup Company (SOCCo) joint venture, transitioned into the site management and operations phase of the decommissioning and dismantling contract with the US Department of Energy, to lead environmental remediation at the former Portsmouth Gaseous Diffusion Plant in Piketon, Ohio. The ten-year contract, with a potential five-year extension, will see the joint venture safely demolish a legacy nuclear power plant facility and deliver environmental restoration.

In Japan, Alkali Metal Processing Limited, a further joint venture between Cavendish Nuclear and Amentum, was awarded a contract by the Japan Atomic Energy Agency to construct a new facility at the Port of Workington, UK, to treat sodium coolant removed from the Japanese reactor and convert it safely into sodium hydroxide for general industrial reuse. This is the next phase of work to support the decommissioning of the Monju Prototype Fast Reactor, in Fukui Prefecture. Construction activities will now progress alongside installation of process equipment and preparations for operations, working closely with locally based supply chain partners.

Our previously announced MOU with Lucideon remains in place, a partnership that brings together our engineering and project delivery expertise with Lucideon's MIDAR® geopolymer technology, and continues to explore opportunities in decommissioning and nuclear waste management, initially focused on the Japanese market.

Land

Our c.6,000 employees provide essential services to our customers through three core capabilities: build, support and train. We do this through the delivery of through-life engineering support and systems integration for military vehicles and equipment. We provide individual and collective training for customers with critical missions and deliver engineering services in power generation and transport networks and through-life support of mining equipment.

Operational highlights

- Successfully mobilised the £1 billion five-year British Army strategic support partner DSG follow-on contract and secured additional work to support new platforms
- Progressed the High Mobility Transporter Jackal 3 programme for the British Army, completing delivery in FY27
- Awarded a contract to deliver 270 Light Utility Vehicles for the British Army
- Signed a teaming agreement with Patria to offer its 6x6 armoured personnel carrier to the UK Armed Forces
- Demonstrated the digital integration of light mortars with in-service UK tactical communications systems

Financial review

	31 March 2026 £m	31 March 2025 £m
Contract backlog*	3,086.9	3,466.1
Revenue	1,084.4	1,116.6
Underlying operating profit*	95.3	86.2
Underlying operating margin*	8.8%	7.7%

* Alternative Performance Measures are defined in the Financial Glossary on page 29.

Contract backlog decreased to £3,087 million due to revenue traded on multi-year contracts, primarily the new c.£1 billion DSG vehicle support contract which was booked into backlog in FY25.

Revenue decreased 3% (at constant FX) to £1,084.4 million, although returned to growth in the second half of the year as expected. Growth in our defence businesses was more than offset by lower volumes in our Civil businesses, particularly Rail and South Africa.

Underlying operating profit increased 11% to £95.3 million, reflecting growth in higher margin defence programmes and contract completion. As a result, underlying operating margin increased 110 basis points to 8.8% (FY25: 7.7%).

Operational review

Defence

UK defence (43% of Land revenue)

During the year, the £1 billion five-year DSG follow-on contract extension for the maintenance, repair and asset management of over 30,000 British Army vehicles and equipment was successfully mobilised. This will see Babcock maximise the availability of critical equipment through improved readiness, regeneration and asset management services, cementing our position as a strategic partner to the British Army. Within the period, Babcock has secured additional work to support critical new platforms.

Metis, our network of enterprise-wide systems and data, continues to be developed at pace to support both our customers' operational needs today, while creating long-term value through realisable lifecycle intelligence. Metis turns fragmented, siloed data into actionable, real-time intelligence.

During the year, we were awarded the Phoenix 3 contract by the UK MOD, a new five-year, £60 million contract managing the MOD's 'white' fleet of 15,000 civilian transport vehicles across the UK and overseas. We were also awarded a small contract to provide the British Army with in-service support for its Field Electrical Power Supplies power generators.

Through our HECTOR contract, which see us delivering personnel training and refurbishment and renewal of equipment to Ukraine's Armed Forces, we continue to provide and have expanded our support to Ukraine throughout the year, supporting essential battle winning equipment. We also secured a 12-month extension supporting the Army transport personnel under Op Interflex.

Working with Supacat and the UK MOD, we completed the first tranche of the High Mobility Transporter Jackal 3 programme for the British Army. We are now delivering tranche two, which consists of 53 six-wheeled 'Extenda' variants, known as the Jackal 3 (E), with the final deliveries due later in 2026, completing the programme delivery of 123 Jackal 3 and Jackal 3 (E) vehicles.

In September 2025, in a UK-first, we successfully demonstrated the integration of the light 120mm mortar with the in-service UK tactical communications systems, enabling first-of-its-kind networked firepower from sensor to effector, and providing a 'ready-now' digital capability for the British Army.

Also in September 2025, we signed a teaming agreement with Patria to be the build partner for its armoured personnel carrier in the UK. The agreement coincided with confirmation that the UK had signed a technical arrangement to join the Common Armoured Vehicles (CAVs) programme, which encompasses a growing number of nations across the Joint Expeditionary Force.

We have been awarded a sub-contract to deliver 270 units of a Light Utility Vehicle to the British Army's 11 Brigade, as part of the Army's RAPSTONE taskforce to deliver high performance products at speed.

Our defence training business was awarded a one-year extension to our Electro-Mechanical Training Contract to deliver individual technical training to the British Armed Forces at MOD Lyneham, worth around £20 million.

International defence (10% of Land revenue)

In **Poland**, our training business signed an MOU with the Polish Air Force University to conduct joint research and development for the armed forces. We have also signed a teaming agreement with Airbus Helicopters and CAE to offer a comprehensive helicopter air crew training solution to the Polish Armed Forces.

In **Australia**, we have secured a three-year, A\$42 million contract extension for the asset management programme for Counter-Chemical, Biological, Radiological, Nuclear and Explosive (C-CBRNE) capability, which involves leading-edge technologies to prevent and defeat CBRNE threats used against Australia's national interests. The programme was also awarded Land Programme of the Year at the 2025 Australian Defence Industry Awards. We have also expanded our Woodville North facility in South Australia by 50% to support the upgrade and enhancement of Australia's Defence High Frequency Communications System.

In **Albania**: working with our local partner Timak Defence we have secured the delivery of the first tranche of vehicles to Albanian MOD. This export showcases the growing export potential of our GLV platform.

Civil

UK Civil (14% of Land revenue)

Our Rail business has experienced lower volumes year on year. This has been driven by our Translink frameworks, following the completion of the Belfast Grand Central Station project. Volumes in the Rail Systems Alliance Scotland (Babcock, in partnership with Network Rail and Arcadis) were delivered as expected in year two of Control Period 7, with a seamless transition to the new Network Rail National Plant Framework that commenced in April 2025. We also secured the new Translink track framework, which commenced in January 2026.

We have made further progress in decarbonising the London Fire Brigade's (LFB) fleet. We have replaced the first batch of light commercial vehicles from the LFB current diesel models to the electric vehicle equivalent. This builds on the success in converting the majority of the LFB's car and van fleets to electric variants. Having co-written the LFB's fleet strategy, Babcock is supporting the LFB to become a world leader in decarbonising its operational fleet.

Following a successful trial period, Babcock secured the LFB's longer term wildfire fighting capability through purchasing a fleet of specialist vehicles and equipment designed to cater for the unique and growing risks global warming brings to grasslands and rural areas.

International Civil (33% of Land revenue)

In **Africa**, we continue to experience reduced demand in our equipment business as a result of constrained commodity conditions and elevated electricity costs, following the temporary closure of several mining smelters across South Africa.

Aviation

Our c.2,600 employees deliver military pilot training support for the two largest Air Forces in Europe (France and UK), through-life support to operational military flying assets and critical air operations for government customers.

Operational highlights

- Progressed mobilisation of our Mentor 2 military air training contract in France
- Secured a four-year contract extension to continue Light Aircraft Flying Task technical training for the RAF
- Awarded a £70 million contract to provide new infrastructure facilities for the UK's military flying training system
- Awarded an eight-year A\$230 million contract with Australian Border Force for helicopter protection and security
- Awarded new contract up to 10 years to support Airbus H145-D3 helicopters for the French Government

Financial review

	31 March 2026 £m	31 March 2025 £m
Contract backlog*	2,068.8	1,939.7
Revenue	431.4	322.3
Underlying operating profit*	30.7	19.9
Underlying operating margin*	7.1%	6.2%

* Alternative Performance Measures are defined in the Financial Glossary on page 29.

Contract backlog increased to £2,069 million with the award of the A\$230 million Australian Border Force contract, partly offset by trading on long-term contracts.

Revenue increased 34% (at constant FX) to £431.4 million, reflecting the ramp up of the Mentor 2 programme in France and the British Columbia HEMS contract in Canada, and increased scope in UK military support contracts.

Underlying operating profit increased 54% to £30.7 million, due to the mix of revenue growth. As a result, underlying operating margin increased 90 basis points to 7.1% (FY25: 6.2%).

Operational review

Defence

UK defence (36% of Aviation revenue)

The LAFT contract has been extended for a further four years, ensuring sustained service delivery. Currently it continues to deliver high levels of aircraft availability, with the team recently completing 750,000 flying hours. Support also continues for the fast jet lead in training for the Ukrainian Pilot Force, as pilots prepare to fly F-16s.

Performance remains strong on the HADES contract, delivering critical technical support services to the RAF, Joint Aviation Command and Strategic Command at 16 stations across the UK.

The contract supporting the RAF fleet of 28 Hawk T2 jets maintains a strong level of performance, with the team recently supporting an operational training detachment in Corsica. We welcomed our tenth cohort of aerospace apprentices to RAF Valley, bringing the total number of apprentices who have been through the scheme to over 60. The scheme continues to strengthen technical capability and workforce resilience, while supporting regional economic growth.

We were also awarded a £70 million contract to deliver new infrastructure facilities as part of a £300 million Military Flying Training System contract secured by Ascent, our 50/50 joint venture with Lockheed Martin. Ascent will deliver the Future ISTAR and Rear Crew Training System programmes.

International defence (19% of Aviation revenue)

In France, we continue to deliver Mentor 1 and FOMEDEC contracts and have begun the ramp-up phase of Mentor 2, awarded in January 2025 for up to 17 years, to deliver military air training solutions for the French Air and Space Force and the French Navy. The contract, worth up to €800 million, comprises the provision of aircraft, simulators and initial pilot training as well as through-life support of the aircraft, and infrastructure. This agreement represents a significant expansion of our military activity in France. FY27 will be the final year of programme mobilisation.

As part of our contract with the French MOD, the H160 helicopter fleet has successfully completed more than 300 rescue missions again during the period. We have also completed the world's first 900-hour periodic maintenance for an H160 aircraft at our dedicated facility in France. In addition, the H160 has reached a major milestone, surpassing 1,000 flight hours on one of the six aircraft deployed by the French Navy for Search and Rescue (SAR) operations. The overall H160 fleet has now accumulated more than 5,000 flight hours.

In August 2025, we were awarded a new ten-year contract by the French Ministry of Armed Forces' Directorate of Aeronautical Maintenance to support the French Government's fleet of 46 new Airbus H145-D3 helicopters. In parallel, under our existing 12-year contract with the Sécurité Civile and the French Gendarmerie Nationale, and our seven-year contract with the French Customs and the Gendarmerie Nationale, we completed major maintenance on nine helicopters, with three additional maintenance visits currently underway, Babcock now supports more than 85 French military helicopters every day.

During the period, we marked another milestone with the first multi-year training support contract for an L-39 fighter jet to support the training of test pilots for the International Test Pilots School of the French DGA. This achievement further strengthens our position in the pilot training market. Over the first two lease periods, we delivered both in-flight and maintenance training.

We have also secured a new contract, Ariane2, with the Armed Forces Commissariat Service to provide training for pilots of the FASF and the French Navy. Our teams will deliver both theoretical instruction and hands-on flight training for student pilots, Weapons Systems Officers, and simulator instructor trainees in Cognac on the Grob 120 and in Salon-de-Provence on the Cirrus SR22.

We have signed an MOU with French aircraft manufacturer AURA AERO, to jointly offer and promote INTEGRAL, the new-generation electric training aircraft with aerobatic capabilities, along with a complete packaged service, covering technical, logistical, training and support services.

Civil

UK Civil (7% of Aviation revenue)

During the year, we secured a four-year contract extension with Hampshire and Isle of Wight Air Ambulance, reinforcing our long-standing partnership and commitment to saving lives. We also celebrated 35 years of partnership with Midlands Air Ambulance Charity, one of the busiest air ambulance charities in the UK.

We delivered Scotland's most advanced air ambulance as part of our ten-year contract with Scotland's Charity Air Ambulance services through the adaption of helicopters into air ambulances. The helicopter is equipped with state-of-the-art technology, including night vision imaging systems, enabling the extension of flying hours.

We enabled Police Scotland's air support unit to be the first police force in the UK to operate with a drop in sustainable aviation fuel as they look to transition their whole fleet to a more sustainable model.

International Civil (38% of Aviation revenue)

In France, we are currently the leading operator of EC/H145 helicopters, and we successfully delivered around 10,300 Helicopter Emergency Medical Services (HEMS) missions and 8,700 flight hours with our H145/H135 fleet for five French regions.

We expanded our Angers base to pilot a full 24/7 operational cycle and enhanced annual activity at La Roche-sur-Yon with a mixed fleet of H135 and EC145 helicopters.

In Canada, as part of our ten-year contract with Ascent Helicopters Ltd., we continue to support the delivery of rotary-wing air ambulance services to British Columbia Emergency Health Services, with all five operating bases in British Columbia now operational, as well as all seven Leonardo AW169's.

In 2025, Canada saw the second worst wildfire season on record, resulting in unprecedented flying hours. Throughout this demanding season, our team continued to successfully deliver aerial wildfire suppression services for the Government of Manitoba, achieving a consistent aircraft availability rate of 98%. Our team also completed an out-of-province deployment in Nova Scotia and finished the winter maintenance of a CL415 and Turbo Commander ahead of schedule in February 2026, enabling the earliest test flights of the aircraft since the start of Manitoba's aerial firefighting programme.

In Australia, after being awarded a new eight-year A\$230 million contract with Australian Border Force in late-2025, Babcock is mobilising to deliver two new H145 helicopters and staff – including pilots, surveillance crew and engineers – to support the airborne services enabling critical deterrence, prevention and response operations from Horn Island, in the Torres Strait. The service provides multi-agency capability for a range of maritime security threats including illegal fishing, illegal immigration and marine pollution.

Financial glossary – Alternative Performance Measures (APMs)

The Group provides alternative performance measures APMs, including underlying operating profit, underlying margin, underlying earnings per share, underlying operating cash flow, underlying free cash flow, net debt and net debt excluding leases to enable users to have a more consistent view of the performance and earnings trends of the Group. These measures are considered to provide a consistent measure of business performance from year to year. They are used by management to assess operating performance and as a basis for forecasting and decision-making, as well as the planning and allocation of capital resources. They are also understood to be used by investors in analysing business performance.

The Group's APMs are not defined by IFRS and are therefore considered to be non-GAAP measures. The measures may not be comparable to similar measures used by other companies, and they are not intended to be a substitute for, or superior to, measures defined under IFRS. The Group's APMs are consistent with the prior year. Measures, definitions and reconciliations to relevant IFRS measures are included below, where appropriate.

Organic revenue growth – Group KPI

Closest equivalent IFRS measure: Revenue growth year on year

Definition: Growth excluding the impact of foreign exchange (FX) and contribution from acquisitions and disposals in the year of, and following, completion.

Purpose: A good indicator of business growth.

	31 March 2026 £m	31 March 2025 £m
Prior year revenue	4,831.3	4,390.1
FX	(14.2)	(22.4)
Disposals	(3.1)	(2.8)
Prior year revenue adjusted for FX and disposals (b)	4,814.0	4,364.9
Revenue growth (a)	363.7	466.4
Current year revenue	5,177.7	4,831.3
Organic revenue growth (a)/(b)	8%	11%

Contract backlog

Closest equivalent IFRS measure: No direct equivalent

Definition: The remaining transaction price on contracts with customers that has been allocated to unsatisfied or partially satisfied performance obligations, excluding the impact of termination for convenience clauses and excluding orders not yet secured on framework agreements.

Purpose: Contract backlog is used to support future years' sales performance.

	31 March 2026 £m	31 March 2025 £m
Contract backlog	9,755	10,416

Underlying operating profit

Closest equivalent IFRS measure: Operating profit

Definition: Operating profit before the impact of specific adjusting items (see below).

Purpose: Underlying operating profit is a key measure of the Group's performance.

	31 March 2026 £m	31 March 2025 £m
Underlying operating profit	293.3	362.9
Specific adjusting items (note 2)	11.8	1.0
Operating profit	305.1	363.9

Specific adjusting items (note 2)

	31 March 2026 £m	31 March 2025 £m
Amortisation of acquired intangibles	(10.0)	(8.2)
Business acquisition, merger and divestment-related items	10.2	1.5
Profit or loss from amendment, curtailment, settlement or equalisation of Group pension schemes	–	1.2
Fair value movement on derivatives	11.6	6.5
Specific adjusting items impacting operating profit	11.8	1.0
Non-recurring amounts in results from joint ventures and associates	–	(11.1)
Fair value movement on derivatives and related items	4.7	(0.2)
Specific adjusting items impacting profit before tax	16.5	(10.3)
Income tax expense		
Amortisation of acquired intangibles	2.9	2.2
Business acquisition, merger and divestment-related items	(2.5)	–
Profit/(loss) from amendment, curtailment, settlement or equalisation of Group pension schemes	–	(0.3)
Fair value movement on derivatives and related items	(4.2)	(1.6)
Other tax items including rate change impact	–	3.6
Specific adjusting items impacting income tax expense	(3.8)	3.9

Underlying operating margin – Group KPI

Closest equivalent IFRS measure: Operating margin

Definition: Underlying operating profit as a percentage of revenue.

Purpose: Provides a measure of operating profitability, excluding specific adjusting items, and is an important indicator of operating efficiency across the Group.

	31 March 2026 £m	31 March 2025 £m
Revenue	5,177.7	4,831.3
Underlying operating profit	293.3	362.9
Underlying operating margin	5.7%	7.5%

Underlying net finance costs

Closest equivalent IFRS measure: Net finance costs

Definition: Net finance costs excluding specific adjusting items.

Purpose: To provide an alternative measure of finance costs, excluding items such as fair value re-measurement of derivatives which are economically hedged.

	31 March 2026 £m	31 March 2025 £m
Underlying net finance costs	(33.5)	(31.9)
Add: specific adjusting items impacting finance costs (note 2)	4.7	(0.2)
Net finance costs (note 4)	(28.8)	(32.1)

Underlying profit before tax

Closest equivalent IFRS measure: Profit before tax

Definition: Profit before tax excluding all specific adjusting items.

Purpose: Provides a measure of profitability which includes finance costs.

	31 March 2026 £m	31 March 2025 £m
Underlying profit before tax	267.2	339.4
Specific adjusting items impacting profit before tax (note 2)	16.5	(10.3)
Profit before tax (note 2)	283.7	329.1

Underlying effective tax rate

Closest equivalent IFRS measure: Effective tax rate

Definition: Tax expense excluding the impact of specific adjusting items, as a percentage of underlying profit before tax excluding the share of post-tax income from joint ventures and associates.

Purpose: This provides an indication of the ongoing tax rate across the Group, excluding one-off items.

	Year ended 31 March 2026			Year ended 31 March 2025		
	Underlying £m	Specific adjusting items £m	Statutory £m	Underlying £m	Specific adjusting items £m	Statutory £m
Profit before tax (note 2)	267.2	16.5	283.7	339.4	(10.3)	329.1
Share of (profit) / loss from JVs and associates* (note 2)	(7.4)	–	(7.4)	(8.4)	11.1	2.7
Profit before tax excluding profit from joint ventures and associates (a)	259.8	16.5	276.3	331.0	0.8	331.8
Income tax expense (b)	(69.2)	(3.8)	(73.0)	(84.1)	3.9	(80.2)
Effective tax rate (b)/(a)	26.6%		26.4%	25.4%		24.2%

Underlying basic and diluted earnings per share

Closest equivalent IFRS measure: Basic earnings per share

Definition: The Group's underlying profit after tax less items attributable to non-controlling interest, being underlying net income attributable to shareholders, divided by the weighted average number of shares.

Purpose: A measure of the Group's underlying performance.

	Year ended 31 March 2026			Year ended 31 March 2025		
	Underlying £m	Specific adjusting items £m	Statutory £m	Underlying £m	Specific adjusting items £m	Statutory £m
Profit/(loss) before tax (note 2)	267.2	16.5	283.7	339.4	(10.3)	329.1
Income tax (expense)/benefit (note 2)	(69.2)	(3.8)	(73.0)	(84.1)	3.9	(80.2)
Profit/(loss) after tax for the year	198.0	12.7	210.7	255.3	(6.4)	248.9
Amount attributable to owners of the parent	198.5	9.3	211.2	253.5	(6.4)	247.1
Amount attributable to non-controlling interests	(0.5)	–	(0.5)	1.8	–	1.8
Weighted average number of shares (m)	501.3		501.3	503.6		503.6
Effect of dilutive securities (m)	9.8		9.8	10.8		10.8
Diluted weighted average number of shares (m)	511.1		511.1	514.4		514.4
Basic EPS (note 6)	39.6p		42.1p	50.3p		49.1p
Diluted EPS (note 6)	38.8p		41.3p	49.3p		48.0p

Net debt

Closest equivalent IFRS measure: No direct equivalent

Definition: Cash and cash equivalents, bank overdrafts, loans, including the interest rate and foreign exchange derivatives which hedge the loans, lease liabilities, lease receivables, and loans to joint ventures and associates.

Purpose: Used as a measure of the Group's cash position and balance sheet strength.

	31 March 2026 £m	31 March 2025 £m
Cash and bank balances	739.9	646.6
Bank overdrafts	(16.3)	(0.1)
Cash, cash equivalents and bank overdrafts	723.6	646.5
Debt	(774.6)	(751.2)
Derivatives hedging debt	(3.1)	(10.8)
Lease liabilities	(307.3)	(274.6)
Liabilities from financing arrangements	(1,085.0)	(1,036.6)
Lease receivables	45.9	44.6
Loans to joint ventures and associates	3.3	3.6
Derivatives hedging interest on debt	(16.8)	(31.4)
Net debt	(329.0)	(373.3)

Net debt (excluding leases)

Closest equivalent IFRS measure: No direct equivalent

Definition: Net debt (defined above) excluding lease liabilities recognised under IFRS 16.

Purpose: Used by credit agencies as a measure of the Group's net cash position and balance sheet strength.

	31 March 2026 £m	31 March 2025 £m
Net debt	(329.0)	(373.3)
Leases	306.3	272.1
Net debt (excluding leases)	(22.7)	(101.2)

Net debt / EBITDA (covenant basis) – Group KPI

Closest equivalent IFRS measure: No direct equivalents

Definition: Net debt (excluding leases), before loans to joint ventures and associates and finance lease receivables, divided by EBITDA (as defined in our banking covenants – being underlying operating profit, defined on page 29, excluding depreciation and amortisation and including certain covenant adjustments) plus JV and associate dividends. See page 16.

Purpose: A key measure of balance sheet strength used by analysts and credit agencies, and the basis of our debt covenant over the RCF (3.5x).

Return on invested capital (pre-tax) (ROIC) – Group KPI

Closest equivalent IFRS measure: No direct equivalent

Definition: Underlying operating profit plus share of JV profit after tax, divided by the sum of net debt (excluding leases), shareholders' funds and retirement benefit deficit/(surplus). See page 16.

Purpose: Used as a measure of profit earned by the Group generated by the debt and equity capital invested, to indicate the efficiency of allocated capital.

Net capital expenditure

Closest equivalent IFRS measure: Property, plant and equipment and intangible additions

Definition: Property, plant and equipment and intangible additions less proceeds received from disposal of property, plant and equipment, right of use assets and intangible assets.

Purpose: To understand net capital investment included in underlying operating cash flow.

	31 March 2026 £m	31 March 2025 £m
Purchases of property, plant and equipment (PP&E) (note 9)	(155.4)	(105.0)
Purchases of intangible assets (note 8)	(13.5)	(22.3)
Movements in unpaid capital expenditure	8.6	(1.0)
Gross capital expenditure	(160.3)	(128.3)
Proceeds on disposal of PP&E, intangible assets and right of use assets (statement of cash flows)	53.1	6.1
Net capital expenditure	(107.2)	(122.2)

Underlying operating cash flow

Closest equivalent IFRS measure: Net cash flow from operating activities

Definition: Cash flow from operating activities excluding net income tax, net interest paid, pension contributions in excess of the income statement charge and cash flows related to specific adjusting items and including net capital expenditure and lease principal payments. See page 12.

Purpose: Provides a measure of operating cash generation on an equivalent basis to underlying operating profit.

	31 March 2026 £m	31 March 2025 £m
Underlying operating cash flow	348.2	296.2
Add: net capex	107.2	122.2
Add: capital element of lease payments	44.5	45.4
Less: pension contributions in excess of income statement	(23.4)	(89.1)
Non-operating cash items (excluded from underlying cash flow)	(29.2)	(17.3)
Cash generated from operations	447.3	357.4
Tax (paid)	(18.3)	(21.8)
Less: net interest paid	(26.6)	(26.8)
Net cash flow from operating activities	402.4	308.8

Underlying operating cash conversion – Group KPI

Closest equivalent IFRS measure: No direct equivalent

Definition: Underlying operating cash flow as a percentage of underlying operating profit.

Purpose: Used as a measure of the Group's efficiency in converting profits into cash.

	31 March 2026 £m	31 March 2025 £m
Underlying operating profit	293.3	362.9
Underlying operating cash flow	348.2	296.2
Operating cash conversion	119%	82%

Underlying free cash flow

Closest equivalent IFRS measure: No direct equivalent

Definition: Underlying free cash flow includes cash flows from pension deficit payments, interest, tax, JV dividends, specific adjusting items, in addition to underlying operating cash flow. See page 12.

Purpose: Provides a measure of cash generated which is available for use in line with the Group's capital allocation policy.

Going concern and viability statement

The Directors have undertaken reviews of the business financial forecasts, in order to assess whether the Group has adequate resources to continue in operational existence for the foreseeable future and as such can continue to adopt the going concern basis of accounting. For assessing going concern, the Board considered the 12-month period from the date of signing the Group's financial statements for the year ended 31 March 2026.

The annually prepared budgets and forecasts are compiled using a bottom-up process, aggregating those from the individual business units into sector-level budgets and forecasts. Those sector submissions and the consolidated Group budget and forecasts are then reviewed by the Board and used to monitor business performance.

The Board considered the budgets alongside the Group's available finances, strategy, business model, market outlook and principal risks. The process for identifying and managing the principal risks of the Group is set out in the Principal risks and management controls section in the forthcoming annual report. The Board also considered the mitigation measures being put in place and potential for further mitigation.

In making its going concern assessment, the Board's view is supported by:

- the Group's diverse portfolio of businesses based on well-established market positions, focused on design, manufacture, engineering support and training for complex and critical assets and infrastructure across naval, land, air and nuclear domains. In FY26, 74% of Group sales were defence-related and 26% civil;
- a geographically diverse business with a high proportion of sales to governments and other major prime defence contractors. In FY26, 70% of sales were to defence and civil customers in the UK, and 30% were international;
- long-term visibility of sales and future sale prospects through an order backlog of £9.8 billion as at 31 March 2026, including incumbent positions on major defence programmes; and
- market positions underpinned by a highly skilled workforce, intellectual property assets and proprietary know-how, which are safeguarded and developed for the future by customer and Group-funded investment.

Available financing

As at 31 March 2026, net debt excluding operating leases was £(23) million and net cash (cash and cash equivalents less overdrafts) balance was £724 million. This, combined with the undrawn amounts under our committed RCF and overdraft facilities, gave us liquidity of around £1.4 billion.

These facilities are considered more than adequate to meet current and other liabilities as they fall due and support the Group's negative working capital position largely arising from securing customer advances ahead of contract work starting. All of the Group's facilities mature during the viability period, and therefore, in assessing liquidity in future periods, we have assumed that it will be possible to re-finance the Group's facilities at current market rates.

As at 31 March 2026, the Group's facilities and bonds totalling £1.4 billion were as follows:

- £600 million revolving credit facility (RCF), maturing July 2031
- £300 million bond maturing 5 October 2026
- €550 million bond, hedged at £493 million, maturing 13 September 2027
- One overdraft facility totalling £50 million

The RCF is the only facility with covenants attached, which are applicable if the Group has a rating of less than BBB. If applicable the key covenant ratios are (i) net debt to EBITDA (gearing ratio) of 3.5x, and (ii) EBITDA to net interest (interest cover) of 4.0x. In event these become applicable, they are measured twice per year – on 30 September and 31 March.

The RCF lenders are fully committed to advance funds under the RCF to the Group, provided that the Group has satisfied the usual ongoing undertakings. The creditworthiness of the Group's relationship banks is closely monitored; based on their credit ratings, we have no credit concerns with our relationship banks. Given the importance of the RCF to the Group's liquidity position, our assessments of going concern and viability have tested the Group's gearing ratio, interest cover and liquidity headroom throughout the period under review up to their current maturity dates and to the end of the five-year plan, assuming renewal of the RCF with consistent covenants to those currently applied.

Base case scenario

The base case budgets and forecasts show significant levels of headroom against both financial covenants, and liquidity headroom based on the current committed facilities outlined above. That base case largely assumes we maintain our incumbent programme positions if re-let during the assessment period, with margin recovery if they are currently below the Group average. Many opportunities available to the Group, where we do not yet have high conviction of securing the work, have been excluded from the base case to maintain a degree of caution.

The base case assumes no further reshaping of the business portfolio, so it is not dependent upon any future cash proceeds from divestments. It also reflects pension deficit contributions in excess of income statement charges of around £25 million in each period of the model.

Reverse stress testing of the base case

To assess the level of headroom within the available facilities, a reverse stress test was performed to see what level of performance deterioration against the base case budgets and forecasts (in both EBITDA and net debt) was required to challenge covenant levels.

Of the remaining measurement points within the available facility period, the lowest required reduction in forecast EBITDA to hit the gearing covenant level was £376 million and the lowest net debt increase was 1,260%. The lowest required reduction in forecast EBITDA to hit the interest cover covenant was £308 million. Given the mitigating actions that are available and within management's control, such movements are not considered plausible.

Severe but plausible downside scenarios

The Directors also considered a series of severe but plausible downside scenarios which are sensitivities run against the base case budget and forecasts for the duration of the assessment period. These sensitivities include – separately – a reduction in bid pipeline closure (business winning), a deterioration in large programme performance across the Group, a deterioration in the Group's working capital position, and a regulator-imposed cessation in flying two of the largest aircraft fleets in the Group.

All of these separate scenarios showed compliance with the financial covenants throughout the period. As with any company or group, it would be possible, however unlikely, to model individual risks or combinations of risks that would threaten the financial viability of the Group. The Board has not sought to model events where it considers the likelihood of such events not to be plausible. In preparing a combined severe but plausible (SBP) downside case, the Board considered the feed of individual risks from the sectors covering the above sensitivities. Overall, there were c.90 profit and cash flow risks identified.

A simple aggregation of all these risks is not considered plausible as the Group operates businesses and contracts which run largely independently of each other, albeit with a relatively small number of customers within each geography.

These identified risks were seen as 'sector independent' (ie there is no direct read across from one sector to another). The Board decided to reduce the aggregation of the risks by 25% to reflect the implausibility of all such risks fully crystallising within the same period.

Conclusion

After undertaking the assessment described above, the Directors, at the time of approving the financial statements, have a reasonable expectation that the Company and the Group have adequate financial resources to continue in operational existence for the foreseeable future. As such, the consolidated financial statements have been prepared on a going concern basis. The Directors do not believe there are any material uncertainties to disclose in relation to the Group's ability to continue as a going concern.

Viability statement

The Directors have also looked further out to consider the viability of the business. Consistent with previous years, in considering the Group's viability, the Directors looked at a five-year view as this is the period over which the Group prepares its strategic plan forecasts.

The use of a five-year period provides a planning tool against which long-term decisions can be made concerning strategic priorities, addressing the Group's stated net zero target and climate-related risks and opportunities, funding requirements (including commitments to Group pension schemes), returns made to shareholders, capital expenditure and resource planning.

In assessing the longer-term viability of the Group, the Directors have reviewed base case, downside and severe but plausible scenarios for the five-year period. The approach to modelling downside and severe but plausible scenarios for viability is consistent with the approach described for going concern above but projected over the course of the five-year assessment period.

The Board considers that the long-term prospects of the Group underpin its conclusions on viability as outlined in our strategy, business model and markets summaries in the forthcoming annual report and by those items highlighted within the going concern assessment above.

Based on the assessment of viability taken through the base case, downside and severe but plausible scenarios, the Directors have a reasonable expectation that the Group will be able to continue to meet its liabilities as they fall due over the next five years.

Risks and uncertainties

The principal risks and uncertainties affecting the Group are listed below and will be set out in more detail in the Company's Annual Report and Financial Statements 2026, which should be read in conjunction with this announcement when published. This list is not a substitute for reading the Company's Annual Report and Financial Statements 2026 in full. The Group's principal risks and uncertainties are:

Safety, health and environmental protection: The Group's operations around the world involve the potential risk of significant harm to people and the planet. *Risk appetite: Low. For moral, financial, and reputational reasons, the risk of harm should be kept as low as reasonably practicable.*

Cyber and information security: A key factor for the Group's customers, suppliers and employees is the ability to deliver secure IT and other information assurance systems to maintain the confidentiality of sensitive information. *Risk appetite: Low. Given the nature of the information the Group holds, the potential consequences associated with any breach could be very significant.*

Engineering integrity, product technology disruption and product safety: It is important the Group, customers and shareholders have confidence that the Group's technical products (goods and services) have high levels of technical integrity and safety. This means they are safe to own, operate, maintain, store and dispose of over their life, perform as they are intended to, are secure from physical and cyber threats and are of high quality. *Risk appetite: Low. The realisation of the risk could have significant consequences for the Group, including physical harm and customers and end users losing confidence in the integrity of the Group's technical products and services.*

Compliance with legislation or other regulatory requirements: As a diverse global organisation, the Group operates in multiple highly regulated industries for customers with specialist requirements. The compliance landscape is vast and complex with many regulations, legal obligations and contractual and certification requirements. *Risk appetite: Low. The impact of a legal or regulatory issue could be very significant and wide ranging.*

Contract and project performance: The Group's business model revolves around securing and executing long-term, high-value contracts for complex, integrated programmes. These contracts often require long term pricing and can involve fixed prices. *Risk appetite: Medium. The Group strategically accepts and manages a level of risk that is within its control to mitigate, in order to achieve an appropriate level of margin.*

Market risk: The Group relies on winning and retaining large contracts in both existing and new markets, often characterised by a relatively small number of major customers, which are owned or controlled by local or national governments with a regulated environment. *Risk appetite: Medium. The successful pursuit and maintenance of a secure and assured pipeline is essential for continued growth, and therefore certain market risks that can be confidently and securely managed may be accepted.*

Operational resilience and business interruption: The Group provides critical support to governments and commercial customers, operating in an increasingly volatile, uncertain and complex environment, where a diverse range of internal and external threats could disrupt the business, affecting the Group's ability to operate safely, effectively and to the high standards expected by customers, regulators and partners. *Risk appetite: Low. Ineffective operational resilience arrangements can undermine safety, financial stability and regulatory compliance, as well as damaging the Group's reputation.*

Climate and environmental sustainability: Climate-related risks have the potential to cause significant harm and disruption on a global scale. Risks are typically described as either physical risks (damage and disruption as a result of the increased exposure to hazards driven by climate change eg coastal flooding, wildfires and heat stress) or transition risks (risks associated with the transition to a low carbon economy including policy and legal changes). *Risk appetite: Low. Climate change has the potential to cause profound consequences and have a significant impact on the Group's operations.*

Supply chain management: The Group is dependent on the timely and satisfactory delivery of services and materials by its supply chain partners, in order to successfully deliver its contracts. Supply chain disruption could occur through volatile economic conditions, ongoing global conflicts and geopolitical tensions, external events and natural disasters and cybersecurity. *Risk appetite: Low. Supply chain risk could have significant consequences on the Group's ability to deliver its contractual commitments.*

Defined benefit pensions: The Group has significant defined benefit pension schemes in the UK, which provide for a specified level of pension benefits to scheme members. *Risk appetite: Low. The Group has significant defined benefit pension schemes, which, if not managed appropriately could have a significant financial impact on the Group.*

IT and data architecture: The way in which the Group's IT and data architecture is managed and evolves potentially exposes various risks including not responding quickly enough to digital change and the ability to manage and manipulate data. *Risk appetite: Low. The risk associated with an IT or data issue could have a very significant impact on the Group*

Resourcing, retention and skills: The Group's business delivery and future growth depend on its ability to recruit, develop and retain an experienced, highly skilled and diverse leadership team and workforce across a broad range of disciplines. A number of the competencies and skills relied on are deeply specialist and in scarce supply in the territories in which the Group operates. *Risk appetite: Medium. Some risk is accepted given the increased cost associated with avoidance and the potential mitigations within the Group's control, such as sharing capability across the global business and compensating for skills shortages in particular areas through investment in training and early careers.*

Acquisitions and divestments: The Group has built its business organically and through acquisition. Decisions to acquire companies, as well as the process of their acquisition and integration, are complex, time consuming and expensive. If the Group believes that a business is not 'core', the decision may be taken to sell that business. *Risk appetite: Medium. Whilst acquisition activity continues to be inherently high risk, some risk will be accepted, to the extent it can be appropriately managed and is balanced against the potential rewards and opportunity.*

Financial resilience of the Group: The Group is exposed to a number of financial risks, some of which are of a macroeconomic nature (for example, foreign currency and interest rates) and some of which are more specific to the Group (for example, liquidity risk, credit risk and weakening operational performance) all of which could undermine the financial resilience of the Group. *Risk appetite: Low. A lack of financial resilience and the potential inability to raise finance could have a very significant impact on the business.*

The risks listed above, together with their potential impacts and mitigating actions taken in respect of them, are explained and described in detail in the 2026 Annual Report, which will be available at www.babcockinternational.com.

Group income statement

For the year ended 31 March	Note	2026 £m	2025 £m
Revenue	2,3	5,177.7	4,831.3
Operating costs		(4,872.6)	(4,468.9)
Profit resulting from acquisitions and disposals		–	1.5
Operating profit	2,3	305.1	363.9
Results from joint ventures and associates	2,11	7.4	(2.7)
Finance income	4	35.0	29.1
Finance costs	4	(63.8)	(61.2)
Profit before tax	2,3	283.7	329.1
Income tax expense	5	(73.0)	(80.2)
Profit for the year		210.7	248.9
Attributable to:			
Owners of the parent		211.2	247.1
Non-controlling interest		(0.5)	1.8
Earnings per share			
Basic	2,6	42.1p	49.1p
Diluted	2,6	41.3p	48.0p

Group statement of comprehensive income

	Note	2026 £m	2025 £m
Profit for the year		210.7	248.9
Other comprehensive income			
Items that may be subsequently reclassified to income statement			
Currency translation differences		16.7	(12.7)
Reclassification of cumulative currency translation reserve on disposal	2	(2.1)	(2.5)
Fair value adjustment of interest rate and foreign exchange hedges		8.1	(1.2)
Hedging gains reclassified to profit or loss		(10.0)	4.8
Share of other comprehensive income of joint ventures and associates	11	–	(1.7)
Tax, including rate change impact, on items that may subsequently reclassify to the income statement		2.7	(2.7)
Items that will not be reclassified to income statement			
Remeasurement of retirement benefit obligations	17	(49.4)	15.5
Tax on remeasurement of retirement benefit obligations		12.3	(3.9)
Other comprehensive loss, net of tax		(21.7)	(4.4)
Total comprehensive income		189.0	244.5
Total comprehensive income attributable to:			
Owners of the parent		189.1	242.6
Non-controlling interest		(0.1)	1.9
Total comprehensive income		189.0	244.5

Group statement of changes in equity

	Note	Share capital £m	Share premium £m	Other reserve £m	Capital redemption £m	Retained earnings £m	Hedging reserve £m	Translation reserve £m	Total equity attributable to owners of the Company £m	Non-controlling interest £m	Total equity £m
At 1 April 2024		303.4	873.0	768.8	30.6	(1,523.9)	5.3	(68.3)	388.9	17.2	406.1
Profit for the year		–	–	–	–	247.1	–	–	247.1	1.8	248.9
Other comprehensive (loss)/income		–	–	–	–	11.6	1.0	(17.1)	(4.5)	0.1	(4.4)
Total comprehensive income		–	–	–	–	258.7	1.0	(17.1)	242.6	1.9	244.5
Dividends		–	–	–	–	(26.7)	–	–	(26.7)	(1.3)	(28.0)
Disposal of non-controlling interest		–	–	–	–	–	–	–	–	(0.4)	(0.4)
Purchase of own shares		–	–	–	–	(18.8)	–	–	(18.8)	–	(18.8)
Share-based payments		–	–	–	–	14.3	–	–	14.3	–	14.3
Tax on share-based payments		–	–	–	–	4.1	–	–	4.1	–	4.1
Net movement in equity		–	–	–	–	231.6	1.0	(17.1)	215.5	0.2	215.7
At 31 March 2025		303.4	873.0	768.8	30.6	(1,292.3)	6.3	(85.4)	604.4	17.4	621.8
At 1 April 2025		303.4	873.0	768.8	30.6	(1,292.3)	6.3	(85.4)	604.4	17.4	621.8
Profit for the year		–	–	–	–	211.2	–	–	211.2	(0.5)	210.7
Other comprehensive (loss)/income		–	–	–	–	(37.1)	(1.7)	16.7	(22.1)	0.4	(21.7)
Total comprehensive income		–	–	–	–	174.1	(1.7)	16.7	189.1	(0.1)	189.0
Dividends		–	–	–	–	(34.7)	–	–	(34.7)	(2.0)	(36.7)
Purchase of own shares		–	–	–	–	(169.3)	–	–	(169.3)	–	(169.3)
Share-based payments		–	–	–	–	17.2	–	–	17.2	–	17.2
Tax on share-based payments		–	–	–	–	7.3	–	–	7.3	–	7.3
Net movement in equity		–	–	–	–	(5.4)	(1.7)	16.7	9.6	(2.1)	7.5
At 31 March 2026		303.4	873.0	768.8	30.6	(1,297.7)	4.6	(68.7)	614.0	15.3	629.3

The other reserve relates to the rights issue of new ordinary shares on 7 May 2014 and the capital redemption reserve relates to the issue and redemption of redeemable 'B' preference shares in 2001.

Group statement of financial position

	Note	31 March 2026 £m	31 March 2025 £m
Assets			
Non-current assets			
Goodwill	7	779.8	778.2
Other intangible assets	8	134.0	142.4
Property, plant and equipment	9	601.3	558.9
Right of use assets	10	248.5	228.8
Investment in joint ventures and associates	11	40.3	43.5
Other investments		3.9	–
Loan to joint ventures and associates	11	3.3	3.6
Retirement benefits surpluses	17	77.3	98.8
Other financial assets		2.9	4.2
Lease receivables		31.4	26.2
Derivatives		9.9	5.1
Deferred tax asset		96.2	102.8
Trade and other receivables	13	17.7	18.1
		2,046.5	2,010.6
Current assets			
Inventories	12	206.9	162.2
Trade and other receivables	13	552.1	507.4
Contract assets	13	352.8	329.7
Income tax recoverable		7.3	4.8
Lease receivables		14.5	18.4
Other financial assets		1.3	1.2
Derivatives		8.8	9.3
Cash and cash equivalents	18	739.9	646.6
		1,883.6	1,679.6
Total assets		3,930.1	3,690.2
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital		303.4	303.4
Share premium		873.0	873.0
Capital redemption and other reserves		735.3	720.3
Retained earnings		(1,297.7)	(1,292.3)
		614.0	604.4
Non-controlling interest		15.3	17.4
Total equity		629.3	621.8
Non-current liabilities			
Bank and other borrowings	15	474.9	750.7
Lease liabilities	10,15	254.2	227.4
Trade and other payables	14	6.1	4.2
Deferred tax liabilities		5.1	5.9
Derivatives		21.9	44.8
Retirement benefit deficits	17	111.3	107.2
Provisions for other liabilities, including other employee benefits	16	81.8	58.1
		955.3	1,198.3
Current liabilities			
Bank and other borrowings	15	316.0	0.6
Lease liabilities	10,15	53.1	47.2
Trade and other payables	14	1,041.5	948.0
Contract liabilities	14	786.2	759.4
Income tax payable		25.1	25.6
Derivatives		2.9	9.1
Other financial liabilities		1.0	–
Provisions for other liabilities, including other employee benefits	16	119.7	80.2
		2,345.5	1,870.1
Total liabilities		3,300.8	3,068.4
Total equity and liabilities		3,930.1	3,690.2

Group cash flow statement

	Note	2026 £m	2025 £m
Cash flows from operating activities			
Profit for the year		210.7	248.9
Results from joint ventures and associates	11	(7.4)	2.7
Income tax expense	5	73.0	80.2
Finance income	4	(35.0)	(29.1)
Finance costs	4	63.8	61.2
Depreciation and impairment of property, plant and equipment	9	67.5	59.0
Depreciation and impairment of right of use assets	10	50.4	33.0
Amortisation and impairment of intangible assets	8	27.7	27.5
Equity share-based payments		17.2	14.3
Net derivative fair value and currency movement through profit or loss		(15.6)	(5.6)
Fair value movement on assets held at fair value through profit or loss		(8.1)	(3.6)
Gain on disposal of subsidiaries, businesses and joint ventures and associates		–	(1.5)
Profit on disposal of property, plant and equipment		(0.5)	(0.7)
(Profit)/loss on disposal of right of use assets		(4.1)	0.1
Loss on disposal of intangible assets		0.2	–
Cash generated from operations before movement in working capital and retirement benefit payments		439.8	486.4
(Increase)/decrease in inventories		(36.5)	25.3
Increase in receivables		(49.4)	(53.5)
Increase in contract assets		(18.7)	(71.7)
Increase in payables		66.7	6.0
Increase in contract liabilities		20.7	78.7
Increase/(decrease) in provisions		48.1	(23.5)
Retirement benefit contributions in excess of current period expense		(23.4)	(90.3)
Cash generated from operations		447.3	357.4
Income tax paid		(18.3)	(21.8)
Interest paid		(55.2)	(55.8)
Interest received		28.6	29.0
Net cash flows from operating activities		402.4	308.8
Cash flows from investing activities			
Disposal of subsidiaries and joint ventures and associates, net of cash disposed		8.1	(1.1)
Dividends received from joint ventures and associates	11	11.1	12.2
Proceeds on disposal of property, plant and equipment		51.4	6.1
Proceeds on disposal of right of use assets		1.7	–
Purchases of property, plant and equipment		(150.3)	(105.3)
Purchases of intangible assets		(10.0)	(23.0)
Purchase of other investments		(3.9)	–
Loans repaid by joint ventures and associates	11	0.2	0.3
Net cash flows from investing activities		(91.7)	(110.8)
Cash flows from financing activities			
Dividends paid		(34.7)	(26.7)
Lease payments	18	(44.5)	(45.4)
Bank loans repaid	18	(3.0)	(8.4)
Loans raised and facilities drawn down	18	–	7.9
Dividends paid to non-controlling interest		(2.0)	(1.3)
Purchase of own shares		(155.3)	(18.8)
Net cash flows from financing activities		(239.5)	(92.7)
Net increase in cash, cash equivalents and bank overdrafts		71.2	105.3
Cash, cash equivalents and bank overdrafts at beginning of year	18	646.5	552.6
Effects of exchange rate fluctuations	18	5.9	(11.4)
Cash, cash equivalents and bank overdrafts at end of year	18	723.6	646.5

Notes to the consolidated Group financial statements (continued)

1. Basis of preparation and significant accounting policies

Basis of preparation

The consolidated financial statements have been prepared on a going concern basis and in accordance with United Kingdom adopted International Accounting Standards (IFRS) and the Companies Act 2006 applicable to companies reporting under IFRS. These condensed consolidated financial statements do not comprise statutory accounts within the meaning of Section 435 of the Companies Act 2006 and should be read in conjunction with the Annual Report for the year ended 31 March 2026. The comparative figures for the year ended 31 March 2025 are not the Group's statutory accounts for that financial year. Those financial statements have been reported upon by the Group's auditor and delivered to the registrar of companies. The report of the auditor was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and did not contain statements under Section 498 (2) or (3) of the Companies Act 2006. The consolidated financial statements are presented in pounds sterling and, unless stated otherwise, rounded to the nearest million. They have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities (including derivative instruments).

New and amended standards adopted by the Group

The following standards and amendments to IFRSs became effective for the annual reporting period beginning on 1 April 2025 and did not have a material impact on the consolidated financial statements:

- Amendments to IAS 21 – Lack of Exchangeability

Critical accounting estimates and judgements

In the course of preparation of the financial statements, judgements and estimates have been made in applying the Group's accounting policies that have had a material effect on the amounts recognised in the financial statements. The application of the Group's accounting policies requires the use of estimates and the inherent uncertainty in certain forward-looking estimates may result in a material adjustment to the carrying amounts of assets and liabilities in the next financial year. Critical accounting estimates are subject to continuing evaluation and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable in light of known circumstances. Critical accounting estimates and judgements in relation to these financial statements are considered below:

(a) Critical accounting judgements

Critical accounting judgements, apart from those involving estimations, that are applied in the preparation of the consolidated financial statements are discussed below. Detail of the Group's key judgements involving estimates are included in the Key sources of estimation uncertainty section.

(i) Acting as principal or agent

A number of the Group's contracts include promises in relation to procurement activity undertaken on behalf of customers at low or nil margin, sub-contractor arrangements, and other pass-through costs. Management is required to exercise judgement on these revenue streams in considering whether the Group is acting as principal or agent. This is based on an assessment as to whether the Group controls the relevant goods or services under the performance obligations prior to transfer to customers. Factors that influence this judgement include the level of responsibility the Group has under the contract for the provision of the goods or services, the extent to which the Group is incentivised to fulfil orders on time and within budget, either through gain share arrangements or KPI deductions in relation to the other performance obligations within the contract, and the extent to which the Group exercises responsibility in determining the selling price of the goods and services. Taking all factors into consideration, the Group then comes to a judgement as to whether it acts as principal or agent on a performance obligation-by-performance obligation basis with both principal and agent conclusions being reached across the Group's portfolio of revenue arrangements. Any changes in this judgement would not have a material impact on profit, although there may be a material impact to revenue and operating costs.

(ii) Determining the groups of cash generating units to which goodwill is allocated

IAS 36 requires that, for the purpose of subsequent impairment testing, goodwill acquired in business combinations be allocated to cash generating units ('CGUs') or groups of CGUs expected to benefit from the synergies of the combination. Such CGUs or groups of CGUs shall represent the lowest level at which goodwill is monitored for internal management purposes and shall not be larger than an operating segment.

This determination is generally straightforward and factual, however in some cases judgement is required.

The Group has identified four operating segments – Aviation, Land, Marine and Nuclear – and in the case of Aviation, Marine and Nuclear, goodwill is allocated and monitored at the operating segment level (with these three operating segments each also comprising a group of CGUs).

Although Land is considered a single operating segment, goodwill is separately allocated and monitored between the Africa business (as one group of CGUs) and the remainder of Land (as a second group of CGUs). This distinction exists due to historic assessments of the Group's operating segments and the fact that previous Africa business combinations were only anticipated to provide synergies and benefits across the Africa CGUs.

1. Basis of preparation and significant accounting policies *(continued)*

Other territories may represent separate CGUs or groups of CGUs but are neither separate operating segments nor is goodwill separately allocated or monitored at these territory levels.

Over time management reviews the basis upon which goodwill is allocated to ensure it remains appropriate as businesses are acquired and divested and reporting structures change, including how information is reported to the Chief Operating Decision Maker. If there was a change in this judgement this could result in a material adjustment to goodwill. Further detail is included in notes 3 and 7.

(b) Key sources of estimation uncertainty

The key sources of estimation uncertainty at the reporting period end that may result in significant risk of material adjustment to the carrying amount of assets and liabilities within the next financial year are set out below:

(i) Revenue and profit recognition

The following represent the notable assumptions impacting upon revenue and profit recognition as a result of the Group's contracts with customers:

- **Stage of completion & costs to complete** – The Group's revenue recognition policies require management to make an estimate of the cost to complete for long-term contracts. Management estimates outturn costs on a contract-by-contract basis and estimates are carried out by suitably qualified and experienced personnel. Estimates of cost to complete include assessment of contract contingencies arising out of technical, commercial, operational and other risks. The assessments of all significant contract outturns are subject to review and challenge, and judgements and estimates are reviewed regularly throughout the contract life based on latest available information with adjustments made where necessary. As contracts near completion, often less judgement is required to determine the expected outturn. The most significant estimate of contract outturn relates to the Type 31 programme as outlined below.
- **Variable consideration** – the Group's contracts are often subject to variable consideration including performance-based penalties and incentives, gain/pain share arrangements and other items. Variable consideration is added to the transaction price only to the extent that it is highly probable that there will not be a significant reversal in the amount of cumulative revenue recognised once the underlying uncertainty is resolved.
- **Inflation** – The level to which the Group's revenue and cost for each contract will be impacted by inflation is a key accounting estimate, as this could cause the revenue and cost of contract delivery to be greater than was expected at the time of contracting. The Group's contracts are exposed to inflation due to rising employment costs, as well as increased costs of raw materials. The Group endeavours to include cost recovery mechanisms or index-linked pricing within its contracts with customers in order to mitigate any inflation risk arising from increasing employment and raw material costs.

Type 31 contract estimates

The contract to produce 5 Type 31 frigates was won under competitive tender in 2019, based on Babcock's Arrowhead 140 design. The contract is important in providing access to an expected pipeline of Type 31 work and developing our Arrowhead 140 design for opportunities overseas. Although the contract contained certain escalation clauses, it provided limited protection from the macroeconomic changes of recent years relating to Brexit, Covid, raw material prices and UK labour shortages, which have significantly increased our costs. This has resulted in the contract being loss-making, together with increases in estimated costs due to the maturing of the design and the forecast cost of labour.

As we finish structural completion of ship one, the bulk of the remaining work now relates to outfitting and commissioning. During the outfitting stage we have experienced higher than expected levels of rework as a result of changes to the design and the long-term impacts of out-of-sequence build activity earlier in the programme. Whilst the number of such rework events is not entirely unexpected, the work is being performed in the later stages of completion and therefore is more complex and more costly. The ability to increase levels of programme productivity through full enablement of production tasks has also been impacted. As the build of ship two is close behind ship one, there is also some cross over in the design-related work necessary to this ship. With ships three and four still in the early construction stages, the extent of impact on these and future vessels is comparatively reduced.

As a consequence, we have performed an engineering maturity review, and we have updated our financial estimates to complete the programme. These re-estimates not only cover the production costs of material and personnel, but also an increased programme risk contingency.

This is reflected in a charge on the contract at the year-end of £140.0 million for the revised costs to complete delivery of the Type 31 design and build contract, which is fully recognised in FY26, but the cash costs of which will be incurred over the remainder of the programme. Within the £140.0 million charge, £95.5 million is recognised as a revenue reversal in FY26 (with a corresponding increase in contract liabilities) and the balance increases the contract loss provision. See further disclosures on page 3.

Notes to the consolidated Group financial statements (continued)

1. Basis of preparation and significant accounting policies (continued)

The estimation process has been extensive given the new information available. The key steps are set out below but this year has involved further and deeper analysis of operational data, the results of pilot schemes, input from external experts and the customer, consideration of alternative assumptions and retrospective review of previous assumptions. Multiple review processes were held between Programme, Sector and Group management, culminating in dedicated reviews with the Audit Committee which focused on the key assumptions around productivity, rework, labour costs, schedule and risk. These reviews involved direct challenge of key representatives from the contract team, assessment of the process followed and independent scrutiny of the available evidence for key assumptions.

Following the estimation process we have reassessed and updated the disclosure of major sources of estimation uncertainty set out below.

Determining the contract outturn, and therefore revenue and onerous contract provision recognised, requires assumptions and complex judgements to be made about the future performance of the contract. The level of uncertainty in the estimates made in assessing the outturn is linked to the complexity of the underlying contract.

The estimates made in assessing the outturn are set out below, along with the related estimation methods and data sources.

- a) **The number of production hours** – which requires estimation of a standard level of hours for manufacturing, structural and outfitting activities, determined with reference to previous experience of comparable programmes and industry data where available. The estimation of the time taken to improve to this standard level is also relevant, based on a detailed operational improvement programme and evidence from pilot work. The volume of activities is based on a detailed assessment of the Bill of Materials, supported by dedicated engineering software
- b) **The ability to improve operational performance through quality and engineering improvements over the five ships** – which requires actions to reduce re-work, particularly arising from engineering change
- c) **The cost of labour** – which is dependent on our ability to recruit, the mix of the workforce between permanent and contingent workers from the UK and overseas and the utilisation of semi-skilled and apprentice workers. A detailed resourcing plan is used to support this estimate
- d) **The cost of bought-in parts and services through suppliers and sub-contractors** – which includes the outcome of remaining procurement activity, the finalisation of areas of unagreed pricing and the agreement of discounts and incentive arrangements
- e) **The number of hours required by support functions** – primarily in engineering which requires effective management of production support and change requests. A detailed engineering maturity review has been performed to support this estimate
- f) **The determination of non-incremental costs** - which relate directly to fulfilling the contract and are therefore partially allocated to the contract to determine the loss provision, including facility and overhead costs
- g) **The impact of inflation** - on the contract price and costs to fulfil the contract, particularly in relation to labour which may be impacted by changes in the local, UK and overseas labour markets, competitor activity and government policy
- h) **The achievement of the build schedule to completion and final acceptance** – including the satisfaction of all contractual performance criteria. The schedule analysis is based on detailed modelling and the performance of multiple scenario analysis

The cost estimation process has involved a number of key elements:

- Regular governance at the Group level to monitor progress and enable support as required
- Bottom-up costing at the activity level performed by individual business areas
- Reassessment of risk based on the updated cost estimates, considering ranges of outcomes and probabilities
- Input from functional specialists from across the Group
- Development of financial models based on cost drivers, using actual data and other evidence to inform the forecast outturn
- Detailed documentation of estimates made, including process followed, sources of evidence and basis for conclusions
- Review and challenge at the Programme, Sector and Group levels, culminating in dedicated reviews with the Audit Committee

The range of possible future outcomes in respect of assumptions made to determine the contract outturn could result in a material increase or decrease in revenue and the value of the onerous contract provision, and hence on the Group's profitability, in the next financial year. The estimates described above are by their nature inter-related for this programme and are unlikely to change with everything else constant. However, for illustrative purposes, we have provided sensitivities to certain isolated changes in key estimates on the basis that all other factors remain constant:

- **Production hours** – which are impacted by production norms, rate of improvement and quality/engineering improvements (see a) and b) above). A 10% increase/decrease in production hours would increase/decrease the loss by £29 million
- **Labour rate** – which is impacted by our ability to recruit permanent staff, the mix of the workforce, ancillary costs and inflation (see c) and g) above). A 10% increase/decrease in the average labour rate would increase/decrease the loss by £34 million
- **Schedule** – which is impacted by various factors above. A 6-month delay beyond the current planning assumption would increase the loss by £15 million

1. Basis of preparation and significant accounting policies *(continued)*

Overall, with c.£0.7 billion of estimated costs to go over the life of the contract, if actual costs were to differ from those assumed by 10%, the potential impact on the contract outturn could be c.£70 million. Any increase in loss would cause a commensurate deterioration in the balance sheet through a combination of an increase to the onerous loss provision (note 16), reductions in contract assets (note 13) or increases in contract liabilities (note 14).

To mitigate this, comparisons of actual contract performance and previous forecasts used to assess the contract outturn are performed regularly, with consideration given to whether any revisions to assumptions are required. The uncertainty over the contract outturn will reduce in the next financial year but there will be substantial activity and risk over the remaining years. In a major ship build programme of this nature, it is inherently possible that there may be changes in circumstances which cannot reasonably be foreseen at the present time.

(ii) Defined benefit pension schemes obligations

The Group's defined benefit pension schemes are assessed annually in accordance with IAS 19 and the valuation of the defined benefit pension obligations is sensitive to the inflation, discount rate, actuarial and life expectancy assumptions used. There is a range of possible values for the assumptions and small changes to the assumptions may have a significant impact on the valuation of the defined benefit pension obligations. In addition to the inflation, discount rate and life expectancy estimates, management is required to make an accounting judgement relating to the expected availability of future accounting surpluses under IFRIC 14. Further information on the key assumptions, sensitivities and judgements is included in note 17.

2. Adjustments between statutory and underlying information

Definition of underlying measures and specific adjusting items

The Group provides alternative performance measures, including underlying operating profit, underlying earnings per share and net debt, to enable users to have a more consistent view of the performance and earnings trends of the Group. These measures are considered to provide a consistent measure of business performance from year to year. They are used by management to assess operating performance and as a basis for forecasting and decision-making, as well as the planning and allocation of capital resources. They are also understood to be used by investors in analysing business performance.

The Group's alternative performance measures are not defined by IFRS and are therefore considered to be non-GAAP measures. The measures may not be comparable to similar measures used by other companies and they are not intended to be a substitute for, or superior to, measures defined under IFRS. The Group's alternative performance measures are consistent with the year ended 31 March 2025.

Underlying operating profit

In any given year the statutory measure of operating profit includes a number of items which the Group considers to either be one-off in nature or otherwise not reflective of underlying performance. Underlying operating profit therefore adjusts statutory operating profit to provide readers with a measure of business performance which the Group considers more consistently analyses the underlying performance of the Group by removing these one-off and other items not reflective of underlying performance that otherwise add volatility to performance.

Underlying operating profit eliminates potential differences in performance caused by purchase price allocations on business combinations in prior periods (amortisation of acquired intangibles), business acquisition, merger and divestment related items, large, infrequent restructuring programmes and fair value movements on derivatives. Transactions such as these may happen regularly and could significantly impact the statutory result in any given year. Adjustments to underlying operating profit may include both income and expenditure items.

Specific adjusting items include:

- Amortisation of acquired intangibles;
- Business acquisition, merger and divestment related items (being amounts related to corporate transactions and gains or losses on disposal of assets or businesses);
- Gains, losses and costs directly arising from the Group's withdrawal from a specific market or geography, including closure costs, severance costs, the disposal of assets and termination of leases;
- The costs of large restructuring programmes that significantly exceed the minor restructuring which occurs in most years as part of normal operations. Restructuring costs incurred as a result of normal operations are included in operating costs and are not excluded from underlying operating profit;
- Profit or loss from amendment, curtailment, settlement or equalisation of Group pension schemes;
- Fair value gain/(loss) on forward rate contracts that are open during the period; and
- Exceptional items that are significant, non-recurring and outside of the normal operating practice. These items are described as exceptional in order to appropriately represent the Group's underlying business performance. No exceptional items have been identified in the current or comparative period.

Notes to the consolidated Group financial statements (continued)

2. Adjustments between statutory and underlying information (continued)

Income statement including underlying results

	Note	Year ended 31 March 2026			Year ended 31 March 2025		
		Underlying £m	Specific adjusting items £m	Statutory £m	Underlying £m	Specific adjusting items £m	Statutory £m
Revenue	3	5,177.7	–	5,177.7	4,831.3	–	4,831.3
Operating profit	3	293.3	11.8	305.1	362.9	1.0	363.9
Operating margin %		5.7%	–	5.9%	7.5%	–	7.5%
Results from joint ventures and associates	11	7.4	–	7.4	8.4	(11.1)	(2.7)
Net finance costs	4	(33.5)	4.7	(28.8)	(31.9)	(0.2)	(32.1)
Profit/(loss) before tax		267.2	16.5	283.7	339.4	(10.3)	329.1
Income tax (expense)/benefit	5	(69.2)	(3.8)	(73.0)	(84.1)	3.9	(80.2)
Profit/(loss) after tax for the year		198.0	12.7	210.7	255.3	(6.4)	248.9

Earnings per share including underlying measures

	Year ended 31 March 2026			Year ended 31 March 2025		
	Underlying £m	Specific adjusting items £m	Statutory £m	Underlying £m	Specific adjusting items £m	Statutory £m
Profit/(loss) after tax for the year	198.0	12.7	210.7	255.3	(6.4)	248.9
Amount attributable to owners of the parent	198.5	12.7	211.2	253.5	(6.4)	247.1
Amount attributable to non-controlling interests	(0.5)	–	(0.5)	1.8	–	1.8
Weighted average number of shares (m)	501.3		501.3	503.6		503.6
Effect of dilutive securities (m)	9.8		9.8	10.8		10.8
Diluted weighted average number of shares (m)	511.1		511.1	514.4		514.4
Basic EPS (note 6)	39.6p		42.1p	50.3p		49.1p
Diluted EPS (note 6)	38.8p		41.3p	49.3p		48.0p

2. Adjustments between statutory and underlying information *(continued)*

Details of specific adjusting items

The impact of specific adjusting items is set out below:

	Year ended 31 March 2026 £m	Year ended 31 March 2025 £m
Amortisation of acquired intangibles	(10.0)	(8.2)
Business acquisition, merger and divestment related items	10.2	1.5
Profit or loss from amendment, curtailment, settlement or equalisation of Group pension schemes (note 17)	–	1.2
Fair value movement on derivatives and related items	11.6	6.5
Adjusting items impacting operating profit	11.8	1.0
Non-recurring amounts in results from joint ventures and associates	–	(11.1)
Fair value movement on derivatives and related items	4.7	(0.2)
Adjusting items impacting profit before tax	16.5	(10.3)
Income tax benefit		
Amortisation of acquired intangibles	2.9	2.2
Business acquisition, merger and divestment related items	(2.5)	–
Profit or loss from amendment, curtailment, settlement or equalisation of Group pension schemes	–	(0.3)
Fair value movement on derivatives and related items	(4.2)	(1.6)
Other tax items including rate change impact	–	3.6
Income tax benefit	(3.8)	3.9

Explanation of specific adjusting items

Amortisation of acquired intangibles

Underlying operating profit excludes the amortisation of acquired intangibles. This item is excluded from underlying results as it arises as a result of purchase price allocations on business combinations and is a non-cash item which does not change each year dependent on the performance of the business. It is therefore not considered to represent the underlying activity of the Group and is removed to aid comparability with peers who have grown organically as opposed to through acquisition. Intangible assets arising as a result of the purchase price allocation on business combinations include customer lists, technology-based assets, order book and trade names. Amortisation of internally generated intangible assets is included within underlying operating profit.

Business acquisition, merger and divestment related items

Transaction related costs and gains or losses on acquisitions, mergers and divestments of businesses are excluded from underlying operating profit as business combinations and divestments are not considered to result from underlying business performance.

The total net profit relating to business acquisition, merger and divestment related items for the year ended 31 March 2026 was £10.2 million (2025: £1.5 million). The profit for the current year comprises a gain of £8.1 million on loan receivable instruments created on the disposal of the Group's Civil Training business in a prior period. These loan notes were held at fair value and an accounting gain arose on final settlement of the outstanding balance. In addition, the Group has recorded a £2.1 million gain from amounts being settled on intercompany balances previously designated as net investments in a foreign operation under IAS 21 further to internal group reorganisation activities.

The prior year balance comprises the disposal of the Group's interest in the NTI business in Oman.

Fair value movement on derivatives and related items

These are open forward currency contracts, taken out in the ordinary course of business to manage foreign currency exposures, where the transaction will occur in future periods. Hedge accounting under IFRS is not applied, however these do represent economic hedges. On maturity the currency contract will be closed and recognised in full within underlying operating profit at the same time as the hedged sale or purchase. The net result, at that time, will then more appropriately reflect the related sales price or supplier cost being hedged.

Hedge ineffectiveness on debt and debt-related derivatives that are designated in a hedge relationship are also presented as a specific adjusting item in finance costs. This is presented as a specific adjusting item as this ineffectiveness is caused by a historic off-market designation, the transactions are considered by the Group to represent an economic hedge.

The fair value movement on lease-related derivatives and foreign exchange movements on lease liabilities are also presented as a specific adjusting item in finance costs, as hedge accounting under IFRS is also not applied to these transactions but are also considered by the Group to represent an economic hedge.

Notes to the consolidated Group financial statements (continued)

2. Adjustments between statutory and underlying information (continued)

Tax

Specific adjusting items in respect of tax are £nil. In FY25, the Group recorded a credit of £3.6 million arising from the impact of the increase in the rate of corporation tax. The rate change impact arises from adjustments to the Group's UK tax position for years ended before 1 April 2023.

3. Segmental information

The Group has four reportable segments, determined by reference to the goods and services they provide and the markets they serve.

Marine – design, build and through-life support of naval ships, submarine and equipment through-life support, design and manufacture of weapons handling and launch systems for ships and submarines and design, build and support of secure military communications systems in the UK and internationally.

Nuclear – through-life support of submarines and complex engineering services in support of major decommissioning programmes and projects, training and operation support, new build programme management and design and installation in the UK.

Land – large-scale critical vehicle fleet management, equipment support and training for military and civil customers.

Aviation – critical engineering services to defence and civil customers worldwide, including pilot training, equipment support, airbase management and operation of aviation fleets delivering emergency services.

The executive members of the Board, the chief operating decision maker as defined by IFRS 8, monitor the results of these reportable segments and makes decisions about the allocation of resources. The table below presents the underlying results for each reportable segment in accordance with the definition of underlying operating profit, set out in note 2, and reconciles the underlying operating profit/(loss) to the statutory profit/(loss) before tax.

Year ended 31 March 2026	Marine £m	Nuclear £m	Land £m	Aviation £m	Unallocated £m	Total £m
Revenue	1,591.5	2,070.4	1,084.4	431.4	–	5,177.7
Underlying operating profit/(loss)	(29.8)	197.1	95.3	30.7	–	293.3
Specific Adjusting Items (note 2)						
Amortisation of acquired intangibles	(7.8)	–	–	(2.2)	–	(10.0)
Business acquisition, merger and divestment related items	–	–	8.1	2.1	–	10.2
Fair value gain on forward rate contracts to be settled in future periods	9.2	–	–	2.4	–	11.6
Operating profit/(loss)	(28.4)	197.1	103.4	33.0	–	305.1
Results from joint ventures and associates	1.3	(0.3)	–	6.4	–	7.4
IFRIC 12 investment income	–	–	0.3	–	–	0.3
Other net finance costs*	–	–	–	–	(29.1)	(29.1)
Profit/(loss) before tax	(27.1)	196.8	103.7	39.4	(29.1)	283.7

Year ended 31 March 2025	Marine £m	Nuclear £m	Land £m	Aviation £m	Unallocated £m	Total £m*
Revenue	1,576.4	1,816.0	1,116.6	322.3	–	4,831.3
Underlying operating profit	96.5	160.3	86.2	19.9	–	362.9
Specific Adjusting Items (note 2)						
Amortisation of acquired intangibles	(5.5)	–	–	(2.7)	–	(8.2)
Business acquisition, merger and divestment related items	1.5	–	–	–	–	1.5
Fair value gain/(loss) on forward rate contracts to be settled in future periods	6.8	–	–	(0.3)	–	6.5
Profit or loss from amendment, curtailment, settlement or equalisation of Group pension schemes	–	1.1	0.1	–	–	1.2
Operating profit	99.3	161.4	86.3	16.9	–	363.9
Results from joint ventures and associates	(0.5)	0.3	–	(2.5)	–	(2.7)
IFRIC 12 investment income	–	–	0.4	–	–	0.4
Other net finance costs*	–	–	–	–	(32.5)	(32.5)
Profit/(loss) before tax	98.8	161.7	86.7	14.4	(32.5)	329.1

* Other net finance costs are not allocated to a specific sector.

Revenues of £3.0 billion (2025: £3.0 billion) are derived from a single external customer. These revenues are attributable across all reportable segments.

3. Segmental information (continued)

During the year, the Group has recognised a £29.1 million reversal of revenue in respect of performance obligations satisfied or partially satisfied in previous periods (2025: an increase in revenue of £45.3 million). The current year reversal is significantly impacted by the Type 31 charge as described in note 1. Excluding the impact of Type 31, the Group has recognised £50.1 million of revenue in respect of performance obligations satisfied or partially satisfied in previous periods, broadly in line with the amount recorded in 2025. This reflects the increase in expected outturn margin across our long-term contracts. We normally expect contract margins to increase gradually over time as risk on each contract reduces and as we meet the 'highly probable' test under IFRS 15 to recognise variable consideration. This therefore represents a normal part of our trading.

4. Net finance costs

	Year ended 31 March 2026 £m	Year ended 31 March 2025 £m
Finance costs		
Loans, overdrafts and associated interest rate hedges	32.7	37.1
Lease interest and foreign exchange movements on lease liabilities	15.3	15.1
Amortisation of issue costs of bank loan	3.1	2.1
Retirement benefit interest cost (note 17)	5.3	4.5
Other	11.1	7.4
Capitalised borrowing costs (note 9)	(3.7)	(5.0)
Total finance costs	63.8	61.2
Finance income		
Bank deposits, loans and leases	29.0	28.7
IFRIC 12 Investment income	0.3	0.4
Retirement benefit interest income (note 17)	5.7	–
Total finance income	35.0	29.1
Net finance costs	28.8	32.1

Net finance costs decreased to £28.8 million (2025: £32.1 million). Included in other finance costs are £0.9 million (2025: £0.5 million) relating to the discounting of long-term receivables in France and £8.6 million relating to interest charge on the unexpected outcome of a legal case in the US (2025: £nil) – note 16.

In line with current UK tax legislation, the impact on finance costs from the capitalisation of borrowing costs is fully deductible against the Group's corporation tax liability, resulting in tax relief of £0.9 million (FY25: £1.3 million).

5. Taxation

Income tax expense

	Total	
	Year ended 31 March 2026 £m	Year ended 31 March 2025 £m
Analysis of tax expense in the year		
Current tax		
• UK current year expense	15.7	15.7
• UK prior year expense	9.9	2.5
• Overseas current year expense	28.5	20.6
• Overseas prior year benefit	(0.9)	–
	53.2	38.8
Deferred tax		
• UK current year expense	47.2	53.0
• UK prior year benefit	(25.6)	(9.1)
• Overseas current year (benefit)/expense	(1.6)	1.7
• Overseas prior year benefit	(0.2)	(0.6)
• Impact of changes in tax rates	–	(3.6)
	19.8	41.4
Total income tax expense	73.0	80.2

Notes to the consolidated Group financial statements (continued)

5. Taxation (continued)

The tax for the year is higher (2025: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	Year ended 31 March 2026 £m	Year ended 31 March 2025 £m
Profit before tax	283.7	329.1
Profit on ordinary activities multiplied by rate of corporation tax in the UK of 25% (2025: 25%)	70.9	82.3
Effects of:		
Expenses not deductible for tax purposes	11.8	5.7
Re-measurement of deferred tax in respect of statutory rate changes	–	(3.6)
Difference in respect of share of results of joint ventures and associates' results	(1.9)	0.7
Prior year adjustments	(16.8)	(7.1)
Differences in respect of foreign rates	(1.5)	1.4
Unrecognised deferred tax movements	10.2	6.3
Deferred tax not previously recognised/derecognised	3.1	(0.9)
Non-taxable profits on disposals and non-deductible losses on disposals	–	(0.2)
Pillar Two top-up tax	–	0.5
Other	(2.8)	(4.9)
Total income tax expense	73.0	80.2

The Group is subject to taxation in several jurisdictions. The complexity of applicable rules may result in legitimate differences of interpretation between the Group and taxing authorities, especially where an economic judgement or valuation is involved. The outcome of tax authority disputes in such areas is not predictable, and to reflect the effect of these uncertain tax positions a provision is recorded which represents management's assessment of the most likely outcome of each issue. At 31 March 2026 the Group held uncertain tax positions of £38.1 million (2025: £44.6 million). Of this amount, £24.7 million (2025: £32.3 million) relates to ongoing discussions with HMRC regarding prior periods.

6. Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue less the weighted average number of shares held by the Employee Share Trust as treasury shares. Diluted earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue less the weighted average number of shares held by the Employee Share Trust, plus the number of ordinary shares which are considered potentially dilutive ordinary shares in respect of share incentive schemes, should the vesting conditions have been met as at the year-end. Weighted average is calculated by reference to the date of transactions which increase or reduce the number of shares in issue or the number of shares held by the Employee Share Trust.

The calculation of the basic and diluted earnings per share is based on the following data:

Number of shares

	2026 Number	2025 Number
Weighted average number of ordinary shares for the purpose of basic EPS	501,329,647	503,557,679
Effect of dilutive potential ordinary shares: share options	9,811,970	10,854,861
Weighted average number of ordinary shares for the purpose of diluted EPS	511,141,617	514,412,540

Earnings per share

	Year ended 31 March 2026			Year ended 31 March 2025		
	Earnings attributable to shareholders £m	Basic per share Pence	Diluted per share Pence	Loss attributable to shareholders £m	Basic per share Pence	Diluted per share Pence
Earnings for the year	211.2	42.1	41.3	247.1	49.1	48.0

7. Goodwill

	31 March 2026 £m	31 March 2025 £m
Cost		
At 1 April	1,820.1	1,822.0
On disposal of subsidiaries	–	(0.5)
Exchange adjustments	1.6	(1.4)
At 31 March	1,821.7	1,820.1
Accumulated impairment		
At 1 April	1,041.9	1,041.9
At 31 March	1,041.9	1,041.9
Net book value at 31 March	779.8	778.2

Goodwill is allocated to groups of cash generating units ('CGUs') as set out in the table below:

	31 March 2026 £m	31 March 2025 £m
Marine	295.2	293.6
Nuclear	233.1	233.1
Land (excluding Africa)	217.8	217.8
Aviation	32.0	32.0
Africa	1.7	1.7
	779.8	778.2

Goodwill was tested for impairment at 31 March 2026 in accordance with IAS 36. This impairment analysis is performed at least annually, as outlined in the Group's accounting policies. The Group monitors goodwill at groups of CGUs aligned to the Group's operating segments for Marine, Aviation and Nuclear. Goodwill is separately allocated and monitored between two groups of CGUs in the Land operating segment – Africa and Land (excluding Africa).

Results of goodwill impairment test

The current year impairment test results have not resulted in an impairment for any of the Group's cash generating units. The recoverable amount of the Group's goodwill was assessed by reference to value-in-use calculations. The value-in-use calculations are derived from risk-adjusted cash flows from the Group's five-year plan. Terminal value assessments are included based on year five and an estimated long-term, country-specific growth rate of 2.0 – 4.7% (2025: 1.9 – 4.7%). The process by which the Group's budget is prepared, reviewed and approved benefits from historical experience, visibility of long term work programmes in relation to work undertaken for the UK Government, available government spending information (both UK and overseas), the Group's contract backlog, bid pipeline and the Group's tracking pipeline which monitors opportunities prior to release of tenders. The budget process includes consideration of risks and opportunities at contract and business level, and considered matters such as inflation.

Notes to the consolidated Group financial statements (continued)

8. Other intangible assets

	Acquired intangibles – relationships £m	Internally generated software development costs and licences £m	Internally generated development costs and other £m	Assets under construction £m	Total £m
Cost					
At 1 April 2025 – restated	111.6	184.0	28.9	3.2	327.7
Additions	–	–	–	13.5	13.5
Transfers from property, plant and equipment (note 9)	–	5.3	–	–	5.3
Transfers from AUC to in-use assets	–	4.9	0.9	(5.8)	–
Reclassification	–	0.4	(0.4)	–	–
Disposals	–	(8.9)	(2.0)	(0.2)	(11.1)
Exchange adjustments	15.0	0.1	0.1	(0.1)	15.1
At 31 March 2026	126.6	185.8	27.5	10.6	350.5
Accumulated amortisation and impairment					
At 1 April 2025 – restated	69.2	100.6	15.5	–	185.3
Amortisation charge	10.0	15.3	2.4	–	27.7
Transfers from property, plant and equipment (note 9)	–	1.7	–	–	1.7
Reclassification	–	0.3	(0.3)	–	–
Disposals	–	(8.9)	(2.0)	–	(10.9)
Exchange adjustments	12.6	0.1	–	–	12.7
At 31 March 2026	91.8	109.1	15.6	–	216.5
Net book value at 31 March 2026	34.8	76.7	11.9	10.6	134.0
Cost					
At 1 April 2024 – as previously reported	850.9	124.0	25.6	42.6	1,043.1
Restatement – see below	(579.4)	–	–	–	(579.4)
At 1 April 2024 – restated	271.5	124.0	25.6	42.6	463.7
Additions	–	2.5	1.3	18.5	22.3
Transfers from property, plant and equipment (note 9)	–	2.6	1.8	–	4.4
Transfers from AUC to in-use assets	–	56.5	0.1	(56.6)	–
Disposal of business	(2.9)	–	–	–	(2.9)
Disposals – restated	(147.5)	(4.2)	–	–	(151.7)
Exchange adjustments	(9.5)	2.6	0.1	(1.3)	(8.1)
At 31 March 2025	111.6	184.0	28.9	3.2	327.7
Accumulated amortisation and impairment					
At 1 April 2024 – as previously reported	797.8	85.6	10.9	–	894.3
Restatement – see below	(579.4)	–	–	–	(579.4)
At 1 April 2024 – restated	218.4	85.6	10.9	–	314.9
Amortisation charge	8.2	16.6	2.7	–	27.5
Transfers from property, plant and equipment (note 9)	–	1.1	1.8	–	2.9
Disposals – restated	(147.5)	(4.2)	–	–	(151.7)
Disposal of business	(2.9)	–	–	–	(2.9)
Exchange adjustments	(7.0)	1.5	0.1	–	(5.4)
At 31 March 2025	69.2	100.6	15.5	–	185.3
Net book value at 31 March 2025	42.4	83.4	13.4	3.2	142.4

Acquired intangible amortisation charges for the year are recorded in operating costs.

Included in Internally generated software development costs and licences is £73.3 million (2025: £79.1 million) relating to the Group's ERP system, which is amortised over a period of up to 13 years with 5 years remaining. Included in the acquired intangibles – relationships balance is £29.6 million (2025: £35.0 million) relating to the acquisition of Naval Ship Management (Australia) Pty Ltd. This is being amortised over a total period of 15 years with 11 years remaining.

Following a review of fully amortised acquired intangible assets, we have treated those assets which are fully depreciated as disposals and restated the prior year for consistency. This has no impact on the net book value or income statement in any period. The disposal of £141.0 million of gross cost and accumulated amortisation has been restated through the year to 31 March 2025 as the associated contract concluded during the period. The remaining £579.4 million of gross cost and accumulated amortisation has been restated through opening balances as at 1 April 2024.

9. Property, plant and equipment

	Freehold property £m	Leasehold property £m	Plant and equipment £m	Aircraft fleet £m	Assets in course of construction £m	Total £m
Cost						
At 1 April 2025	225.2	34.3	602.4	112.3	128.7	1,102.9
Additions	14.1	0.6	8.1	21.8	110.8	155.4
Transfers to other intangible assets (note 8)	–	–	(0.4)	–	–	(0.4)
Reclassification from AUC to in-use assets	1.6	–	72.6	8.5	(82.7)	–
Reclassification cost/depreciation	(0.4)	–	2.8	–	–	2.4
Reclassification between categories	(0.8)	(16.4)	17.1	0.1	–	–
Disposals	(7.6)	(7.3)	(79.7)	(27.8)	(27.0)	(149.4)
Capitalised borrowing costs	–	–	–	–	3.7	3.7
Exchange adjustments	0.3	0.2	3.7	3.3	1.4	8.9
At 31 March 2026	232.4	11.4	626.6	118.2	134.9	1,123.5
Accumulated depreciation						
At 1 April 2025	90.3	15.1	398.6	33.7	6.3	544.0
Depreciation charge for the year	9.8	0.9	49.6	5.7	–	66.0
Impairment charge for the year	–	–	3.3	0.1	–	3.4
Impairment reversals in the year	–	–	–	–	(1.9)	(1.9)
Transfers to other intangible assets (note 8)	–	–	3.2	–	–	3.2
Reclassification between categories	(0.7)	(1.1)	1.8	–	–	–
Reclassification cost/depreciation	(0.4)	–	2.8	–	–	2.4
Disposals	(7.3)	(7.3)	(78.8)	(5.1)	–	(98.5)
Exchange adjustments	0.1	0.2	1.9	1.4	–	3.6
At 31 March 2026	91.8	7.8	382.4	35.8	4.4	522.2
Net book value at 31 March 2026	140.6	3.6	244.2	82.4	130.5	601.3
Cost						
At 1 April 2024	220.9	15.4	572.6	87.4	124.1	1,020.4
Additions	2.3	1.0	11.8	17.8	72.1	105.0
Transfers to other intangible assets (note 8)	–	–	(4.4)	–	–	(4.4)
Transfers from right of use assets (note 10)	–	–	5.0	–	0.5	5.5
Reclassification from AUC to in-use assets	2.5	18.6	36.2	13.5	(70.8)	–
Disposals	(0.4)	(0.7)	(13.3)	(3.6)	(1.7)	(19.7)
Disposal of business	–	–	(3.6)	–	–	(3.6)
Capitalised borrowing costs	–	–	–	–	5.0	5.0
Exchange adjustments	(0.1)	–	(1.9)	(2.8)	(0.5)	(5.3)
At 31 March 2025	225.2	34.3	602.4	112.3	128.7	1,102.9
Accumulated depreciation						
At 1 April 2024	79.8	13.0	378.8	25.4	6.3	503.3
Depreciation charge for the year	13.7	2.9	37.8	4.6	–	59.0
Transfers to other intangible assets (note 8)	–	–	(2.9)	–	–	(2.9)
Transfers from right of use assets (note 10)	–	–	5.0	–	–	5.0
Reclassification between categories	(3.4)	–	(4.3)	7.7	–	–
Disposal of business	–	–	(3.6)	–	–	(3.6)
Disposals	–	(0.7)	(11.0)	(2.6)	–	(14.3)
Exchange adjustments	0.2	(0.1)	(1.2)	(1.4)	–	(2.5)
At 31 March 2025	90.3	15.1	398.6	33.7	6.3	544.0
Net book value at 31 March 2025	134.9	19.2	203.8	78.6	122.4	558.9

Notes to the consolidated Group financial statements (continued)

10. Leases

Group as a lessee

Lease liabilities represent rentals payable by the Group for certain operational, distribution and office properties and other assets such as aircraft. The leases have varying terms, purchase options, escalation clauses and renewal rights.

Right of use assets

	Leasehold property £m	Plant and equipment £m	Aircraft fleet £m	Total £m
Cost				
At 1 April 2025	138.5	69.4	215.2	423.1
Additions	31.1	21.9	28.0	81.0
Disposals	(35.1)	(10.2)	(2.9)	(48.2)
Exchange adjustments	2.4	0.1	11.5	14.0
At 31 March 2026	136.9	81.2	251.8	469.9
Accumulated depreciation				
At 1 April 2025	58.5	45.8	90.0	194.3
Depreciation charge for the year	16.6	10.4	19.2	46.2
Impairment charge for the year	4.2	–	–	4.2
Disposals	(19.9)	(8.1)	(2.7)	(30.7)
Exchange adjustments	1.0	0.1	6.3	7.4
At 31 March 2026	60.4	48.2	112.8	221.4
Net book value at 31 March 2026	76.5	33.0	139.0	248.5

	Leasehold property £m	Plant and equipment £m	Aircraft fleet £m	Total £m
At 1 April 2024	140.1	74.1	153.1	367.3
Additions	12.3	9.5	75.8	97.6
Transfers to property, plant & equipment (note 9)	–	(5.5)	–	(5.5)
Disposals	(9.7)	(8.4)	(4.1)	(22.2)
Disposal of business	(2.0)	–	–	(2.0)
Exchange adjustments	(2.2)	(0.3)	(9.6)	(12.1)
At 31 March 2025	138.5	69.4	215.2	423.1
Accumulated depreciation				
At 1 April 2024	53.9	49.3	88.5	191.7
Depreciation charge for the year	13.0	8.9	9.3	31.2
Impairment charge for the year	1.7	0.1	–	1.8
Transfers to property, plant & equipment (note 9)	–	(5.0)	–	(5.0)
Disposals	(8.3)	(7.4)	(3.4)	(19.1)
Disposal of business	(0.8)	–	–	(0.8)
Exchange adjustments	(1.0)	(0.1)	(4.4)	(5.5)
At 31 March 2025	58.5	45.8	90.0	194.3
Net book value at 31 March 2025	80.0	23.6	125.2	228.8

10. Leases *(continued)*

Lease liabilities

The following tables show the discounted Group lease liabilities and a reconciliation of opening to closing lease liabilities:

	Total £m
At 1 April 2025	274.6
Additions	78.5
Disposals	(5.4)
Exchange adjustments	4.1
Lease interest	17.1
Lease repayments	(61.6)
At 31 March 2026	307.3
Non-current lease liabilities	254.2
Current lease liabilities	53.1
At 31 March 2026	307.3
At 1 April 2024	230.5
Additions	99.2
Disposals	(3.0)
Disposal of business	(1.1)
Exchange adjustments	(5.6)
Lease interest	14.1
Lease repayments	(59.5)
At 31 March 2025	274.6
Non-current lease liabilities	227.4
Current lease liabilities	47.2
At 31 March 2025	274.6

11. Investment in and loans to joint ventures and associates

	Investment in joint ventures and associates		Loans to joint ventures and associates		Total	
	2026 £m	2025 £m	2026 £m	2025 £m	2026 £m	2025 £m
At 1 April	43.5	59.7	3.6	3.9	47.1	63.6
Results from joint ventures and associates	7.4	(2.7)	–	–	7.4	(2.7)
Acquisition and disposal of joint ventures and associates	–	0.4	–	–	–	0.4
Loans repaid by joint ventures and associates	–	–	(0.2)	(0.3)	(0.2)	(0.3)
Interest accrued and capitalised	–	–	0.2	0.2	0.2	0.2
Interest received	–	–	(0.3)	(0.2)	(0.3)	(0.2)
Dividends received	(11.1)	(12.2)	–	–	(11.1)	(12.2)
Fair value adjustment of derivatives	–	(2.2)	–	–	–	(2.2)
Tax on fair value adjustment of derivatives	–	0.5	–	–	–	0.5
Foreign exchange	0.5	–	–	–	0.5	–
At 31 March	40.3	43.5	3.3	3.6	43.6	47.1

Notes to the consolidated Group financial statements (continued)

11. Investment in and loans to joint ventures and associates (continued)

The total investments in joint ventures and associates is attributable to the following reportable segments:

	31 March 2026 £m	31 March 2025 £m
Marine	4.7	3.2
Nuclear	0.1	0.9
Land	0.2	0.2
Aviation	38.6	42.8
Net book value	43.6	47.1

The joint ventures and associates have no significant contingent liabilities to which the Group is exposed. The Group does not have any commitments that have been made to the joint ventures or associates and not recognised at the reporting date.

Joint arrangements are classified as joint ventures where the Group has the right to net assets of the joint arrangement rather than separate rights and obligations to the assets and liabilities of the joint arrangement, respectively. There has been no impairment to loans to joint ventures and associates during the year (2025: £nil). Total cumulative expected credit losses in respect of loans to joint ventures and associates are also £nil (2025: £nil) as the joint ventures and associates are considered to have low credit risk and as such impairment risk is considered minimal. There are no significant restrictions on the ability of joint ventures and associates to transfer funds to the owners, other than those imposed by the Companies Act 2006 or equivalent local regulations.

12. Inventories

	31 March 2026 £m	31 March 2025 £m
Raw materials and spares	66.1	62.3
Work-in-progress	6.0	5.4
Finished goods and goods for resale	134.8	94.5
Total	206.9	162.2

Write-downs of inventories amounted to £20.0 million (2025: £18.7 million). These were recognised as an expense during the year ended 31 March 2026 and included in operating costs in the income statement. Inventory recognised as an expense in the year amounted to £388.3 million (2025: £354.7 million).

13. Trade and other receivables and contract assets

	31 March 2026 £m	31 March 2025 £m
Non-current assets		
Costs to obtain a contract	0.1	0.1
Costs to fulfil a contract	16.0	8.6
Other debtors	1.6	9.4
Non-current trade and other receivables	17.7	18.1
Current assets		
Trade receivables	316.1	303.4
Less: provision for impairment of receivables	(9.1)	(8.4)
Trade receivables – net	307.0	295.0
Retentions	5.1	8.8
Amounts due from related parties	5.8	3.3
Other debtors ¹	18.1	22.1
Other taxes and social security receivables	94.6	63.2
Prepayments	107.6	96.8
Costs to obtain a contract	–	0.1
Costs to fulfil a contract	13.9	18.1
Current trade and other receivables	552.1	507.4
Contract assets	352.8	329.7
Current trade and other receivables and contract assets	904.9	837.1

¹Included in other debtors are rebates receivable and other sundry receivables. No individual balance within other debtors is material.

13. Trade and other receivables and contract assets *(continued)*

Trade and other receivables are stated at amortised cost.

The Group recognises that there is an inherent element of estimation uncertainty and judgement involved in assessing contract profitability, as disclosed in note 1. Management have taken a best estimate view of contract outcomes based on the information currently available, after allowing for contingencies, and have applied a constraint to the variable consideration within revenue resulting in a revenue estimate that is suitably cautious under IFRS 15.

14. Trade and other payables and contract liabilities

	31 March 2026 £m	31 March 2025 £m
Current liabilities		
Contract liabilities	786.2	759.4
Trade creditors	274.3	229.2
Amounts due to related parties	–	3.3
Other creditors	18.9	12.2
Defined contribution pension creditor	6.7	8.2
Other taxes and social security	100.5	84.6
Accruals	641.1	610.5
Trade and other payables	1,041.5	948.0
Trade and other payables and contract liabilities	1,827.7	1,707.4
Non-current liabilities		
Non-current accruals	5.9	3.8
Other creditors	0.2	0.4
	6.1	4.2

Included in creditors is £19.0 million (2025: £10.4 million) relating to capital expenditure which has therefore not been included in working capital movements within the cash flow statement.

15. Bank and other borrowings

	31 March 2026 £m	31 March 2025 £m
Current liabilities		
Bank loans and overdrafts due within one year or on demand		
Secured	0.7	0.6
Unsecured	315.3	–
	316.0	0.6
Lease obligations*	53.1	47.2
	369.1	47.8
Non-current liabilities		
Bank and other borrowings		
Secured	5.8	6.2
Unsecured	469.1	744.5
	474.9	750.7
Lease obligations*	254.2	227.4
	729.1	978.1

* Leases are secured against the assets to which they relate.

Notes to the consolidated Group financial statements (continued)

15. Bank and other borrowings (continued)

Repayment details

The total borrowings of the Group at 31 March are repayable as follows:

	31 March 2026		31 March 2025	
	Loans and overdrafts £m	Lease obligations £m	Loans and overdrafts £m	Lease obligations £m
Within one year	316.0	53.1	0.6	47.2
Between one and two years	469.8	46.3	297.7	41.4
Between two and three years	5.1	36.7	453.0	32.9
Between three and four years	–	32.5	–	25.6
Between four and five years	–	28.7	–	25.0
Greater than five years	–	110.0	–	102.5
	790.9	307.3	751.3	274.6

Borrowing facilities

The Group had the following undrawn committed borrowing facilities available at 31 March:

	31 March 2026 £m	31 March 2025 £m
Expiring in more than one year but not more than five years	600.0	775.0
	600.0	775.0

16. Provisions for other liabilities

	Contract/ warranty (a) £m	Employee related and business reorganisation costs (b) £m	Property (c) £m	Legal (d) £m	Other (e) £m	Total provisions £m
At 1 April 2025	97.0	15.2	17.6	6.0	2.5	138.3
Charge to income statement	70.3	7.3	4.7	25.6	7.8	115.7
Release to the income statement	(22.3)	(3.2)	(2.1)	(0.3)	(0.4)	(28.3)
Utilised in year	(20.7)	(5.2)	(0.1)	(0.3)	(1.0)	(27.3)
Unwinding of discount	2.0	0.1	0.2	–	–	2.3
Foreign exchange	0.5	0.1	0.2	–	–	0.8
At 31 March 2026	126.8	14.3	20.5	31.0	8.9	201.5
Current						119.7
Non-current						81.8
At 1 April 2024	117.8	12.4	23.5	2.5	2.0	158.2
Charge to income statement	31.5	8.3	7.1	4.0	1.3	52.2
Release to the income statement	(13.9)	(1.3)	(9.9)	–	(0.7)	(25.8)
Utilised in year	(42.3)	(5.0)	(0.5)	(0.5)	(0.3)	(48.6)
Reclassification	1.4	0.7	(2.3)	–	0.2	–
Disposal of business	–	–	(0.3)	–	–	(0.3)
Unwinding of discount	2.7	0.1	–	–	–	2.8
Foreign exchange	(0.2)	–	–	–	–	(0.2)
At 31 March 2025	97.0	15.2	17.6	6.0	2.5	138.3
Current						80.2
Non-current						58.1

- a) Contract/warranty provisions relate to onerous contracts and warranty obligations on completed contracts and disposals. Warranty provisions are provided in the normal course of business and recognised when the underlying products and services are sold. The provision is based on an assessment of future claims with reference to historical warranty data and a weighting of possible outcomes. Onerous contracts relate to expected future losses on contracts with customers – notably Type 31 as outlined in note 1.
- b) Employee related and business reorganisation costs relate to business restructuring activities including announced redundancies in addition to employee related provisions other than employee benefits.
- c) Property and other provisions primarily relate to dilapidation costs and contractual obligations in respect of infrastructure.
- d) Legal provisions relate to ongoing legal matters – this category has been disaggregated from other provisions during the period as a result of the material closing balance in 2026. The increase in legal provisions includes an unexpected court judgement in a legacy overseas legal case. The £25.6 million in amounts charged to the income statement includes £17.0 million classified as operating expenses (of which approximately half relates to the unexpected court judgement) and £8.6 million classified as interest expenses. The timing and extent of cash flows in regards to legal provisions is uncertain pending any appeal process and associated outcome.
- e) Other provisions include environmental provisions and provisions for insurance claims arising within the Group's captive insurance company, Chepstow Insurance Limited. They relate to specific claims assessed in accordance with the advice of independent actuaries.

Included within provisions is £7.4 million (2025: £7.0 million) expected to be utilised over approximately 10 years. Other than these provisions the Group's non-current provisions are expected to be utilised within two to five years.

Notes to the consolidated Group financial statements (continued)

17. Retirement benefits and liabilities

The Group has a number of defined benefit pension schemes. The principal defined benefit pension schemes in the UK are the Devonport Royal Dockyard Pension Scheme ('DRDPS'), the Babcock International Group Pension Scheme ('BIGPS') and the Rosyth Royal Dockyard Pension Scheme (together, 'the Principal schemes'). Each of these schemes is predominantly a final salary plan in which future pension levels are defined relative to number of years' service and final salary. Retirement age varies by scheme. The nature of these schemes is that the employees only contribute whilst they are active employees of a scheme, with the employer paying the balance of the cost required. All principal schemes are closed to future accrual of benefits. The contributions required and the assessment of the assets and the liabilities that have accrued to members and any deficit recovery payments required are agreed by the Group with the trustees of each scheme who are advised by independent, qualified actuaries.

The Group also participates in the Babcock Rail Ltd Shared Cost Section of the Railways Pension Scheme ('the Railways scheme'). This scheme is a multi-employer shared cost scheme with the contributions required, the assessment of the assets and the liabilities that have accrued to members and any deficit recovery payments all agreed with the trustees who are advised by an independent, qualified actuary. The costs are, in the first instance, shared such that the active employees contribute 40% of the cost of providing the benefits and the employer contributes 60%. However, the assumption is that as the active membership reduces, the liability will ultimately revert to the Group, and as such, it is assumed that the entire cost of the Railways Scheme is met by the Group. The Group's share of the assets and liabilities is separately identified to those of other employers in the scheme and therefore the Group cannot be held liable for the obligations of other entities that participate in the Railways scheme.

The Group's balance sheet includes the assets and liabilities of the pension schemes calculated on an IAS 19 basis. At 31 March 2026, the net position was a deficit of £34.0 million (2025: deficit of £8.4 million). These valuations are based on discounting using corporate bond yields.

The fair value of the assets and the present value of the liabilities of the Group pension schemes at 31 March were as follows:

	2026				2025			
	Principal schemes £m	Railways scheme £m	Other schemes £m	Total £m	Principal schemes £m	Railways scheme £m	Other schemes £m	Total £m
Fair value of plan assets								
Growth assets								
Equities and equity-related derivatives	154.5	9.8	11.3	175.6	56.2	9.5	27.4	93.1
Property funds	145.8	–	3.5	149.3	147.7	0.1	5.1	152.9
High yield bonds/emerging market debt	–	–	6.0	6.0	–	–	0.4	0.4
Absolute return and multi-strategy funds	1.3	107.8	48.5	157.6	1.5	110.7	30.9	143.1
Low-risk assets								
Bonds	1,143.6	10.1	33.6	1,187.3	992.6	10.7	52.5	1,055.8
Matching assets	1,235.1	70.9	75.3	1,381.3	1,513.0	68.5	48.9	1,630.4
Longevity swaps and annuities	(239.4)	–	(10.2)	(249.6)	(234.6)	–	(10.1)	(244.7)
Fair value of assets before impact of asset ceiling	2,440.9	198.6	168.0	2,807.5	2,476.4	199.5	155.1	2,831.0
Impact of IFRIC 14 asset ceiling	–	–	(3.1)	(3.1)	–	–	–	–
Fair value of assets	2,440.9	198.6	164.9	2,804.4	2,476.4	199.5	155.1	2,831.0
Percentage of assets quoted	89%	38%	10%	81%	83%	–	33%	74%
Percentage of assets unquoted	11%	62%	90%	19%	17%	100%	67%	26%
Present value of defined benefit obligations								
Active members	–	28.0	71.4	99.4	–	27.4	71.9	99.3
Deferred pensioners	791.3	60.1	27.3	878.7	819.6	58.0	26.3	903.9
Pensioners	1,695.4	118.0	46.9	1,860.3	1,668.5	125.7	42.0	1,836.2
Total defined benefit obligations	2,486.7	206.1	145.6	2,838.4	2,488.1	211.1	140.2	2,839.4
Net (liabilities)/assets recognised in the statement of financial position	(45.8)	(7.5)	19.3	(34.0)	(11.7)	(11.6)	14.9	(8.4)

The schemes do not invest directly in assets or shares of the Group.

The longevity swaps have been valued in line with assumptions that are consistent with the requirements of IFRS 13 using Level 3 inputs. The key inputs to the valuation are the discount rate and mortality assumptions.

17. Retirement benefits and liabilities (continued)

Analysis of movement in the Group statement of financial position

	Year ended 31 March 2026				Year ended 31 March 2025			
	Principal schemes £m	Railways scheme £m	Other schemes £m	Total £m	Principal schemes £m	Railways scheme £m	Other schemes £m	Total £m
Fair value of plan assets								
At 1 April	2,476.4	199.5	155.1	2,831.0	2,739.0	235.1	110.2	3,084.3
Interest on assets	136.9	11.0	9.0	156.9	124.4	11.0	6.7	142.1
Actuarial loss on assets	(17.5)	2.0	3.7	(11.8)	(239.8)	(34.8)	(18.0)	(292.6)
Employer contributions	25.0	0.2	6.5	31.7	99.7	0.5	6.8	107.0
Employee contributions	–	–	–	–	–	–	–	–
Benefits paid	(179.9)	(14.1)	(6.3)	(200.3)	(192.0)	(12.3)	(5.5)	(209.8)
Settlements	–	–	–	–	(54.9)	–	54.9	–
At 31 March	2,440.9	198.6	168.0	2,807.5	2,476.4	199.5	155.1	2,831.0
Impact of IFRIC 14 asset ceiling	–	–	(3.1)	(3.1)	–	–	–	–
Fair value of assets	2,440.9	198.6	164.9	2,804.4	2,476.4	199.5	155.1	2,831.0
Present value of benefit obligations								
At 1 April	2,488.1	211.1	140.2	2,839.4	2,856.2	237.4	100.4	3,194.0
Current service cost	–	–	3.4	3.4	7.9	0.1	3.1	11.1
Incurred expenses	3.9	0.2	0.8	4.9	6.1	0.4	0.3	6.8
Past service cost	–	–	–	–	(1.2)	–	–	(1.2)
Interest cost	136.9	11.6	8.0	156.5	129.5	11.1	6.0	146.6
Employee contributions	–	–	–	–	–	–	–	–
Experience loss	24.4	1.0	3.6	29.0	9.4	0.5	1.9	11.8
Actuarial loss/(gain) – demographics	36.7	1.0	(0.7)	37.0	(4.0)	(0.4)	(0.3)	(4.7)
Actuarial gain – financial	(23.4)	(4.7)	(3.4)	(31.5)	(272.4)	(25.7)	(17.1)	(315.2)
Benefits paid	(179.9)	(14.1)	(6.3)	(200.3)	(192.0)	(12.3)	(5.5)	(209.8)
Settlements	–	–	–	–	(51.4)	–	51.4	–
At 31 March	2,486.7	206.1	145.6	2,838.4	2,488.1	211.1	140.2	2,839.4
Net (deficit)/surplus at 31 March	(45.8)	(7.5)	19.3	(34.0)	(11.7)	(11.6)	14.9	(8.4)

The movement in net deficits for the year ended 31 March 2026 is as a result of the movement in assets and liabilities shown above.

Notes to the consolidated Group financial statements (continued)

17. Retirement benefits and liabilities (continued)

The latest full actuarial valuations of the Group's defined benefit pension schemes have been updated to 31 March 2026 by independent qualified actuaries for IAS 19 purposes, on a best estimate basis, using the following assumptions:

	Devonport Royal Dockyard Scheme	Babcock International Group Scheme	Rosyth Royal Dockyard Scheme	Babcock Rail Ltd section of the Railways Pension Scheme
March 2026				
Rate of increase in pensionable salaries	3.20%	–	–	0.50%
Rate of increase in pensions (past service)	3.00%	3.25%	3.35%	2.95%
Discount rate	6.00%	5.95%	6.00%	6.10%
Inflation rate (RPI)	3.35%	3.35%	3.35%	3.30%
Inflation rate (CPI)	3.00%	3.00%	3.00%	2.90%
Weighted average duration of cash flows (years)	11	10	11	12
Total life expectancy for current pensioners aged 65 (years) – male	85.5	86.7	84.9	85.2
Total life expectancy for current pensioners aged 65 (years) – female	87.4	89.0	86.9	87.3
Total life expectancy for future pensioners currently aged 45 (years) – male	86.6	87.4	85.9	86.2
Total life expectancy for future pensioners currently aged 45 (years) – female	88.8	89.9	88.1	88.5
March 2025				
Rate of increase in pensionable salaries	2.90%	–	–	0.50%
Rate of increase in pensions (past service)	2.70%	3.00%	3.10%	2.70%
Discount rate	5.70%	5.70%	5.70%	5.70%
Inflation rate (RPI)	3.10%	3.10%	3.10%	3.10%
Inflation rate (CPI)	2.70%	2.70%	2.70%	2.70%
Weighted average duration of cash flows (years)	11	10	11	12
Total life expectancy for current pensioners aged 65 (years) – male	85.2	86.1	84.5	84.9
Total life expectancy for current pensioners aged 65 (years) – female	87.3	88.8	86.8	87.2
Total life expectancy for future pensioners currently aged 45 (years) – male	86.2	87.1	85.6	85.9
Total life expectancy for future pensioners currently aged 45 (years) – female	88.5	89.9	88.0	88.4

Amounts recognised in the Group income statement

	2026				2025			
	Principal schemes £m	Railways scheme £m	Other schemes £m	Total £m	Principal schemes £m	Railways scheme £m	Other schemes £m	Total £m
Current service cost	–	–	3.4	3.4	7.9	0.1	3.1	11.1
Incurred expenses	3.9	0.2	0.8	4.9	6.1	0.4	0.3	6.8
Past service cost	–	–	–	–	(1.2)	–	–	(1.2)
Total included within operating profit	3.9	0.2	4.2	8.3	12.8	0.5	3.4	16.7
Net interest cost/(credit)	–	0.6	(1.0)	(0.4)	5.1	0.1	(0.7)	4.5
Total included within income statement	3.9	0.8	3.2	7.9	17.9	0.6	2.7	21.2

17. Retirement benefits and liabilities (continued)

Amounts recorded in the Group statement of comprehensive income

	Year ended 31 March 2026				Year ended 31 March 2025			
	Principal schemes £m	Railways scheme £m	Other schemes £m	Total £m	Principal schemes £m	Railways scheme £m	Other schemes £m	Total £m
Actual return less interest on pension scheme assets	(17.5)	2.0	3.7	(11.8)	(239.8)	(34.8)	(18.0)	(292.6)
Experience losses arising on scheme liabilities	(24.4)	(1.0)	(3.6)	(29.0)	(9.4)	(0.5)	(1.9)	(11.8)
Changes in assumptions on scheme liabilities	(13.3)	3.7	4.1	(5.5)	276.4	26.1	17.4	319.9
Asset ceiling restriction	-	-	(3.1)	(3.1)	-	-	-	-
At 31 March	(55.2)	4.7	1.1	(49.4)	27.2	(9.2)	(2.5)	15.5

The disclosures below relate to post-retirement benefit schemes which are accounted for as defined benefit schemes in accordance with IAS 19. The changes to the Group statement of financial position at 31 March 2026 and the changes to the Group income statement for the year to March 2026, if the assumptions were sensitised by the amounts below, would be:

	Defined benefit obligations 2026 £m	Income statement 2027 £m
Initial assumptions	2,838.4	8.8
Discount rate assumptions increased by 0.5%	(144.7)	(9.6)
Discount rate assumptions decreased by 0.5%	159.0	8.9
Inflation rate assumptions increased by 0.5%	112.8	7.0
Inflation rate assumptions decreased by 0.5%	(106.3)	(6.6)
Total life expectancy increased by half a year	52.5	3.2
Total life expectancy decreased by half a year	(52.3)	(3.2)
Salary increase assumptions increased by 0.5%	5.6	0.5
Salary increase assumptions decreased by 0.5%	(5.4)	(0.4)

The figures in the table above have been calculated on an approximate basis, using information about the expected future benefit payments out of the schemes. The analysis above may not be representative of actual changes to the position since changes in assumptions are unlikely to happen in isolation. The change in inflation rates is assumed to affect the assumed rate of RPI inflation, CPI inflation and future pension increases by an equal amount. The fair value of the schemes' assets (including reimbursement rights) are assumed not to be affected by any sensitivity changes shown and so the statement of financial position values would increase or decrease by the same amount as the change in the defined benefit obligations. There have been no changes in the methodology for the calculation of the sensitivities since the prior year.

18. Changes in net debt including loans to joint ventures and associates and lease receivables

	31 March 2025 £m	Cash flow £m	Lease interest £m	Additional leases £m	Other non-cash movement ¹ £m	Changes in fair value £m	Exchange movement £m	31 March 2026 £m
Cash and bank balances	646.6	87.4	-	-	-	-	5.9	739.9
Bank overdrafts	(0.1)	(16.2)	-	-	-	-	-	(16.3)
Cash, cash equivalents and bank overdrafts	646.5	71.2	-	-	-	-	5.9	723.6
Debt	(751.2)	3.0	-	-	(3.1)	(13.0)	(10.3)	(774.6)
Derivatives hedging Group debt	(10.8)	-	-	-	-	7.7	-	(3.1)
Lease liabilities	(274.6)	61.6	(17.1)	(73.1)	-	-	(4.1)	(307.3)
Changes in liabilities from financing arrangements	(1,036.6)	64.6	(17.1)	(73.1)	(3.1)	(5.3)	(14.4)	(1,085.0)
Lease receivables	44.6	(66.3)	5.2	60.9	-	-	1.5	45.9
Loans to joint ventures and associates	3.6	(0.2)	-	-	(0.1)	-	-	3.3
Derivatives hedging interest on Group debt	(31.4)	-	-	-	-	14.6	-	(16.8)
Net debt	(373.3)	69.3	(11.9)	(12.2)	(3.2)	9.3	(7.0)	(329.0)

Notes to the consolidated Group financial statements (continued)

18. Changes in net debt including loans to joint ventures and associates and lease receivables (continued)

	31 March 2024 £m	Cash flow £m	Lease interest £m	Additional leases £m	Other non-cash movement [†] £m	Disposal of business £m	Changes in fair value £m	Exchange movement £m	31 March 2025 £m
Cash and bank balances	570.6	87.1	–	–	–	–	–	(11.1)	646.6
Bank overdrafts	(18.0)	18.2	–	–	–	–	–	(0.3)	(0.1)
Cash, cash equivalents and bank overdrafts	552.6	105.3	–	–	–	–	–	(11.4)	646.5
Debt	(749.5)	0.5	–	–	(2.1)	–	(4.7)	4.6	(751.2)
Derivatives hedging Group debt	(11.1)	–	–	–	–	–	0.3	–	(10.8)
Lease liabilities	(230.5)	59.5	(14.1)	(96.2)	–	1.1	–	5.6	(274.6)
Changes in liabilities from financing arrangements	(991.1)	60.0	(14.1)	(96.2)	(2.1)	1.1	(4.4)	10.2	(1,036.6)
Lease receivables	35.5	(20.7)	5.0	24.7	–	–	–	0.1	44.6
Loans to joint ventures and associates	3.9	(0.3)	–	–	–	–	–	–	3.6
Derivatives hedging interest on Group debt	(36.3)	–	–	–	–	–	4.9	–	(31.4)
Net debt	(435.4)	144.3	(9.1)	(71.5)	(2.1)	1.1	0.5	(1.1)	(373.3)

[†] Other non-cash movements predominantly relate to amortisation of loan fees.

19. Contingent liabilities

A contingent liability is a possible obligation arising from past events whose existence will be confirmed only on the occurrence or non-occurrence of uncertain future events outside the Group's control, or a present obligation that is not recognised because it is not probable that an outflow of economic benefits will occur or the value of such outflow cannot be measured reliably. The Group does not recognise contingent liabilities. There are a number of contingent liabilities that arise in the normal course of business, including:

- The nature of the Group's long-term contracts means that there are reasonably frequent contractual issues, variations and renegotiations that arise in the ordinary course of business, including liabilities that arise on completion of contracts and on conclusion of relationships with joint ventures and associates. The Group takes account of the advice of experts, both internal and external, in making judgements on contractual issues and whether the outcome of negotiations will result in an obligation to the Group. The Directors do not believe that the outcome of these matters will result in any material adverse change in the Group's financial position.
- As a large contracting organisation, the Group has a significant number of contracts with customers to deliver services and products, as well as with its supply chain, where the Group cannot deliver all those services and products itself. The Group is involved in disputes and litigation, which have arisen in the course of its normal trading in connection with these contracts. Whilst the Directors do not believe that the outcome of these matters will result in any material adverse change in the Group's financial position, it is possible that, if any of these disputes come to court, the court may take a different view to the Group.
- The Group is subject to corporate and other tax rules in the jurisdictions in which it operates. Changes in tax rates, tax reliefs and tax laws, or interpretation of the law, by the relevant tax authorities may result in financial and reputational damage to the Group. This may affect the Group's financial condition and performance.
- The Group has given certain indemnities and warranties in the course of disposing of businesses and companies and in completing contracts. The Group believes that any liability in respect of these is unlikely to have a material effect on the Group's financial position.
- Corporate rules in those jurisdictions may also extend to compensatory trade agreements, or economic offset rules, where we may have to commit to use local content in delivering programmes of work. Delivery of offset is also subject to interpretations of law and agreement with local authorities, which we monitor closely but may give rise to financial and reputational damage to the Group if not undertaken appropriately.

20. Capital and other financial commitments

Capital commitments

	31 March 2026 £m	31 March 2025 £m
Contracts placed for future capital expenditure not provided for in the financial statements	14.2	17.1

21. Events after the reporting period

The Group announced a further £200 million share buyback programme on 13 May 2026 (subsequent to the £200 million share buyback programme announced in June 2025 and completed in April 2026). This buyback programme is planned to be executed over the course of the year ended 31 March 2027. This will reduce cash and the number of shares in issue and impact future earnings per share.

In June 2026, the Group utilised the ability to extend the Maturity Date of the RCF by a further 365 days to 18 July 2031.

There were no other events after the reporting period which would materially impact the balances reported in the preliminary financial statements.

Notes to the consolidated Group financial statements (continued)

AGM information

This year's Annual General Meeting will be held on 16 September 2025. Details of the resolutions to be proposed at that meeting will be included in the Notice of Annual General Meeting.

At our Annual General Meeting in 2007 our shareholders unanimously agreed to proposals to allow us to use electronic communications with them as allowed for under the Companies Act 2006. For shareholders who agreed, or who are treated as having agreed, to receive electronic communications, the Company website is now the main way for them to access shareholder information. These shareholders will be sent a 'notice of availability' notifying them when the Annual Report and Accounts and Notice of Annual General Meeting are available on the Company website www.babcockinternational.com. Hard copies of the Annual Report and Accounts and Notice of Annual General Meeting will be distributed to those shareholders who have requested or subsequently request them. Additional copies will be available from the Company's registered office 33 Wigmore Street, London, W1U 1QX.

Forward-looking statements

Certain statements in this announcement are forward-looking statements. Such statements may relate to Babcock's business, strategy and plans. Statements that are not historical facts, including statements about Babcock's or its management's beliefs and expectations, are forward-looking statements. Words such as 'believe', 'anticipate', 'estimates', 'expects', 'intends', 'aims', 'potential', 'will', 'would', 'could', 'considered', 'likely', and variations of these words and similar future or conditional expressions are intended to identify forward-looking statements but are not the exclusive means of doing so. By their nature, forward-looking statements involve a number of risks, uncertainties or assumptions, some known and some unknown, many of which are beyond Babcock's control that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. These risks, uncertainties or assumptions could adversely affect the outcome and financial effects of the plans and events described herein. Forward-looking statements contained in this announcement regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Nor are they indicative of future performance and Babcock's actual results of operations and financial condition and the development of the industry and markets in which Babcock operates may differ materially from those made in or suggested by the forward-looking statements. You should not place undue reliance on forward-looking statements because such statements relate to events and depend on circumstances that may or may not occur in the future. Except as required by law, Babcock is under no obligation to update (and will not) or keep current the forward-looking statements contained herein or to correct any inaccuracies which may become apparent in such forward-looking statements.

Forward-looking statements reflect Babcock's judgement at the time of preparation of this announcement and are not intended to give any assurance as to future results.

The condensed consolidated Group financial statements were approved by the Board of Directors on 19 June 2026 and are signed on its behalf by:

D Lockwood
Director

D Mellors
Director