14 November 2023

Strong start to the year, full year expectations unchanged

Statutory results

	30 September 2023	30 September 2022
Revenue	£2,177.0m	£2,144.0m
Operating profit	£144.2m	£72.8m
Basic earnings per share	20.4p	6.8p
Cash generated from operations	£163.2m	£75.2m

Underlying results (ii)

	30 September 2023	30 September 2022
Contract backlog (i)	£9.6bn	£9.9bn
Underlying operating profit	£154.4m	£121.7m
Underlying operating margin	7.1%	5.7%
Underlying basic earnings per share	20.6p	15.8p
Dividend per share	1.7p	-
Underlying free cash flow	£67.2m	£(24.7)m
Net debt	£(492.5)m	£(1,039.4)m
Net debt excluding operating leases	£(287.8)m	£(629.3)m
Net debt/EBITDA (covenant basis)	1.1x	1.9x

David Lockwood, Chief Executive Officer, said:

"We have made a strong start to the year, as we continue to build on the exciting momentum we see across the Group. We are delivering for our customers, reducing risk and positioning for growth through a number of significant new global teaming agreements.

"We have a clear capital allocation policy, which is providing the Group with the flexibility it needs to capture the growing number of value creation opportunities we see ahead. We are reinstating our dividend following a four-year hiatus, reflecting our confidence in the future, and our expectations for the full year remain unchanged."

Financial highlights

- **Contract backlog** £9.6 billion, down year-on-year due to the impact of disposals, up slightly since year end
- **Revenue** up 2% to £2,177 million. Organic growth of 18%, including major infrastructure programme growth, offset FY23 disposals
- **Underlying operating profit** up 27% to £154 million, ahead of expectations, primarily due to earlier than anticipated receipt of licence income from the Polish frigate programme
- **Underlying operating margin** increased 140 basis points to 7.1%, boosted by the licence income
- **Underlying basic earnings per share** up 30% to 20.6p
- **Underlying free cash flow** of £67 million, driven by 82% underlying operating cash conversion
- **Net debt to EBITDA** reduced to 1.1x on a covenant basis (FY23: 1.5x). Net debt reduced by £72 million to £493 million
- **Dividend reinstated** following a four-year hiatus. The interim dividend of 1.7 pence per share is expected to be around a third of the full year dividend

Outlook

The Board's expectations for another year of organic revenue growth, underlying operating margin expansion and positive cash flow generation are unchanged, and we continue to build momentum to achieve the medium-term guidance set out within our FY23 results

Strategic highlights

- Strategic cooperation agreement with Saab, including the development of an advanced naval corvette design
- Collaboration agreement with Huntington Ingalls Industries (HII) for US and UK naval and civil nuclear opportunities
- Teaming partnership with HII to collaborate on nuclear-powered submarine capabilities to support the AUKUS endeavour
- Babcock Skills Academy launched in Devonport to develop submarine support capabilities in our growing workforce
- Babcock General Logistics Vehicle (GLV) launched to target the upcoming UK Army Land Rover replacement programme
- Established partnership with Zero Petroleum to explore the use of synthetic fuels across air defence platforms

Operational highlights

Marine

- Type 31: HMS Venturer (ship 1) superstructure progressing, keel laid for HMS Active (ship 2)
- Critical Design Review completed for the UK Royal Navy's next-generation Maritime Electronic Warfare Programme
- Cut steel on first MIECZNIK Class frigate for the Polish Navy. Three Arrowhead 140 licences delivered

Nuclear

- Major Infrastructure Programme (MIP) continuing to ramp up across Devonport Dockyard – revenue more than doubled to £218 million. Further contract (£750 million over four years) signed in November 2023
- Commenced deep maintenance and LIFEX on the second of the UK's Vanguard Class nuclear submarines, HMS Victorious
- Five-year contract with the UK MOD to collaborate on the Ship Submersible Nuclear AUKUS (SSN-A) submarine detailed design

Land

- Awarded second land defence contract to manage and maintain ground support equipment at military bases across France
- Babcock's contract to support UK-gifted platforms to Ukraine now operating at full capability
- Secured rebid on the six-year Royal Electro-Mechanical Engineers (REME) contract

Aviation

- Two additional H160 helicopters modified

Notes to statutory and underlying results on page 1

(i) Contract backlog: The £9.6 billion contract backlog represents amounts of future revenue under contract. This measure does not include £3.0 billion of work expected to be done by Babcock as part of framework agreements (HY23: £3.4 billion). Contract backlog and framework definitions can be found in the Financial Glossary on page 25.

(ii) Alternative Performance Measures (APMs):
The Group provides APMs, including underlying operating profit, underlying operating margin, underlying earnings per share, underlying operating cash flow, underlying free cash flow, and net debt to EBITDA 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.

CEO STATEMENT

The first half of FY24 has been another period of progress for the Group, both operationally and financially, as we continued to build on the good momentum with which we entered the financial year. We have delivered 18% organic revenue growth, 140 basis points of underlying operating margin(1) expansion and 82% underlying operating cash conversion(1), boosted by the receipt of licence fee income. Beyond the strong financial performance in the half, we have also made excellent operational and strategic progress, delivering on existing contract milestones and entering into some significant long-term partnerships, such as our wide-ranging Strategic Cooperation Agreement with Saab, which includes the development of an advanced corvette design and an agreement with HII to collaborate in naval and nuclear opportunities in the UK, US and Australia.

Equally critical, given that our people are paramount to our success, is the progress we have made in enhancing and strengthening our corporate culture. We were delighted with the increased levels of engagement and satisfaction we saw reflected in our recent Group wide employee survey and were proud to have been named in *The Engineer's* 'Top Ten Employers 2023' list in October. We enter the second half of the year with a strong order book and continue to be excited by the positive underlying trends and expanding opportunity set for the Group, which make us more confident than ever in the prospects for the business across the short, medium and long term.

HY24 results

We delivered strong financial results for the first six months of the financial year. Group revenue of £2,177 million was slightly up on the prior year. Organic revenue growth of 18%, including double-digit growth in three of our four sectors, more than offset the impact of disposals. Underlying operating margin(1) of 7.1% (HY23: 5.7%) and underlying free cash flow(1) of £67 million were both ahead of expectations, albeit largely due to earlier than expected licence receipts on the Polish MIECZNIK frigate programme. While the licences are one-off in nature, they demonstrate further progress on a key naval programme and, more broadly, the attractiveness to international markets of the modular Arrowhead 140 frigate design and our flexible acquisition model.

In April 2023, the Board stated its intention to reinstate a dividend in FY24, underpinned by our strengthened balance sheet and cash outlook. The Board has declared an interim dividend of 1.7 pence per share payable on 19 January 2024.

Increasing momentum and reducing risk

The global threat environment and geopolitical situation remains unstable, meaning that the services and products we provide across our diverse international footprint have never been more important, as reflected by the good operating and financial momentum across

In Poland, we finalised the design licence agreement with the PGZ-MIECZNIK consortium

Net finance costs decreased to £20.0 million on an underlying basis (HY23: £22.7 million) driven by lower net debt and interest charge on leases, partly offset by a £4.0 million change in IAS 19 retirement benefit interest. The decrease in reported net finance costs to £14.1 million (HY23: £28.2 million) also reflects changes in derivative fair value movements.

Taxation: The Group tax charge was £32.0 million. Tax on underlying profits was £35.3 million representing an underlying effective tax rate of 26%, in line with our assumption for this financial year.

Earnings per share: Basic earnings per share, on a statutory basis, increased to 20.4 pence (HY23: 16.8 pence). Underlying earnings per share increased 30% to 20.6 pence (HY23: 15.8 pence).

Dividend: An interim dividend of 1.7 pence per ordinary share (HY23: nil) is payable on 19 January 2024 to shareholders whose names appear on the register at the close of business on 24 November 2023. Shareholders may participate in the dividend re-investment plan and elections must be made by 28 December 2023. Details of the dividend re-investment plan can be found, and shareholders can make elections, at www.babcock-shares.com.

Exchange rates

The translation impact of foreign currency movements resulted in a decrease in revenue of £44.0 million and a decrease in underlying operating profit of £4.4 million. The main currencies that have impacted our results are the South African Rand, Australian Dollar and Canadian Dollar. Following disposal of the European AES business, the currencies with the greatest potential to impact results are the South African Rand and the Australian and Canadian Dollar:

- A 10% movement in the South African Rand against Sterling would affect revenue by around £31 million and underlying operating profit by around £2 million per annum
- A 10% movement in the Australian Dollar against Sterling would affect revenue by around £34 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 £14 million and underlying operating profit by around £1 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.

	30 September 2023 £m	30 September 2022 £m
Operating profit	**144.2**	72.8
Add back: specific adjusting items	10.2	48.9
Underlying operating profit	**154.4**	121.7
Right of use asset depreciation	18.9	52.5
Other depreciation & amortisation	30.1	45.7
Non-cash items	7.2	(2.2)
Working capital movements	(5.6)	(48.8)
Provisions	(2.0)	(0.8)
Net capital expenditure	(51.9)	(36.9)
Lease principal payments	(24.5)	(54.2)
Underlying operating cash flow	**126.6**	77.0
Cash conversion %	82%	*63%*
Pension contributions in excess of income statement	(39.6)	(76.2)
Interest paid (net)	(13.5)	(14.1)
Tax paid	(12.9)	(12.2)
Dividends from joint ventures and associates	6.8	5.1
Cash flows related to exceptional items	(0.2)	(4.3)
Underlying free cash flow	**67.2**	(24.7)
Net acquisitions and disposals of subsidiaries	-	(12.1)
Purchase of own shares	(7.5)	-
Lease principal payments	24.5	54.2
Net new lease arrangements	(16.4)	(37.0)
Other non-cash debt movements	(1.8)	(0.8)
Clarification of net debt definition	-	(36.1)
Fair value movement in debt and related derivatives	1.7	31.7
Exchange movements	4.2	(45.9)
Movement in net debt	**71.9**	(70.7)
Opening net debt	(564.4)	(968.7)
Closing net debt	**(492.5)**	(1,039.4)
Add back: operating leases	204.7	410.1
Closing net debt excluding operating leases	**(287.8)**	(629.3)

A full statutory cash flow statement can be found on page 34 and a reconciliation to net debt on page 12.

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

	30 September 2023 £m	30 September 2022 £m
Underlying operating cash flow	126.6	77.0
Add: net capex	51.9	36.9
Add: capital element of lease payments	24.5	54.2
Less: pension contributions in excess of income statement	(39.6)	(76.2)
Non-operating cash items (excluded from underlying cash flow)	(0.2)	(16.7)
Cash generated from operations	163.2	75.2
Tax paid	(12.9)	(12.2)
Net interest paid	(13.5)	(14.1)
Net cash flows from operating activities	136.8	48.9

Net debt

Net debt at 30 September 2023 was £492.5 million, representing a reduction of £71.9 million compared to the beginning of the financial year. This reduction was driven by positive cash flow. The reconciliation of net cash flow to net debt is shown in the table below.

Excluding operating leases, net debt was £287.8 million, representing a reduction of £58.4 million compared to the beginning of th

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, the Babcock International Group Pension Scheme and the Rosyth Royal Dockyard Pension Scheme (the Principal schemes).

We completed the regeneration of Sandown Class Mine Counter Measure Vessels (MCM) at our Rosyth dockyard for onward sale from the Royal Navy to new international customers. Two of the vessels have been successfully handed over to the Ukrainian Navy and the remaining two have been sold to the Romanian Navy. Babcock will continue to assist both navies with practical and technical support.

In Mission Systems, we have provided support for the Royal Navy's Phalanx Close-In Weapon System since 2006. During the period, we were awarded a three-year extension to continue our critical support for up to 41 systems including nine overhauls and upgrades.

On the Skynet programme, we continue the mobilisation phase work closely with our customer, culminating in a recent design definition review event which was a positive step towards operational service commencement in 2024.

We achieved the Critical Design Review in the delivery of the UK Royal Navy's next-generation Maritime Electronic Warfare Systems Integrated Capability (MEWSIC) to install cutting edge radar and electronic command and control systems across the new Type 31 and Type 26 frigates, Type 45 air-defence destroyers and QEC aircraft carriers.

Babcock is now on contract to deliver major systems modules for all four Dreadnought Class submarines with a contract uplift for the

In New Zealand, the Marine Fleet Sustainment Services (MFSS) contract – providing support to the entire Royal New Zealand Navy fleet – has entered the second phase (1 July 2023 – 30 June 2024) of a total of eight relevant periods. In addition, in April 2023, Babcock completed the regeneration and modification of two decommissioned Royal New Zealand Navy inshore patrol vessels for handover to the Irish Naval Service.

Energy and Marine

Our Liquid Gas Engineering business (LGE) marked two significant milestones for our ecoSMRT® programme, securing over 100 orders since the product was launched four years ago, with 50 systems now manufactured and delivered for installation on Liquefied Natural Gas (LNG) carriers for a range of global shipowners.

We were also awarded a cutting-edge ecoCO2® cargo handling system contract for two 22,000m³ liquefied CO_2 (LCO2) carriers, a first for our South Korean customer.

During the period, contracts were secured for 15 Very Large Ethane Carriers (VLECs) at Jiangnan Shipyard for shipowners Tianjin Southwest and Pacific Gas. Our LGE business also signed an Agreement in Principle from classification society Lloyd's Register for its multi-fuel gas supply and CO_2 carrier designs.

Also at Rosyth dockyard, we welcomed two of the UK's fleet of scientific research vessels for planned maintenance. RRS Discovery and RRS Sir David Attenborough spent a total of 16 weeks at Rosyth undergoing through-life support. All three scientific research vessels will return to Rosyth in 2024.

Nuclear

Operational highlights

- Significant ramp up on the Major Infrastructure Programme continuing across Devonport Dockyard. Further contract (£750 million over four years) signed in November 2023.
- Commenced deep maintenance and LIFEX of the second of the UK's Vanguard Class nuclear submarines, HMS Victorious
- Launched the Babcock Skills Academy, to meet evolving capability requirements for our growing workforce
- Awarded contract from UK MOD to collaborate on support requirements for the future Dreadnought Class submarines
- Awarded a five-year contract from UK MOD to collaborate on the detailed design for the Ship Submersible Nuclear AUKUS
- Awarded a five-year civil nuclear Magnox decommissioning project at Hinkley Point A
- Entered into a strategic agreement with HII to collaborate on naval and civil nuclear opportunities in the UK and US
- Teaming partnership with HII to collaborate on nuclear-powered submarine capability to support the AUKUS endeavour

Financial review

	30 September 2022 £m	FX impact £m	Acquisitions & disposals £m	Organic £m	30 September 2023 £m
Contract backlog*	2,547				2,400
Revenue	558.2	-	-	152.6	710.8
Underlying operating profit*	30.1	-	-	15.1	45.2
Underlying operating margin*	5.4%				6.4%

*Alternative Performance Measures are defined in the Financial Glossary on page 25

Revenue grew by 27% to £710.8 million, driven principally by the further ramp up of the Major Infrastructure Programme (MIP) at Devonport dockyard, as well as increased submarine support activity at the Faslane naval base and continued growth in our civil nuclear business. MIP revenue more than doubled in the period to £218 million (HY23: £105 million).

Underlying operating profit increased to £45.2 million from £30.1 million in HY23, which included a £6 million programme provision. The increase over the prior period was also driven by a higher contribution from MIP revenue (which is lower margin) and increased civil nuclear activity, which more than offset the impact of future inflation assumptions on programmes. As a result, operating margin increased to 6.4% (HY23: 5.4%).

Contract backlog decreased 6% year on year to £2,400 million (HY23: £2,547 million) due to the trading of long-term contracts, specifically our Future Maritime Support Programme (FMSP) contract. In November 2023, we signed a further contract with the UK MOD's Submarine Delivery Agency

Our ambition to develop a portfolio of product-based offerings remains on track. In February 2023, we were awarded a contract from the UK MOD, in collaboration with Devon-based Supacat, to deliver an order of 70 High Mobility Transporters (HMT 400 series). The contract mobilisation is well underway, with a new production line established to manufacture the platforms within the free port of Devonport. Discussions are underway with the UK MOD for a follow-on order for a further 80 HMTs.

The Babcock General Logistics Vehicle (GLV) was launched at the UK's Defence Security and Equipment International conference (DSEI) in September 2023. The GLV is designed to target the upcoming UK MOD tender to replace the current British Army Land Rover fleet. The successful launch event also initiated additional opportunities worldwide. The ground-breaking GLV is built around the proven Toyota Land Cruiser 70 series platform which is used by militaries and aid agencies around the world.

In our Vehicle Engineering business, we have secured all competed UK Government contracts to procure Toyota LC300 Civilian Armoured Vehicles.

Our Defence Training business performed well across all contracts. We secured the rebid on the six-year long Royal Electro-Mechanical Engineering Apprenticeships contract (REME) out to August 2029. We were also awarded an additional six-month extension of our Training Maintenance And Support Services (TMASS) contract while we continue to await the outcome of the Armour Support Centre contract. We continue to have positive engagement with the customer as part of the bid process as they develop their Army Collective Training System.

During the period, we have been awarded a three-year contract, in support of Mabway, for the provision of support to the design, preparation and delivery of training exercises, expected to replace our current Hannibal contract.

In France, we have successfully completed the transition of the ground support equipment contract for assets and equipment across the French Army, Navy and Air Force through a 10-year contract. Programme performance after six months is good and remains in line with customer expectations, delivering support activities from 22 sites across mainw p2 Tc -6.qyo-with 6cyv43to await the7eB9l0141247 Tchm.025

Aviation

- Two additional H160 military helicopters modified and delivered to the French Navy as part of a 10-year contract
- Awarded a four-year extension with the South Australian Government for aerial emergency services
- Signed the Defence Aviation Net Zero Charter to demonstrate our commitment to sustainability
- Partnered with Zero Petroleum to explore the use of synthetic fuels across air defence platforms
- Awarded a four-year contract for support of H145 aircraft with French Securité Civile, partnered with Airbus

Financial review

	30 September 2022 £m	FX impact £m	Acquisitions & disposals £m	Organic £m	30 September 2023 £m
Contract backlog*	2,450				1,573
Revenue	441.2	(5.9)	(226.2)	(38.6)	170.5

Bidding activity on defence tenders remains buoyant as we bid for Mentor II, a contract for the outsourcing of initial training of French military pilots and another contract for the outsourcing of French Air Force tactical and combat training.

In Canada, during the period, we learned that Babcock Leonardo Canadian Aircrew Training joint venture was not selected to deliver the Future Aircrew Training (FAcT) programme. Babcock continues to explore opportunities to support the Royal Canadian Air Force in the future.

Aerial emergency services

Following completion of the sale of certain of our European AES businesses to Ancala Partners on 28 February 2023, Babcock has retained its AES businesses in its focus countries of the UK, France, Canada and Australia, where the Group also operates defence businesses.

In Australia, we were awarded a four-year extension in October 2023 for the delivery of emergency medical services, search and rescue and airborne law enforcement services for the South Australian State Rescue Helicopter Service (SRHS). The existing fleet of the Bell

Financial Glossary – Alternative Performance Measures

The Group provides Alternative Performance Measures (APMs), including underlying operating profit, underlying operating margin, underlying earnings per share, underlying operating cash flow, underlying free cash flow, and net debt to EBITDA 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 of 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 year ended 31 March 2023. Further information on the Group's specific adjusting items, which is a critical accounting judgement, can be found in Note 2 of the interim financial statements.

Measure	Closest equivalent

Technological disruption: We have identified three main attributes to potential technological disruption that potentially effects Babcock. The digital change agenda both within our customers and internal to Babcock, our approach to data management and finally the disruption of new technology offerings. Risk Appetite: Low. Given the materially adverse nature of digital and data risks, Babcock look to recognise and eradicate the emergence of risks to operations where possible, hence risk appetite being set at low. Exploiting new technology in an appropriate manner can open new markets. However, Babcock does survey the market for new technology to develop into new opportunities. These are assessed for benefit individually and if deemed of interest, integrated into our research and development programme and managed with project management.

Regulatory & compliance: Our businesses are subject to the laws, regulations and restrictions of the many jurisdictions in which they operate. Risk Appetite: Low. Babcock always endeavours to act in line with best practices and regulatory requirements. Babcock has zero tolerance for regulatory risk around risks such as anti-bribery and corruption and modern slavery, the risk appetite allocation is therefore set at low

Talent management, retention and upskilling: We operate in many specialised engineering and technical domains, which require appropriate skills and experience. Risk Appetite: Medium. Avoidance of the risk would increase costs and necessitate over-resourcing resulting in potential negative workforce engagement and retention. Some risk is accepted given by sharing capability across our business and compensating for skills shortages in particular areas.

Acquisitions and disposals: We have built our core strengths 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 we believe that a business is not 'core',

Group income statement (unaudited)

	Note	Six months ended 30 September 2023 £m	Six months ended 30 September 2022 £m
Revenue	2,3	2,177.0	2,144.0
Operating costs		(2,032.8)	(2,071.2)
Operating profit	2,3	144.2	72.8
Share of results of joint ventures and associates	2,3	6.0	6.6
Finance income	4	10.2	10.1
Finance costs	4	(24.3)	(38.3)
Profit before tax	2,3	136.1	51.2
Income tax expense	2,5	(32.0)	(14.2)

Condensed consolidated statement of comprehensive income (unaudited)

	Six months ended 30 September 2023 £m	Six months ended 30 September 2022 £m
Profit for the period	104.1	37.0
Other comprehensive loss		
Items that may be subsequently reclassified to income statement		
Currency translation differences	(5.4)	7.7
Fair value adjustment of interest rate and foreign exchange hedges	3.1	–
Hedging (losses)/gains reclassified to profit and loss	(1.1)	2.9
Share of other comprehensive income of joint ventures and associates	0.4	3.1

Tax on items tc9(n)-TT4 1 Tf 8.5262 59t90.981(.1)-8())]TJ

Condensed consolidated statement of comprehensive income (unaudited)

	Share capital £m	Share premium £m	Other reserve £m	Capital redemption £m	Retained earnings £m	Hedging reserve £m	Translation reserve £m	Owners of the parent £m	Non-controlling interest £m	Total equity £m
At 1 April 2022	303.4	873.0	768.8	30.6	(1,241.4)	4.0	(56.4)	682.0	19.5	701.5
Profit for the period	–	–	–	–	34.6	–	–	34.6	2.4	37.0
Other comprehensive (loss)/income	–	–	–	–	(93.0)	6.0	8.4	(78.6)	(0.7)	(79.3)
Total comprehensive loss	–	–	–	–	(58.4)	6.0	8.4	(44.0)	1.7	(42.3)
Share-based payments	–	–	–	–	4.0	–	–	4.0	–	4.0
Tax on shared-based payments	–	–	–	–	(0.7)	–	–	(0.7)	–	(0.7)
Net movement in equity	–	–	–	–	(55.1)	6.0	8.4	(40.7)	1.7	(39.0)
At 30 September 2022	303.4	873.0	768.8	30.6						

Condensed consolidated statement of financial position (unaudited)

	Note	As at 30 September 2023 £m	As at 31 March 2023 £m
Assets			
Non-current assets			
Goodwill	6	780.7	781.4
Other intangible assets		145.2	140.8
Property, plant and equipment		487.3	478.5
Right of use assets		150.4	159.1
Investment in joint ventures and associates		57.0	57.4
Loans to joint ventures and associates		2.0	9.5
Retirement benefit surpluses	13	43.5	94.8
Other financial assets		6.7	7.3
Lease receivables		18.3	22.2
Derivatives		0.9	2.6
Deferred tax asset		129.5	112.2
Trade and other receivables	8	6.2	6.4
		1,827.7	1,872.2
Current assets			
Inventories		128.5	126.8
Trade and other receivables	8	542.0	506.9
Contract assets	8	340.0	322.5
Income tax receivable		3.2	7.7
Lease receivables		11.8	16.4
Assets held for sale		2.9	–
Other financial assets		1.0	1.4
Derivatives		3.8	4.3
Cash and cash equivalents	12	480.5	451.7
		1,513.7	1,437.7
Total assets		3,341.4	3,309.9
Equity and liabilities			
Equity attributable to			

Condensed consolidated cash flow statement (unaudited)

	Note	Six months ended 30 September 2023 £m	Six months ended 30 September 2022 £m
Cash flows from operating activities			
Profit for the period	2	104.1	37.0

1. Basis of preparation and significant accounting policies

These condensed consolidated half year financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting and the Disclosures and Transparency Rules of the Financial Services Authority, the Listing Rules and UK adopted International Financial Reporting Standards (IFRS). They should be read in conjunction with the annual report and financial statements for the year ended 31 March 2023, which were prepared in accordance with IFRS and the applicable legal requirements of the Companies Act 2006. These condensed consolidated half year financial statements do not comprise statutory accounts within the meaning of Section 435 of the Companies Act 2006. The annual report and financial statements for the year ended 31 March 2023 were reported upon by the Group's auditor and delivered to the registrar of companies. The report of the auditor on the annual report and financial statements for the year ended 31 March 2023 was unqualified, did not include a reference to any matters to which the

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

Key sources of estimation uncertainty (continued)

The carrying value of goodwill: Goodwill is tested annually for impairment, in accordance with IAS 36, Impairment of Assets ('IAS 36'). The impairment assessment is based on assumptions in relation to the cash flows expected to be generated by cash generating units ("CGUs"), together with appropriate

2. Adjustments between statutory and underlying information (continued)

Specific Adjusting Items include:

- Amortisation of acquired intangibles;
- Business acquisition, merger and divestment related items (being acquisitions 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;

2. Adjustments between statutory and underlying information (continued)

Details of Specific Adjusting Items

The impact of Specific Adjusting Items is set out below:

	Six months ended 30 September 2023 £m	Six months ended 30 September 2022 £m
Amortisation of acquired intangibles	(5.6)	(8.1)
Business acquisition, merger and divestment related items	(0.2)	(12.1)
Fair value movement on derivatives and related items	(4.4)	(28.7)
Adjusting items impacting operating profit	(10.2)	(48.9)
Fair value movement on derivatives and related items	5.9	(5.5)
Adjusting items impacting profit before tax	(4.3)	(54.4)
Adjusting items impacting income tax expense		
Amortisation of acquired intangibles	1.6	2.1
Business acquisition, merger and divestment related items	–	1.7
Fair value movement on derivatives and related items	(0.4)	5.1
Income tax effect of adjusting items impacting profit before tax	1.2	8.9
Income tax specific adjusting items	2.1	–
Total adjusting items impacting income tax	3.3	8.9
Adjusting items impacting profit after tax	(1.0)	(45.5)

3. Segmental information (continued)

The analysis of revenue for the periods ended 30 September 2023 and 30 September 2022 is as follows:

	Six months ended 30 September 2023 £m	Six months ended 30 September 2022 £m
Sale of goods – transferred at a point in time	181.4	163.6
Sale of goods – transferred over time	117.1	130.2
Sale of goods	298.5	293.8
Provision of services – transferred over time		

10. Financial instruments

The following table presents the Group's financial assets and liabilities:

30 September 2023 (£m)	Financial assets at fair value	Financial assets at amortised cost	Financial liabilities at fair value	Financial liabilities at amortised cost	Total carrying amount	Fair value
Non-current financial assets						
Loans to joint ventures and associates	–	2.0	–	–	2.0	2.0
Other financial assets	–	6.7	–	–	6.7	6.7

15. Related party transactions (continued)

30 September 2023	Revenue to (£m)	Purchases from (£m)	Period end receivables balance (£m)	Period end payables balance (£m)
Alert Communications Limited	3.5	–	0.9	–
AirTanker Services Limited				

Statement of Directors’ responsibilities

This half year report is the responsibility of the Directors who each confirms that, to the best of their knowledge:

- this condensed set of financial statements has been prepared in accordance with United Kingdom adopted IAS 34 (Interim Financial Reporting); and
- the interim management report herein includes a fair review of the information required by:
  - Rule 4.2.7 of the Disclosure & Transparency Rules (indication of the important events during the first six months, and their impact on the condensed set of financial statements, and a description of principal risks and uncertainties for the remaining six months of the year); and
  - Rule 4.2.8. of the Disclosure & Transparency Rules (disclosure of related parties’ transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or the performance of the entity during that period; and any changes in the related parties transactions described in the last annual report that could have a material effect on the financial position or performance of the enterprise in the first six months of the current financial year).

Approved by the Board and signed on behalf of the Directors by:

David Lockwood
Chief Executive

David Mellors