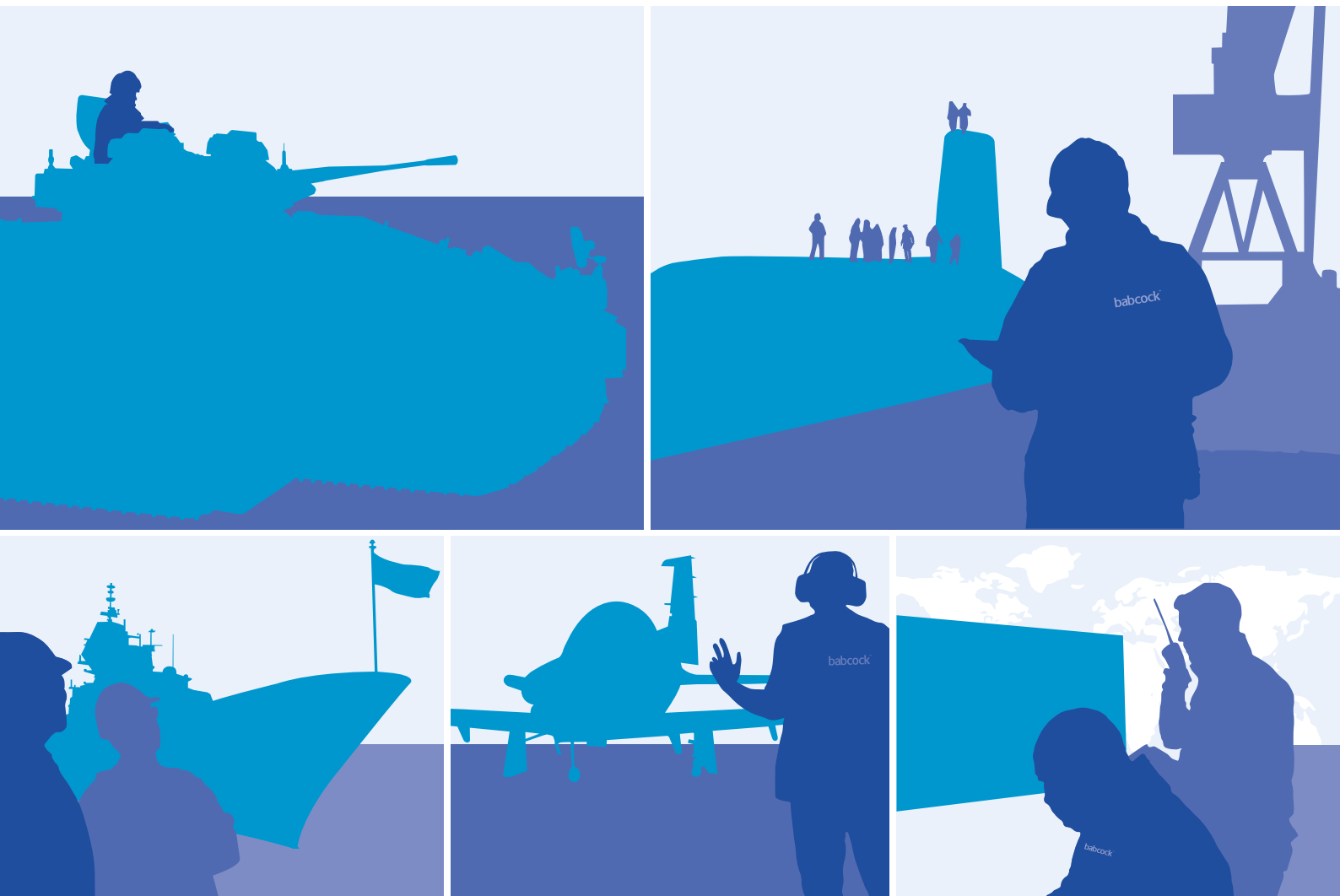


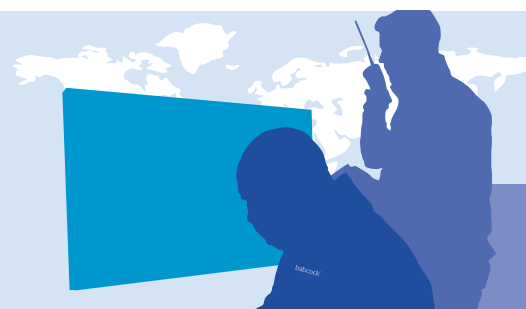
babcock™



What we do matters

Annual Report and Financial Statements 2024

What we do matters



Babcock is an international defence, aerospace and security company

Our mission has never been clearer: in times of geopolitical instability and disruption, we play a crucial role. More than ever, what we do matters

Creating a safe and secure world, together

Protecting lives, maintaining lines of defence, ensuring critical services and assets are readily available, affordable, future proof

Side by side with the armed forces

Enabling them to fulfil their duty, we make their mission, our mission. From nuclear submarines beneath the waves, to the latest land vehicle technology, to secure communications in space

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Forward-looking statements

Statements in this Annual Report, including those regarding the possible or assumed future or performance of Babcock or its industry, as well as any trend projections or statements about Babcock's or management's beliefs or expectations, may constitute forward-looking statements. By their nature, forward-looking statements involve known and unknown risks and uncertainties as well as other factors, many of which are beyond Babcock's control. These risks, uncertainties and factors may cause actual results, performance or developments to differ materially from those expressed or implied by such forward-looking statements. No assurance is given that any forward-looking statements will prove to be correct. The information and opinions contained in this Annual Report do not purport to be comprehensive, are provided as at the date of the Annual Report and are subject to change without notice. Babcock is not under any obligation to update or keep current any information in the Annual Report, including any forward-looking statements.

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Understanding Babcock

Our Purpose is to create a safe and secure world, together.

Babcock is an international defence, aerospace and security company providing support and product solutions to enhance our customers’ defence capabilities and critical assets.

What we do

Deliver support on complex programmes

We provide through-life technical and engineering support for our customers’ assets, delivering improvements in performance, availability and programme cost.

We deliver these critical services to defence and civil customers, including engineering support to naval, land, air and nuclear operations, frontline support, specialist training and asset management.

Product design, manufacture and integration

We design and manufacture a range of defence and specialist equipment from naval ships and weapons handling systems to liquid gas handling systems. We also provide integrated, technology-enabled solutions to our defence customers in areas such as secure communications, electronic warfare and air defence.

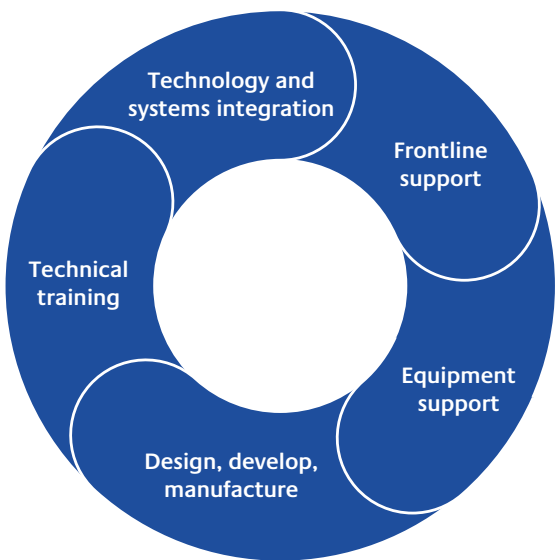
£4.4bn
FY24 revenue

74%
Defence

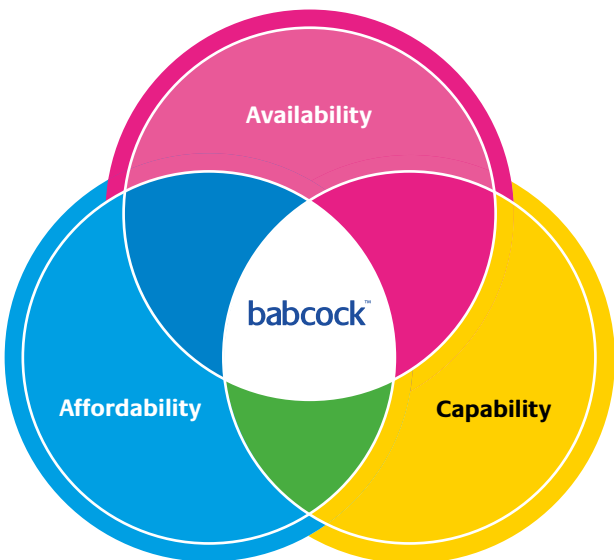
>26,000
Employees

£10.3bn
Contract backlog

Our capabilities



Our customer requirements



FY24 global revenue profile



While the threats are already present and responding is urgent, development programmes for new ships, submarines and land vehicles typically take a long time. The Group's ability to deliver an increase in the availability and capability of existing resources is therefore ever more relevant, alongside our involvement in product development programmes. These market dynamics led to a 9% increase in our contract backlog in FY24 to £10.3 billion.

Improving delivery

Against this backdrop, I'm pleased to report another year of substantial strategic progress for the Group.

Our transformation is continuing to deliver improved performance both operationally and financially. FY24 saw continued growth in organic revenue and underlying profit. Our cash performance was ahead of the Board's expectations and we ended the year with a stronger balance sheet, despite the increase in the overall estimated programme costs of our legacy Type 31 contract.

We made further progress on improving operational controls, supported by the development of a dedicated Group Risk function, and a framework that enables us to consider risk at all levels across the Group. The Board will maintain its focus on risk as we work through the delivery of legacy contracts. Our systematic approach, which combines our technical capability, commercial processes and contract governance, will continue to drive improved contract discipline and quality of earnings.

Sustainable growth

We have a clear strategy to capture sustainable growth across the sectors; our key drivers for growth are leveraging our technical capability, developing our people and building strategic partnerships. We were delighted to present our strategy to investors at our Capital Markets Day in February 2024.

One of the encouraging signs of progress this year was the partnerships we forged with major international companies. In July 2023 we entered a global agreement with HII to collaborate on nuclear opportunities in the civil and defence market.

In September 2023 we signed a Strategic Cooperation Agreement with Saab to leverage our collective strengths to offer a broad range of products, services and solutions. Saab subsequently awarded Babcock an initial contract to support the design for the development of the Swedish Navy's new Corvette. And in November we signed a Memorandum of Understanding with South Korea's Hanwha Aerospace to offer enhanced capabilities across land, air and sea defence domains, with an initial focus on conventional submarines.

These partnerships not only enhance our ability to offer customers compelling solutions, they provide a high-value, low-risk and fast route to effective market entry and are a keystone of our approach to building out our international portfolio.

Developing our workforce

Success in capturing and delivering the opportunities that lie before us will depend on us developing the necessary skills; the challenge here covers both the size and shape of our future workforce. Therefore, the recruitment, retention and development of our people is a key element of our strategy and we are taking active steps to prepare for future needs.

In August 2023 we launched the Babcock Skills Academy, designed to address the current and future demand for nuclear skills. It will focus initially on developing the expertise needed to manage complex submarine maintenance. In FY24 we also introduced an accelerated training programme for high-demand roles, and we are supporting current employees to gain additional skills, developing our leaders of the future.



In addition to increasing our well-established graduate and apprentice programmes, we have been deploying some innovative routes to employment. I was delighted to meet some of our Production Support Operatives (PSOs) when I visited Rosyth, who have joined Babcock through a new initiative focused on attracting people from a range of backgrounds and experience, including those not currently in education, employment or training. Developed in partnership with trade union and local community partners, our PSOs both support and learn from experienced colleagues. We also launched a pilot pre-apprenticeship programme, which we intend to roll-out to Devonport in FY25.

Babcock is a people business, which is why our ongoing cultural change programme is critical to our success. On each of my visits to our operational sites through the year, I have spent time with people in different roles across the organisation, listening to their views on our strategy, transformation and leadership. From this, I have been delighted to see first-hand some real signs of tangible changes in our culture, for example understanding of how individual team roles link to our broader objectives; recognising the Company's enduring commitment to safety and what it means; and appreciation of increased engagement and communication.

Outlook

With a strong balance sheet, improving operational performance and an increasing opportunity set before us, the Company is well set to deliver its objective of sustainable growth. The Board is confident of making further progress against our medium-term ambitions in FY25.

Ruth Cairnie
Chair

CEO review

Introduction

FY24 was another year of improving delivery and increasing momentum for Babcock, with growth in underlying profit and cash flow performance ahead of our expectations. Revenue grew organically¹ by 11% to £4.4 billion and underlying operating profit¹ improved 34% to £238 million, which generated underlying operating cash flow¹ of £323 million, an underlying

operating cash conversion¹ of 136%. On a statutory basis, we delivered operating profit of £242 million and cash generated from operations of £374 million. We ended the year strongly positioned for future success, and remain confident of delivering sustainable growth and improving margins in the medium term and beyond.

“Babcock is well positioned to benefit from the sustained uplift in global defence budgets, driven by the need to recapitalise, re-equip and modernise militaries, resulting in an increase in our opportunity set.”

David Lockwood
CEO

Leveraging our technical skills

The complex and critical nature of our work means we can provide unique career opportunities and skilled technical training, which contribute to creating a safe and secure world, together.

Programmes being delivered include:

- operation and upgrade of the Defence High Frequency Communications System, providing operation, management and maintenance upgrades to support our servicemen and women on critical operations in Australia and overseas. The new system is providing an enhanced communications capability with reliability and operational resilience not seen before within this technology domain
- enhancing and maximising the skills and talent within our engineering community through a consistent global engineering framework. This will ensure the complex and critical work for which we are renowned is delivered, in a collaborative way, by the best people, wherever they happen to be in the world.

In focus: Babcock Skills Academy

Launched in August 2023, our Skills Academy is focused on addressing the current and future nuclear skills demand for our programmes, as well as the wider civil and defence nuclear enterprise.

2,000+
people expected to
flow through in its
first three years,
and 10,000+ over
the next five years

Developing complex
skills for deep
submarine
maintenance
through the
Babcock
Skills Academy



View Cheri's story and hear from others building their capabilities and skills with Babcock



In focus: Train to Fit

'Train to Fit' accelerated training programmes for high-demand roles for motivated candidates.

"My background is in the healthcare sector, but when the opportunity arose to be part of the Babcock team, a well-established organisation which improves lives, I couldn't resist. The 'Train to Fit' accelerated training programme was intense but invaluable. I learned so much that I have been able to take forward into my new role."

Cheri

Scheduler, Devonport

Building strategic partnerships through collaboration

Collaborate to accelerate

We work with a variety of organisations to deliver impactful results which leverage our scale and minimise duplication, while providing our customers and communities with what they need.

Key strategic partnerships include:

- a new partnership between the University of Adelaide and our Australasian business to collaborate on talent attraction and

development, designed to support national security and realise the potential presented by AUKUS

- continuation of our active support for Women in Defence and Women in Nuclear to improve the representation of women including in leadership roles
- partnering with a range of other universities including Strathclyde University and Cranfield University to support and develop leaders of the future
- working with EngineeringUK, focusing on early careers.



In focus: Nuclear Skills Taskforce

Operating across both defence and civil nuclear, we are leading the way to retain and grow the critical mass of nuclear skills we need today and tomorrow.

We are a key industrial partner on the Nuclear Skills Taskforce, which has developed the 10-year National Nuclear Strategic Plan for Skills to secure the specialist skills needed to deliver the national nuclear enterprise, including:

- full-time executive support to this Government-led task force
- leading the development of a South West regional hub collaboration
- actively supporting Destination Nuclear, the UK's first-ever national nuclear communications and recruitment campaign.

2024 Non-financial performance

Total injuries rate

0.92



Definition

The Total Recordable Injury Rate (TRIR) is a 12-month rolling average that relates to the number, per 200,000 working hours (200,000 represents 100 employees working 40 hours for 50 weeks per year), of recordable work-related injuries and illnesses that require medical treatment beyond first aid. In any one year, further assessment of an injury/illness or information from an extended investigation may result in a restatement of prior year figures.

Commentary

Following reductions in previous years, the TRIR had risen during 2023 as the types of activity undertaken changed and the proportion of industrial workforce increased. While the severity of work-related injuries continues to reduce, all of our leaders are committed to visible safety leadership to ensure we reduce injury rates overall. Following the period we have also relaunched our Home Safe Every Day and Safety Starts with Me behaviour programmes across the Group.

[See page 81 for more details](#)

CO₂e emissions (tCO₂e/£m)

563.4



Definition

Estimated tonnes of CO₂e emitted as a direct result of revenue-generating operations. The reporting period for our energy consumption and carbon emissions is the calendar year (1 January to 31 December). Reporting calendar year data enables more time to collate, analyse and report our environmental data, which has improved the accuracy and completeness of our data sets. In line with our Scope 3 emission investigations over the last year, figures have been updated to include our comprehensive Scope 3 emission figures dating back to FY22, which were not previously available. FY21 data was not available for Scope 3 emissions.

Commentary

Our CO₂e emissions intensity ratio was down 1% year on year. The absolute carbon emissions increased by 12%, however disproportionate to the revenue growth from operations. Despite an increase in emissions, our intensity ratio has reduced due to the increased revenue from operations.

[See page 67 for more details on our emission performance](#)

Senior management gender diversity (%)

23%



Definition

Senior managers are defined as employees (excluding Executive Directors) who have responsibility for planning, directing or controlling the activities of the Group (Executive Committee) or a strategically significant part of the Group (sector or functional leadership teams) and/or who are directors of subsidiary business units (business unit leadership). We also report the gender diversity of the Executive Committee and their direct reports in line with the UK Corporate Governance Code's requirement to report on 'senior management' (see page 82).

Commentary

The volume of senior managers increased during the year, however the senior management gender diversity level remains consistent with the previous year at 23%.

[See page 82 for more details on Babcock's gender diversity statistics](#)

Our approach

We went through the process of the Contract Profitability and Balance Sheet review (CPBS) in FY21 to set our approach to running the Group, including creating the right baseline for future performance. We show our financial-based KPI performance for three years, excluding the one-off CPBS adjustments in FY21. This is to provide a meaningful measurement and ongoing baseline, and reflect how we assess operational performance.

Link to management remuneration

Our Remuneration policy, as detailed on pages 140 to 145, includes reference to underlying profit before tax, underlying operating cash flow and non-financial measures.

Operational performance measures

In the operational reviews on pages 44 to 59, we use our first two KPIs (organic revenue growth and underlying operating margin) to measure sector performance. Please see our Financial Glossary on page 39.

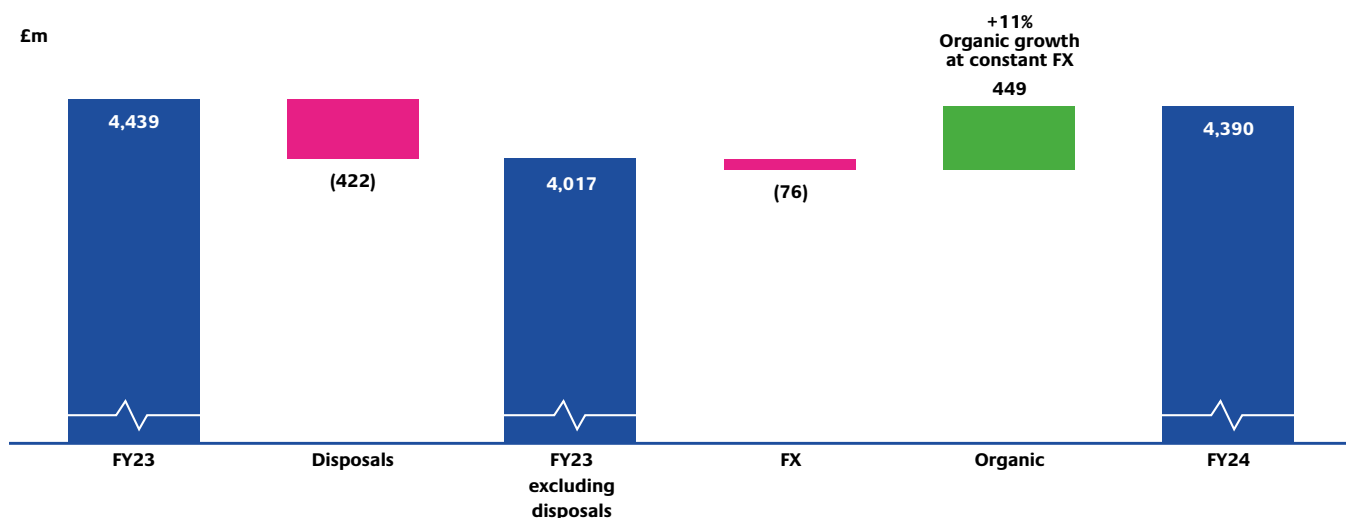
Income statement

	31 March 2024			31 March 2023		
	Underlying £m	Specific adjusting items £m	Statutory £m	Underlying £m	Specific adjusting items £m	Statutory £m
Revenue	4,390.1	–	4,390.1	4,438.6	–	4,438.6
Operating profit	237.8	3.8	241.6	177.9	(132.4)	45.5
Operating margin	5.4%		5.5%	4.0%		1.0%
Share of results of joint ventures and associates	9.2	–	9.2	9.3	–	9.3
Net finance costs	(35.9)	1.8	(34.1)	(58.3)	9.7	(48.6)
Profit before tax	211.1	5.6	216.7	128.9	(122.7)	6.2
Income tax (expense)/benefit	(53.5)	5.0	(48.5)	(37.7)	(1.8)	(39.5)
Profit/(loss) after tax	157.6	10.6	168.2	91.2	(124.5)	(33.3)
Non-controlling interest	(2.5)	–	(2.5)	(1.7)	–	(1.7)
Profit/(loss) attributable to the owners of the parent	155.1	10.6	165.7	89.5	(124.5)	(35.0)
Basic EPS	30.8p		32.9p	17.7p		(6.9)p
Diluted EPS	30.1p		32.2p	17.4p		(6.9)p

A full statutory income statement can be found on page 177.

As described on page 1, 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 below and in note 2 of the financial statements on page 198.

Revenue bridge



Revenue of £4,390.1 million was similar to FY23 with 11% organic growth offset by a (9)% impact of disposals and a (2)% currency translation headwind. The European AES and Civil Training businesses, both sold in February 2023, contributed £421.6 million to FY23 revenue. The organic increase was driven by strong growth in Nuclear and Land, while Marine was in line with the prior year and Aviation decreased as expected, due to the phasing of French military contracts.

By sector:

- **Marine** revenue of £1,429.1 million, was similar to the prior year, with growth led by major ship and submarine programmes including the Polish MIECZNIK frigate programme and Dreadnought, offset by lower volumes in LGE and ship support.
- **Nuclear** revenue increased 29% to £1,520.9 million. Growth was driven by Major Infrastructure Programme (MIP) revenue, submarine support and new defence contracts in our civil nuclear business.
- **Land** revenue increased 8% to £1,098.6 million, or 17% on an organic basis. Growth was from a broad range of military activities in both UK and international markets, including the first full year of the Defence High Frequency Communications contract in Australia and higher vehicle volumes in defence vehicle engineering as well as in our South Africa business.
- **Aviation** revenue declined 57% to £341.5 million primarily due to the disposal of the European AES business in FY23. Organic revenue declined by 17% due to the expected change in revenue profile of our French defence contracts between aircraft delivery and service phases.

Employees

Why they matter to us

Our success depends on our people. We are committed to creating an inclusive and diverse organisation where employees can develop their full potential. Informed by the responses to our annual Global People Survey, we are focusing on developing and supporting a truly engaged workforce, living our principles and working on shared goals, united by our common Purpose.

What matters to them

- Remuneration, reward and recognition
- Professional development and career progression
- Health, safety and wellbeing
- The Group's aims, goals, priorities and reputation
- Regular engagement with leaders
- An empowering culture
- Inclusion and diversity
- Our ESG agenda
- Employee networks
- Collaboration

How Babcock engages

- Employee forums and meetings
- Global engagement platforms, including an employee app
- Weekly CEO and senior management vlogs
- Access to the CEO via a dedicated email
- A Global People Survey
- Regular internal updates
- Cascade briefings
- Regular safety stand downs and annual safety summit
- Regular training
- Access to independent whistleblowing process
- Senior management and Board visits
- Non-Executive Director responsible for employee engagement at Board level
- Free confidential employee support helpline
- Shadow Executive Committee

Communities

Why they matter to us

We are committed to the communities in which we operate and the broader interests of the customers we serve. We have a responsibility to support the communities in which we operate both economically and socially; community engagement and social value creation are key aspects of our ESG strategy. We want to be a force for good in our communities, particularly where we have major sites of operation and are one of the largest employers in the local area.

What matters to them

- Employment opportunities and economic contribution
- Health, safety and wellbeing
- Making a positive impact on the community, including through volunteering
- Engagement in local education and STEM activities
- Sustainability and protection of the local environment
- Support for indigenous people
- Support for the armed forces community
- Broad community engagement

How Babcock engages

- Regular dialogue at our largest sites on matters of mutual interest
- Sponsorship and donations
- Independent research to analyse our contribution to the local and UK economy
- Employee volunteering
- University and skills partnerships
- Schemes to support people returning to work
- STEM ambassadors
- Significant employer of service leavers, veterans and reservists
- Engagement with and support for local community programmes

s172(1) statement

The Directors confirm that they, both individually and collectively, have acted in a way that they consider, in good faith, to be most likely to promote the long-term success of the Company for the benefit of the shareholders as a whole, while having regard for all stakeholders. By considering key stakeholder groups and aligning our activities with our strategic plan, as well as the Company's culture and values, we aim to act fairly, transparently and in the best interests of the Company over the long term.

More information on how stakeholders are factored into our decision-making and the Board's engagement with stakeholders can be found in the Governance section in the Chair's introduction on page 111 and on pages 116 to 119, which form part of this statement. Further information on how the Board addressed the different matters set out in s172(1) in performing its duties during the year can be found as follows:

s172(1) factor

Relevant disclosures

a. the likely consequences of any decision in the long term	Driving sustainable growth (pages 15 to 17), ESG strategy (page 62)
b. the interests of the Company's employees	Social (page 80)
c. the need to foster the Company's business relationships with suppliers, customers and others	Stakeholder engagement (page 60), Commercial integrity (page 86)
d. the impact of the Company's operations on the community and environment	Social (page 84), Environment (page 67)
e. the desirability of the Company maintaining a reputation for high standards of business conduct	Governance (page 86)
f. the need to act fairly between members of the Company	Investors (page 60)

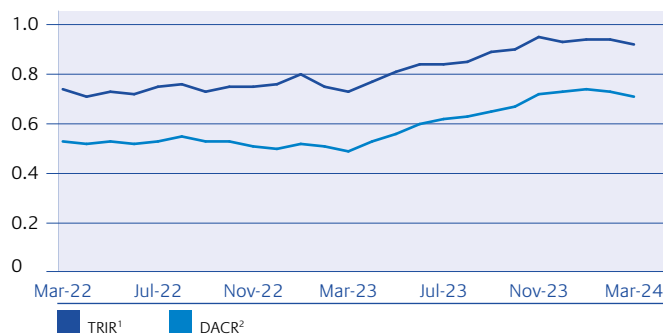
Progress against our ESG priorities

Priorities	Highlights from FY24
We will reduce emissions in line with our short-term science-based targets and long-term Net Zero targets	<ul style="list-style-type: none"> • Validation of our science-based targets by the SBTi • 28% of Babcock fleet now made up of Ultra Low Emission Vehicles (ULEV) • Enhanced accuracy and completeness in Babcock's Scope 3 footprint
	See page 68
We will integrate environmental sustainability into programme design to minimise waste and optimise resources	<ul style="list-style-type: none"> • Conducted biodiversity assessments and drafted Babcock's Nature Positive Roadmap • Commenced delivery of renewable energy installations • Development of Babcock's Environmental Data Management System
	See page 70
We will ensure the safety and wellbeing of all our people	<ul style="list-style-type: none"> • 83% of employees believe that Babcock is truly committed to the health and safety of employees according to our Global People Survey, up from 81% in 2022's survey • Our gender pay gap continued to narrow from 9.6% to 6.7% • We launched our Group-wide Project Management graduate programme
	See page 80
We will make a positive difference to the communities we're proud to be part of and provide high-quality jobs that support local economies	<ul style="list-style-type: none"> • We established a dedicated External Engagement team to engage with the local Devonport community, raise awareness of STEM and enhance students' employability skills • Our 582 active STEM Ambassadors visited 708 schools nationwide over the year • We have completed the three Commitment Phases of the Progressive Aboriginal Relations (PAR) programme offered by the Canadian Council for Aboriginal Business (CCAB)
	See page 84
We will be a collaborative, trusted partner across the supply chain, helping to tackle common challenges	<ul style="list-style-type: none"> • We published our updated Supplier Code of Conduct, which aligns with the principles of ISO 20400, underscoring our dedication to human rights, fair practices and environmental responsibility • 27.7% of our total spend was with our SME supplier base compared to 24% in FY23 • Our average payment term was 16.3 days to our suppliers versus 21.4 days in FY23
	See page 86

Our focus for FY25

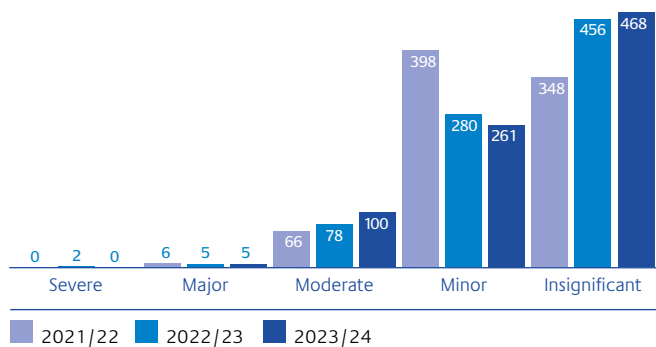
<ul style="list-style-type: none"> • Continue development and delivery of Carbon Reduction Plans • Deliver renewable energy installations • Enhance environmental and Net Zero support capabilities 	
<ul style="list-style-type: none"> • Build upon the Safety Starts with Me behaviour programme to reinforce our Home Safe Every Day promise • Continue to focus on closing our gender pay gap • Significantly increase communication and employee participation in our Be Kind volunteering programme to enhance uptake, community engagement and social impact • Seek further ways to improve our wellbeing provisions to ensure they continue to respond to the needs of our people 	
<ul style="list-style-type: none"> • Introduce our Supplier Assurance manual to transparently communicate our collaboration expectations to our supply base • Implement carbon emissions tracking software to reduce our supply chain carbon footprint • Establish ESG ratings to reinforce our commitment to responsible practices 	

Babcock injury rates – Total Recordable Injury and Days Away Case Rates



1. Number of recordable work-related injuries and illnesses multiplied by 200,000/total working hours (200,000 hours represents 100 employees working 40 hours for 50 weeks per year)
2. Number of recordable work-related injuries and illnesses resulting in one or more days away from work multiplied by 200,000/total working hours (200,000 hours represents 100 employees working 40 hours for 50 weeks per year)

Injury/illness severity



The overall severity of work-related injuries continues to reduce with the majority of reported accidents causing insignificant bumps and scuffs. However, it has been recognised that the number of injuries and the proportion of accidents that result in fractures and time away from work needs to be addressed. Our leaders, at all levels, are committed to visible safety leadership and we are working with our Occupational Health provider to identify health and wellbeing issues and develop action plans before events occur.

As well as continuing to improve our processes, tools and the working environment, we continue our focus on people as they are key to a successful safety culture. Enabling our people to deliver quality products and services safely requires training and continuous engagement. Building upon good practice from across Babcock, we have delivered standardised training for frontline safety leaders, product safety awareness and safe driving with human factors awareness training for all due for roll-out shortly. We have committed to build upon the 'Safety Starts with Me' behaviours programme, develop our Senior Leaders Safety and Compliance training, and embed the 'Home Safe' commitment that all underpin our promise to ensure people go home safe every day.

An inclusive and diverse company

Our Global People strategy continues to place our people at the heart of our business and define our ambition for the future. It encapsulates our collective aspirations and focuses our work on the critical people areas that will transform Babcock into a more agile, effective, inclusive, sustainable, and people-focused business.

Elements of the work to bring the Strategy to life are outlined below and will ultimately foster an inclusive and diverse company, where our employees truly feel part of a global business.



[Read our Gender Pay Gap Report on our website](#)

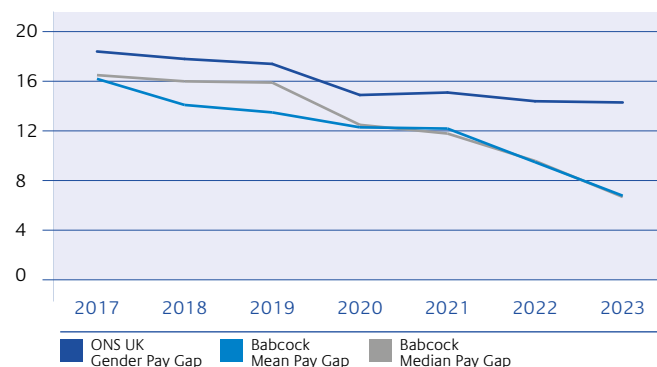


Gender

Gender pay gap

Our challenge is not an equal pay issue, but one of representation as we operate in typically male-dominated sectors. However, our focus remains on enabling a more equal gender balance at all levels of our organisation, and we continue to see year-on-year progress in narrowing our gender pay gap, which this year reduced again from 9.6% to 6.7%.

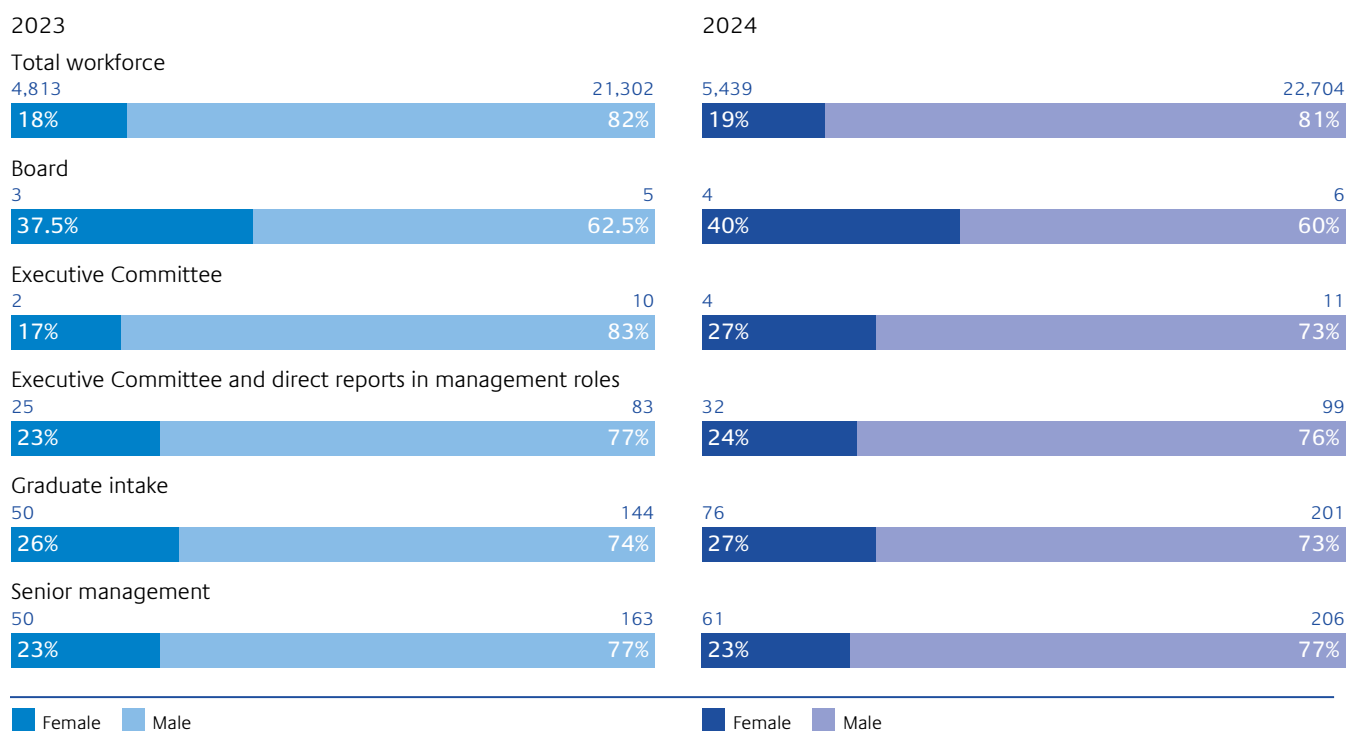
Gender pay gap (%)



Gender balance

Currently, women constitute 19% of our workforce, and we are witnessing an increase in female representation at the Board level, now at 40% (up from 37.5%), while the senior management level remains consistent with the previous year at 23%. We remain steadfast in our commitment to achieving at least 30% female representation in our workforce by 2030.

During the year organisational changes, including the expansion of the Executive Committee (ExCo) and the restructuring of various parts of the business, have influenced the numbers of employees who are identified as senior management. Furthermore, the embedding of the Babcock Role Framework (BRF), which has enabled the categorisation and definition of roles more consistently across the Group, resulted in an increase in this population.



1. Our total workforce is 28,343 which includes 22,704 men, 5,439 women, 18 people identifying as non-binary, 129 who 'did not specify' and 53 who chose 'prefer not to say'.
2. Executive Committee total is 15. This figure excludes Executive Committee members on the Board.
3. Executive Committee and direct reports in management roles total 131. This excludes Executive Committee members on the Board.
4. Senior managers are defined as employees (excluding Executive Directors) who have responsibility for planning, directing and controlling the activities of the Group (Executive Committee) or a strategically significant part of the Group (sector/functional leadership teams) and/or who are directors of subsidiary business units (BU leadership).
5. Senior management role total is 267.
6. Graduate intake is 278 (202 UK, 69 Australasia, 7 South Africa).
7. Non-Executive Directors are only included in total headcount and Board figures.

Critical Mass Partner to Women in Defence UK

Our Chair, Ruth Cairnie, is the Patron of the Women in Defence Charter whilst Babcock itself is a founding member of the organisation.

This year we reaffirmed our commitment as a Critical Mass Partner to Women in Defence UK. We support its work to drive gender equity across the defence sector, and this year contributed to the design of the first Women in Defence Critical Mass Summit in summer 2023 and delivered customised workshops. We also incorporated it into our senior leadership team event to drive engagement and awareness.

Ethnicity

We further developed our focus on ethnic diversity by creating our Ethnicity Action Plan. We also became a signatory to the Race at Work Charter and revitalised our B4ME Network.

Our networks

Our networks and communities are important vehicles for promoting an inclusive culture. In FY24, in response to employee feedback, we established three new employee networks: Carers, Disability and Forces. We continue to support our networks and remain committed to helping them flourish. Our Disability Network has continued to grow this year, offering multiple peer support groups and subject matter expertise. This will accelerate progress in building our portfolio of evidence for Disability Confidence Level 2 and maximising engagement with The Valuable 500.

Early careers

We have expanded our early careers programme, welcoming over 600 new early careers employees in the year, comprising over 350 apprentices and over 275 graduates, both within the UK and internationally.

New initiatives included the roll-out of Pre-Apprenticeship Programmes in both Clyde and Rosyth, Scotland and at Devonport, we enhanced our Level 2 apprenticeship programme, further diversifying our offering.

A key highlight was the launch of our Group-wide Project Management graduate programme. This innovative scheme allows graduates to rotate across different sectors within the Group, providing valuable exposure and skill development.

We established a dedicated External Engagement team in Devonport, which will collaborate closely with schools and engage with the local community in the Plymouth 'Travel to Work' area. Its focus will be on raising awareness of STEM and enhancing students' employability skills to continue to build our external engagement portfolio across the UK.

STEM

During FY24, our efforts in science, technology, engineering and maths (STEM) grew, with 582 employees volunteering their time as STEM Ambassadors, supporting us by raising awareness of STEM opportunities to young people. Our engagement spanned 307 primary and 401 secondary schools nationwide, where we provided support in delivering the UK Government's Gatsby Benchmarks.

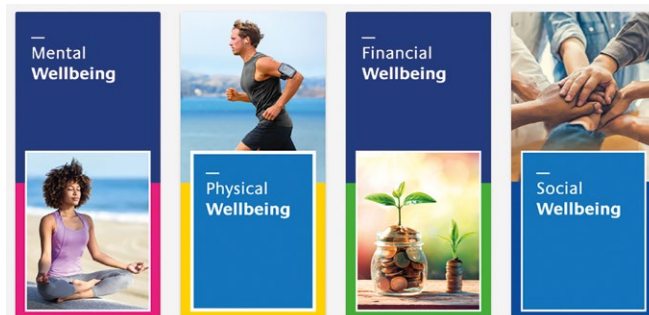


In May 2024 Babcock welcomed more than 300 local primary school pupils to our annual Festival of Engineering at Rosyth to help them explore the kinds of skills they will need for a career in science, technology, engineering and maths (STEM).

Leadership

Feedback from the 2023 Global People Survey revealed an improvement in the impact and effectiveness of our senior leaders, with growing confidence in their leadership capabilities.

A series of highly impactful virtual workshops tailored for our senior leadership served as a platform for meaningful discussions, knowledge sharing, and collaborative exploration of Babcock's growth and development themes. The workshops preceded our Annual Global Conference.



Ensuring the wellbeing of our people

Using the insights gained from our Global People Survey and in collaboration with colleagues across the organisation, we have developed a wellbeing strategy tailored to the specific needs of our people. This seeks to promote a proactive approach to wellbeing as well as providing support to our people when they need it.

We have made some great progress this year across our four wellbeing pillars (Mental, Social, Financial and Physical), including:

- Launching a new **wellbeing hub**, which brings together all our wellbeing resources, programmes and benefits and makes it easy for colleagues to access support when they need it
- Developing a **wellbeing communication calendar**, which provides a regular drumbeat of messages throughout the year
- Growing and developing our **Mental Health First Aiders Network** to promote and maintain wellbeing through prevention and early intervention
- Launching a new **Employee Assistance Programme**, providing proactive wellbeing resources as well as in-the-moment support and guidance on both work and life issues
- Rolling out **health assessments**, including Stress Risk Assessments, enabling staff and managers to understand and mitigate key risk areas
- Continuing to enhance our **employee benefits provision** with plans to implement our new **inclusive leave** policy across the UK Group to support our people in the moments that matter
- Providing access to **critical incident support** resources to support managers through moments of crisis.

We know we can always do more and so are committed to continuously improving our wellbeing provisions over time. Furthermore, we have expanded the roll-out of workshops offering all managers essential tools and skills.

Progress on the leadership framework continues, with the translation of our principles into observable behaviours. This framework serves to hold our leaders accountable and foster a culture of performance and development. It provides a globally consistent model and tools for effective people management, succession planning and talent acquisition.

Innovative learning solutions were piloted for our senior leadership cohort in Canada and the UK. The programme focused on enhancing business acumen and commercial skills while emphasising the direct correlation between leadership actions and achieved outcomes.

Non-financial and sustainability information statement

Reporting on material yet non-financial measures is important in understanding the performance, opportunities and long-term sustainability of the Company and our ability to generate value for all our stakeholders. We disclose non-financial information in the ESG strategy report and throughout the Strategic report. The following summarises where to find further information on each of the key areas of disclosure required by Sections 414CA and 414CB of the Companies Act. This includes the requirement to include Climate Financial Disclosures (CFD) within the Annual Report and Financial Statements. These have been incorporated throughout our TCFD disclosures.

Reporting requirement	Policies and standards	Additional information	Page
Environmental matters	Safety, Health and Environmental Protection policy*	Social	80
	Sustainable Procurement and Supply Chain policy	Sustainable sourcing	86
	TCFD disclosure	Task Force on Climate-related Financial Disclosures	72
CFD disclosures	See TCFD disclosure	Task Force on Climate-related Financial Disclosures	72
Employees	Code of Conduct**	Commercial integrity	86
	Safety, Health and Environmental Protection policy*	Social	80
	Charity and Sponsorship High-Level guidelines**	Charity	85
	Be Kind Day – Global Volunteering policy**	Volunteering	85
	Gender Pay Gap Report**	Gender	81
Human rights	Code of Conduct**	Commercial integrity	86
	Supplier Code of Conduct**	Fair operating practices	87
	Human Rights policy**	Governance	86
	Modern Slavery Transparency Statement**	Human rights	87
Social matters	Anti-bribery and Corruption/Ethics policy**	Commercial integrity	86
	Code of Conduct**	Commercial integrity	86
	Safety, Health and Environmental Protection policy*	Social	80
Anti-bribery and corruption	Anti-Bribery and Corruption/Ethics policy**	Commercial integrity	86
	Whistleblowing policy**	Commercial integrity	86
	Supplier Code of Conduct**	Fair operating practices	87
Description of principal risks and impact on business activity	Group Risk Management policy*	Principal risks and management controls	89
Business model		Our business model	16
Non-financial KPIs		Key performance indicators	23

* Available to employees through the Babcock intranet but not published externally.

** Available on the Babcock website and available to employees through the Babcock intranet.

Chair's introduction



Ruth Cairnie
Chair

Dear fellow Shareholder

We have made substantial progress in the stabilisation and execution phases of our turnaround strategy and have now reached the point where we can look to increase our focus on growth opportunities; as we make this transition we are mindful of the importance of maintaining our focus on the transformation of operational delivery and controls, which is not yet complete, and also on the potential need to adjust our approaches as the Group develops over time.

Risk and controls

We believe that Babcock's long-term success is underpinned by robust governance. During the year we have progressed our improvement plan for risk and controls. In respect of risk, as covered in the Audit Committee report, this has been supported by the development of a dedicated Group Risk function, enhanced internal capability and a risk framework that considers management of risk at all levels throughout the Group. The Board recognises the importance of a focused and pro-active approach to risk and this will support us as we work through the challenges of delivering our legacy Type 31 contract, our last remaining legacy onerous contract that the Group is managing. As we develop our growth strategy and its opportunities, we recognise the potential need to address new risks or changing manifestations of them and will ensure that we do so robustly.

Also covered at length in the Audit Committee report is our control enhancement programme. The Audit Committee leads on the review and oversight of this programme and I would like to thank John Ramsay as Chair of the Committee and his fellow members for all their additional work to give us assurance over the progress of the programme.

Our enhancement programme is a multi-year process. While much progress has now been made, the Board is committed to the work continuing, with the ambition for Babcock to manage its control environment in line with the best-in-class in the FTSE.

We have a roadmap setting out the actions needed to meet our ambition and we receive regular updates on progress.

During the year, the Financial Reporting Council issued its new Corporate Governance Code for the UK, which will require listed companies to include a declaration on the effectiveness of their material controls at the balance sheet date. For us this declaration will first appear in our FY27 Annual Report. We have tested that our controls enhancement roadmap is consistent with the new Code, reviewing two key reports: a material control maturity assessment and a material control assurance map. The maturity assessment enables us to identify gaps in our compliance and course correct as required. We plan to update this assessment at least annually. The material control assurance map provides an initial view of how the Company intends to provide assurance over its material controls and to report on their effectiveness to the Board. We will continue to monitor progress against the roadmap and the new Code requirements as we prepare for our FY27 Annual Report.

Our growth strategy

Our strategy sets out in a clear way how Babcock aims to deliver value for its stakeholders. After 2021, the Board was focused on Babcock's turnaround through the completion of our portfolio alignment and the drive to improve operational performance. Having built momentum and established a much more strongly controlled business with a strengthened balance sheet, we have now reached the point where we can look to increase our focus on growth opportunities. This has required the development of a strategic framework against which growth opportunities can be judged. The strategic framework has been developed and enhanced through regular Board reviews, providing time to focus on particular aspects of the framework or for specific deep dives into particular strategic areas. Examples are the focused Board discussions on 'building strategic partnerships', a key theme of the growth strategy, which established how we should appraise different partnering opportunities and assess our capabilities

Board of Directors



Ruth Cairnie
Chair

Appointed: April 2019

Skills and experience: Ruth brings extensive experience of the engineering sector gained from a 37-year international career spanning senior functional and line roles at Royal Dutch Shell plc. She has experience advising government departments on strategic development and capability building. She has been a Non-Executive Director of Rolls-Royce Holdings plc, ContourGlobal plc and Keller Group PLC and a member of the finance committee of the University of Cambridge. She is a fellow of the Energy Institute and previously Chair of POWERful Women. Ruth is a Master of Advanced Studies in Mathematics from the University of Cambridge and holds a BSc Joint Honours in Mathematics and Physics from the University of Bristol.

Current external appointments: Ruth is currently a Non-Executive Director of BT Group plc. She is Patron of the Women in Defence Charter, a trustee of Windsor Leadership and a trustee of the White Ensign Association.



Carl-Peter Forster
Senior Independent Director

Appointed: June 2020

Skills and experience: Carl-Peter, a dual German and British national, brings extensive manufacturing and international experience. Carl-Peter has held senior leadership positions in some of the world's largest automotive manufacturers, including BMW, General Motors and Tata Motors (including Jaguar Land Rover). He was also previously a Non-Executive Director of Rexam PLC and Rolls-Royce plc, as well as being the Senior Independent Director of IMI plc. Carl-Peter holds a diploma in Economics from Bonn University and a diploma in Aeronautical Engineering from the Technical University in Munich.

Current external appointments: Carl-Peter is currently the Chair of Chemring Group PLC and the Chair of Vesuvius plc.



David Lockwood OBE
Chief Executive Officer

Appointed: September 2020

Skills and experience: David brings wide-ranging knowledge of the defence and aviation markets, as well as a wealth of experience in both technology and innovation. David was CEO of Cobham plc (from 2016 to March 2020) and prior to that he was CEO of Laird PLC (from 2012 to September 2016). His career includes senior management roles at BT Global Services, BAE Systems and Thales Corporation. He received an OBE for services to industry in Scotland in 2011. David has a degree in Mathematics from the University of York and is a Chartered Accountant. He is a Fellow of the Royal Aeronautical Society and the Royal Society of Arts and Commerce.

Current external appointments: David is a Non-Executive Director of John Wood Group PLC.



John Ramsay
Independent Non-Executive Director

Appointed: January 2022

Skills and experience: John, a Chartered Accountant, brings with him over 30 years of international business and finance experience. He served as Chief Financial Officer of Syngenta AG from 2007 to 2016, and interim Chief Executive Officer of Syngenta from October 2015 to June 2016. Prior to joining Syngenta, he held senior international finance roles with Zeneca Agrochemicals and ICI.

Current external appointments: John is a member of the Supervisory Board at DSM Firmenich AG as well as being a Non-Executive Director and Audit Committee Chair of Croda International PLC and RHI Magnesita N.V.

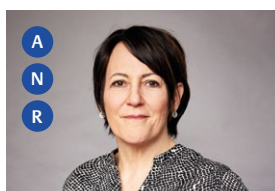


David Mellors
Chief Financial Officer

Appointed: November 2020

Skills and experience: David brings extensive CFO experience in the defence, aerospace and commercial markets. David was previously CFO of Cobham plc and prior to that he was CFO of QinetiQ Group plc from 2008 to 2016 and also served as interim Chief Executive for a period. His career includes senior roles at Logica PLC, CMG plc and Rio Tinto PLC. David has a degree in Physics from Oxford University and is a member of the Institute of Chartered Accountants in England and Wales.

Current external appointments: None



Lucy Dimes
Independent Non-Executive Director

Appointed: April 2018

Skills and experience: Lucy brings extensive experience in technology and engineering services, strategy and transformational change, with over 30 years' experience in senior executive and regional CEO roles at BT plc, Alcatel-Lucent SA, Fujitsu and UBM plc. She was COO and a board member at Equiniti plc and served as Chief Strategy and Transformation Officer at Virgin Money plc. She also served as a Non-Executive Director of Berendsen plc from 2012 to 2017. Lucy holds an MBA from London Business School and a BA Hons degree in Business from Manchester Metropolitan University.

Current external appointments: Lucy is the CEO of iomart plc.



**The Right Honourable
The Lord Parker of
Minsmere, GCVO, KCB**
Independent Non-Executive
Director

Appointed: November 2020

Skills and experience: Lord Parker brings extensive experience of working at the highest level of public service including a focus on new technology-centred change and championing inclusion. Lord Parker has had a long career in a wide range of national security and intelligence roles in the UK, which culminated in him becoming the Director General of MI5, the UK Government's national security agency, in 2013. He retired from this role in 2020. Lord Parker is a graduate of Natural Sciences from Cambridge University.

Current external appointments: Lord Chamberlain (head of the Royal Household), member of the House of Lords, Board Advisor to Telicent Ltd, Distinguished Fellow at the Royal United Services Institute and Visiting Professor at Northumbria University.

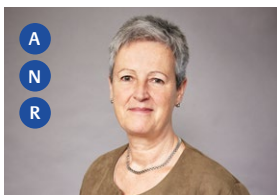


Sir Kevin Smith
Independent Non-Executive
Director

Appointed: June 2023

Skills and experience: Sir Kevin spent almost 20 years at BAE Systems plc predominantly in its Military Aircraft Division and BAe Defence before becoming Group Managing Director with responsibilities for new business and international strategy. Following this Sir Kevin joined the Board of GKN PLC, the FTSE listed global engineering and manufacturing company, initially leading the Aerospace and Defence businesses, and then serving nine years as Group Chief Executive. He went on to spend four years in Hong Kong as a Partner at Unitas Capital and his non-executive career includes eight years at Rolls-Royce where he served as Senior Independent Director.

Current external appointments: None



Jane Moriarty
Independent Non-Executive
Director

Appointed: December 2022

Skills and experience: Jane, an Irish national and a Chartered Accountant, brings with her over 30 years of international business and finance experience. After a long executive career with KPMG, where she was a senior advisory partner, Jane has held a number of non-executive roles.

Current external appointments: Jane is a Non-Executive Director of Mitchells & Butlers plc, where she chairs the audit committee and is also Senior Independent Director, and The Quarto Group Inc, where she chairs the audit and remuneration committees as well as being the Vice-Chair. She is also a Non-Executive Director at NG Bailey.



Dr Claudia Natanson MBE
Independent Non-Executive
Director

Appointed: March 2024

Skills and Experience: Claudia, a dual British and Jamaican national, works internationally as an information and cyber security professional and brings over 20 years of experience in this field across globally diverse industries in the public and private sectors. She has previously held senior roles in cyber security, as security strategic advisor and chief security officer with Aramark Corporation in the USA, the Department for Work and Pensions, Smiths Group plc and Diageo global. Claudia holds a PhD in computing and education from the University of Birmingham. In 2022 she was awarded an MBE for services to the cyber security profession.

Current external appointments: Claudia is Chair of the Board of Trustees of the UK Cyber Security Council, Board member of the UK National Cyber Advisory Board and a registered European Commission Security and Cyber expert.

Appointment key

- E Executive Committee
- A Audit Committee
- R Remuneration Committee
- N Nominations Committee
- D Director designated for workforce engagement
- Board Committee Chair

Composition, succession and evaluation

Composition

The composition of the Board is kept under constant review by the Nominations Committee to ensure a balance of skills, experience and knowledge to lead the Group. At the date of this report the Board comprises the Chair, who was independent on appointment, seven Independent Non-Executive Directors and two Executive Directors. All continuing Directors are required to offer themselves for re-election by shareholders each year at the Annual General Meeting. Biographical details can be found on pages 112 and 113 and there is more information on appointments to the Board in the Nominations Committee report on pages 126 and 127.

Diversity policy

It is the Board's policy that it is in the best interests of the Group and all its stakeholders for the Group to be led and peopled by individuals from a range of skills, experiences, backgrounds and perspectives, as the Group wants the best talents to deliver its strategy. We believe that this is embodied in our Purpose, 'To create a safe and secure world, together'. To help achieve our policy, we have adopted ambitious targets of 30% women within senior leadership teams by 2025, 30% female representation at all levels by 2030, and 80% disclosure of diversity data by 2025. These are stretching targets as we operate in the defence sector, which is male dominated. We have made some progress, for example, by reducing the gender pay gap (please see page 81 for more information). However, we need to accelerate our progress if we are going to meet our ambitious targets. Over the year, we have reviewed our strategic approach and are taking action, including rolling out new policies, refreshing the recruitment processes and improving leadership development.

Board diversity

The Board is in line with the Financial Conduct Authority's diversity and inclusion Listing Rules of having at least 40% female representation on the Board, at least one senior Board position held by a female and at least one member of the Board being from an ethnic minority background, as well as those for the FTSE Women Leaders Review (at least 40% female representation on the Board) and the Parker Review (at least one Board member being from an ethnic minority background). For more information on the Group's diversity policy and its objectives, please see pages 65 and 82.

Board and executive management ethnicity

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive Committee	Percentage of Executive Committee
White British or other White (including minority-white groups)	9	90%	4	17	100%
Mixed/Multiple Ethnic Groups	–	–	–	–	–
Asian/Asian British	–	–	–	–	–
Black/African/Caribbean/Black British	1	10%	–	–	–
Other ethnic group, including Arab	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

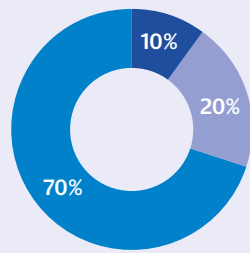
Board and executive management gender

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive Committee	Percentage of Executive Committee
Men	6	60%	3	13	76%
Women	4	40%	1	4	24%
Non-binary	–	–	–	–	–
Use another term	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

The tables and charts in this section show the position at 31 March 2024. The Company has collected the data on which the tables above are based by the individuals concerned self-reporting their data on being asked about their ethnicity and gender in the categories listed.

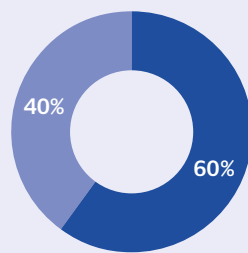
Board information

Independence



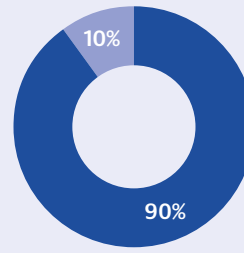
■ Chair (independent on appointment)
 ■ Executive Directors
 ■ Independent Non-Executive Directors

Gender



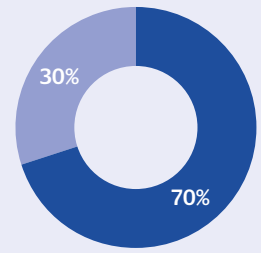
■ Men
 ■ Women

Ethnicity



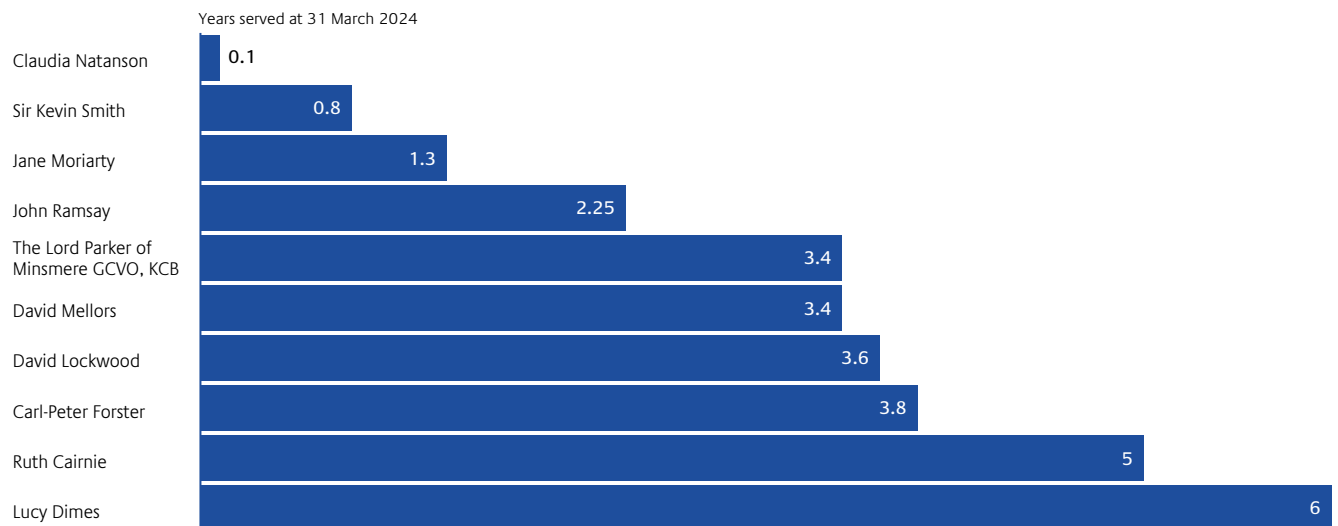
■ White British or other White (including minority-white groups)
 ■ Black/African/Caribbean/Black British

Nationality



■ UK
 ■ Non-UK/dual national

Board tenure



The average Board tenure at 31 March 2024 was three years.

Audit, risk and internal control

Audit Committee report



John Ramsay
Chair of the Audit Committee

Key facts

The Committee

John Ramsay chairs the Committee.

John is a Chartered Accountant, formerly the Chief Financial Officer of Syngenta AG and an experienced Audit Committee chair (see page 112 for John's full biography). The Board has designated him as the financial expert on the Committee for the purposes of the UK Corporate Governance Code.

In FY24, the other members of the Committee were Lucy Dimes, Jane Moriarty, and Sir Kevin Smith. All members of the Committee are independent Non-Executive Directors. Please see pages 112 and 113 for their biographies and page 121 for attendance and number of meetings.

During the year, the Committee invited the Chair of the Board, other Non-Executive Directors, the CEO, the CFO, the Group Financial Controller, the Deloitte external audit team, the Internal Audit team and key senior management to attend its meetings, as appropriate.

Typically, after Committee meetings, the Committee meets separately with the external audit lead partner from Deloitte and also frequently meets with Internal Audit to give them the opportunity to discuss matters without management being present.

In addition, the Committee Chair maintains regular contact with the external audit lead partner and Internal Audit between meetings, often without the presence of management.

Highlights

- Oversight of the implementation of ongoing improvements to the control environment throughout the year

- Review of the key management judgements and estimates for the FY24 financial statements, particularly for Type 31
- Supporting the establishment of an Internal Audit function as it transitioned from an external to an internal function
- Oversight of enhancement to management's approach to fraud risk identification, analysis and mitigation
- Leading a tender process to appoint an external auditor from FY25

Key responsibilities

- Reviewing the half-year and annual financial statements and any announcements relating to financial performance, to determine whether each is fair, balanced and understandable, and challenging the appropriateness of accounting policies, judgements and estimates, as well as disclosures, and reporting to the Board thereon
- Ensuring the quality and effectiveness of the audit conducted by the external auditor and recommending to the Board the appointment of the external auditor
- Reporting to the Board on the effectiveness of the audit process and how the Company safeguards the independence and objectivity of the auditor
- Reviewing the scope, remit, objectivity and effectiveness of the Internal Audit function
- Reviewing the effectiveness of the Group's internal control and risk management systems
- Reviewing and recommending to the Board the disclosures included in the Annual Report in relation to internal control, risk management and the viability statement
- Reporting to the Board on how the Audit Committee has performed its role, and its findings

As the remuneration of the CEO has a significant weighting towards variable pay to align his remuneration with Company performance, it is likely that there will be greater variability in his pay year to year than that observed at other levels which have a greater proportion of their pay linked to fixed components. This is consistent with market practices and the Company's reward policies across the organisation. In respect of the general workforce, Babcock understands the need to ensure competitive pay packages across the organisation. For the Committee, it considers the ratios below when making its decisions around the remuneration of the Executive Directors.

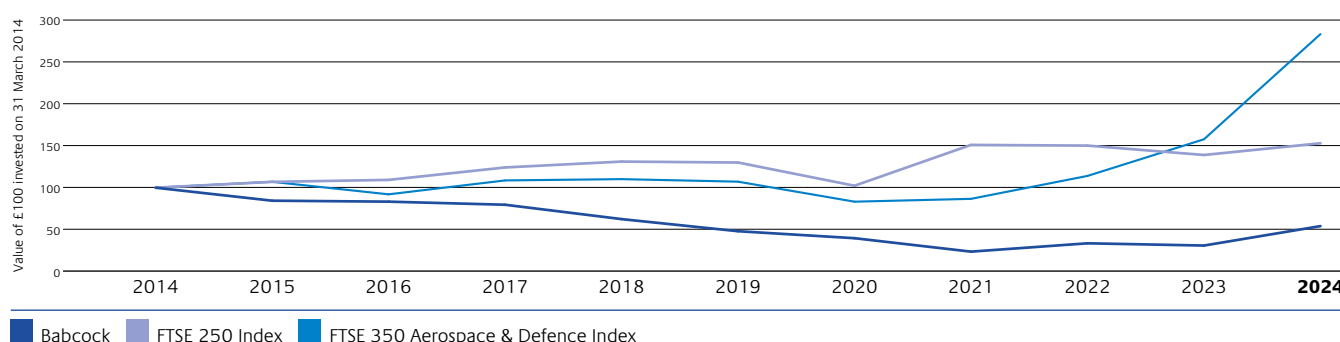
Financial year	Calculation methodology	P25 (lower quartile)	P50 (median)	P75 (upper quartile)
FY24	Option B	104:1	89:1	70:1
FY23	Option B	102:1	84:1	62:1
FY22	Option A	61:1	48:1	36:1
FY21	Option A	30:1	22:1	17:1
FY20	Option C	47:1	37:1	27:1

The ratio for FY23 has been trued up to reflect the 100% vesting of the TSR element of the 2020 PSP, which had the effect of increasing the ratio. The 2020 PSP is the first award granted to the CEO (who joined the Company in September 2020), and the first to vest since the Company began reporting on the CEO pay ratio.

Financial year		P25 (lower quartile)	P50 (median)	P75 (upper quartile)
FY24	Total remuneration (£'000)	£37.6	£44.1	£55.8
	Salary (£'000)	£36.0	£40.8	£53.4

Performance graphs

The following graph shows the TSR for the Company compared to the FTSE 250 and FTSE 350 Aerospace & Defence index, assuming an investor invested £100 on 31 March 2014. The Board considers that the FTSE 250 Index (excluding investment trusts) and FTSE 350 Aerospace & Defence Index currently represent the most appropriate indices (of which Babcock is a constituent) against which to compare Babcock's performance.



The table below details the historical CEO pay over a 10-year period.

	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Peter Rogers¹										
Single figure (£'000)	4,448	2,491	1,091							
Bonus vesting (% max)	78%	60%	66%							
DBMP matching shares vesting (% max)	88.4%	57.8%	17.0%							
PSP/CSOP vesting (% max)	83.5%	37.3%	26.5%							
Archie Bethel^{2,3}										
Single figure (£'000)			1,012	2,079	1,969	1,385	334			
Bonus vesting (% max)			66%	61%	58%	14%	0%			
DBMP matching shares vesting (% max)			17.0%	20.0%	n/a	n/a	n/a			
PSP vesting (% max)			26.5%	23.9%	15.1%	0%	0%			
David Lockwood⁴										
Single figure (£'000)							547	1,975	3,288	3,908
Bonus vesting (% max)							0%	80%	59%	59.6%
PSP vesting (% max)							n/a	n/a	100%	100%

1. Until retirement on 31 August 2016.

2. Excludes remuneration received whilst undertaking the role of Chief Operating Officer until August 2016.

3. Until he stepped down as CEO on 14 September 2020.

4. Excludes his salary between joining the Company in August and joining the Board as CEO on 14 September 2020.

Notes to the Group financial statements

1. Basis of preparation and material accounting policy information

Basis of preparation

Babcock International Group PLC (the parent and ultimate parent company) is a public company limited by shares incorporated in the United Kingdom under the Companies Act. Babcock International Group PLC is listed on the London Stock Exchange and is incorporated and domiciled in England, UK. A description of the nature of the Group's operations and principal activities is set out on page 2.

The financial statements have been prepared in accordance with United Kingdom adopted International Accounting Standards, which has not differed from the previously EU-adopted International Financial Reporting Standards (IFRS), and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments that have been measured at fair value.

Going concern

After making enquiries, 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 – further detail on the key factors impacting the going concern assessment are set out in the Directors' report on page 107. The Board considered the period from 21 July 2024 to 30 September 2025 in its assessment of going concern.

New and amended standards adopted by the Group

The Group applied the following standards and amendments for the first time for the year beginning on 1 April 2023:

The following standards and amendments to IFRSs became effective for the annual reporting period beginning on 1 April 2023 and did not have a material impact on the consolidated financial statements:

- **IFRS 17, 'Insurance Contracts':** IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4.

IFRS 17 allows an entity a policy choice to instead apply IFRS 15 to contracts which would otherwise meet the definition of an insurance contract providing their primary purpose is to provide a service at a fixed fee and provided certain specific conditions are met. Where these conditions are satisfied, the Group's policy is to apply IFRS 15 in all such instances.

IFRS 17 also contains a number of scope exclusions – for example, warranties provided by a manufacturer, dealer or retailer in connection with the sale of its goods or services to a customer are outside the scope of IFRS 17.

Whilst the Group holds a number of long-term support and maintenance contracts, it has been concluded that such contracts are either subject to the above scope exclusions and policy choices, or do not constitute insurance contracts because there is no transfer of significant insurance risk due to pricing structure such that additional costs are recoverable through variable consideration or final pricing adjustment. As such, none of the long-term support and maintenance contracts are accounted for under IFRS 17.

The Group has assessed that the standard would impact its captive insurance company as it issues insurance contracts, however, since the contracts insure other Group companies, there is no impact on the Consolidated Financial Statements.

The impact of adopting IFRS 17 is not material for the Group and no restatement of the prior period Income Statement or Statement of Financial Position was required.

- **Amendments to IAS 1, 'Presentation of Financial Statements':** The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.