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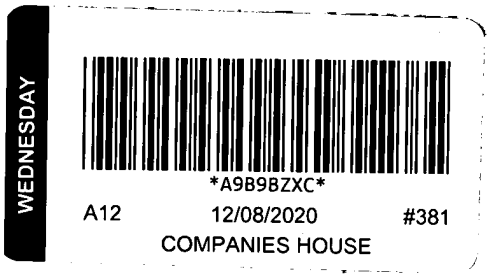
Company Registration No. 67307

TELENT LIMITED

Annual Report and Financial Statements
Year ended 31 March 2020



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telent Limited

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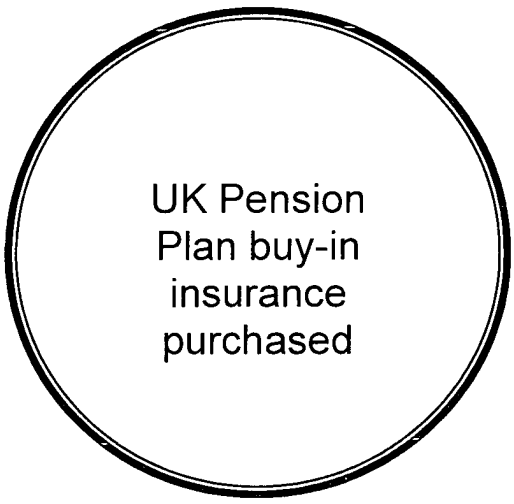
HIGHLIGHTS

telent is a market leader in the UK mission-critical digital services market

We have over 30 years' experience designing, deploying and managing digital infrastructure

We deliver technology services and solutions to enable digital transformation and the digital delivery of critical services by our clients

We provide an end-to-end range of technology design, deploy and support services to service providers, transport operators, government organisations and large enterprises.



[1] See page 6 for the reconciliation to operating profit
[2] Includes £49.4m drawn down under supplier finance facility

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CHAIRMAN'S STATEMENT

Mark Plato

The year ended 31 March 2020 was an unusually challenging year for **telent**, one which fully tested the Group's ability to adapt swiftly in unprecedented circumstances. In September 2019, and with great sadness, **telent** announced the sudden death of the Group's Chief Executive Officer, Mark Plato. Mark began his career as an apprentice with London Underground Ltd in 1976 and moved swiftly through design technician roles into management in Communications. In 1995 Marconi recruited Mark to develop a services and maintenance business targeted at the Communications, Transport and Defence sectors. He became General Manager and then Vice President. When **telent** was formed in 2006, Mark was appointed Chief Executive Officer and was integral to the Group's growth.

As Chief Executive Officer, Mark built a strong executive team and led the Group through some difficult times into a period of great success, earning the respect of colleagues, customers and suppliers along the way. He was very well liked as an individual, both within **telent** and across the wider telecom and transport industries. To many people, he was more than an inspirational Chief Executive Officer, he was a friend and mentor, and his loss was keenly felt by all who knew him. Mark's legacy to **telent** is his ethos of placing the wellbeing of our customers and employees at the forefront of every decision we make.

Following Mark's death, **telent** Non-Executive Director Frank McKay was asked to step into an Executive role as Chief Executive Officer. Formerly Chief Executive Officer of Travis Perkins and Brakes Group, Frank had been a Non-Executive Director of **telent** since 2011. Working closely with the Executive, and with a strong focus on all aspects of the business, he kept the Group stable at a critical time, for which I would like to record my sincere thanks.

In March the **telent** Board announced its succession plan for the role of **telent** Chief Executive Officer, appointing Jo Gretton as Chief Operating Officer as an initial step to her taking over from Frank McKay. Jo's appointment as Chief Executive Officer is the realisation of a longstanding plan initiated by Mark Plato and came into effect on 1st July, when Frank resumed his Non-Executive Director role. Jo has been a member of the **telent** Senior Executive Team since **telent**'s formation in 2006. Her long experience with **telent** and previously Marconi, coupled with her in-depth knowledge of **telent**'s business, provide a solid foundation for her taking on these new responsibilities. The Board is confident that Jo will lead **telent** to further success in delivering the excellent services on which its customers depend.

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CHAIRMAN'S STATEMENT (CONTINUED)

In September 2019 **telent** and the Trustees of the G.E.C. 1972 Plan announced an agreement for a bulk annuity insurance buy-out of the Plan by Rothesay Life, a specialist insurer of defined benefit pension schemes. The agreement was a highly significant milestone for **telent** in that it provides greatly increased certainty and security for Plan members, while protecting all their existing terms and benefits. Additionally, it brings financial and strategic benefits for **telent**, eliminating a disproportionately large liability outside of our control, and removing the contractual obligation to utilise a significant portion of the Group's operating cash flows to cover plan funding and administration costs. This can now be invested in the ongoing development of Group activities. Tribute is due to all the current and former trustee directors who contributed to achieving this outcome.

As at July 2020, Covid-19 has not impacted our ability to deliver operational services to customers. Following government guidelines, we took appropriate steps to protect and support **telent** staff, those in our supply chain, our customers and the wider communities in which we work. We have continued to support customers delivering mission-critical services throughout the crisis. While there have been some temporary delays to a limited number of our projects, the majority of our work has continued without interruption and thanks is due for the dedication of all of our staff and the implementation of our robust business continuity procedures. We have traded profitably and generated positive trading cash flows during the first three months of the new financial year.

We continue to secure extensions to existing work and win significant new contracts to design, roll-out, operate and maintain the UK's critical digital infrastructure. Examples include a three-year contract to install the CLEARSKY™ Drone Threat Management system at Bristol Airport, marking the first UK deployment of the system; a contract from Network Rail to deliver free Wi-Fi for passengers at all of Network Rail's 20 managed stations; and a five-year contract from the University of Exeter for the design and build of the University's IT and telecommunications infrastructure. Additionally, we were selected again by Transport for London (TfL) to manage a wide and complex range of communication assets, including public address speakers, CCTV cameras inside and on buildings, customer help points and information displays, and Openreach awarded us eight of eighteen tendered areas across England and Wales to operate, maintain and build their network infrastructure.

The Group remains in a very strong financial position, with a healthy order book. It is clear that Covid-19 will continue to affect the way we live and work for some time, creating a 'new normal'. **telent** has demonstrated both resilience and an ability to adapt quickly to changing and difficult circumstances and I have no doubt that the Group will continue to go from strength to strength.

DocuSigned by:
David Naylor-Leyland
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D G E Naylor-Leyland

Chairman

22 July 2020

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STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 31 March 2020. The Strategic Report aims to provide fair and balanced insight into the Group's main objectives, strategies and risks. It complements, supplements and provides context for the Group's financial statements.

PRINCIPAL ACTIVITIES

Trading business

The Group is a leading provider of mission-critical digital services to Telecom Service Providers, Public Safety organisations, Transport operators, Public Sector bodies and Large Enterprises. We deliver services through three business units aligned to our target sectors:

Sector / Business unit	Services provided	Examples of key customers
Network Services	Design, installation, integration and ongoing support of mission-critical digital infrastructure, including communication networks, storage and hosting systems, applications and terminals and devices. Focused on Telecom Service Providers, Emergency Services, Maritime Safety, Public Sector and Large Enterprises.	BAE, BT, Cheshire Police, Devon & Cornwall Police, East Sussex Fire & Rescue Service, EDF, EE, Eli Lilly, Equiniti, Ericsson, GlaxoSmithKline, Ireland Health Service Executive, Irish Fire Service, KCOM, London Ambulance Service, London Internet Exchange, Maritime & Coastguard Agency, Mersey Fire and Rescue Service, Motorola, New Nuclear Build, North West Firecontrol, Northern Ireland Fire & Rescue Service, Parliamentary Digital Services, RNLI, Sky, SSE, Telefonica, University of Exeter, Virgin Media and Vodafone.
Transport	Design, installation, integration and whole-life management of mission-critical digital infrastructure, including operational networks, transport communication and management systems, control and automation systems and digital asset management. Focused on the Rail, Metro and Highways sectors.	Highways England, Transport for London (London Underground, Highways, DLR, Bus and Coach Stations, Piers, Cycle Hire Stands, Substations, London Transport Museum and Offices), Local and County Councils (including Cumbria, Essex, Kent, Oxfordshire, Stoke-on-Trent, East & West Sussex and Wiltshire). Alstom, CenturyLink, Crossrail, Global Media (nee Exterion Media), Network Rail, High Speed 1 and Train Operating Companies (including Arriva, FirstGroup and Trenitalia) covering the Southwest (SWR), Great Western (GWR), West Coast Mainline (Avanti), Northern, Mersey Rail, Essex Thameside (C2C) and London Overground franchises.
Infrastructure Services	Design, deployment and maintenance of mission-critical passive infrastructure. Focused on Network Operators.	BT Openreach, Gigaclear and Virgin Media

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LIABILITY MANAGEMENT

telent was formed in January 2006, when the Marconi Group sold its telecommunications equipment and international services businesses to Ericsson. Following the disposal, which was achieved largely through asset sales, the Group retained legal entities in the UK and overseas territories, which hold legacy liabilities not transferred to Ericsson. These legal entities do not trade and are the subject of an ongoing legal entity rationalisation programme. In the Business Performance Review that follows, the Directors refer to the results, assets and liabilities associated with these activities as "Liability Management".

UK PENSION PLAN

telent is the sponsor of the G.E.C. 1972 Pension Plan ("UK Pension Plan"). Since **telent**'s formation we have been working with the UK Pension Plan Trustee to achieve an insurance solution for the plan, with a view to eliminating a disproportionately large funding obligation for the Group and ensuring long term security for members. In September 2019 we announced signature of a bulk-annuity insurance buy-out agreement with specialist regulated pensions insurer, Rothesay Life. This transaction has two phases. The initial buy-in transaction has involved the transfer of the assets of the UK Pension Plan and a portion of the cash held in escrow by the Group for the benefit of the UK Pension Plan in return for an insurance policy. Completion of the buy-out phase is expected to take place well in advance of the contractual deadline of September 2022. The details and accounting treatment of the transaction is explained in the Business Performance Review that follows.

The transaction provides significant financial and strategic benefits for the Group, eliminating a disproportionately large liability outside of the Group's control, and removing the contractual obligation to utilise 45% of the Group's operating cash flows to provide plan funding and administration costs. This can now be invested in the ongoing development of Group activities.

OBJECTIVE, STRATEGY AND BUSINESS MODEL

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

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

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

We develop domain expertise and customer alignment through market sector facing business units, supported by strong, but low-cost, central management and business support teams. The structure of our business units is described on page 4.

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STRATEGIC REPORT (CONTINUED)
BUSINESS PERFORMANCE REVIEW
Group results

The profit for the year from trading activities was £23.0 million. After taking into account the settlement loss associated with the UK Pension Plan insurance transaction and the net cost of liability management, the loss for the year amounted to £494.5 million:

£ million	Trading Activities	Liability Management	UK Pension Plan	Group
Operating profit/(loss) excluding exceptional items and intangible amortisation	**32.2**	**(0.9)**	**(2.5)**	**28.8**
Intangible asset amortisation	(5.4)	-	-	(5.4)
Exceptional items	(4.4)	0.9	(536.6)	(540.1)
Total operating profit/(loss)	**22.4**	**-**	**(539.1)**	**(516.7)**
Investment income	0.6	-	56.9	57.5
Net finance income	-	(1.1)	5.2	4.1
Tax excluding exceptional items	-	1.0	(7.3)	(6.3)
Tax on exceptional items	-	-	(33.1)	(33.1)
Profit/(loss) for the year	**23.0**	**(0.1)**	**(517.4)**	**(494.5)**
Turnover	568.2			
Operating profit margin excluding exceptional items and intangible amortisation	**5.7%**			

Turnover increased during the year from £542.4 million to £568.2 million, due to increased levels of activity across all business units. Operating profit from trading activities excluding exceptional items and intangible amortisation has increased to £32.2 million (2019: £31.4 million). Exceptional trading items charged to the profit and loss account relate to restructuring costs of £4.1 million and Covid-19 costs of £0.3 million (see Note 6 to the Group Accounts). After amortisation of intangible assets of £5.4 million, profit for the year from trading activities amounted to £23.0 million.

Covid-19 has not impacted our ability to deliver operational services to customers. Following government guidelines, we took appropriate steps to protect and support **telent** staff, those in our supply chain, our customers and the wider communities in which we work. We have continued to support customers delivering mission-critical services throughout the crisis. While there have been some temporary delays to a limited number of our projects, the majority of our work has continued without interruption and thanks is due for the dedication of all of our staff and the implementation of our robust business continuity procedures. The Group's strong financial position has meant that it has not been necessary to apply for any government or other sources of financial support, other than deferring £4.8 million under the HMRC Covid-19 VAT deferral scheme.

Good overall progress continued in liability management. The final outstanding tax dispute with the Brazilian tax authorities was settled in the Group's favour during the financial year, which we anticipate will facilitate our ability to finally liquidate our non-trading Brazilian subsidiary. In addition, we have commenced the formal process to liquidate the Group's remaining Indian subsidiary. Whilst there was an increase in pre-exceptional costs to £0.9 million (2019: £0.3 million), this was offset by an exceptional credit of £0.9 million due to the re-measurement of provisions.

Following the buy-in of the UK Pension Plan in September 2019 (see Notes 16 and 26 to the Group Accounts), an exceptional settlement loss of £536.6 million (2019: £Nil) was charged to profit and loss. Investments held in UK Pension Plan escrow 1 were realised to partially fund the buy-in, which resulted in investment income of £56.9 million (2019: £19.9 million), primarily consisting of interest receivable and realised gains (see Note 9 to the Group Accounts). In addition the net notional interest of £5.2 million on the defined benefit asset was offset by the total deferred tax movement in the year of £40.4 million.

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Network Services

The year to 31 March 2020 was another period of change as the Network Services business continued to adapt to technological advances and market drivers. As in previous years, we saw further reductions in the volume of our more traditional telephony work, this being a key driver of a restructuring exercise carried out early in the year. As digital infrastructure deployment ramps up, we continued to see an increase in the building and connecting of data networks, data processing tools (compute services) and data storage, whether on customers' premises or within data centres. Our pedigree in networking and mission-critical Information and Communication Technology (ICT) services continues to be a key differentiator for us and has enabled continued growth in our order book during the year.

In September 2019 we signed a five-year contract with the University of Exeter and are responsible for designing and transforming its IT and Communications infrastructure. We will replace network equipment which is at the end of its life and provide users with fast, secure and reliable delivery of digital applications and services, strengthening the student experience and supporting the University's strategy for wireless first connectivity. We will be the single provider of all Local Area Networks and Wide Area Networks that link the different campuses. We will also provide wireless access, unified communications, IT security, cabling support, user access management and fourth line support services. To design and build the network, we will integrate and manage equipment from five of our technology partners. We will also implement a live lab environment at the University to simulate the overall project solution and allow testing and development of new features and functionality. This contract with the University builds on our work in mission-critical environments.

Our Telecom Service Provider customers continue to form a large part of our business. As well as field engineering support across the whole of the UK and ROI, we provide leading edge technology support and solutions via our state-of-the-art laboratory and 24/7 technology management facilities in Camberley. Solutions delivered to our customers continue to change from our traditional telephony work to, for example, the recent installation and commissioning of a customer's data centre. Our wireless division continues to work closely with our Mobile Network Operator customers, delivering UK-wide deployment services, carrying out installation, commissioning and de-commissioning of infrastructure associated with 4G and now 5G technology. As well as traditional microwave radio services, offerings have grown to include WiFi in large public spaces, such as stadiums. We have also recently delivered a drone detection solution, with Digital Global Systems, for Bristol Airport. **telent** has also secured a new network win with Sure Telecom in the Channel Islands to upgrade their current 10G infrastructure to deliver a new, 100G connectivity platform based on Juniper technology.

Within the Public Sector, we won extensions to a number of our contracts during the year with customers such as Parliamentary Digital Services, North West Firecontrol, London Ambulance Service, Scottish Ambulance and the Maritime and Coastguard Agency. The Emergency Services Network (ESN) rollout continues to offer opportunities for us to supply products and services to develop and enhance network coverage and connectivity. We continue to work with the Home Office, providing drive and walk testing, to help them assure coverage of the new network.

As well as providing data centre infrastructure to our commercial customers, we continue to expand our offerings into Public Sector markets such as Health, Higher Education, Defence and Government. In the Health sector, we signed a support contract with West London NHS Trust to provide support and maintenance for their core and edge network, including firewall security and CCTV. In the Defence market, we are working with BAE to refresh the core network equipment on the UK's two aircraft carrier ships, HMS Queen Elizabeth and HMS Prince of Wales.

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Our System X business continues to support the infrastructure of BT's and other tier 1 service providers' voice networks. Solutions are being developed and deployed to provide network resilience and an extension to the life of the technology, whilst also reducing operational costs of these legacy networks. This work includes further software releases, so supporting customers' transformation programmes.

We continue to work closely with a number of technology partners such as Nokia, Adva, Frequentis, Hexagon and ADP. We continue to be a top tier partner for Juniper, Cisco and Hewlett Packard Enterprise, selling equipment and services to a variety of market sectors. We have also established new relationships with additional partners allowing us to offer a wider range of ICT solutions to our customers.

We continue to be 100% operational during this period of lock down, resulting from the Covid-19 outbreak, with the majority of our people classed as Key Workers. The efficient and resilient running of our customers' networks is more important now than ever, with much of the UK and ROI workforce working from home, and reliant on good connectivity. Whilst we have seen some procurement and projects delayed, we have also seen some accelerated. For example, at very short notice we provided a VPN solution to University of Exeter, to enable and bolster their home learning provision. We also carried out more installation work for the London Ambulance Service, allowing it to bring forward the introduction of new vehicles. Our Business Continuity Plans have stood up exceptionally well, with all our office-based staff working from home, and service levels maintained to our customers.

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Transport

The UK's Rail and Highways infrastructure continue to be well supported by government, despite Covid-19. Highways England and Network Rail are continuing their digital transformation programmes, as well as maintaining momentum in delivering the significant improvements required by passengers, industry and government to fulfil the needs of both world-class transportation services and a Digitally Connected Britain. Whilst TfL seek a new funding settlement with government, their major programmes will continue to be limited, deferred or cancelled.

Highways projects and all Transport maintenance activities continue to run at near normal levels. The Covid-19 lockdown, however, is having a significant impact on rail project delivery volumes over the summer, as many projects have been paused. Through active discussions with our customers, we anticipate normal volumes returning as we head into the autumn. We remain fully engaged with customers and industry to ensure we continue to adjust our resource levels to match demand.

On 1 January 2020 **telent** commenced a new seven-year TfL technology maintenance contract 1FM, which will see **telent** extend its highly successful relationship with TfL to 30 years. The contract has been successfully mobilised, including an extended scope that covers all underground and bus stations, piers and bike hires, together with future project opportunities through a renewal and enhancement programme. In the year ahead, we also expect to secure an extension to our existing traffic signal maintenance contract TCMS2. Our 1FM and TCMS2 contracts ensure we maintain our existing maintenance revenues and position us to secure new near-term opportunities as TfL look to sweat existing assets, undertake targeted replacements of end of life systems and modify traffic junctions to implement new safe cycling and pedestrian schemes.

For Network Rail our national Traction Power Central Management System (TPCMS) Power SCADA solution continues to be rolled out nationally and has not been subject to Covid-19 related delays. In Scotland we have secured a new Radio Electronic Token Block (RETB) programme that will provide ongoing project works throughout the remainder of CP6.

We also continue to work closely with our train operating customers and have secured contract extensions with FirstGroup, Arriva, Northern and Mersey Rail.

We continue to maintain our focus on delivery, innovation and cost-control to meet our customers' changing needs and requirement for long-term value, whilst working closely with our partners to ensure we secure success with HS2 and the technologies that will deliver connected train, 5G, Remote Condition Monitoring (RCM) and smart CCTV solutions throughout Rail.

HS2 provides strategic opportunities for our Rail Projects business Operational Telecoms, Station Communications and Third-Party Telecoms, along with the long-term maintenance opportunities that will be contractually linked to the project opportunities. With HS2 now receiving formal government approval to proceed, the procurement for the Operational Telecoms has commenced, although award is not expected until mid-2022.

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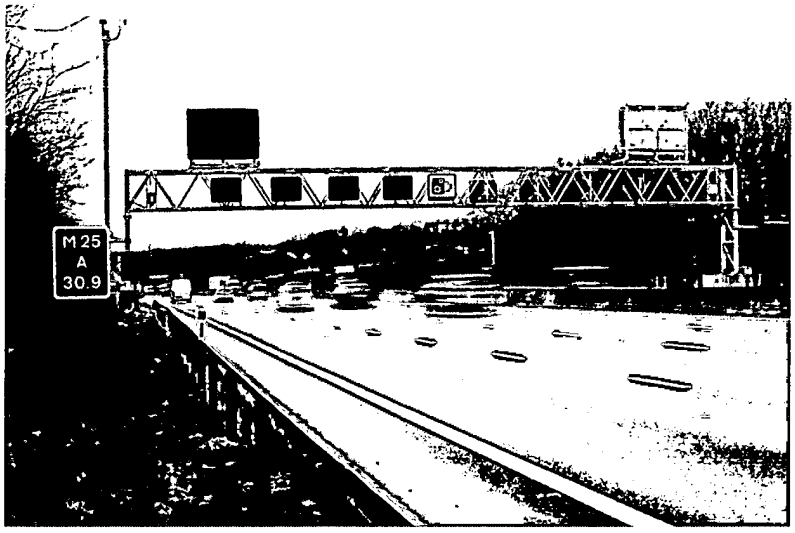
We have continued to win new Intelligent Traffic System maintenance contracts in target areas. We retained Urban Traffic Signal Maintenance contracts in Wiltshire and Medway and achieved new wins in Oxfordshire and Stoke on Trent. This has increased our traffic market share and enabled us to realise operational efficiencies. Our continual improvement programme has this year ensured telent remains the highest performing service provider on TfL's Traffic Control Maintenance Services contract, positioning us well for the future.

For Highways England, our Regional Technology Maintenance Contracts continue to perform well, exceeding availability targets and generating customer recognition for our collaborative approach. We also continue to successfully deliver as Highways England's Third Line Maintenance contractor, providing asset test and repair services covering ITS equipment across the whole of England.



We have completed the second year of delivery of the National Roads Telecommunications Service (NRTS).

NRTS is the national carrier-class fibre and copper communications network that connects the roadside technology across Highways England's Strategic Road Network. This provides Highways England with communications access to over 3,000 CCTV cameras, 5,500 electronic roadside signs, 6,000 emergency telephones, and 4,000 traffic monitoring sensors.

Over the last 12 months **telent** has successfully delivered technology capital works projects for Highways England's Smart Motorway and Complex Infrastructure Programmes. Our collaborative approach to delivery has been commended by Highways England and their delivery partners. The operating performance of the network has been excellent throughout the period, with a strong focus on continual improvement to maintain high levels of technology availability. In March 2020, the next phase of infrastructure spending was formally announced under the Road Investment Strategy (RIS2) at £27bn over five years. NRTS and the services provided by **telent** will play an integral part of this programme of digital infrastructure deployment, providing the national network that enables the delivery of smart motorway technologies, enhancement in-road user experience, improvements in safety, the free flow of freight and an overall improvement in traffic congestion.

There has been very limited impact of Covid-19 on our delivery of Highways England services. The activities we undertake are classified as essential and all capital and operational programmes continue to be required by Highways England throughout this pandemic to maintain the safety of road users and to ensure the availability of national infrastructure. **telent** has implemented new ways of working with our team and our supply chain to continue to fully operate these services and deliver our programmes, whilst meeting the requirements set out in the latest Public Health England and Construction Leadership Council guidance.

The ongoing work done by the **telent** Transport team, focusing on technology and innovation, continues to enable us to exceed customer expectations and improve our profitability and competitiveness. We continue to develop collaborative relationships with strategic technology partners, as well as SMEs, to put forward compelling solutions for the future. With our partners, we are well positioned to deliver the products and services that capitalise on the drive for a digital railway, connected autonomous vehicles and the evolving TfL and regional transport strategies.

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Infrastructure Services

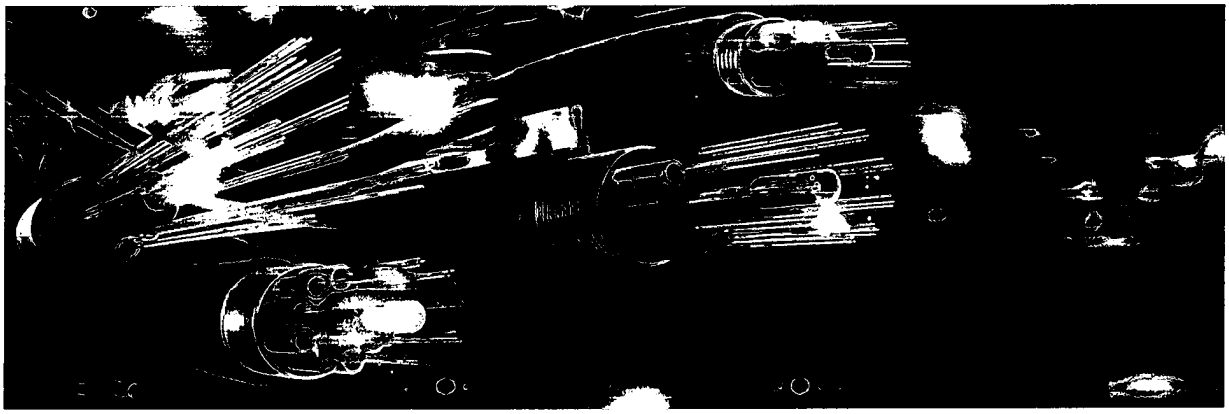
The principal customer of our Infrastructure Services business remains BT Openreach, and services have continued under our Network Extension and Maintenance Services Agreement ("NEMSA") contract which ran until March 2020. Revenues under this contract were stable throughout the year. Following a successful bid for the renewal of this contract in an environment where Openreach have introduced additional suppliers, we have secured the largest award to an individual contractor, representing around 60% of our previous work volumes across eight areas (a reduction from 12), which commenced in April 2020. The renewal is known as Openreach Network Services Agreement (ONSA).

Throughout the year the business completed a number of Broadband Delivery UK (BDUK) contracts with Openreach as well as the Connecting Devon and Somerset BDUK contract with Gigaclear, which is expected to close in the second quarter of the new financial year. To replace some of these revenues we have secured additional work and continue to target further volumes under the BT Openreach Fibre Cities and Fibre Build projects, as well as bidding a number of tenders with key new Alternative Network customers. Technology remains a key differentiator for us and we have continued to invest in systems to enhance control of remote teams and delivery date certainty. This includes the imminent deployment of a new integrated platform for programming and managing works, as well as enhanced project functionalities. We have also developed our model to self-deliver more of the administrative control and scheduling functions, and established a new in-house field force focussed on fibre deployment. This will generate efficiencies in network build to support continued work winning in the sector.

Our contributions continue to help Openreach achieve its performance targets, including the achievement of key Fibre Build targets. As well as maintaining a strong safety and quality score through the year on the NEMSA contract, we provide industry leadership in this area, and chaired the Openreach cross party supplier safety and quality forums.

We have successfully navigated the challenges of working under Covid-19 restrictions, modifying our processes and methods to get our key-worker-designated workforce fully operational. Over a period of around 10 weeks we have recovered from c70% resource deployment and are now running at normal levels. Despite some initial declines we have seen customer order volumes return to expected levels and we are well prepared for any resurgence in the pandemic in the coming months and years.

The Government's targets for full fibre penetration and 5G coverage, and ongoing public and private sector investment in digital infrastructure, provide ongoing growth opportunities for the business, and we will continue targeting new work amidst this buoyant market.



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Balance Sheet and Cash Flows

£ million	2020	2019
Net Assets	**175.3**	851.1
Cash and cash equivalents	**117.6**	63.6
Of which unrestricted	**115.1**	61.0

Accounting for the UK Pension Plan transaction has removed net assets of £536.6 million from the Group's balance sheet. As clearly stated in the Group's Annual Strategic Report each year since 2016, whilst the UK Pension Plan was accounted for in accordance with applicable accounting standards, the Directors did not believe that there was any certainty that any value associated with the UK Pension Plan asset would be realised for the benefit of the Group. In concluding the transaction with Rothesay Life, the UK Pension Plan asset has been used to secure the benefits of the c39,000 Plan members in full, which will eliminate a significant obligation on the Group in the future to contribute 45% of its operating cash flows to fund the Plan and its running costs.

The reduction in assets relating to the UK Pension Plan transaction was the most significant factor contributing to the overall reduction in Group net assets of £675.8 million, with the balance principally comprising a reduction due to the remeasurement of the UK Pension Plan prior to the date of the transaction of £174.4 million (see Consolidated Statement of Comprehensive Income), net UK Pension Plan escrow income of £27.4 million, profit for the year from trading activities of £23.0 million and the dividend payment of £10.5 million.

With Net Assets of £175.3m, the Group remains in a very strong financial position.

Of the total Net Assets, a net investment of £90.9m continues to be held in escrow accounts for the future benefit of the UK Pension Plan, if required. This amount takes into account the forecast costs that will be borne from escrow to complete the process to convert the buy-in to a buy-out and to wind up the UK Pension Plan. The Directors are confident that the buy-out transaction can be concluded well in advance of the contractual deadline of September 2022. The residual balance held in the escrow accounts will be released back to the Company, in accordance with the escrow deeds, no later than upon completion of the wind-up of the UK Pension Plan.

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Balance Sheet and Cash Flows (continued)

The table below summarises cash movements during the year ended 31 March 2020:

£ million	Trading Activities	Liability Management	UK Pension Plan	Group
Cash at 1 April 2019				**63.6**
Of which unrestricted				61.0
Of which restricted				2.6
Cash generated / (utilised) by operating activities*	**102.8**	**(0.9)**	**(7.5)**	**94.4**
Exceptional items	(3.3)	(2.2)	(294.5)	(300.0)
Net sale of bonds	-	-	282.9	282.9
Acquisition of business	(14.9)	-	-	(14.9)
Interest received	0.5	-	5.7	6.2
Capital expenditure	(4.1)	-	-	(4.1)
Investing activities				**270.1**
Repayment of borrowings				(0.3)
Dividends paid				(10.5)
Net cash inflow				**53.7**
Foreign exchange				0.3
Cash at 31 March 2020				**117.6**
Of which unrestricted				**115.1**
Of which restricted				**2.5**

*Excludes exceptional items cash flows.

The Group's unrestricted cash increased by £54.1 million during the year from £61.0 million to £115.1 million at 31 March 2020.

Cash of £102.8 million generated by the Group's trading activities included the benefit of contingency measures taken at the onset of the Covid-19 pandemic including the early receipt of invoiced funds of £49.4 million drawn down under a supplier finance facility and a benefit of £4.8 million from HMRC's Covid-19 VAT deferral scheme. Exceptional cash outflows of £3.3 million related to the cash costs of restructuring within Trading Activities. During the year, the Group paid £14.9 million to the liquidator of Carillion plc in full and final settlement of its obligations under the former JV Agreement and incurred capital expenditure of £4.1 million.

Cash flows relating to Liability Management comprised running costs of £0.9 million and exceptional cash costs relating to legacy settlements of £2.2 million.

In September 2019, the Group sold investments held in UK Pension Plan escrow 1, realising cash of £282.9 million, which along with cash already held in Pension Escrow was contributed to the UK Pension Plan in order to facilitate the Trustee's purchase of two Bulk Purchase Annuity Policies with Rothesay Life. Full details of the pension transaction can be found on page 14. This significant one-off pension contribution totalling £294.5 million has been recorded as an exceptional item from operating activities in the Group's Consolidated Cash Flow Statement. Other pensions-related cash flows during the year comprised **telent**'s final UK Pension Plan pension deficit contributions, running costs of the UK Pension Plan and investment management fees (totalling £7.5 million) and interest received on the Pension Escrow balances of £5.7 million.

The Group paid a cash dividend of £10.5 million in July 2019.

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UK PENSION PLAN

telent Limited is the principal employer and sponsor of the G.E.C. 1972 Plan (the "UK Pension Plan"). Following consultation with affected employees, the UK Pension Plan was closed to future accrual in 2010.

On 25 September 2019, the Trustee of the UK Pension Plan signed two Bulk Purchase Annuity Policies (the Buy-out Policies) with Rothesay Life. These provide insurance for members' liabilities under the Plan. The terms of the policies provide for Rothesay Life to issue individual policies to beneficiaries under the Plan, which will replace the current obligations of the Plan to provide benefits for members. Once the individual policies are issued, members' benefits will be fully insured and this will enable the full wind up of the UK Pension Plan.

On 19 March 2020 **telent** gave the Trustee of the UK Pension Plan notice of its intention to cease contributions to the Plan with immediate effect. The Trustee then declared the Plan to be a closed fund and commenced the process of wind-up. It is expected that this process will take up to 2 years.

Valuation for FRS 102.28 accounting purposes

As a result of the signing of the Buy-out Policies by the UK Pension Plan on 25 September 2019, the FRS 102.28 (Employee Benefits) valuation of the UK Pension Plan showed a £Nil balance at 31 March 2020 compared to an asset of £460.3 million at 31 March 2019. The total value of the assets transferred to Rothesay Life on 25 September 2019 were £4,592.9 million. The fair value of the insurance contract asset using the FRS102 accounting method at the date of the purchase of the Buy-out Policies on 25 September 2019 was £4,089.3 million. Together with costs and agreed increases to Plan liabilities post transaction, this resulted in a settlement loss of £536.6 million. The fair value of the insurance contract asset measured using the same method, at 31 March 2020, was £3,540.0 million; the same as the value of the liabilities at this date.

Further details of the FRS 102.28 valuation are set out in Note 26 to the Group Accounts (Post-retirement benefits).

Escrow 1

The UK Pension Plan escrow 1, which was established in 2006 for the potential benefit of the UK Pension Plan, was valued of £79.3 million at 31 March 2020 (2019: £353.0 million) – see Note 16 (Available for sale investments). The UK Pension Plan escrow 1 is invested in pooled investment vehicles. £28.0 million of net unrealised losses were charged to the Statement of Comprehensive Income in the year and £50.3 million of gains resulting from the divestment of investments in bonds were realised in the Profit and Loss Account.

Under the agreement in place with the Trustee, the investments in UK Pension Plan escrow 1 were to be paid into the Plan in twelve annual instalments which commenced on 31 March 2012. Under that agreement, these payments were to be accelerated, with all remaining UK Pension Plan escrow 1 assets to be transferred to the Plan, in the event of the signing of a contract to buy-out the liabilities of the Plan with an appropriate insurer (after satisfying other minor conditions).

Prior to signing the Buy-out Policies, the Trustee and **telent** Ltd executed a Deed of Amendment to the First Escrow Release Plan, dated 25 September 2019. Under the terms of this, only those assets required to meet the premium payable to Rothesay Life were transferred to the Plan. The remaining assets were retained in UK Pension Plan escrow 1, available for use by the Plan. Any residual assets will be released to the Company on completion of the wind-up of the Plan or earlier with the agreement of the Trustee.

During the year ending 31 March 2020 payments of £294.5 million were made from UK Pension Plan escrow 1 to the Plan. This included the annual instalment of £69.8 million due at 31 March 2019, which was reflected in the financial statements for the year ended 31 March 2019.

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Escrow 3

As a result of the Framework Agreement a third Escrow (escrow 3), held by a custodian for **telent** and subject to a charge in favour of the Trustee, was established.

A payment of £6.5 million was paid into escrow 3 during the year ended 31 March 2020 relating to **telent**'s operating cash generation in the year ended 31 March 2019. During the year ended 31 March 2019 £5.0 million was made available to **telent** to assist with working capital cash flow following its success in winning a significant contract. This amount, plus an additional contribution of £0.2 million, was returned to escrow 3 in September 2019.

The original deed governing escrow 3 provided for sufficient assets to be transferred from escrow 3 such that they, when added to those of the Plan and escrow 1, would meet the premium payable to an appropriate insurer to buy-out the liabilities of the Plan. Prior to signing the buy-out policies, the Trustee and **telent** executed a Deed of Amendment to the Third Deed of Escrow under which assets remain in escrow 3, available for use by the Plan if required. Escrow 3 funds continue to be used to fund the costs of the buy-out of the Plan with £2.8 million of costs having been reimbursed from escrow 3 to **telent** during the year ended 31 March 2020.

Escrow 3 was valued at £24.9 million as at 31 March 2020 and is invested in a pooled investment vehicle.

Further details of the UK Pension Plan escrows are set out in Note 16 to the Group Accounts (Available for sale investments).

FINANCIAL OUTLOOK

Trading

telent delivered a solid performance in the year ended 31 March 2020, despite some challenges on one of our Transport contracts, which continues a trend of robust financial results over the past several years. The Group's balance sheet shows a stronger than ever liquidity position, with net current assets of £85.8 million (2019: £32.9 million), including unrestricted cash balances of £115.1 million (2019: £61.0 million), and no significant borrowings. **telent** has continued to trade satisfactorily during April, May and June, despite the Covid-19 pandemic, thanks to the mission-critical nature of the services we provide to our blue-chip and public sector customer base. Whilst the long-term impact of the pandemic on **telent** and the British economy as a whole is yet to be fully understood, based on our experience to date, the Directors are confident that **telent** will continue to trade profitably in the new financial year and into the medium term. However, our ability to maintain growth in the year ending 31 March 2021 and beyond will be affected by Covid-19, the level of success in retaining existing contracts and winning new business and the health of the British economy, including the ongoing economic uncertainty caused by Brexit.

The large majority of the Group's activity is based within the UK for UK-based customers, often working on maintaining and upgrading aspects of critical national infrastructure. Most Brexit scenarios, therefore, should not have a significant impact on the long term future levels of work that we perform for those customers. However in the short to medium term, it is likely that **telent** could be impacted by any deterioration in the British economy, since Brexit has the potential to cause customers to delay investment decisions, which could impact the Group's ability to deliver continued growth in net trading profits and cash flows. To help mitigate any immediate impact of Brexit, we have recruited permanent staff into key technical roles, increasing **telent**'s control over the labour supply. The Group's exposure to foreign exchange volatility is low and managed through a policy of hedging foreign currency purchases at the time the related order is received from the customer.

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The Directors have identified the following issues, factors and stakeholders as relevant in complying with their duties under section 172(1) Companies Act 2006 and sets out below how these have been considered and impacted their principal decisions during the financial year ended 31 March 2020.

Stakeholders

Employees – We could not fulfil our purpose of keeping the UK and Ireland's communications assets and data connected and protected without our skilled and dedicated employees. We engage with our staff by regularly updating them on the company's performance and issues affecting them via our intranet, e-mail, Employee Forum and Roadshows. Our Employee Forum is attended by at least one **telent** Group director, with three meetings taking place in the year and actions taken resulting in various changes being made around the business. There are various other mechanisms for staff engagement across the business, including our Driver Safety Operating Group and local Environmental Health & Safety forums, with the outputs of these mechanisms being reported to senior management. Actions based on the results from the company's periodic Employee Survey were implemented this year. All staff that perform well or suggest innovative ideas can share in the company's success via our Thanks Award scheme.

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

Customers – Our company values are to provide our customers with service, commitment and value. Many of our projects stem from a bidding process designed by the customer, based on their own requirements, therefore regular engagement with customers is essential. We develop joint account plans and continual service improvement plans based on customer needs, as well as attending networking events, industry forums and project board meetings.

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

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

G.E.C. 1972 Plan members – **telent** Limited is the sponsor of the G.E.C. 1972 Pension Plan, which has required us to make regular cash contributions. The Plan is administered by a Trustee committee elected by its members to represent them, with regular correspondence taking place between the Trustee and the board.

Issues and Factors

The company maintains a risk register which captures emerging and established risks and is reviewed biannually. 24 risks are currently identified with treatment actions identified and tracked to completion where appropriate. Some of these risks are summarised in the *Risks and Uncertainties* section of this report.

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Impact on Principal Decisions

Major Bids – Preparations for bids have been driven by the needs of customers, with close collaboration between our skilled engineers and our supply chain to develop appropriate solutions. The Group's bid strategy takes into consideration the issues and factors set out in the in the *Risks and Uncertainties* section of this report.

Resourcing – Skilled resource is needed for the Group to operate, with our activities influenced by customer demand in the markets in which we operate and the underlying political landscape. The interests of existing staff have been considered by developing, promoting or re-deploying them wherever possible. Some restructuring activity took place as the mix of services delivered changed. Political uncertainty about the award of infrastructure projects, and revised IR35 legislation, has impacted some of the Group's longer term resourcing decisions.

Investment –The Group has invested in several software and hardware upgrades. In some cases this was due to customer demand for innovation, and in other cases it was due to other issues and factors such as enhancing business continuity, security and efficiency. Software upgrades have been piloted with small staff groups to ensure an easy transition. As part of the Group's overall business continuity planning, this investment helped to ensure that the Group was able to continue to deliver its services without interruption during the Covid-19 pandemic.

G.E.C. 1972 Pension Plan Buy-Out – In September 2019, **telent** and the Trustee of the G.E.C. 1972 Pension Plan announced that an agreement had been entered into for a bulk annuity insurance buy-out of the Plan by Rothesay Life. The interests of members were central to this transaction, and the result has been a substantial improvement to the security of members' pension entitlements without causing any detrimental impact on the Group's employees, customers or other stakeholders.

STRATEGIC REPORT (CONTINUED)
ENERGY & CARBON REPORTING

	2020	2019
SECR Mandatory Reporting Requirements	UK and offshore	UK and offshore
Energy consumption used to calculate emissions ***/kWh*** Figure is comprised of gas, electricity, transport fuel and gas oil from backup generators	39,508,497.5	In the first year of reporting, organisations are not required to disclose information for the previous year.
Emissions from combustion of gas ***/tCO₂e*** (Scope 1)	442.9	
Emissions from combustion of fuel for transport purposes ***/tCO₂e*** (Scope 1)	7,141.1	
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel ***/tCO₂e*** (Scope 3)	428.5	
Emissions from purchased electricity (Scope 2) ***/tCO₂e***	2,051.6	
Total gross CO_2e based on above ***/tCO₂e***	10,065.5	
Intensity ratio: tCO_2e / FTE Employee	4.4	
Methodology	Green House Gas emissions have been calculated in accordance with Chapter 6 of the GHG Protocol Corporate Standard, using activity data derived from fuel purchases, metered electricity and mileage claims. Appropriate conversion factors and emissions factors have been obtained from the 'UK Government GHG Conversion Factors for Company Reporting' in order to calculate consumption in kWh and GHG emissions.	

Energy Efficiency Action:

telent is committed to using energy as efficiently as possible and minimising carbon emissions from our operations. Immediately prior to the Streamlined Energy and Carbon Reporting Period covered in this report, we made significant investment at our head office in Warwick, replacing existing gas fired boilers with a new high efficiency gas fired boiler system. The new boilers were commissioned in January 2019 and provide an efficient source of heating for the building.

During the reporting period we have reviewed and renewed our energy supply contracts and continue to purchase electricity from a Renewable Energy Guarantees of Origin (REGO) backed tariff, and gas from a Renewable Gas Guarantees of Origin (RGGO) backed tariff.

During 2019, under the Company Car Policy, we have made it possible for **telent** benefit users to access a wider range of hybrid and electric vehicles. In addition, we have commenced a trial of electric vans within our Transport Asset Management team to support contracts in London. This has involved replacing 10 diesel vehicles (from a total **telent** fleet of 1,078) with 10 zero emission electric vehicles. To support the transition we have installed charging points at key depots in London.

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STRATEGIC REPORT (CONTINUED)
RISKS AND UNCERTAINTIES

Financial Risks

As part of its ordinary activities, **telent** is exposed to a number of financial risks, including liquidity risk, credit risk, foreign exchange risk and insurance risk.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board. The Group manages liquidity risk by maintaining adequate reserves and continuously monitors forecast and actual cash flows.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group.

Foreign exchange risk

The Group seeks to minimise risk against foreign exchange rate movements by hedging committed expenditure as soon as reasonably practical following commitment through the use of forward foreign exchange contracts.

Insurance risk

The Group maintains the types of property and liability insurance, which the Directors regard as appropriate given the nature of the risks run in the course of its business, and for amounts which they consider adequate.

Other Risks and Uncertainties

Market

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

Operational

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

As described in more detail above in the Business Performance Review, **telent** has been working closely with its customers and suppliers to ensure that we can meet our customers' requirements during the current Covid-19 pandemic, whilst maintaining best practice for the safety of our staff, contractors, customers and the general public. As a result, despite the pandemic, **telent** has continued to trade profitably in the first few months of the financial year ending 31 March 2021.

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Other Risks and Uncertainties (continued)

Legacy

telent has a number of Liability Management issues, which were retained by the Group when it disposed of its telecommunications equipment and international services businesses to Ericsson in 2006. The Directors have provided for those amounts that they consider more likely than not to crystallise and have disclosed contingent liabilities over and above the amounts provided. The nature of the exposures, which include industrial disease, environmental contamination and outstanding tax matters, is such that the amount provided may not be adequate, resulting in additional costs charged to the Group's profit and loss account and cash outflows. The Directors have sought to minimise the Group's exposure to such issues through careful management and the use of suitably qualified local advisors and keep the financial impact of these exposures under constant review.

In conclusion, this has been another positive year for **telent** and on behalf of the Board. I would like to thank all our employees for their hard work and commitment, without which the achievements of 2019/20 would not have been possible.

By Order of the Board

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David Naylor-Leyland
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D G E Naylor-Leyland

Chairman

22 July 2020

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DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements of the Group and the Company for the year ended 31 March 2020.

DIRECTORS

The Directors holding office since 1 April 2019 are listed below:

M E Plato	Chief Executive Officer	Deceased 8 September 2019
H M Green	Chief Financial Officer	
J C Gretton	Chief Executive Officer	Appointed 1 July 2020
D G E Naylor-Leyland	Non-executive Chairman	
F J McKay	Chief Executive Officer	From 9 September 2019 to 30 June 2020
	Non-executive Director	To 8 September 2019 and from 1 July 2020
P D Yordan	Non-executive Director	Appointed 6 September 2019

PAYMENT OF CREDITORS

It is the policy of the Group that operating subsidiaries agree with suppliers the best available terms taking account of quality, delivery, price and period of settlement and that they abide by those terms. **telent** Limited is a holding company and, as distinct from the Group, has no revenue and no creditors from trading. It is therefore not possible to provide statistics for the Company as required by the Companies Act 2006. The average number of days taken to pay operating business suppliers was 25 days (2019: 20 days).

RESEARCH AND DEVELOPMENT

Research and development costs of £2.3 million were incurred in the year (2019: £2.0 million), which have been expensed to profit and loss as incurred.

NON-FINANCIAL KEY PERFORMANCE INDICATORS

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

	2020	2019
Lost time incidents [1]	**3**	2
Deaths/Major injuries [2) & 3)]	**1**	1
Dangerous occurrences [3]	**-**	-
Total	**4**	3

1) A lost time accident is an injury where an employee, or self-employed person, is away from work or unable to perform their normal work duties for more than 7 consecutive days (not counting the day of the accident).

2) Reportable major injuries (as defined in RIDDOR 2013) include: fractures, amputation, dislocation, loss of sight, serious burns, injury from electric shock, unconsciousness due to asphyxia, exposure to harmful substances or head injury.

3) There were no reportable Deaths or Dangerous occurrences during the year.

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As a result of the four RIDDORs (3 Lost Time Accidents, 1 Major), the target of a zero Accident Frequency Rate ("AFR") was not achieved for the year ended 31 March 2020. The final result for the financial year was an AFR of 0.06 (2019: 0.05) and the Group continues to target zero injuries. Specifically targeted safety campaigns are being developed to raise awareness of such types of incidents and subsequent injuries. In addition the Group safety management system includes procedures for risk assessment, compliance audit and investigation. The Group organisation includes embedded safety professionals to support delivery teams in the preparation and operation of Safe Systems of Work. In addition the Group operates a safety culture framework and carries out monthly and quarterly reviews of performance and progress against improvement objectives.

CHARITABLE AND POLITICAL DONATIONS

The Group supported a number of charities and educational programmes during the year ended 31 March 2020. Charitable donations made by Group companies during the year amounted to £31,000 (2019: £15,000), all of which were made to charities in the UK. These amounts exclude non-cash support provided by operating businesses to charitable organisations and educational establishments. In addition to **telent**'s direct charitable contributions, the Group is also a major sponsor of Alzheimer's Society having adopted the organisation as its corporate charity on 1 January 2019. Since pledging its support to Alzheimer's Society, **telent** and its staff have raised in excess of £80,000 for the charity, of which £78,000 was raised in the year ended 31 March 2020.

No political donations were made during the year ended 31 March 2020 (2019: £Nil).

ANTI-BRIBERY, CORRUPTION AND TAX EVASION

The UK Bribery Act provides a legal framework to combat bribery and corrupt practices in UK businesses. The Criminal Finances Act 2017 introduced criminal offences of failure to prevent facilitation of tax evasion. In both cases, corporate ignorance of individual wrongdoing is not a defence and the laws apply to all instances of corruption or facilitation of tax evasion, whether in the UK or abroad.

telent has issued an anti-bribery, corruption and tax evasion policy to all of its employees and failure to comply with this policy will be grounds for disciplinary action on the basis of gross misconduct and may lead to termination of employment.

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OUR EMPLOYEES

Resourcing continues to be a key area of focus. High employment rates, combined with the continued shortage of technology and engineering skills, created a very competitive recruitment context and led to increased focus on growing our own resources and exploring new approaches to finding and developing talent.

Fluctuating business volumes are an additional challenge which we have met by utilising flexible resource models, particularly in respect of resourcing for framework contracts and where we are exploring new markets.

The development of our employees is an increasingly important element of our resourcing strategy. The Group has put in place a succession plan which is reviewed by the Board annually. Capability reviews identify skills gaps, enabling plans to be put in place. The leadership programme aims to cultivate leadership capability and improvement of management capability is being addressed by a middle manager programme, supported by focused training on key functions such as project management and bidding. A supervisor/first time manager programme has also been launched during the year.

Investment in our engineering capability continues. To ensure our technology skills are maintaining pace with developments, our apprentice programmes have been extended to higher levels and widened into new areas such as Cyber Security, Network Engineering and Finance. We continue to grow graduate programmes in engineering and other key skill areas, including project management. We actively support initiatives aimed at increasing students' interest in Science, Technology, Engineering and Maths ("STEM") subjects and potential careers. All engineering graduates are trained STEM ambassadors who visit schools to engage with students and we proactively work with customers and partners, supporting initiatives in this area.

Retaining people with key skills is essential to our growth. Benchmarking of our remuneration packages to ensure we maintain a competitive position is a fundamental activity and identifying creative retention tools which reflect the priorities of critical resource groups is an area we have focused on. A particular challenge has been retaining the skills of an aging workforce to maintain legacy technology. Our approach has been to introduce a flexible benefits package which enables skilled engineers to flex their terms and conditions in ways that suit their individual circumstances, such as reducing weekly hours, facilitating annual hours contracts, buying additional holiday, or utilising retired employees as contractors to cover specific projects, skills requirements or peaks in volume and rotating graduate engineers through the team.

Employee Participation

Employees continue to be encouraged to participate in the business through a Group-wide Employee Forum, which provides the opportunity for discussion on Group performance and proposed change programmes impacting upon employees.

In addition, the Group communicates with its employees by means of:

- site and business focused communication sessions hosted by senior managers;
- business based newsletters;
- the **telent** intranet; and
- twice annual roadshows, led by the Executive team, to all major **telent** sites

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Diversity

The Group promotes diversity and ensures equality of opportunity by building a culture of respect, dignity and appreciation and by creating an environment where each individual has equal access to opportunities for improvement. The Group is committed to eliminating unfair discrimination through our policies, procedures and our actions. We do not accept discrimination on the grounds of sex, race, colour, nationality, ethnic or national origins, marital or civil partnership status, age, religion or belief, sexual orientation, gender re-assignment, disability or trade union membership. The aim is to have equality, diversity and inclusion as core elements of **telent**'s brand.

During the year, the Group worked in partnership with key customers to support their policies and initiatives which promote corporate social responsibility in respect of people. The areas of activity ranged from ethical sourcing policies to regional and local programmes which aim to provide opportunities for specific groups within local communities to develop their skills and secure long-term employment.

Employment of Disabled Persons

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

Covid-19

Maintaining the safety and wellbeing of our employees has been - and continues to be - paramount during the Covid-19 pandemic. In March we enabled the vast majority of non-field-based employees to start working remotely. For essential workers, supporting critical national infrastructure programmes, we provided the necessary PPE and introduced socially distanced working and travel arrangements in liaison with our customers. Regular communications from our Executive team, and information sharing via our company intranet and online forums ensured all employees were kept up to date with important developments and had the opportunity to raise concerns. Additionally, we introduced weekly webinars on a range of wellbeing topics to support employees' physical and mental health and we are following up with employees using on line tools to identify the impact of changes to working arrangement both positive and negative which will also feed into our strategy for returning to the workplace.

GOING CONCERN

Group unrestricted cash has increased during the year ended 31 March 2020 by £54.1 million to £115.1 million, the reasons for which are set out on page 13. At that date, the Group's only debt was £0.7 million under hire purchase agreements.

During the first three months of the new financial year ending 31 March 2021, despite the impact of the Covid-19 pandemic, **telent** has continued to trade profitably, albeit at levels lower than were budgeted, and generate positive operating cash flows. No further debt has been taken on during this period. Other than the VAT deferral scheme, under which deferred sums must be paid by 31 March 2021, **telent** has not taken advantage of UK government support schemes for businesses affected by Covid-19.

The Directors have prepared forecasts and projections for the period to 30 September 2021 with the full involvement of the business and which have been subject to detailed review up to and including Board level, taking account of actual profitability and cash flows during the year ended 31 March 2020 and the first three months of the new financial year. In preparing those forecasts, the Directors have considered sensitivities, including a severe scenario where the trading and cash flow performance of the Group remains at the levels seen in April to June 2020 throughout the forecast period to 30 September 2021.

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DIRECTORS' REPORT (CONTINUED)
GOING CONCERN (CONTINUED)

Notwithstanding the impact of the pandemic, the Directors expect the Group to trade profitably during the year ending 31 March 2021 and beyond and for customers to continue to be in a position to pay for the services they receive in full, resulting in positive operating cash flows, which, following the UK Pension Plan transaction, will be available in full for the Group's own use. The Directors do not anticipate the need to take on debt, beyond the current low levels, to fund the Group's trading. Unrestricted cash balances are expected to reduce during the year, the extent of this reduction being dependent on the use made of the supplier finance facility. It is possible that dividends are paid during the year, over and above the £20.0 million paid in April 2020 (see below), which would reduce cash balances, but this would only take place following careful consideration at that time by the Directors of the Group's future liquidity situation.

Note 25 to the Group Accounts (Contingent Liabilities) describes the Group's exposure to contingent liabilities for environmental remediation issues. The Directors do not believe that it is likely that any material financial settlement will be required in respect of these matters in the short to medium term, but if any cash settlement were to be agreed during the period to 30 September 2021, it would not change the assessment of the appropriateness of the going concern basis of preparation of the accounts.

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

DIVIDENDS

Dividends of £10.5 million were declared and paid in July 2019, representing a dividend per share of 15.91 pence per Ordinary share and 'B' Ordinary share held.

Subsequent to the year-end a dividend of £20.0 million was paid in April 2020.

AUDITOR

KPMG LLP is deemed to be re-appointed as auditor under s487(2) of the Companies Act 2006.

DIRECTORS' CONFIRMATION

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

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

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

By Order of the Board

DocuSigned by:
David Naylor-Leyland
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D G E Naylor-Leyland
Chairman
22 July 2020

Registered Office:
Point 3,
Haywood Road
Warwick
CV34 5AH

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STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT, THE CHAIRMAN'S STATEMENT, THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report, Chairman's Statement, Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the Group and Parent Company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the Group's profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TELENT LIMITED

Opinion

We have audited the financial statements of **telent** Limited ("the Company") for the year ended 31 March 2020 which comprise the consolidated profit and loss, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement, company balance sheet, company statement of comprehensive income, company statement of changes in equity and related notes, including the accounting policies in Note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2020 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the Company will continue in operation.

Chairman's Statement, Strategic Report and Directors' Report

The directors are responsible for the Chairman's Statement, Strategic Report and the Directors' Report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Chairman's Statement, Strategic Report and the Directors' Report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Chairman's Statement, Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

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Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 26, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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

DocuSigned by:
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John Leech (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

24 July 2020

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CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 March	Note	2020 Trading activities £ million	2020 Legacy & pensions £ million	2020 Total £ million	2019 Trading activities £ million	2019 Legacy & pensions £ million	2019 Total £ million
Turnover	4	**568.2**	-	**568.2**	542.4	-	542.4
Operating (loss)/profit							
Excluding exceptional items and intangible asset amortisation		**32.2**	**(3.4)**	**28.8**	31.4	(2.5)	28.9
Intangible asset amortisation	12	**(5.4)**	-	**(5.4)**	(10.4)	-	(10.4)
Exceptional items	6	**(4.4)**	**(535.7)**	**(540.1)**	1.7	3.3	5.0
Total operating (loss)/profit	7	**22.4**	**(539.1)**	**(516.7)**	22.7	0.8	23.5
Investment income from UK Pension Plan escrows	9	-	**56.9**	**56.9**	-	19.9	19.9
Investment income other	9	**0.6**	-	**0.6**	0.4	-	0.4
Net finance income	10	-	**4.1**	**4.1**	-	9.5	9.5
(Loss)/profit on ordinary activities before taxation							
Excluding exceptional items		**27.4**	**57.6**	**85.0**	21.4	26.9	48.3
Exceptional items	6	**(4.4)**	**(535.7)**	**(540.1)**	1.7	3.3	5.0
		23.0	**(478.1)**	**(455.1)**	23.1	30.2	53.3
Taxation							
Excluding exceptional items		-	**(6.3)**	**(6.3)**	(2.8)	(5.9)	(8.7)
Exceptional items		-	**(33.1)**	**(33.1)**	-	-	-
	11	-	**(39.4)**	**(39.4)**	(2.8)	(5.9)	(8.7)
(Loss)/profit for the year							
Excluding exceptional items		**27.4**	**51.3**	**78.7**	18.6	21.0	39.6
Exceptional items		**(4.4)**	**(568.8)**	**(573.2)**	1.7	3.3	5.0
		23.0	**(517.5)**	**(494.5)**	**20.3**	24.3	44.6

All results derive from continuing operations.

The notes on pages 34 to 66 form an integral part of these financial statements.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March	Note	2020 £ million	2019 £ million
(Loss)/profit for the year		**(494.5)**	44.6
Exchange gains on translation of foreign operations		**0.1**	-
Cash flow hedge reserve		**(0.1)**	1.1
Net unrealised gains on available for sale investments	16	**22.6**	1.9
Realised gains on available for sale investments transferred to profit for the year	16	**(52.1)**	(7.8)
Re-measurement of defined benefit asset	26	**(174.3)**	(25.5)
Re-measurement of defined benefit liability	26	**(0.1)**	(0.1)
Deferred tax arising on re-measurement of defined benefit asset	11	**33.1**	4.3
Total recognised (expenditure)/income for the year		**(665.3)**	**18.5**

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CONSOLIDATED BALANCE SHEET

As at 31 March	Note	2020 £ million	2019 £ million
Non-current assets			
Intangible assets and goodwill		**6.7**	13.0
Negative goodwill		**(8.0)**	(9.4)
Intangible assets and goodwill	12	**(1.3)**	3.6
Tangible fixed assets	13	**10.7**	11.8
Available for sale investments	16	**104.2**	368.8
Retirement benefit scheme asset	26	**-**	460.3
		113.6	844.5
Current assets			
Stocks	17	**18.7**	18.7
Debtors – due within one year	18	**115.0**	176.3
Debtors – due after one year	18	**23.1**	30.1
Cash and cash equivalents	19	**117.6**	63.6
Of which unrestricted		**115.1**	61.0
Of which restricted		**2.5**	2.6
		274.4	288.7
Creditors: amounts falling due within one year	20	**(188.6)**	(255.8)
Net current assets		**85.8**	32.9
Total assets less current liabilities		**199.4**	877.4
Creditors: amounts falling after more than one year	21	**(5.2)**	(7.2)
Retirement benefit scheme obligation	26	**(0.2)**	(0.2)
Provisions	22	**(18.7)**	(18.9)
Net assets		**175.3**	851.1
Capital and reserves			
Called-up share capital	23	**0.7**	56.3
Share premium account	23	**-**	14.8
Capital reserve	23	**-**	9.0
Revaluation reserve	23	**7.2**	7.2
Retained earnings		**167.4**	763.8
Total equity		**175.3**	851.1

These financial statements were approved by the Board of Directors (company number 67307) and authorised for issue on 22 July 2020. They were signed on its behalf by:

D G E Naylor-Leyland

DocuSigned by:
David Naylor-Leyland
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Chairman

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium account	Capital reserve	Revaluation reserve	Retained earnings	Total equity
	£ million	£ million	£ million	£ million	£ million	£ million
At 1 April 2018	56.3	14.8	9.0	7.1	751.3	838.5
Dividends paid	-	-	-	-	(6.0)	(6.0)
Total recognised income for the year	-	-	-	-	18.5	18.5
Acquisition of business	-	-	-	0.1	-	0.1
At 1 April 2019	56.3	14.8	9.0	7.2	763.8	851.1
Dividends paid	-	-	-	-	(10.5)	(10.5)
Total recognised expense for the year	-	-	-	-	(665.3)	(665.3)
Capital reduction (see Note 23)	(55.6)	(14.8)	(9.0)	-	79.4	-
At 31 March 2020	**0.7**	**-**	**-**	**7.2**	**167.4**	**175.3**

Movements in retained earnings are shown in the consolidated statement of comprehensive income. Dividends are shown in Note 23.

Foreign exchange differences, included in retained earnings above, are as follows:

	£ million
At 1 April 2019	3.6
Exchange gain on translation of foreign operations	1.0
At 31 March 2020	**4.6**

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CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March	Note	2020 £ million	2019 £ million
Net cash inflow from trading activities		**102.8**	37.1
Net cash outflow from liability management activities		**(0.9)**	(2.9)
Net cash outflow from pension administration and pension deficit funding		**(7.5)**	(16.6)
Net cash inflow from operating activities before exceptional items		**94.4**	17.6
Cash outflow from exceptional items		**(300.0)**	(1.8)
Net cash flows from operating activities	24	**(205.6)**	15.8
Investing activities			
Purchases of tangible fixed assets		**(3.6)**	(4.3)
Acquisition of business, net of cash acquired		**(14.9)**	(0.4)
Disposal of associate		**-**	4.6
Acquisition of intangible assets		**(0.5)**	(0.7)
Net sale/(purchase) of available for sale investments (UK Pension Plan escrows)		**282.9**	(1.8)
Income from deposits and UK Pension Plan escrows		**6.2**	13.4
Net cash flows from investing activities		**270.1**	10.8
Financing activities			
Payment of hire purchase lease liabilities		**(0.3)**	(0.1)
Dividends paid		**(10.5)**	(6.0)
Net cash flows used in financing activities		**(10.8)**	(6.1)
Cash and cash equivalents at the beginning of the year		**63.6**	42.9
Net increase in cash and cash equivalents		**53.7**	20.5
Effect of foreign exchange rate changes		**0.3**	0.2
Cash and cash equivalents at the end of the year		**117.6**	63.6
Of which unrestricted		**115.1**	61.0
Of which restricted		**2.5**	2.6

All cash flows derive from continuing operations.

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NOTES TO THE ACCOUNTS

1. GENERAL INFORMATION

telent Limited is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given in the Directors' Report. The nature of the Group's operations and its principal activities are set out in the Strategic Report.

These financial statements are presented in Sterling, as that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in Note 2.

2. PRINCIPAL ACCOUNTING POLICIES

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

The preparation of the financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Where such estimates are made they are indicated within the accounting policies below and in Note 3.

These financial statements have been prepared using the historical cost convention except where the measurement of balances at fair value is required as set out below. The following policies are those that the Group considers to be its principal accounting policies and have been applied in preparing the financial statements for the year ended 31 March 2020 and the comparative information for the year ended 31 March 2019.

Prior to **telent** exercising its step-in rights to take 100% control on 16 January 2018, **telent** accounted for its 40% share of the unincorporated former Carillion **telent** business as a joint operation. In accordance with FRS 102.A.3.21, and in order to give a true and fair view, goodwill has been calculated as the sum of the goodwill arising on each change in ownership percentage of this joint operation, being the difference at the date of each change between the fair value of the consideration given and the fair value of the identifiable assets and liabilities attributable to the interest purchased. This represents a departure from the statutory method and that otherwise set out elsewhere in FRS 102, under which goodwill is calculated as the difference between cost and fair value on the date of taking control. The statutory method would not give a true and fair view because it would result in the group's share of the former Carillion **telent**'s joint operation's retained reserves, during the period that it was a joint operation, being re-characterised as goodwill. The effect of this departure is, as at 16 January 2018, to increase the revaluation reserve by £7.1 million, to increase retained profits by £7.9 million, and to decrease negative goodwill by £15.0 million.

Principles of consolidation

The Group financial statements include the results of the Parent Company and all of its subsidiary undertakings, together with the Group's share of the results of its joint operations on a proportionate consolidation basis.

Subsidiaries are entities controlled by the parent undertaking. Control exists where either the parent entity is exposed to, or has rights to, variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. A parent has power over the subsidiary when it has existing rights to direct the relevant activities of the subsidiary. The relevant activities are those which significantly affect the subsidiary's returns. The effects of all transactions between entities within the Group have been eliminated.

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Principles of consolidation (continued)

Joint arrangements exist where two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Joint operations are joint arrangements in which the parties with joint control have rights to the assets and obligations for the liabilities relating to the arrangement. The financial statements of the Group include its share of the assets in joint operations, together with its share of the liabilities, income and expenses arising jointly or otherwise from those operations. All such amounts are measured in accordance with the terms of each arrangement, which are in proportion to the Group's interest in the joint operation.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Going concern

Group unrestricted cash has increased during the year ended 31 March 2020 by £54.1 million to £115.1 million. At that date, the Group's only debt was £0.7 million under hire purchase agreements.

During the first three months of the new financial year ending 31 March 2021, despite the impact of the Covid-19 pandemic, **telent** has continued to trade profitably, albeit at levels lower than were budgeted, and generate positive operating cash flows. No further debt has been taken on during this period. Other than the VAT deferral scheme, under which deferred sums must be paid by 31 March 2021, **telent** has not taken advantage of UK government support schemes for businesses affected by Covid-19.

The Directors have prepared forecasts and projections for the period to 30 September 2021 with the full involvement of the business and which have been subject to detailed review up to and including Board level, taking account of actual profitability and cash flows during the year ended 31 March 2020 and the first three months of the new financial year. In preparing those forecasts, the Directors have considered sensitivities, including a severe scenario where the trading and cash flow performance of the Group remains at the levels seen in April to June 2020 throughout the forecast period to 30 September 2021.

Notwithstanding the impact of the pandemic, the Directors expect the Group to trade profitably during the year ending 31 March 2021 and beyond and for customers to continue to be in a position to pay for the services they receive in full, resulting in positive operating cash flows, which, following the UK Pension Plan transaction, will be available in full for the Group's own use. The Directors do not anticipate the need to take on debt, beyond the current low levels, to fund the Group's trading. Unrestricted cash balances are expected to reduce during the year, the extent of this reduction being dependent on the use made of the supplier finance facility. It is possible that dividends are paid during the year, over and above the £20.0 million paid in April 2020 (see below), which would reduce cash balances, but this would only take place following careful consideration at that time by the Directors of the Group's future liquidity situation.

Note 25 to the Group Accounts (Contingent Liabilities) describes the Group's exposure to contingent liabilities for environmental remediation issues. The Directors do not believe that it is likely that any material financial settlement will be required in respect of these matters in the short to medium term, but if any cash settlement were to be agreed during the period to 30 September 2021, it would not change the assessment of the appropriateness of the going concern basis of preparation of the accounts.

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

Stocks

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

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Turnover

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

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

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

Long-term contracts are those which span more than one reporting period and where the contract outcome can be assessed with reasonable certainty. Turnover from such contracts is recognised under the percentage-of-completion method of accounting and is calculated based on the ratio of costs incurred to date compared with the total expected costs for that contract.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Operating profit

Operating profit is stated after charging UK Pension Plan settlement costs, restructuring costs, legacy provision movements and includes the Group's share of results of joint arrangements but is stated before investment income and finance costs.

Exceptional items

Exceptional items are those items of income or expense which management deem to be unusual in either size or nature.

Long-term contracts

Profit on long-term contracts in progress is taken when a sale is recorded on part-delivery of products or part-performance of services, provided that the outcome of the contract can be assessed with reasonable certainty. Amounts recoverable on long-term contracts, which are included in debtors, are stated at the net sales value of the work performed less amounts received as progress payments on account; excess progress payments are included in creditors. Cumulative costs incurred, net of amounts transferred to cost of sales, less provisions for contingencies and anticipated future losses on contracts, are included in stocks.

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

Where the outcome of a long-term contract cannot be estimated reliably, contract revenue is recognised to the extent of costs incurred, if it is probable that they will be recovered. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately. Any variations to contracts are accounted for on the same basis.

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

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Business combinations and goodwill

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

Goodwill arises where the fair value of the cost of acquisition exceeds the fair value of net assets acquired. Goodwill arising on acquisitions is capitalised and amortised on a straight-line basis over its useful economic life, which is currently between 3 and 8 years. Provision is made for any impairment.

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

On disposal of a subsidiary, associate or joint arrangement, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Other intangible assets

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

Software	-	3 to 7 years straight line
Specific products	-	5 years straight line
Customer contracts	-	remaining term of contract
Customer relationships	-	assumed term of contract extensions

Research and development

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

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

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

Research and development expenditure credit receivable from UK HMRC is credited to operating income when recovery is considered virtually certain.

Post-retirement benefits

The Group accounts for pensions and other post-retirement benefits under FRS 102.28 (Employee Benefits). For defined benefit retirement benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method and actuarial valuations for accounting purposes are carried out at each year-end. The operating and financing costs of these schemes are recognised separately in the profit and loss account.

Current service cost is spread systematically over the lives of employees and financing costs are recognised in the period in which they arise. Past service cost is recognised immediately when the amendment or curtailment occurs or when the related restructuring costs are recognised. Net interest on defined benefit obligations is presented within net finance income or costs and the re-measurement of defined benefit obligations is recognised in full in the period in which it occurs in the consolidated statement of comprehensive income.

The retirement benefit surplus or obligation recognised in the balance sheet represents the present value of the defined benefit obligation, as adjusted for unrecognised past service cost and offset by the fair value of scheme assets.

Payments to defined contribution retirement benefit schemes are charged to the profit and loss account as they fall due.

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Financial instruments

As allowed under FRS 102.11.2 (Basic Financial Instruments) and FRS 102.12.2 (Other Financial Instruments Issues), the Group has continued to apply the recognition and measurement provisions of IAS 39 (Financial Instruments: Recognition and Measurement) ("IAS 39").

Financial assets and liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

Financial assets are classified into the following specified categories: financial assets at 'fair value through profit or loss' ("FVTPL"), 'held-to-maturity' investments, 'available for sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined based on the definitions in IAS 39 at the time of initial recognition. The Group has not classified any financial assets as FVTPL or held-to-maturity during the financial year.

Available for sale financial assets

The UK Pension Plan escrows primarily comprise pooled investment vehicles (2019: debt securities), which are classified as 'available for sale' and are stated at fair value. Fair value is determined by reference to market bid values and updated on a monthly basis. Gains and losses arising from changes in fair value are recognised directly in other comprehensive income with the exception of impairment losses, interest calculated using the effective interest rate method and foreign exchange gains and losses, which are recognised directly in the profit and loss account. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income is included in the profit and loss account for the period.

The fair value of available for sale financial assets denominated in a foreign currency is determined in that currency and translated at the spot rate at the balance sheet date. The change in fair value attributable to translation differences that results from a change in amortised cost of the asset is recognised in the profit and loss account and other changes are recognised in other comprehensive income.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indications of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impaired.

For assets classified as available for sale, a significant or prolonged decline in the fair value of the asset below its cost is considered to be an indication of potential impairment. Where there is such an indication, assets are assessed individually to determine whether the decline in the fair value is expected to reverse or whether any impairment should be recognised. For all other financial assets, objective evidence of impairment could include significant financial difficulty of a customer or counterparty or default in payments.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade debtors, where the carrying amount is reduced through the use of a bad and doubtful debt provision. When a trade debtor is considered uncollectible, it is written off against the bad and doubtful debt provision. Subsequent recoveries of amounts previously written off are credited to the profit and loss account. Changes in the carrying amount of the bad and doubtful debt provision are recognised in the profit and loss account.

With the exception of available for sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed the value that the amortised cost would have been had the impairment not been recognised.

In respect of available for sale equity instruments, impairment losses previously recognised through the profit and loss account are reversed directly through other comprehensive income.

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Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset. Interest income is recognised on an effective interest basis for the debt securities previously held as part of the UK Pension Plan escrows and classified as 'available for sale investments'.

Loans and receivables

Trade debtors and other debtors that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost. Trade debtors do not carry any interest and are reduced by appropriate allowances for estimated irrecoverable amounts.

Cash and cash equivalents

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

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all of the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all of the risks and rewards of ownership and continues to control the asset, the Group recognises its retained interest in the asset and any associated liability for amounts it may have to pay.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. The classification depends on the nature and purpose of the financial liability or equity and is determined based on the definitions in IAS 39 at the time of initial recognition.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either 'financial liabilities at FVTPL' or 'other financial liabilities'. The Group does not currently have any 'financial liabilities at FVTPL'. Trade payables are not interest bearing and are stated at their nominal value.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when the Group's obligations are discharged, cancelled or they expire.

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Derivative contracts

Derivative contracts included in the UK Pension Plan escrows are valued at fair value. Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in the fair value of derivative contracts are recognised immediately in the profit and loss account.

The fair value of forward currency contracts entered into by the Group is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year end with an equal and opposite contract. Unrealised gains or losses on these contracts are recognised in the Consolidated Statement of Comprehensive Income and transferred to the profit and loss account once realised. Changes in the fair values of derivatives designated as cash flow hedges, and which are effective, are recognised directly in equity. Any ineffectiveness in the hedging relationship (being the excess of the cumulative change in fair value of the hedging instrument since inception of the hedge over the cumulative change in the fair value of the hedged item since inception of the hedge) is recognised in the profit and loss account.

Taxation

The charge or credit for taxation is based on the taxable profits for the financial year and includes the effect of temporary differences between the treatment of certain items for taxation and for accounting purposes. A deferred tax asset is recognised to the extent that future taxable profit will be available within the foreseeable future, against which to utilise tax losses and attributes.

The Group has not provided for taxation on unremitted foreign earnings as the timing of any such remittances is controlled by the Group and any such remittances should be covered by UK tax attributes in respect of which no deferred tax asset is currently recognised.

The Group makes no provision for taxation on temporary differences relating to investments in subsidiaries given that the realisation of such differences is controlled and is not probable in the foreseeable future.

Deferred tax on items charged or credited directly to other comprehensive income is dealt with in other comprehensive income.

Foreign currencies

The functional currency of each of the Group's subsidiaries is the local currency of the country in which each subsidiary is located. Transactions in currencies other than the functional currency are recorded at the prevailing rate of exchange on the date of the transaction. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the period end rate. The resulting exchange differences are taken into account in determining the profit or loss on ordinary activities before taxation. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at period-end exchange rates. Profit and loss items are translated at the average rate for the period. Exchange differences arising are taken to reserves via the consolidated statement of comprehensive income. On disposal of an operation, these translation differences are recognised as income or expense in the period in which the operation is disposed of. Key rates used are as follows:

	Year end rates	
	2020	2019
US Dollar	**1.2400**	1.3031
Euro	**1.1301**	1.1605

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Tangible fixed assets

Property, fixtures, fittings, tools and equipment are stated at cost less accumulated depreciation and less any recognised impairment loss.

Depreciation is charged in order to expense the cost of assets, other than land and assets under construction, over their estimated useful lives, using the straight-line method, on the following bases:

Freehold property	Over 25 years or estimated useful life
Leasehold property	Over the shorter of the lease term or 50 years
Fixtures, fittings, tools and equipment	Over 5 years on average

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the lease.

Leases

In accordance with FRS 102.20 (Leases), leases are classified as finance leases whenever the terms of the lease agreement transfer substantially all of the risks and rewards of ownership of the related assets to the lessee. All other leases are classified as operating leases.

The Group as lessor
Rental income from operating leases is recognised on a straight-line basis over the term of the lease.

The Group as lessee
Rentals payable under operating leases are charged to profit and loss on a straight-line basis over the term of the lease.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material. Potential recoveries against provisions are only recognised when realisation is virtually certain.

Provisions for estimated expenses related to product warranties are made at the time the products are sold. These estimates are established using historical information on the nature, frequency, and average cost of warranty claims and take into consideration:

- the history of warranty cost associated with the product or similar products;
- the length of the warranty obligation;
- the development cycle of the product; and
- the estimated cost of 'one-off' failures that require correction.

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

Contingent liabilities

Through the course of normal business, the Group is subject to legal proceedings and other claims, the settlement of which may involve cost to the Group. A determination of the amount of provision, if any, required for these contingencies is based on careful analysis of each issue with the assistance of external legal counsel where necessary. A provision is made where an adverse outcome is probable and associated costs can be estimated reliably. No provision is made for contingent liabilities, which are disclosed in Note 25, where an adverse outcome is possible.

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NOTES TO THE ACCOUNTS (CONTINUED)
3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

In the application of the Group's accounting policies, which are described in Note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources and which affect the value of assets and liabilities reported in the Consolidated Balance Sheet and the profit for the year reported in the Consolidated Profit and Loss Account.

Judgements

The judgements, apart from those involving estimations (see below), that the Directors have made in applying the accounting policies set out in Note 2 that have the most significant effect on the amounts recognised in the financial statements are set out below.

Available for Sale Investments

The investments held in escrows 1 and 3 are in pooled investment vehicles (2019: debt securities including corporate bonds). When the escrows were established, the Directors reviewed the classification of the investments under the criteria in IAS 39 (as allowed under FRS 102) and determined that they should be classified as Available for Sale Investments.

UK Pension Plan settlement costs

As explained in Note 26, the UK Pension Plan achieved buy-in in September 2019. The Directors have considered whether the buy-in and expected future buy-out of the UK Pension Plan should be treated as a single transaction and the resulting settlement loss being treated as a charge to profit and loss, or as two separate events and the settlement loss on buy-in being charged to Other Comprehensive Income. The Directors have concluded that as a buy-in contract exists and they can see no reasonable reason why it will not be converted to a buy-out, the settlement loss has been charged to profit and loss (see Note 6).

Going concern

Whilst the full impact of the Covid-19 pandemic on the business is still uncertain, the Directors have considered the impacts to date and a variety of possible scenarios and have concluded that it is appropriate to adopt the going concern assumption of accounting in preparing the financial statements.

Contingent liabilities

As explained in Note 25, a subsidiary of a joint arrangement is the subject of a civil action by New Jersey Department of Environmental Protection seeking natural resource damages associated with a property in New Jersey, USA. A subsidiary of the joint arrangement has also received a letter alleging contamination at a further site. The Directors have considered whether a reasonable estimate of the potential financial impact on the Group can be formed and have concluded that, at this stage, it is impractical to do so.

Estimates

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

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Estimates (continued)

Taxation - deferred

Recognition of the Group's deferred tax asset requires estimation by management of the likely level of the Group's future taxable profit from ongoing operations, cash holdings and available for sale investments where tax losses are available to be utilised against those future profits. Any forecast of future profitability is inherently judgemental and therefore actual performance may differ from that forecast.

It is difficult to set boundaries on the extent to which actual future profits may differ from those forecast, but to provide context to this disclosure, an increase or decrease in forecast future profits over the whole forecast period of £10.0 million would increase or decrease the recognised deferred tax asset by £1.9 million.

Provisions

The Group's provisions are set out in Note 22. Those provisions that have a significant risk of a material adjustment to their carrying amounts within the next financial year are those relating to industrial disease and environmental liabilities.

Estimates are made by **telent**'s chief financial officer and internal legal counsel supported, as necessary, by external advisors. A provision is recognised when it is probable that an obligation exists for which a reliable estimate can be made after careful analysis of the individual matter. Matters that either are possible obligations or otherwise do not meet the recognition criteria for a provision are disclosed in Note 25, unless the possibility of transferring economic benefits is remote.

The provision for industrial disease liabilities is based on a triennial independent actuarial review, which takes into account industry trends and **telent**'s specific experience of the number and types of claims and their values since the previous valuation. The last triennial independent actuarial review was carried out as at 31 December 2017. The independent actuarial review provides "Lower", "Central" and "Higher" projections, however it should be noted that the Lower and Higher amounts do not represent the minimum and maximum values of a range of possible outcomes. The actual experience may differ from that assumed in the actuarial valuation due to changes in the "mix" of the types of claim that **telent** receives and the value of claims for higher amounts can be significantly affected by the age and earnings of the claimant.

The provision for environmental liabilities is based on the Group's share of projected remediation costs principally associated with two sites occupied by the Marconi group and predecessor companies, as well as by third party companies, prior to the formation of **telent** in 2006. The provision is based on the most recent environmental remediation proposals, based on known contamination and current environmental standards. The actual cost in future years may vary significantly from these estimates due to the success rate of current remediation plans, changes in technology, the identification of currently unknown contamination and changes in future environmental standards. It is not possible to indicate a meaningful range of potential outcomes for this provision.

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3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Revenue and profit recognition on long-term contracts

The Group has a large number of contracts with customers in a number of business sectors. Those contracts which are long-term in nature and which involve the delivery of a product or service over more than one financial year can include significant estimation uncertainty, including the measurement and timing of revenue recognition, the forecast margin at completion and the related accrued or deferred income and work-in-progress. The Group is required to estimate the contract profitability at completion, including the costs to complete the contract. The ability to accurately forecast such costs involves estimates around the cost of resolving significant technological challenges and the risk of incurring service credits or liquidated damages. The Group operates a rigorous contract review process under which all contracts are reviewed against a number of significant criteria and the forecast margin at completion is challenged. If a contract is forecast to be loss-making, provision is made for the full forecast loss on the contract. The estimation uncertainty associated with those forecasts means that there is a significant risk that there could be material adjustment to the carrying amounts of accrued and deferred revenue, work-in-progress or loss-making contract provisions within the next financial year. The extent to which actual results differ from estimates made at the reporting date depends on the combined outcome and timing of a large number of variables associated with performance across multiple contracts. It is not practical to provide a quantitative analysis of the aggregated judgements that are applied, and we do not believe that disclosing a potential range of outcomes would be practical.

4. TURNOVER

An analysis of the Group's turnover by destination is as follows:

Year ended 31 March	2020 £ million	2019 £ million
United Kingdom	**561.6**	534.3
Europe	**6.1**	6.3
Other	**0.5**	1.8
	568.2	542.4

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

£5.2 million (2019: £4.3 million) of turnover originated from outside the United Kingdom.

An analysis of the Group's turnover by category is as follows:

Year ended 31 March	2020 £ million	2019 £ million
Revenue from services	**525.3**	490.3
Sales of goods	**42.9**	52.1
	568.2	542.4

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NOTES TO THE ACCOUNTS (CONTINUED)
5. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

Year ended 31 March	2020 £ million	2019 £ million
Depreciation of tangible fixed assets	**4.6**	3.4
Amortisation of goodwill and other intangible assets	**6.8**	11.6
Amortisation of negative goodwill	**(1.4)**	(1.2)
Operating lease payments	**8.0**	7.7
Operating lease income	**(0.8)**	(0.5)

Amounts payable to KPMG LLP and their associates by the Company and its UK subsidiary undertakings in respect of audit and non-audit services are disclosed in Note 29.

6. EXCEPTIONAL ITEMS

These items have been analysed as follows:

Year ended 31 March		2020 £ million	2019 £ million
Trading activities			
Restructuring costs	i)	**(4.1)**	(1.6)
Covid-19	ii)	**(0.3)**	-
Sale of associate	iii)	**-**	3.3
Legacy and pensions			
Legacy provision movements and recoveries	iv)	**0.9**	3.3
Pension settlement	v)	**(536.6)**	-
Exceptional items within operating profit		**(540.1)**	5.0

i) As part of the Group's cost reduction and continuous improvement actions, a net charge of £4.1 million was made in relation to the combined cost of employee severance, onerous leases and other restructuring costs in the year ended 31 March 2020 (2019: £1.6 million).

ii) Covid-19 costs of £0.3 million (2019: £Nil) are the effect of the global Covid-19 pandemic incurred since the UK lockdown commenced in mid-March 2020.

iii) A profit of £3.3 million arose on the sale of the 25% stake the Group held in Convergent Holdings (London) Limited ("CNS Group") when it was sold for £4.6 million on 16 August 2018.

iv) Legacy provisions are kept under continual review by management. This resulted in a net credit in the year of £0.9 million (2019: £3.3 million) from the release of part of an unfunded pension liability (£2.4 million) following receipt of the latest actuarial valuation partially offset by an increase in the estimate of environmental liabilities (£1.1 million) and other US legacy costs (£0.4 million).

v) Pension settlement of £536.6 million (2019: £Nil) arose on the buy-in of the UK Pension Plan (see Note 26).

The taxation impact of these exceptional (charges)/credits was £Nil (2019: £Nil) due to the existence of accumulated historical tax losses.

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NOTES TO THE ACCOUNTS (CONTINUED)
7. TOTAL OPERATING PROFIT

Year ended 31 March 2020	Before exceptional items £ million	Operating exceptional items £ million	Total £ million
Turnover	**568.2**	**-**	**568.2**
Cost of sales	**(474.4)**	**(0.3)**	**(474.7)**
Gross profit	**93.8**	**(0.3)**	**93.5**
Research and development	**(2.3)**	**-**	**(2.3)**
Selling and administration expenses	**(70.8)**	**(540.7)**	**(611.5)**
Net other operating income	**2.7**	**0.9**	**3.6**
Operating profit/(loss)	**23.4**	**(540.1)**	**(516.7)**

Year ended 31 March 2019	Before exceptional items £ million	Operating exceptional items £ million	Total £ million
Turnover	542.4	-	542.4
Cost of sales	(445.2)	-	(445.2)
Gross profit	97.2	-	97.2
Research and development	(2.0)	-	(2.0)
Selling and administration expenses	(78.5)	(1.6)	(80.1)
Net other operating income	1.8	6.6	8.4
Operating profit	18.5	5.0	23.5

All results derive from continuing operations.

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NOTES TO THE ACCOUNTS (CONTINUED)
8. EMPLOYEES

a) Directors' remuneration

Year ended 31 March	2020 £ million	2019 £ million
Directors' emoluments	**2.2**	2.0

The Directors are considered to be the individuals having authority and responsibility for planning, directing and controlling the Group's activities. The highest paid Director had emoluments of £1.0 million (2019: £1.1 million) and the Group made no contributions towards his defined contribution pension (2019: £Nil). Dividends of £0.3 million were paid to Directors in the year (2019: £0.1 million).

The number of Directors who were members of the Group's defined contribution pension scheme was 1 (2019: 2).

b) Average monthly number of employees

An analysis of the average monthly employee headcount by category of activity is shown below.

Year ended 31 March	2020 Number	2019 Number
Operations	**1,802**	1,838
Selling and administration	**506**	442
	2,308	2,280

c) Staff costs

Year ended 31 March	2020 £ million	2019 £ million
Wages and salaries	**103.5**	102.1
Social security costs	**11.5**	11.0
Other pension costs	**5.5**	4.8
	120.5	117.9

9. INVESTMENT INCOME

Year ended 31 March	2020 £ million	2019 £ million
Available for sale investments		
Interest receivable from UK Pension Plan escrows (see Note 16)	**4.8**	12.0
Realised gains on UK Pension Plan escrows (see Note 16)	**52.1**	7.8
Foreign exchange gains on UK Pension Plan escrows (see Note 16)	**-**	0.1
	56.9	19.9
Loans and receivables		
Interest receivable from other loans and deposits	**0.6**	0.4
	0.6	0.4

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NOTES TO THE ACCOUNTS (CONTINUED)
10. NET FINANCE INCOME

Year ended 31 March	2020 £ million	2019 £ million
Net notional interest on defined benefit asset (see Note 26)	**5.3**	10.3
Net other UK Pension Plan escrow finance costs (see Note 16)	**(0.2)**	(0.3)
Foreign exchange losses	**(0.1)**	-
Interest on overseas tax under appeal	**1.3**	-
Unwind of discount on creditors and provisions	**(2.2)**	(0.5)
	4.1	9.5

11. TAXATION

a) Tax (charge)/credit

Year ended 31 March	2020 £ million	2019 £ million
Current tax:		
Current UK tax	**(0.2)**	(0.1)
UK tax under provision in respect of prior years	**(0.1)**	-
Overseas overprovision in respect of prior years	**1.0**	-
Deferred tax:		
UK rate change	**2.1**	-
Origination and reversal of temporary differences	**(5.7)**	(11.5)
Written off in the year	**(36.5)**	-
Recognition of previously unrecognised deferred tax assets	**-**	2.9
	(39.4)	(8.7)

b) Reconciliation of tax (charge)/credit for the year

The (charge)/credit for the year can be reconciled to the profit per the Profit and Loss Account as follows:

Year ended 31 March	2020 £ million	2019 £ million
(Loss)/profit before taxation on continuing operations	**(455.1)**	53.3
Tax at a standard rate of 19% (2019: 19%)	**86.5**	(10.1)
Tax effect of expenses that are not deductible in determining taxable profit	**(1.4)**	(1.3)
Recognition of previously unrecognised deferred tax asset	**-**	2.9
Over/(under) provision in respect of prior years	**0.9**	(0.2)
Effect of change in UK tax rate	**2.1**	-
Deferred tax asset written off	**(36.5)**	-
Deferred tax asset not recognised on current year losses	**(91.0)**	-
Tax charge for the year	**(39.4)**	(8.7)

NOTES TO THE ACCOUNTS (CONTINUED)
11. TAXATION (CONTINUED)

c) Deferred tax

The Group held the following deferred tax assets (all in the UK):

	2020		2019	
Year ended 31 March	**Recognised £ million**	**Unrecognised £ million**	Recognised £ million	Unrecognised £ million
Deferred tax arising from:				
Tax losses and other deductible timing differences	**21.4**	**613.6**	107.4	433.0
Retirement benefit scheme asset	**-**	**-**	(78.2)	-
Fair value adjustments on acquisition	**(1.0)**	**-**	(1.8)	-
	20.4	**613.6**	27.4	433.0

The Directors are of the opinion that the anticipated level of profits before tax over the foreseeable future supports the recognition of £20.4 million of deferred tax assets (2019: £27.4 million).

The substantively enacted UK corporation tax rate at 31 March 2020 and 2019 was 19%. The deferred tax asset at 31 March 2020 has been calculated based on this rate.

The £7.0 million decrease in recognised deferred tax assets is net of a credit of £33.1 million (2019: £4.3 million) through the Consolidated Statement of Comprehensive Income arising from the retirement benefit scheme asset. It includes a charge of £40.1 million (2019: £8.6 million) recognised through profit and loss and in 2019 a deferred tax liability of £0.1 million that arose on revision to the acquisition fair value of the former Carillion **telent** joint operation. The charge through profit and loss can be analysed as follows:

	2020 Trading Activities £ million	**2020 UK Pension Plan £ million**	**2020 Total £ million**	2019 Trading Activities £ million	2019 UK Pension Plan £ million	2019 Total £ million
Asset arising from tax losses	**(2.1)**	**(92.1)**	**(94.2)**	(4.5)	9.7	5.2
Liability arising from retirement benefit scheme asset	**-**	**51.1**	**51.1**	-	(15.6)	(15.6)
Liability from amortisation of intangible fixed assets	**0.9**	**-**	**0.9**	1.8	-	1.8
Effect of UK rate change	**1.5**	**0.6**	**2.1**	-	-	-
	0.3	**(40.4)**	**(40.1)**	(2.7)	(5.9)	(8.6)

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NOTES TO THE ACCOUNTS (CONTINUED)
12. INTANGIBLE ASSETS AND GOODWILL

£ million	Software costs	Other intangibles	Goodwill	Negative goodwill	Total
Cost					
At 1 April 2019	10.5	35.5	60.9	(14.5)	92.4
Additions	0.5	-	-	-	0.5
At 31 March 2020	**11.0**	**35.5**	**60.9**	**(14.5)**	**92.9**
Accumulated amortisation					
At 1 April 2019	(9.4)	(25.1)	(59.4)	5.1	(88.8)
Charge for the year	(0.8)	(5.3)	(0.7)	1.4	(5.4)
At 31 March 2020	**(10.2)**	**(30.4)**	**(60.1)**	**6.5**	**(94.2)**
Net book value					
At 31 March 2020	**0.8**	**5.1**	**0.8**	**(8.0)**	**(1.3)**
At 31 March 2019	1.1	10.4	1.5	(9.4)	3.6

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

Other intangibles primarily comprise customer contracts and customer relationships. The £5.3m amortisation charge for the year primarily relates to the other intangibles acquired following **telent**'s step-in to 100% of the former joint operation with Carillion.

Positive and negative goodwill are being amortised over between 3 and 8 years.

13. TANGIBLE FIXED ASSETS

£ million	Freehold property	Long leasehold property	Fixtures, fittings, tools and equipment	Total
Cost				
As at 1 April 2019	3.3	5.4	31.3	40.0
Additions	-	0.5	3.1	3.6
Disposals	-	(0.2)	(0.1)	(0.3)
As at 31 March 2020	**3.3**	**5.7**	**34.3**	**43.3**
Accumulated depreciation and impairment losses				
As at 1 April 2019	(1.4)	(2.7)	(24.1)	(28.2)
Charge for the year	(0.1)	(0.6)	(3.9)	(4.6)
Disposals	-	0.1	0.1	0.2
As at 31 March 2020	**(1.5)**	**(3.2)**	**(27.9)**	**(32.6)**
Net book value				
At 31 March 2020	**1.8**	**2.5**	**6.4**	**10.7**
At 31 March 2019	1.9	2.7	7.2	11.8

Within freehold property there is land with a cost and net book value of £0.9 million (2019: £0.9 million).

The fixed charge over the Group's freehold properties in favour of the UK Pension Plan Trustee was released during the year ended 31 March 2020.

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14. SUBSIDIARIES

A list of all investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest, is given in the Company's separate financial statements (see Note iv).

15. JOINT ARRANGEMENTS

At 31 March 2020, the Group holds an interest in one joint arrangement, which is consolidated using the proportionate consolidation basis: Plessey Holdings Limited, a joint arrangement with Siemens. This entity's group no longer trades but has environmental remediation liabilities relating to a site in North America. Plessey Holdings Limited's US subsidiary is taking action to deal with this exposure, which is funded from the Plessey Group's cash balances. The Group has classified this as a joint operation due to guarantees in place which transfer liabilities to the joint operators. The proportion of the joint operation that the Group consolidates has reduced during the year to 21% (2019: 23%) as the result of the application of a formula, agreed between the two parties, that determines their respective interests in the joint operation's net assets and which takes into account historic disproportionality in investments and distributions.

The Group has no capital commitments in relation to this joint arrangement. See Note 25 for contingent liabilities relating to the joint arrangement.

16. AVAILABLE FOR SALE INVESTMENTS

	2020 £ million	2019 £ million
UK Pension Plan escrow 1	**79.3**	353.0
UK Pension Plan escrow 3	**24.9**	15.8
Available for sale investments carried at fair value	**104.2**	368.8

UK Pension Plan escrows 1 and 3 were established historically for the potential benefit of the G.E.C. 1972 Plan (the "UK Pension Plan"). During the financial year **telent** contributed a total of £297.3m from these escrow arrangements in order to allow the Trustee to secure the successful purchase of bulk annuities insurance solution from Rothesay Life "buy-in" and fund professional fees related to the transaction.

In amendments to the escrow 1 and 3 deeds signed shortly prior to the transaction with Rothesay Life, it was agreed that the remaining escrow assets will continue to be held for the potential benefit of the UK Pension Plan until full buy-out has been achieved. Escrow funds will be used to cover the ongoing costs associated with running the Plan, converting the purchases to individual policies for members, completing the buy-out and, ultimately, to wind up the Plan. Thereafter, it is anticipated that residual escrow funds will be returned to **telent**.

Escrow 1 assets are held by a nominee on trust for the benefit of the Company, but with security over such amount being provided to the Trustee. Under an agreement with the Trustee, since buy-in the escrow has been invested in pooled investment vehicles; until buy-in the majority of the escrow was invested in debt securities including: corporate bonds; subordinated securities of financial issuers; asset backed securities; and fixed interest securities. All debt securities were managed by third party fund managers making investment decisions on behalf of **telent** within parameters agreed in the investment management agreements. They were all held at a fair value that was determined with reference to market bid prices.

Escrow 3 assets are secured to the Trustee by a legal charge and are available for transfer to the UK Pension Plan as required. Escrow 3 was invested in a unitised global credit fund until the purchase of the buy-out policies. Since September 2019 it has been invested in a pooled investment vehicle with Deutsche Bank.

Transfers of monies from UK Pension Plan escrow 1 and UK Pension Plan escrow 3 may be made in the event of agreement to this action between **telent** Limited and the Trustee.

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NOTES TO THE ACCOUNTS (CONTINUED)
16. AVAILABLE FOR SALE INVESTMENTS (CONTINUED)

At the year end the UK Pension Plan escrows comprised the following balances:

	Escrow 1		Escrow 3	
	2020 £ million	2019 £ million	**2020 £ million**	2019 £ million
Available for sale investments	**79.3**	353.0	**24.9**	15.8
Cash and cash equivalents	**-**	0.2	**-**	-
Derivatives used for hedging	**-**	0.3	**-**	-
Other payables	**-**	(1.0)	**(3.5)**	(0.2)
	79.3	352.5	**21.4**	15.6
Other payables – amount due to UK Pension Plan	**(9.8)**	(69.8)	**-**	-
Other payables – UK Pension Plan investment management fees accrued	**-**	(3.4)	**-**	-
	69.5	279.3	**21.4**	15.6

The movement on the UK Pension Plan escrows during the year ended 31 March 2020 is shown below:

	Escrow 1		Escrow 3	
	2020 £ million	2019 £ million	**2020 £ million**	2019 £ million
At 1 April	**279.3**	341.8	**15.6**	19.2
Unrealised losses	**(28.0)**	(5.5)	**(1.5)**	(0.4)
Plan investment management fees offset against expected return on assets within SOCIE	**(2.1)**	(6.5)	**-**	-
Realised gains	**50.3**	7.5	**1.8**	0.3
Interest income	**4.7**	12.0	**0.1**	-
Finance costs – escrow investment management and custody fees	**(0.2)**	(0.3)	**-**	-
Transfer to operating business	**-**	-	**-**	(5.0)
Transfer from operating business	**-**	-	**11.7**	2.0
Buy-in transaction costs	**-**	-	**(6.3)**	-
Liability management costs	**-**	-	**-**	(0.5)
Investment income - foreign exchange	**-**	0.1	**-**	-
Contributions to UK Pension Plan	**(234.5)**	(69.8)	**-**	-
	69.5	279.3	**21.4**	15.6

The £5.0 million made available from escrow 3 in 2019 to assist with cash flow following success in winning a significant contract (NRTS), in accordance with an amendment to the deed, was returned to escrow 3, together with an additional contribution of £0.2 million, in the year.

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NOTES TO THE ACCOUNTS (CONTINUED)

17. STOCKS

	2020 £ million	2019 £ million
Raw materials and bought in components	**6.9**	3.7
Work in progress	**6.9**	4.5
Long-term contract work in progress	**4.9**	10.5
	18.7	18.7

	2020 £ million	2019 £ million
Contracts in progress at the balance sheet date:		
Trade debtors	**13.4**	18.3
Amounts recoverable under long term contracts	**31.2**	33.9
	44.6	52.2
Contract costs incurred plus recognised profits less recognised losses to date (from contract inception)	**984.1**	811.0
Less: progress billings	**(962.6)**	(775.0)
	21.5	36.0

The amount of long-term contract revenue recognised within turnover in the year amounted to £168.2 million (2019: £176.8 million).

18. DEBTORS

	2020 £ million	2019 £ million
Amounts falling due within one year		
Trade debtors and accrued income	**99.6**	156.5
Other debtors	**4.2**	7.4
Prepayments	**11.2**	12.0
Derivatives used for hedging	**-**	0.4
	115.0	176.3
Amounts falling after more than one year		
Other debtors	**2.5**	2.6
Prepayments	**0.2**	0.1
Deferred tax asset	**20.4**	27.4
	23.1	30.1

Trade debtors are stated after provision for impairment of £1.7 million (2019: £1.7 million).

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NOTES TO THE ACCOUNTS (CONTINUED)
19. CASH AND CASH EQUIVALENTS

	2020 £ million	2019 £ million
Unrestricted bank deposits	**115.1**	61.0
Restricted cash on deposit	**2.5**	2.6
Cash and cash equivalents	**117.6**	63.6
Analysis of restricted cash balances:		
UK Pension Plan escrows	**-**	0.2
Overseas tax escrow	**1.9**	1.9
Italian escrow	**0.5**	0.4
Other	**0.1**	0.1
	2.5	2.6
Cash and cash equivalents by currency		
Sterling	**112.8**	57.8
Euros	**2.6**	3.7
US Dollars	**2.0**	1.9
Other	**0.2**	0.2
	117.6	63.6

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. Of the £117.6 million at 31 March 2020, **telent**'s share of joint arrangement cash balances was £2.0 million (2019: £2.6 million).

UK Pension Plan escrows

The establishment of the UK Pension Plan escrows 1 and 3 is set out in Note 16. At 31 March 2020 the cash element of UK Pension Plan escrow 1 had a carrying value of £Nil million (2019: £0.2 million) and the cash element of UK Pension Plan escrow 3 had a carrying value of £Nil million (2019: £Nil million).

Overseas tax escrow

During a prior year, the Group successfully negotiated a cash settlement with a former subsidiary which cancelled its rights and obligations under a tax deed and resulted in a £4.7 million profit. €2.2 million (£1.9 million; 2019: £1.9 million) was placed into escrow against potential overseas tax on this settlement.

Italian escrow

The Italian escrow was created during the year ended 31 March 2019 to cover any eventual unexpected costs arising from the anticipated liquidation of the Group's former Italian subsidiary.

Foreign currency balances

At 31 March 2020, the Group's cash included approximately US$2.5 million (£2.0 million) and €2.9 million (£2.6 million) cash within the UK. This cash is not treated as a hedge for accounting purposes and gains and losses on retranslation of cash into Sterling are taken to finance costs or investment income. No currency risk arises from the remaining currency denominations as they are predominantly held in the country of origin.

Interest rates

Cash deposits are invested at short-term floating rates. The impact of a 1% movement in interest rates during the year would have changed earnings from interest on total cash invested by less than £1 million in the year to 31 March 2020. The average rate of interest achieved on invested cash was approximately 0.70% per annum (2019: 0.75%). Floating rate assets bear interest based on relevant national LIBOR equivalents.

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20. CREDITORS: AMOUNTS FALLING DUE IN LESS THAN ONE YEAR

	2020 £ million	2019 £ million
Payments received in advance	**20.5**	23.2
Trade creditors (see Note a) below)	**32.0**	22.5
Other taxation and social security	**14.0**	10.9
Other creditors (see Note b) below)	**15.4**	88.5
Accruals and deferred income (see Note c) below)	**87.8**	103.5
Amounts due under Hire Purchase agreements	**0.2**	0.3
Derivatives used for hedging	**-**	0.1
Corporation tax	**0.1**	1.3
Provisions (see Note 22)	**18.6**	5.5
	188.6	255.8

Note a): Trade creditors principally comprise amounts outstanding for trade purchases and ongoing costs. The Directors consider that the carrying amount of trade payables approximates to their fair value. The Group has appropriate policies in place to ensure that, where possible, payments are made within the agreed credit period. The average number of days in which we pay suppliers is 25 days (2019: 20 days).

Note b): Included within other creditors is £9.8 million due to be paid to the UK Pension Plan out of the UK Pension Plan escrow 1 (2019: £69.8 million). Also see Notes 3, 16 and 26 for explanation of the accounting for this sum.

Note c): Accruals and deferred income consist primarily of accruals for work carried out by subcontractors that has not yet been invoiced.

21. CREDITORS: AMOUNTS FALLING DUE IN MORE THAN ONE YEAR

	2020 £ million	2019 £ million
Other creditors	**0.6**	0.9
Accruals and deferred income	**4.1**	5.6
Amounts due under Hire Purchase agreements	**0.5**	0.7
	5.2	7.2

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NOTES TO THE ACCOUNTS (CONTINUED)
22. PROVISIONS

	Re-structuring £ million	Warranties £ million	Contracts and commitments £ million	Litigation £ million	Other £ million	Total £ million
At 1 April 2019	0.4	0.7	0.6	18.1	4.6	24.4
Charged	3.1	-	14.2	3.5	0.1	20.9
Released	-	(0.1)	(0.3)	(0.4)	(2.4)	(3.2)
Utilised	(2.4)	(0.1)	(0.2)	(2.2)	(0.2)	(5.1)
Foreign exchange	-	-	-	0.3	-	0.3
At 31 March 2020	**1.1**	**0.5**	**14.3**	**19.3**	**2.1**	**37.3**
Current	1.1	0.5	12.0	4.8	0.2	18.6
Non-current	-	-	2.3	14.5	1.9	18.7
	1.1	**0.5**	**14.3**	**19.3**	**2.1**	**37.3**

Current provisions are included within creditors due in less than one year (Note 20).

Restructuring provisions mainly comprise costs for employee severance.

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

Provisions for contracts and commitments are for losses on contract work in progress where accumulated and projected costs exceed expected incomes. The increase in contract provisions of £14.2 million relates largely to a challenging contract in our Transport business.

The amounts in litigation are held principally for legacy environmental liabilities, industrial disease and other employee claims and other commercial litigation. The increase in the legacy litigation provisions of £3.5 million relates largely to revisions to estimates of environmental liabilities and discount unwind, based on the latest cost projections received from environmental advisors.

The Group's exposure to industrial disease claims at 31 March 2020 is estimated at £7.5 million (31 March 2019: £8.0 million) after discounting at a rate of 1.003% (31 March 2019: 1.003%) and was assessed by an independent, external actuary at 31 December 2017. The next assessment will be carried out as at 31 December 2020.

Other provisions primarily comprise an unfunded post-retirement agreement and reflects the latest actuarial valuation of this liability.

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NOTES TO THE ACCOUNTS (CONTINUED)
23. EQUITY SHAREHOLDERS' INTERESTS

Share capital

	Number of shares	2020 £ million	2019 £ million
Ordinary shares of 1p each (2019: 87.5p each)			
Allotted, called-up and fully paid	**64,409,935**	**0.7**	56.3
'B' Ordinary shares of 1p each			
Allotted, called-up and fully paid	**1,583,850**	**-**	-
'C' Ordinary shares of 1p each			
Allotted, called-up and fully paid	**200,000**	**-**	-

The ordinary shares entitle the holder to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. The 'B' Ordinary shares rank pari passu with the Ordinary shares in all respects. The 'C' Ordinary shares do not confer any voting rights nor any rights to dividends, except in certain circumstances as detailed in the Articles of Association. The 'C' Ordinary shareholders have the right to receive dividends only in the situation of a trade sale return or voluntary winding up. In the event of a sale, the 'C' Ordinary shares convert into a number of fully paid Ordinary shares, determined by the Articles of Association.

In February 2020, the Company undertook a capital reduction, which resulted in the reduction in the nominal value of the Ordinary shares from 87.5p each to 1p each; and the conversion of the share premium account, capital reserve and £35.0 million previously non-distributable element of the profit and loss reserve into distributable reserves. The exercise increased distributable reserves by £114.5 million.

Dividends

Dividends of £10.5 million were declared and paid in July 2019 (2019: £6.0 million), representing a dividend per share of 15.91 pence (2019: 9.09 pence) per Ordinary share and 'B' Ordinary share held.

Nature and purpose of reserves

Share premium account

Until the capital reduction, the share premium account represented the historic difference between the nominal value of the Company's shares and the price at which they were issued.

Capital reserve

Until the capital reduction, the capital reserve was a capital redemption reserve resulting from a historic capital restructuring.

Revaluation reserve

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

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24. NOTES TO THE CASH FLOW STATEMENT

Year ended 31 March	2020 £ million	2019 £ million
(Loss)/profit for the year	**(494.5)**	44.6
Taxation	**39.4**	8.7
Net interest income	**(61.6)**	(29.8)
Operating (loss)/profit	**(516.7)**	23.5
Exceptional items	**540.1**	(5.0)
Loss on sale of fixed assets	**0.1**	-
Depreciation, amortisation and impairments	**10.0**	13.8
UK Pension Plan escrow finance costs	**(6.0)**	(8.3)
Operating cash flows before movements in working capital	**27.5**	24.0
Increase in stocks	**-**	(6.5)
Decrease/(increase) in debtors	**60.7**	(8.0)
(Decrease)/increase in creditors	**(0.5)**	87.1
Increase/(decrease) in provisions, including defined benefit asset/obligation	**6.7**	(79.0)
Cash inflow from operations	**94.4**	17.6
Net income taxes paid	**-**	-
Net cash inflow from operating activities before exceptional items	**94.4**	17.6
Cash outflow from exceptional items	**(300.0)**	(1.8)
Net cash (outflow)/inflow from operating activities after restructuring and other exceptional items	**(205.6)**	15.8

All cash flows derive from continuing operations.

25. CONTINGENT LIABILITIES

Litigation

In December 2019, the Group was made aware that New Jersey Department of Environmental Protection (DEP) had filed a civil action against a number of parties (including a subsidiary of Plessey Holdings Limited (Plessey), a joint arrangement between **telent** and Siemens), seeking to recover natural resource damages (NRD) associated with a property in New Jersey, USA. Plessey has an obligation to pay 75% of costs and/or claims arising out of environmental contamination at the site as a result of a legal settlement reached in 1997 between Plessey and the third party who has regulatory responsibility for environmental remediation actions at the site. Plessey has appointed legal counsel and environmental experts to assess the merits of the claim and the potential quantum of damages payable should the claim be successful. However, although it is deemed probable that the New Jersey NRD case will have a financial consequence for the Plessey Group, the DEP has not quantified the value of NRD that it is seeking to recover, nor is there a clear methodology on which such quantification might be based. Additionally, there is no past pattern of similar judgements in recent times against which to form a comparison and range of potential outcomes.

Also, during the year, Plessey received a letter of intent from the current owner of another site, notifying it of alleged contamination at that site and demanding that Plessey take all steps necessary to investigate and remediate the contamination. The site owner has not quantified the amount of alleged contamination and at this early stage it is not possible to confirm whether Plessey is legally responsible for the investigation and remediation work and, if so, the cost and timing of any such work.

Provision has been made for many years for the estimated remediation and monitoring costs associated with the New Jersey site and is included within the Litigation provision shown in Note 22. Due to the factors outlined above, it is impractical at this stage to provide an estimate of the amount or timing of any outflow relating to either case. It is also too early to ascertain if any exposure in either case is covered by insurance and, in the case of New Jersey, therefore whether any contribution by Plessey's shareholders may be required under guarantees that are in place.

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25. CONTINGENT LIABILITIES (CONTINUED)

Guarantees

At 31 March 2020, the Group had provided third parties with a total of £1.2 million of performance bonds, the likelihood of exercise of which is considered to be remote.

A maturity profile of all bonds and guarantees outstanding at 31 March is set out below:

	2020 £ million	2019 £ million
Expiring:		
Within one year	**0.1**	0.1
Thereafter	**0.5**	0.5
No expiry date	**0.6**	0.6
	1.2	1.2

26. POST-RETIREMENT BENEFITS

The most significant pension plan within the Group is the G.E.C. 1972 Plan (the "UK Pension Plan") which is administered by a Trustee and is legally separate from the Group. A full statutory funding valuation for the UK Pension Plan was carried out as at 31 March 2019 and a valuation for accounting purposes was carried out as at 31 March 2020 and 31 March 2019, all by independent qualified actuaries. The UK Pension Plan was closed to future accrual on 5 April 2010 and members of the UK Pension Plan and other eligible employees were invited to join the **telent** 2010 Plan, a defined contribution scheme.

On 25 September 2019, the Trustee of the UK Pension Plan signed two Bulk Purchase Annuity Policies (the Buy-out Policies) with Rothesay Life. These provide insurance for pension liabilities under the UK Pension Plan. The terms of the Buy-out Policies provide for Rothesay Life to issue individual policies to beneficiaries under the UK Pension Plan which will replace the current obligations of the UK Pension Plan to provide benefits for members. Once the individual policies are issued, members' benefits will be fully insured and full buy-out achieved, which will enable the wind up of the UK Pension Plan.

As there is a high degree of confidence that full buy-out will be achieved, the purchase of the Buy-out Policies has been recognised as a settlement through profit and loss at 25 September 2019.

Whilst the UK Pension Plan is in the buy-in phase of the transaction with Rothesay Life, the Group is obliged to continue to engage a firm of actuaries to carry out an independent valuation of the Plan liabilities for accounting purposes, and to disclose the gross assets and liabilities of the UK Pension Plan. As the buy-in insurance policy covers the whole of the defined benefit obligation, it offsets the value of the obligation, generating a £Nil surplus/deficit. Once the buy-out phase is complete and the Trustee has fully discharged its liabilities to the Plan members, the Group will no longer recognise any asset or obligation relating to the UK Pension Plan.

Group deficit funding contributions made to the UK Pension Plan in the year totalled £2.0 million (2019: £4.0 million).

Under the First Escrow Release Plan agreed with the Trustee in 2010, it was agreed that escrow 1 would transfer to the UK Pension Plan in instalments, ending in 2023. Prior to signing the Buy-out Policies, the Trustee and **telent** Ltd executed a Deed of Amendment to the First Escrow Release Plan, under which only those assets required to meet the premium payable to Rothesay Life would be paid to the UK Pension Plan.

The remaining assets will remain in escrow 1, available for use by the UK Pension Plan until wind-up has been achieved, unless the Trustee agrees an earlier release of a proportion of those assets.

Seven of the twelve instalments, totalling £411.3 million, were paid across to the UK Pension Plan relating to the years ended 31 March 2012 to 31 March 2018. During the year ended 31 March 2020 payments of £294.5 million have been made from escrow 1 to the UK Pension Plan. This includes the eighth instalment of £69.8 million due at 31 March 2019, which was reflected in the financial statements for the year ended 31 March 2019.

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26. POST-RETIREMENT BENEFITS (CONTINUED)

The Group also pays the costs of administration of the UK Pension Plan, including the Pension Protection Fund levy, which totalled £5.8 million for the year ended 31 March 2020 (2019: £3.8 million).

The Group operates defined contribution schemes in addition to the defined benefit schemes. Contributions to these schemes amounted to £5.3 million (2019: £4.6 million).

The **telent** Communications Public Sector Pension Scheme ("TCPSPS") provides benefits for certain former employees of the Mersey Fire and Rescue Service. A full statutory funding valuation for TCPSPS was carried out as at 1 November 2017 and a valuation for accounting purposes was carried out as at 31 March 2020 and 31 March 2019, all by independent qualified actuaries. The FRS 102 deficit at 31 March 2020 was £Nil million (2019: £0.1 million). The next statutory funding valuation will take place as at 1 November 2020.

telent is a participating employer in the East Sussex Pension Fund ("ESPF") as the result of the transfer of certain staff related to a specific contract. A full statutory funding valuation for ESPF was carried out as at 31 March 2019 and a valuation for accounting purposes was carried out as at 31 March 2020 and 31 March 2019, all by independent qualified actuaries. The FRS 102 deficit at 31 March 2020 was £0.2 million (2019: £0.1 million). The next statutory funding valuation will take place as at 31 March 2021.

The assumptions used by the actuaries to determine the liabilities on an FRS 102 basis for both the UK Pension Plan and TCPSPS are set out below:

At 31 March **Average assumptions used**	**2020** **(% pa)**	2019 (% pa)
Rate of increase in pensions in payment	**3.06**	3.50
Rate of increase for deferred pensioners (UK Pension Plan)	**3.06**	3.50
Rate of increase for deferred pensioners (TCPSPS)	**2.31**	2.50
Rate of credited interest	**2.50**	2.50
Discount rate applied to liabilities	**2.31**	2.36
Inflation assumption	**3.06**	3.50
Rate of salary increase (TCPSPS only)	**3.06**	3.50

The basis for the current year UK discount rate for the UK Pension Plan was the yield at 31 March 2020 on iBoxx Corporate rated AA bonds with a maturity of 15 years plus.

The assumptions used by the actuaries to determine the liabilities on an FRS 102 basis for **telent**'s participation in the ESPF are set out below:

At 31 March **Average assumptions used**	**2020** **(% pa)**	2019 (% pa)
Rate of increase in pensions in payment (CPI)	**1.80**	2.50
Discount rate applied to liabilities	**2.30**	2.40
Rate of salary increase	**1.80**	2.90

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NOTES TO THE ACCOUNTS (CONTINUED)
26. POST-RETIREMENT BENEFITS (CONTINUED)

Pension plans

The life expectancies implied by the mortality assumption adopted at each year-end are as follows:	**2020 Years**	2019 Years
For the UK Pension Plan and TCPSPS:		
Participant aged 65:		
Men	**88.3**	87.7
Women	**89.7**	88.9
Participant who will be 65 in 15 years' time:		
Men	**89.5**	88.8
Women	**91.2**	90.4
For ESPF:		
Participant aged 65:		
Men	**86.6**	87.1
Women	**88.6**	89.4
Future pensioners (members aged 45 at the last formal valuation):		
Men	**87.5**	88.8
Women	**90.3**	91.3

The UK Pension Plan provides benefits to members on the best of three bases. One of the bases is a money purchase underpin in which a discretionary level of credited interest is applied to a percentage of members' contributions. The discretionary level of credited interest has been treated as a constructive obligation.

The total assets held in all three defined benefit pension plans comprise:

Year ended 31 March	**2020 £ million**	2019 £ million
Buy-out Policies	**3,540.0**	-
Bonds	**0.1**	2,773.5
Equities	**0.4**	-
Pooled investment vehicles	**-**	679.3
Derivative contracts	**-**	149.3
Property	**0.1**	331.0
Cash and other investments	**14.8**	180.2
Fair value of pension assets	**3,555.4**	4,113.3
Defined benefit obligations	**(3,555.6)**	(3,653.2)
Net defined benefit (liability)/asset	**(0.2)**	460.1
Disclosed as:		
Net defined benefit asset (the UK Pension Plan)	**-**	460.3
Net defined benefit obligation (TCPSPS)	**-**	(0.1)
Net defined benefit obligation (ESPF)	**(0.2)**	(0.1)

The UK Pension Plan surplus was recognised at 31 March 2019, as under the terms of the Trust Deed, the Company has an unconditional right to a refund upon the winding up of the Plan.

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26. POST-RETIREMENT BENEFITS (CONTINUED)

The values of the UK Pension Plan assets as shown above have been estimated by the Trustee of the UK Pension Plan using the following fair value hierarchy. The bases on which fair value is determined are set out in Note 3 Critical accounting judgements and estimates:

Unadjusted quoted price in an active market	Level 1
Inputs other than quoted prices that are observable	Level 2
Inputs are unobservable (i.e. for which market data is unavailable)	Level 3

The total assets held in all three plans have been included at fair value as follows:

	2020 £ million	2019 £ million
Level 1	**0.5**	1,487.5
Level 2	**-**	1,833.6
Level 3	**3,554.9**	792.2
	3,555.4	4,113.3

Prior to the purchase of the Buy-out Policies on 25 September 2019 the risks to which the UK Pension Plan exposed **telent** were as follows:

- Credit risk – the risk that one party to a financial instrument will cause a financial loss of the other party by failing to discharge an obligation
- Market risk – the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market prices. Market risk comprises currency risk, interest rate risk and other price risk (including inflation)
- Mortality – the risk of life expectancy changes.

The Trustee of the UK Pension Plan determined its investment strategy after taking advice from a professional investment advisor. Under the Trust Deed and Rules of the UK Pension Plan, **telent** is consulted in setting and reviewing the Statement of Investment Principles of the Plan. Following the purchase of the Buy-out Policies the UK Pension Plan is no longer exposed to credit and market risk, other than a small element of credit risk related to cash and pooled investment vehicles, as the major asset of the UK Pension Plan at 31 March 2020 is the Buy-out Policies purchased with Rothesay Life.

The calculation of the scheme liabilities is sensitive to the actuarial assumptions listed above. The key sensitivities to which the UK Pension Plan is exposed are the assumptions relating to discount rate, price inflation (which impacts increases in pensions in payment and deferred pensions) and mortality. The table below summarises the estimated impact on scheme liabilities resulting from changes to these key actuarial assumptions whilst holding all other assumptions constant.

Assumption	**% Change in assumption**	**Impact on scheme liabilities £ million**
Discount rate	Increase / decrease of 0.1%	Decrease of £48.8 million / increase of £49.9 million
Inflation	Increase / decrease of 0.2%	Increase of £77.8 million / decrease of £74.6 million
Mortality	Increase in life expectancy by 1 year at age 65	Increase of £179.5 million

However it should be noted that movements in scheme liabilities caused by the above factors will be offset by an equal and opposite movement in the value of the Buy-out Policies, as Rothesay Life is responsible under those policies for all pension liabilities.

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NOTES TO THE ACCOUNTS (CONTINUED)
26. POST-RETIREMENT BENEFITS (CONTINUED)

The following table shows a reconciliation for all three defined benefit pension plans from the opening balances for the net defined benefit (liability)/asset and its components:

	Defined benefit obligation		Fair value of plan assets		Net defined benefit (liability)/asset	
	2020 £ million	2019 £ million	**2020 £ million**	2019 £ million	**2020 £million**	2019 £ million
Balance as at 1 April	**(3,653.2)**	(3,683.7)	**4,113.3**	4,077.2	**460.1**	393.5
Included in profit for the year						
Administration costs	**-**	-	**(2.5)**	(2.2)	**(2.5)**	(2.2)
Interest (cost)/income	**(78.7)**	(91.9)	**84.0**	102.2	**5.3**	10.3
Introductions, changes, curtailments and settlements	**(22.6)**	-	**(514.0)**	-	**(536.6)**	-
Included in Other Comprehensive Income						
Remeasurement of the Defined benefit obligation[1]	**(2.7)**	(91.1)	**-**	-	**(2.7)**	(91.1)
Return on Plan assets greater/(lower) than discount rate[1]	**-**	-	**(171.7)**	65.5	**(171.7)**	65.5
Other						
Benefit Payments	**201.6**	213.5	**(201.6)**	(213.5)	**-**	-
Company contributions[2]		-	**247.9**	84.1	**247.9**	84.1
Balance as at 31 March	**(3,555.6)**	(3,653.2)	**3,555.4**	4,113.3	**(0.2)**	460.1
Disclosed as:						
Net defined benefit asset (the UK Pension Plan)					**-**	460.3
Net defined benefit obligation (TCPSPS)					**-**	(0.1)
Net defined benefit obligation (ESPF)					**(0.2)**	(0.1)
					(0.2)	460.1

[1] Net actuarial losses of £174.3 million relating to the UK Pension Plan and £0.1 million relating to ESPF have been shown within Other Comprehensive Income.

[2] Company contributions of £247.9 million comprise contributions recognised in the year of £247.8 million relating to the UK Pension Plan and £0.1 million relating to TCPSPS.

Please see Note 16 for details of the UK Pension Plan escrows.

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NOTES TO THE ACCOUNTS (CONTINUED)
27. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At 31 March 2020, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2020 £ million	2019 £ million
Within one year	**6.2**	6.4
In the second to fifth years inclusive	**11.3**	10.8
After five years	**14.2**	12.2
	31.7	29.4

The Group as lessor

At the balance sheet date, the Group had no contracts with tenants for future lease payments.

	2020 £ million	2019 £ million
Within one year	**-**	0.4
In the second to fifth years inclusive	**-**	1.3
	-	1.7

28. CAPITAL COMMITMENTS

Amounts contracted for but not provided in the financial statements amounted to £0.1m (2019: £Nil) for the Group.

29. FEES PAID TO AUDITOR

Fees payable to the Company's auditors for the audit of the Company's annual accounts were £381,000 (2019: £285,000), of which £190,500 is payable for the audit of the Group and Company and £190,500 for the audit of individual entities.

Non-audit fees payable to the Company's auditors for other services to the Group comprise: pensions advice £25,000 (2019: £128,000); tax advisory fees £4,000 (2019: £5,000); and other fees £4,000 (2019: £23,000).

All non-audit services for a value of more than £50,000 performed by the auditors are pre-approved by the Board, following a competitive tender process where appropriate, and are established in accordance with the Group's auditor's independence policy.

All of the amounts shown above were charged to profit and loss as an expense.

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NOTES TO THE ACCOUNTS (CONTINUED)
30. RELATED PARTY TRANSACTIONS

Transactions and balances between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Balances between the Group and other related parties are disclosed below:

	Transaction value receipt/(payment)		Amounts owed by/(to) Related parties	
	2020 £million	2019 £million	**2020 £million**	2019 £million
Tusk Management LLP – administration fee	**0.1**	0.1	-	-
Co-Investment Guernsey Limited – management services	**(0.5)**	(0.4)	-	-

Tusk Management LLP is a related party by virtue of being part of the same Group, being responsible for procuring and providing management advice to the directors and general partners of entities within the Tusk Group that controls **telent**.

Co-Investment Guernsey Limited is **telent** Limited's immediate parent undertaking.

The Directors of the Company are deemed to be key management personnel and remuneration made to them is disclosed in Note 8 to the accounts above. Certain members of senior management of **telent** Technology Services Limited are also considered to be key management personnel and details of their aggregate remuneration are disclosed below:

Year ended 31 March	**2020 £ million**	2019 £ million
Short-term employee benefits	**4.0**	4.9
Pension contributions	**-**	-
	4.0	4.9

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NOTES TO THE ACCOUNTS (CONTINUED)
31. FINANCIAL INSTRUMENTS

Year ended 31 March	2020 £ million	2019 £ million
Financial assets at fair value through profit or loss		
Derivatives used for hedging	-	0.4
Financial assets that are debt instruments measured at amortised cost		
Trade debtors	**99.6**	156.5
Other debtors	**6.7**	10.0
Cash and cash equivalents	**117.6**	63.6
	223.9	230.1
Other financial assets measured at fair value		
Available for sale investments	**104.2**	368.8
Financial liabilities at fair value through profit or loss		
Derivatives used for hedging	-	0.1
Financial liabilities that are debt instruments measured at amortised cost		
Trade payables	**32.0**	22.5
Other creditors	**121.9**	209.4
Corporate tax	**0.1**	1.3
Borrowings	**0.7**	1.0
Provisions	**37.3**	24.4
	192.0	258.6

The Group (excluding the UK Pension Plan escrows) uses financial instruments, including derivatives (principally forward foreign currency exchange contracts) to hedge currency exposure risks, when considered appropriate. At 31 March 2020 the Group had outstanding contracts to purchase USD 20.6 million (2019: USD 28.3 million), sell USD 1.0 million (2019: USD 0.3 million), purchase EUR 0.2 million (2019: EUR 0.3 million) and to sell EUR 1.1 million (2019: EUR 1.5 million). All such contracts mature in the year ending 31 March 2021, with the exception of contracts to purchase USD 6.8 million (2019: USD 9.6 million), of which USD 1.8 million matures in the year ending 31 March 2022 and USD 5.0 million matures in the year ending 31 March 2023. Included within creditors is £Nil (2019: £0.8 million within loans and receivables) relating to the revaluation of these cash flow hedges to the year-end exchange rate. It is the Group's policy that there is no trading in financial hedging instruments, and that all financial hedging instruments are used solely for the purpose of financing or hedging identified exposures of the Group.

32. ULTIMATE CONTROLLING PARTY

The Directors regard Tusk Investments LP Inc, registered in Guernsey, as the ultimate controlling party of **telent** Limited. Their registered office is Ground Floor, Western Suite, Mill Court, La Charroterie, St Peter Port, Guernsey, GY1 1EJ. The immediate parent undertaking is Co-Investment Guernsey Limited, which is registered in Guernsey.

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COMPANY BALANCE SHEET

As at 31 March	Note	2020 £ million	2019 £ million
Fixed assets			
Investment in subsidiary undertakings	iv	**487.7**	514.0
Available for sale investments	v	**104.2**	368.8
Retirement benefit scheme assets		**-**	460.3
		591.9	1,343.1
Current assets			
Debtors	vi	**-**	4.5
Cash and cash equivalents	vii	**3.2**	5.0
		3.2	9.5
Creditors: amounts falling due within one year	viii	**(413.7)**	(478.7)
Net current liabilities		**(410.5)**	(469.2)
Total assets less current liabilities		**181.4**	873.9
Provisions	ix	**(6.0)**	(8.8)
Net assets		**175.4**	865.1
Capital and reserves			
Called-up share capital	x	**0.7**	56.3
Share premium account		**-**	14.8
Capital reserve		**-**	9.0
Profit and loss account[1]		**174.7**	785.0
		175.4	865.1

The notes on pages 69 to 75 form an integral part of these financial statements.

These financial statements of **telent** Limited (company number 67307) were approved by the Board of Directors and authorised for issue on 22 July 2020. They were signed on its behalf by:

DocuSigned by:
David Naylor-Leyland
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D G E Naylor-Leyland

Chairman

[1] The loss for the year was £508.5 million.

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COMPANY STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March	2020 £ million	2019 £ million
(Loss)/profit for the year	**(508.5)**	43.0
Net unrealised profit on available for sale investments	**22.6**	2.0
Realised gains on available for sale investments transferred to profit for the year	**(52.1)**	(7.8)
Re-measurement of defined benefit asset	**(174.3)**	(25.5)
Deferred tax arising on re-measurement of defined benefit asset	**33.1**	4.3
Total recognised (expense)/income for the year	**(679.2)**	16.0

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital account £ million	Share premium account £ million	Capital reserve £ million	Profit and loss account £ million	Total £ million
At 1 April 2018	56.3	14.8	9.0	775.0	855.1
Dividend paid	-	-	-	(6.0)	(6.0)
Total recognised income for the year	-	-	-	16.0	16.0
At 1 April 2019	56.3	14.8	9.0	785.0	865.1
Dividend paid	-	-	-	(10.5)	(10.5)
Total recognised income for the year	-	-	-	(679.2)	(679.2)
Capital reduction[1]	(55.6)	(14.8)	(9.0)	79.4	-
As at 31 March 2020	**0.7**	**-**	**-**	**174.7**	**175.4**

[1] See Note 23 to the Group Accounts

Pursuant to Section 408 of the Companies Act 2006, the Company is not presenting its own profit and loss account in addition to the consolidated profit and loss account for the **telent** Group. The loss of the Company for the financial year amounted to £508.5 million (2019: profit of £43.0 million).

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NOTES TO THE COMPANY ACCOUNTS
I. ACCOUNTING POLICIES FOR TELENT LIMITED

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

These financial statements have been prepared in accordance with Financial Reporting Standard 102 ("FRS 102").

The financial statements are prepared in Sterling which is the functional currency of the Company and under the historical cost convention (except for available for sale investments which are presented at fair value).

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

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

Going Concern

Whilst the Company balance sheet shows net current liabilities of £410.5 million, it is the Group position which is considered relevant for an assessment of going concern.

The rationale for the Group's adoption of the going concern basis of accounting is set out on page 35.

After making enquiries, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the annual report and accounts.

Currency translation

Transactions denominated in foreign currencies are translated into the functional currency at the prevailing rate of exchange on the date of the transaction. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are retranslated at the period end rate. These translation differences are dealt with in the profit and loss account.

Non-Sterling net assets are translated at year-end rates of exchange. Key rates used are as follows:

	Year end rates	
	2020	2019
US Dollar	**1.2400**	1.3031
Euro	**1.1301**	1.1605

Taxation

Taxation on profit on ordinary activities is that which has been paid or becomes payable in respect of the result for the year, after taking account of adjustments in respect of prior period liabilities. Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income or expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

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Related party transactions

The Company has taken advantage of the exemption in FRS 102 section 33.11 and has not disclosed transactions or balances with entities which form part of the Group.

Investments

Investments in subsidiary undertakings, associates and jointly controlled entities are stated at cost less provision for impairment in value.

Finance costs

Finance costs of debt are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount.

Liquid resources

Liquid resources comprise term deposits with an original maturity of generally less than one year and other readily disposable current asset investments.

Post-retirement benefits

The cost of providing benefits under defined benefit retirement benefit schemes is determined using the Projected Unit Credit Method and actuarial valuations for accounting purposes are carried out at each year-end. The operating and financing costs of these schemes are recognised separately in the profit and loss account.

Current service cost is spread systematically over the lives of employees and financing costs are recognised in the period in which they arise. Past service cost is recognised immediately when the amendment or curtailment occurs or when the related restructuring costs are recognised. Net interest on defined benefit obligations is presented within 'Finance costs' and the re-measurement of defined benefit obligations are recognised in full in the period in which they occur in the statement of comprehensive income.

The retirement benefit surplus or obligation recognised in the balance sheet represents the present value of the defined benefit obligation, as adjusted for unrecognised past service cost and reduced by the fair value of scheme assets.

Payments to defined contribution retirement benefit schemes are charged to profit and loss as they fall due.

Available for sale financial assets

The UK Pension Plan escrows primarily comprise pooled investment vehicles (2019: debt securities), which are classified as 'available for sale' and are stated at fair value. Fair value is determined by reference to market bid values and updated on a monthly basis. Gains and losses arising from changes in fair value are recognised directly in equity with the exception of impairment losses, interest calculated using the effective interest rate method and foreign exchange gains and losses, which are recognised directly in the profit and loss account. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in equity is included in profit or loss for the period.

Where applicable, the fair value of available for sale financial assets denominated in a foreign currency is determined in that currency and translated at the spot rate at the balance sheet date. The change in fair value attributable to translation differences that results from a change in amortised cost of the asset is recognised in the profit and loss account and other changes are recognised in equity.

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NOTES TO THE COMPANY ACCOUNTS (CONTINUED)
I. ACCOUNTING POLICIES FOR TELENT LIMITED (CONTINUED)

Available for sale financial assets (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset.

Interest income is recognised on an effective interest basis for the assets held as part of the UK Pension Plan escrow and classified as 'available for sale investments'.

Impairment

Available for sale financial assets are assessed for indicators of impairment at each balance sheet date and are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impaired.

For assets classified as available for sale, a significant or prolonged decline in the fair value of the asset below its cost is considered to be an indication of potential impairment. Where there is such an indication, assets are assessed individually to determine whether the decline in the fair value is expected to reverse or whether any impairment should be recognised.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed the value that the amortised cost would have been had the impairment not been recognised.

Provisions

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

Financial instruments

The Company has chosen to continue to apply the recognition and measurement provisions of IAS 39 as allowed under FRS 102.11.2 and FRS 102.12.2.

II. KEY JUDGEMENTS AND ACCOUNTING ESTIMATES

The Directors consider the key judgements to be those relating to the categorisation of available for sale assets, treatment of the UK Pension Plan settlement costs and going concern in the Covid-19 pandemic.

The Directors consider the key estimates to be those relating to the UK Pension Plan settlement costs and provisions for industrial disease liabilities.

Details of all these matters are set out in Note 3 to the Group Accounts.

III. STAFF COSTS

The average monthly number of employees in **telent** Limited was 10 (2019: 10).

Year ended 31 March	**2020 £ million**	2019 £ million
Wages and salaries	**1.0**	0.9
Social security costs	**0.2**	0.1
	1.2	1.0

The Directors' remuneration is disclosed in Note 8 to the Group Accounts.

NOTES TO THE COMPANY ACCOUNTS (CONTINUED)
IV. INVESTMENTS IN SUBSIDIARY AND ASSOCIATE UNDERTAKINGS

	Loans to Group undertakings		Shares in Group undertakings		Shares in jointly controlled entities and associates		
	Gross £ million	Provision £ million	Cost £ million	Provision £ million	Cost £ million	Provision £ million	Total £ million
At 1 April 2019	12.8	(5.2)	3,771.5	(3,265.1)	30.2	(30.2)	514.0
Movements in Group loans	(4.5)	-	-	-	-	-	(4.5)
Disposals	-	-	(1.0)	0.9	-	-	(0.1)
Provisions	-	(0.3)	-	(21.4)	-	-	(21.7)
At 31 March 2020	**8.3**	**(5.5)**	**3,770.5**	**(3,285.6)**	**30.2**	**(30.2)**	**487.7**

A list of all related undertakings is given below.

Name	Voting rights	Registered office address
Allard Consultoria em Telecomunicacoes ltda	100%	Rua Bonnard, n° 980 - Green Valley I – Bloco 10 - Andar 6 - Lado B - Sala 18 -Alphaville Empresarial – Barueri – SP – CEP 06465-134, Brazil
Associated Electrical Industries Limited *	100%	Point 3, Haywood Road, CV34 5AH, England
Enhance Communications Limited *	100%	Point 3, Haywood Road, CV34 5AH, England
M (Bruton Street) *	100%	Point 3, Haywood Road, CV34 5AH, England
M Communications International Holdings Limited *	100%	Point 3, Haywood Road, CV34 5AH, England
MONI Holdings LLC	100%	1209 Orange Street, Delaware 19801, USA
Mp Software International Limited *	100%	Point 3, Haywood Road, CV34 5AH, England
M Services (Hong Kong) Limited *	100%	16th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong
Regents Place LLC *	100%	1209 Orange Street, Delaware 19801, USA
Roadside Technology Services Limited	100%	Point 3, Haywood Road, CV34 5AH, England
RSCD Telecommunications India Private Limited	100%	P-24, Green Park Extension, New Delhi-110016, India
Stanhope Pension Services Limited *	100%	Point 3, Haywood Road, CV34 5AH, England
telent SPV Limited *	100%	Point 3, Haywood Road, CV34 5AH, England
telent Technology Services Limited	100%	Point 3, Haywood Road, CV34 5AH, England
telent (UK) Limited *	100%	Point 3, Haywood Road, CV34 5AH, England
telent Communications Holdings Limited *	100%	Point 3, Haywood Road, CV34 5AH, England
The English Electric Company, Limited *	100%	Point 3, Haywood Road, CV34 5AH, England
TSS Solutions Limited *	100%	Point 3, Haywood Road, CV34 5AH, England
Plessey Holdings Limited *	50%	Faraday House, Sir William Siemens Square, Frimley, Camberley, Surrey GU16 8QD, England
Plessey Incorporated	50%	28 Liberty Street, New York, New York 10005, USA
British Sealed Beams Limited *	20%	4 Pancras Square, London N1C 4AG, England

* Denotes those investments held directly by the Company.

All interests are ordinary shares or equivalent.

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NOTES TO THE COMPANY ACCOUNTS (CONTINUED)

V. AVAILABLE FOR SALE INVESTMENTS

	2020 £ million	2019 £ million
UK Pension Plan escrow 1	**79.3**	353.0
UK Pension Plan escrow 3	**24.9**	15.8
Available for sale investments carried at fair value	**104.2**	368.8

Please see Note 16 to the Group Accounts for the full disclosures on available for sale investments.

VI. DEBTORS

	2020 £ million	2019 £ million
Amounts falling due within one year:		
Other debtors	-	0.8
Amounts falling due after more than one year:		
Deferred tax asset	-	3.7
	-	4.5

The deferred tax asset at 31 March 2019 comprised an £82.0 million asset relating to tax losses, less an £78.3 million liability relating to retirement benefit scheme assets. Deferred tax assets of £362.9 million (2019: £243.1 million) have not been recognised as the Company is not sufficiently certain that it will be able to recover these assets within a relatively short period of time.

VII. CASH AT BANK AND IN HAND

	2020 £ million	2019 £ million
Unrestricted cash and bank deposits	**0.8**	2.5
Restricted cash deposits	**2.4**	2.5
Cash and cash equivalents	**3.2**	5.0

Analysis of restricted cash balance:

	2020 £ million	2019 £ million
UK Pension Plan escrows	-	0.2
Overseas tax escrow	**1.9**	1.9
Italian escrow	**0.5**	0.4
Restricted cash	**2.4**	2.5

An explanation of the restricted cash balances is contained in Note 19 to the Group Accounts.

NOTES TO THE COMPANY ACCOUNTS (CONTINUED)

VIII. CREDITORS

	2020 £ million	2019 £ million
Amounts falling due within one year:		
Amounts owed to Group companies	**398.3**	399.0
Current taxation	**-**	1.2
Other creditors	**15.4**	78.5
	413.7	478.7

Included within other creditors is £9.8 million due to be paid to the UK Pension Plan out of the UK Pension Plan escrow 1 (2019: £69.8 million, which was paid during the year). See Note 26 to the Group Accounts.

Amounts owed to Group companies are interest free and repayable on demand.

IX. PROVISIONS

	Litigation £ million	Other £ million	Total £ million
At 1 April 2019	4.2	4.6	8.8
Released	-	(2.4)	(2.4)
Utilised	(0.2)	(0.2)	(0.4)
At 31 March 2020	**4.0**	**2.0**	**6.0**

Provisions for litigation comprise expected employee claims relating to industrial disease. Other provisions primarily comprise an unfunded post-retirement agreement. See Note 22 to the Group Accounts for details on the expected timing of payments.

X. CALLED UP SHARE CAPITAL

	Number of shares	2020 £ million	2019 £ million
Ordinary shares of 1p each (2019: 87.5p each)			
Allotted, called-up and fully paid	**64,409,935**	**0.7**	56.3
'B' Ordinary shares of 1p each			
Allotted, called-up and fully paid	**1,583,850**	**-**	-
'C' Ordinary shares of 1p each			
Allotted, called-up and fully paid	**200,000**	**-**	-

As at 31 March 2020 there were no share options outstanding in respect of the Company's ordinary shares.

Dividends

Dividends of £10.5 million were declared and paid in July 2019 (2019: £6.0 million), representing a dividend per share of 15.91 pence (2019: 9.09 pence) per Ordinary share and 'B' Ordinary share held.

XI. COMPANY RESERVES

Until the capital reduction, a credit of £35.0 million (2019: £35.0 million) was included within the profit and loss reserve and was non-distributable as a result of share options granted to employees of subsidiaries, exercised in previous years. As part of the capital reduction, this was converted into a distributable reserve.

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NOTES TO THE COMPANY ACCOUNTS (CONTINUED)
XII. POST-RETIREMENT BENEFITS

The UK Pension Plan is the principal pension fund of the **telent** Group and is a funded defined benefit plan.

A full valuation for accounting purposes was carried out as at 31 March 2020 by independent qualified actuaries under FRS 102.28, the results of which are disclosed in the notes to the Group Accounts (see Note 26).

On 25 September 2019, the Trustee of the UK Pension Plan signed two Bulk Purchase Annuity Policies (the Buy-out Policies) with Rothesay Life. These provide insurance for members' liabilities under the Plan. The terms of the policies provide for Rothesay Life to issue individual policies to beneficiaries under the Plan which will replace the current obligations of the Plan to provide benefits for members. Once the individual policies are issued, members' benefits will be fully insured and this will enable the full wind up of the UK Pension Plan.

During the year ending 31 March 2020 payments of £294.5 million have been made from UK Pension Plan escrow I to the Plan. This includes the eighth instalment of £69.8 million due at 31 March 2019, which was reflected in the financial statements for the year ended 31 March 2019. In addition, the Company pays the costs of administration of the UK Pension Plan including the Pension Protection Fund levy, which totalled £5.8 million for the year ended 31 March 2020 (2019: £3.8 million).

The assumptions used by the actuaries to determine the liabilities under FRS 102, and the asset valuations by class of asset for the UK Pension Plan are the same as those disclosed in the Group Accounts under the FRS 102.28 basis (see Note 26).

XIII. ULTIMATE CONTROLLING PARTY

The Directors regard Tusk Investments LP Inc, registered in Guernsey, as the ultimate controlling party of **telent** Limited. Their registered office is Ground Floor, Western Suite, Mill Court, La Charroterie, St Peter Port, Guernsey, GY1 1EJ. The immediate parent undertaking is Co-Investment Guernsey, which is registered in Guernsey.

telent Limited is the largest and smallest group of which the Company was a member at 31 March 2020 and for which Group financial statements are prepared. Those Group financial statements are attached to this document.