Defence innovation
for future warfare

QinetiQ Group plc
Annual Report & Accounts 2025

Protecting lives by serving the national security interests of our customers

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Find out more on our website at www.qinetiq.com

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Financial highlights

Orders

£1,955m ↑ 12%

FY24: £1,740.4m

FY25	**£1,954.8m**
FY24	£1,740.4m
FY23	£1,724.1m

Revenue

£1,932m ↑ 1%

FY24: £1,912.1m

FY25	**£1,931.6m**
FY24	£1,912.1m
FY23	£1,580.7m

Underlying* operating profit

£185m ↓ -14%

FY24: £215.2m

FY25	**£185.4m**
FY24	£215.2m
FY23	£178.9m

Statutory operating (loss)/ profit

(£91m) ↓ -147%

FY24: £192.5m

FY25	**(£90.5m)**
FY24	£192.5m
FY23	£172.8m

Underlying earnings per share

26.1p ↓ -11%

FY24: 29.4p

FY25	**26.1p**
FY24	29.4p
FY23	26.5p

Statutory (loss)/earnings per share

(33.0p) ↓ -236%

FY24: 24.2p

FY25	**(33.0p)**
FY24	24.2p
FY23	26.8p

* Definitions for the Group's 'Alternative Performance Measures' can be found in the glossary. Underlying operating profit refers to operating profit from segments. See note 2 for details.

→ ETPS fixed wing aircraft

Operational highlights

Laser weapon for the Royal Navy in 2027

Following the UK Government's decision to accelerate the deployment of this technology onto Royal Navy warships in 2027, together with our partners we have rapidly mobilised the next programme of work, securing £58m of orders in the year.

Delivering new communications solution for the front line

In the UK we are providing Defence Digital with engineering and programme expertise to work in partnership to deliver the next generation of tactical military communications that enables the British Army to make better and faster decision making when operating on the front line.

Expanding support for US customers

In the US we achieved more than 10% on-contract growth, across our major 5-year programmes that provide engineering services and mission support for the Space Development Agency, Strategic Capabilities Office and the Tethered Aerostat Radar System programme for Homeland Security.

Credit: Sven Adolf

Next Generation German Aerial Target Services

We play a vital role supporting the operational readiness of the German Armed Forces and secured a 10-year €284m contract to deliver aerial training services including close air support, maritime air operations, and ground control intercept and ground based air defence training.

Leading the Weapons Sector Research Framework

Our enterprise approach on weapons research in the UK will continue for a further two years and is worth up to £160m. It will increase the pace at which next generation weapons are being delivered to the front line via a network of established prime contractors, disruptive entrants and SMEs to advance state-of-the-art technologies.

Driving efficiency gains and operational benefits for UK Armed Forces

Under the Engineering Delivery Partner programme we continue to deliver advanced engineering services that are critical to national programmes and operational capability for the frontline including for E-7 Wedgetail, Challenger 3 and Dreadnought. We lead a thriving ecosystem of suppliers including more than 250 SMEs to ensure we harness the very best solutions.

Further reading

→ Our KPIs pages 36–37

→ Our sector review pages 22–29

Purpose-driven approach

Our purpose

Protecting lives by serving the national security interests of our customers

Our values

Integrity

Collaboration

Performance

Further reading
→ CEO review pages 10–13
→ Business model pages 18–19
→ Segmental reporting pages 20–21

Our strategy

Our customer-centric multi-national growth strategy has four areas of focus

Invest in core capabilities

High-value and differentiated

1. Research & Development
2. Engineering Services
3. Test & Training
4. Mission Support & Operations
5. Cyber & Intelligence

Grow in core markets

Enable critical national priorities

1. Australia
2. United Kingdom
3. United States

Expand across markets

Deep multi-domain expertise

1. NATO and allies
2. AUKUS partnership
3. Leverage capabilities

Drive innovation and partnering

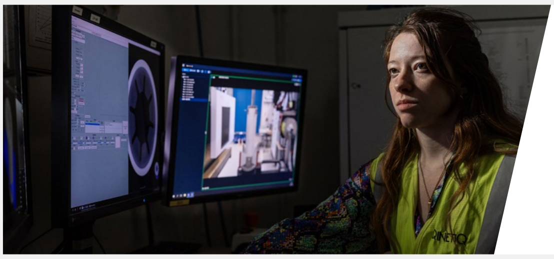
Co-create innovative solutions

1. Advanced technologies
2. Digital transformation
3. New business models

We deliver safely, securely and sustainably for the benefit of all our stakeholders

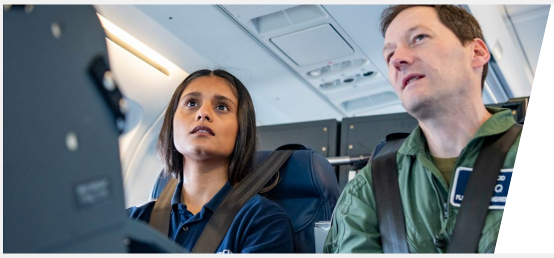
Core capabilities

Our highly experienced scientists and engineers, with unique expertise, are committed to solving some of the world's most challenging problems and deliver mission critical capabilities



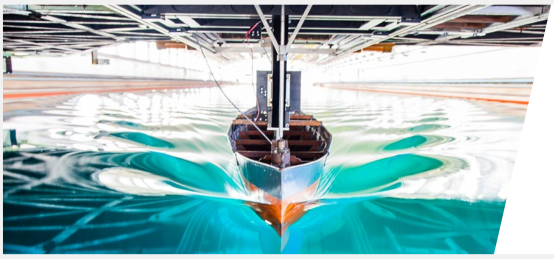
Research & Development

Experimentation, prototyping, testing and innovation to develop new and existing products, services and technologies for defence and security applications. Collaborating with government, industry and academia to create value from intellectual property.



Engineering Services

Systems definition, integration and assurance services to enable efficient and effective acquisition and through-life support of Defence and Security capability.

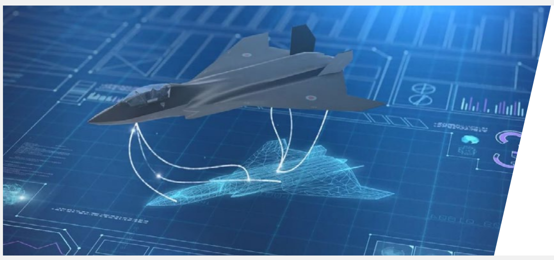


Test & Training

Using data-driven approaches to i) assure systems are fit for purpose and safe to operate, and ii) enable effective training of users in live and/or virtual operationally representative environments.

Mission Support & Operations

Deploying close to, and alongside, our defence and security users to ensure that front line personnel have the situational awareness required to complete their missions through delivering information gathering systems and analysis services.

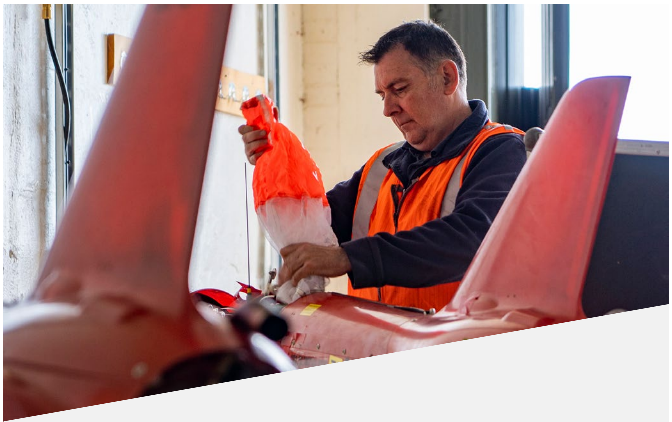


Cyber & Intelligence

Sensing, data processing, digital engineering, including advanced analytics and artificial intelligence capabilities, to enhance the cyber and electronic warfare mission. Supporting assured decision-making through multi-domain mission data and intelligence services and solutions.

What makes us different

Aligned strategic markets

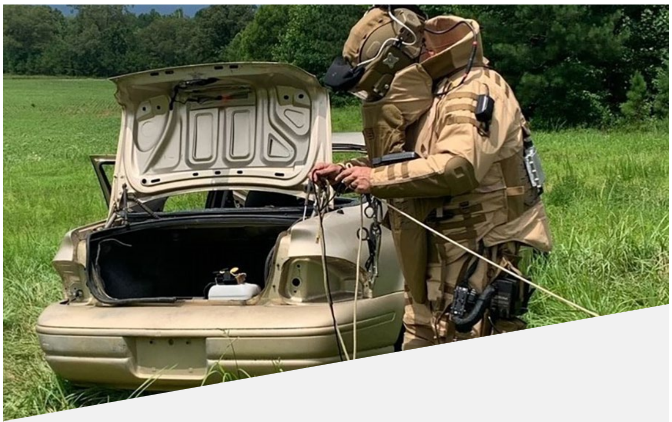


Our business operates in global defence and security markets which are seeing significant spending increases. Our capabilities are well aligned with those areas that are growing faster than their overall defence budgets:

- We are aligned to the higher-growth areas of defence budgets, including sensors, communications, cyber, electronic warfare, autonomy and artificial intelligence
- We are a key partner to nations with shared defence and security interests, most significantly in the UK, Australia and the US, known collectively as AUKUS; and increasingly to European allies and wider NATO alliance
- Our total addressable market is worth more than £35bn

>£35bn
addressable market

Increasingly threat-relevant



We have unique mission critical capabilities around the world, helping to maintain national defence and security for our customers:

- Unique position in the defence ecosystem, often in-between and alongside the end-customer and the prime equipment providers
- Involved across the lifecycle of defence systems, from early-stage research and development, through engineering services and support, complex test and evaluation capabilities, provision of advanced mission rehearsal, cyber security and data analytics and select niche defence and security products
- Key partner to sovereign nations providing world-leading technical expertise and state-of-the-art facilities, trusted by national defence agencies, with decades of project history and specialist capabilities
- A leader in advanced technologies with the ability to partner across industry and academia to deliver innovation at pace for our customers

£2.8bn
backlog underpins long-term revenue visibility

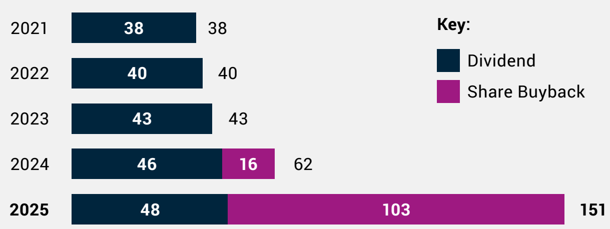
c.8,500
highly skilled employees

Strong cash generation & clear capital allocation

Our business has attractive financial characteristics supported by a strong balance sheet which enables us to invest and realise our long-term growth ambitions:

- Long-term contracts and repeatable business: predictable and strong revenue visibility
- Asset-light and cash-generative business model supports organic investment to drive future growth: organic investment funded from operating cash flow
- Strong balance sheet and clear capital allocation policy – investment to drive long-term growth
- Progressive dividend policy and buyback programme

Shareholder Distributions (£m)



90%+
cash conversion

22%
return on capital employed

Sustainable approach

QinetiQ has been committed to driving ESG across our value chain for many years, in our operations, working with suppliers and supporting our customers:

- No exposure to controversial weapons
- AA Rated by MSCI and Top-Rated ESG company by Sustainalytics
- 36% reduction, of our Scope 1 and Scope 2 emissions against our FY20 baseline (which is not on a like for like accounting basis as it includes the impact of the sale and leaseback of our Farnborough site). See page 42 for explanation
- Ideally placed to help our customers understand and prepare for the specific defence and security implications of the energy transition and changing environment

AA-rated
by MSCI

Top-rated ESG company
by Sustainalytics

Proud of the role we play supporting our customers' mission

This has been a challenging year for the Group with dynamic trading conditions and geopolitical uncertainty impacting performance.

Whilst there have been commitments from governments to increase defence spending in the near term, QinetiQ is operating in a tough and competitive market.

The world continues to experience a rapidly changing threat environment and there remains an enduring demand for strong defence and security; with customers needing more innovation, greater pace and better value for money. I am confident QinetiQ's unique capabilities are what our customers need and know we have to work hard to be more competitive and to meet and exceed their requirements.

The leadership team has been strengthened during the year and has taken decisive and proactive action to address the performance challenges, placing QinetiQ on a trajectory for sustainable future growth. We have also further evolved our Board to improve its depth of skills, experience and knowledge across our core global markets.

I am extremely proud of the dedication and commitment of our highly skilled people who have continued to serve our customers, delivering mission critical capabilities at a time of heightened threat. Longer term, the underlying strength of the Group, coupled with our vital role in supporting the national security needs of our customers in the UK, US and Australia, as well as NATO allies, positions us well for the future.

FY25 performance

The Group's financial performance for FY25 was below the expectations set out in the year, particularly on revenue and profit. Tough trading conditions delayed order intake for short-cycle work in our UK Intelligence and US Sectors, and our higher margin product sales from the US were impacted by geopolitical uncertainty. As a result, organic revenue growth was 2% at an underlying margin of 9.6%. Cash conversion was good and, despite the trading headwinds, there was continued strength in order intake which reached £2bn for the year.

The management team has taken proactive action to address performance challenges in our US Sector. The performance and outlook of our US business contributed significantly to the statutory operating loss of £90.5m, both through a goodwill impairment of £143.9m and other one-off charges predominantly related to legacy US operations. As a consequence, whilst delivering an underlying profit, these one-off exceptional charges have resulted in us reporting a statutory operating loss of £90.5m.

Our UK Defence business which has greater exposure to longer duration contracts has remained strong and secured in May 2025 a £1.5bn five-year contract extension to our Long Term Partnering Agreement with the UK Ministry of Defence. This bolstered the Group's order backlog and visibility.

The leadership team have been driving an increased performance focus across the Company. This approach, which continues into FY26 and is supported by the Board, includes a resizing of parts of the Group to support future profitable growth and to improve effectiveness and efficiency.

QinetiQ is a highly cash generative business and, within our capital allocation policy, we are focused on driving consistent organic profitable growth, good cashflow generation, investment in the business and value-accretive shareholder returns.

Consistent with this policy, in March we announced an additional extension to the current share buyback programme of up to £200m, which we expect to be executed over the following two years. We will also maintain the growth rate of our progressive dividend at 7%.

Our strategy

As a Board we engage, review and refine the Company's strategy annually, and this year that review took account of the dynamic market backdrop and rapidly evolving threat environment. As a result, QinetiQ's market-led strategy has evolved to ensure a greater focus on building customer solutions and an improved performance culture. As part of the Company's five-year business plan there will also be a commitment to increasing the investment in people, capabilities, infrastructure and systems to make QinetiQ stronger, more sustainable and better able to compete in the future.

Our people

During this year the Board and I were delighted to spend time with the talented employees who are committed to serving our customers and their national security needs. We have visited some of our sites in our core markets in the UK and Australia and from our interactions with employees, it was inspiring to see how they are driven by such a clear sense of purpose. We were also fortunate to spend time with our colleagues and customers at RAF Waddington in the UK.

The importance of defence and security in ensuring we all live in a sustainable and safe world has never been so clear and we are proud of the role we play in supporting our customers' mission in keeping us all safe. Our sustainability programme is focused on the most material issues for the Company including looking after our people, our governance and a deliverable Net-Zero plan. I'm pleased to note that in the year we retained our rating as a top-rated ESG company by Sustainalytics and our AA rating from MSCI.

Board changes

In September, we were delighted to welcome Martin Cooper, Group Chief Financial Officer to the QinetiQ Board. Martin, together with Group CEO Steve Wadey, have ensured a renewed focus on performance and has been driving rapid progress across a range of priorities, supported by the Board.

During the year, we also welcomed two new Non-executive Directors to the Board, with the appointment of Dr. Ezinne Uzo-Okoro in November and Roger Krone in January.

Ezinne has had more than 20 years of US government service, most recently as Assistant Director at the White House Office of Science and Technology Policy from 2021 to 2024, where she had overall responsibility for Space Policy. Roger brings extensive leadership and operational experience, including as Chairman and CEO of Leidos Holdings, Inc. from 2014 until his retirement in 2023. He also held numerous senior leadership roles at The Boeing Company and General Dynamics.

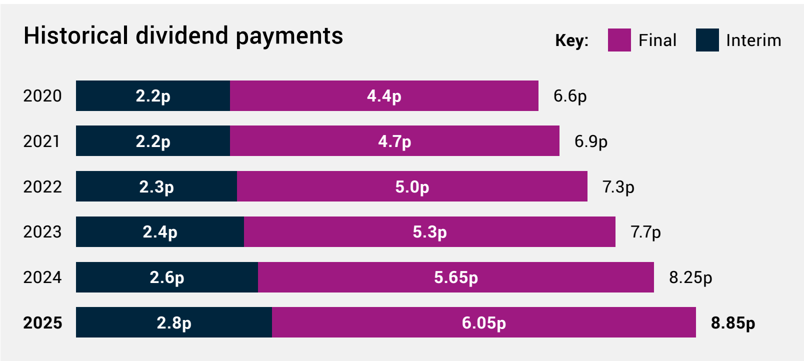
Both appointments have significantly strengthened the Board's expertise and knowledge of the US market.

From April, and as part of a planned succession, Dina Knight, assumed the role of Chair of the Remuneration Committee as Susan Searle stepped down from the Board having completed her full allowable term. I would like to thank Susan for her commitment and invaluable contribution to the Board and the Group, and for her stewardship of the Remuneration Committee as its Chair over a number of years. We all wish her well in her future endeavours.

I would like to close by thanking our colleagues across QinetiQ for the work they have done this year. Whilst it has been a challenging year, I am confident we have the right team in place, a strong strategy and the capability to deliver long-term growth for our shareholders.

Neil Johnson
Non-executive Group Chair

22 May 2025



Further reading
→ Stakeholder engagement pages 70–72
→ Board of Directors pages 80–82

Focused on delivering consistent operational performance

We have taken decisive action and are focused on reshaping the business for growth, with a clear restructuring plan to strengthen and capture the increasing opportunities within our key markets.

Overview

This has been a difficult year for the Group and whilst we recorded modest growth in revenue and generated good cashflow, our financial performance was not what we anticipated. Tough near-term external trading conditions and geopolitical uncertainty weighed on our performance in two specific areas. In particular, this affected short cycle work in our UK Intelligence and US Sectors, resulting in delays to a number of contract awards. Notably, our weighting to higher margin product sales from the US was impacted, contributing to a downgrade in expectations for the full year.

Thanks to our highly skilled employees, we have continued to deliver for our customers, ensuring they are able to respond to national and global security needs at pace. I am proud of what our teams, in partnership with our customers and industry, have successfully delivered through our long-term framework contracts in the UK, US and Australia to ensure frontline capabilities are supported. Our deep technical and engineering expertise continues to advance the development of new technologies with our world-leading beam combining technology used to accelerate the adoption of laser directed energy weapons by the UK military.

During the year, our teams continued to deliver training exercises to prepare armed forces personnel for the wide range of evolving threats they are likely to face on operational deployment. We are seeing increasing demand for our services and are continuing to invest in new capabilities and technologies to help our customers maintain advantage on the battlefield.

Notwithstanding the short-term dynamics, commitments from Governments in our key markets to increase defence and security spending in the years ahead underpin our confidence in the mid-to-longer term outlook for the business. In a rapidly changing threat environment our customers need different capabilities, more innovation, greater pace and better value for money, all of which are inherent to QinetiQ. We are taking action to ensure we capitalise on the opportunity, reshaping the business for sustainable growth by setting in motion a clear and robust restructuring plan to adapt and strengthen the Group.

Performance in the year

Our financial performance for the full year fell below our expectations, particularly on revenue and profit. Revenue was £1,931.6m, representing 2% organic growth on the prior year. Our underlying profit was £185.4m, down 14% on the prior year and at a margin of 9.6%. After largely one-off exceptional charges of £305.9m, this resulted in a statutory operating loss of £90.5m. Encouragingly, we ended the year with a record order intake of £1.95bn, highlighting the relevance and demand for our core capabilities. We also achieved healthy cash conversion of 105%. This, together with our continued commitment to disciplined capital allocation, which includes the recent announcement of a further £200m share buyback programme, reflects our confidence in the underlying strengths of the Group.

As part of improving our performance and accountability culture throughout the company, I have recommended and have agreed with the Remuneration Committee that I, and the members of the QinetiQ Leadership Team, would not receive any annual bonus payment for FY25 performance. In addition, I have also agreed that any 2025 salary increase for myself would be deferred and subject to in-year performance. Details are discussed in full in the Directors' Remuneration Report.

EMEA Services

Within EMEA Services, order intake grew 21% on the prior year and revenue was up 5% on an organic basis. This was predominantly driven by a €284m ten-year order for the continuation of the threat representation training contract that underpins our German business and good growth in our UK Defence Sector. The UK Defence Sector represents c.50% of Group revenue and has greater exposure to long-term contracts from which we provide mission critical solutions for our primary customers – MOD Defence Equipment & Support, Submarine Delivery Agency and Front Line Commands. The relevance of our core capabilities in UK Defence delivered another year of impressive revenue growth, strong operating profit and good cash conversion. This was partially offset by performance in our UK Intelligence Sector, which represents c.25% of Group revenue and experienced a slowdown in short cycle order awards, especially in the second half of the year.

In May 2025, we were awarded a £1.5bn five-year contract extension to our Long Term Partnering Agreement with the UK Ministry of Defence. Partnerships through long-term contracts is central to how we deliver customer value and this extension will see our teams continue to provide mission critical test, trials, training and evaluation capabilities that help to ensure the performance and effectiveness of the UK Armed Forces, NATO and their allies until 2033.

Global Solutions

Global Solutions has been impacted by a challenging external market environment and, specifically, the second half operational result in our US Sector, which represents c.20% of Group revenue. Here, we experienced both market challenges, following the change in administration including export restrictions, and operational issues. Orders decreased by 4%, driven by a reduction in US order flow against a strong prior year comparator and a challenging trading backdrop in the second half of the year. Overall, revenue for Global Solutions reduced by 7%. Whilst Avantus revenue remained flat, the market dynamics in the US impacted product sales from our legacy operations.

Strategic response

To keep pace with the changing priorities within our core markets, we have increased our strategic focus to leverage our strong UK base including opportunities that better serve NATO and its allies, whilst continuing to prioritise our customers in the AUKUS nations.

Within this environment, we are improving our competitiveness and progressing plans to enhance our cost efficiency through reducing our overheads, including reductions in management roles across the Group.

In UK Intelligence, we have resized some of our capabilities whilst protecting core skills for the future. In addition, we have taken action to realign the business to emergent customer needs, so that we are better positioned to support operations and digital transformation in the UK Defence and Security markets. Whilst we forecast a stable FY26, this business remains highly relevant to our customers' needs and is well positioned to return to growth in the following years.

In the US, we appointed Tom Vecchiolla as US President and Chief Executive in January and undertook a review of our US operations and subsequently launched a restructuring programme. As a consequence, we have taken actions to improve operational performance by resizing our cost base aligned to market priorities, addressing labour rates and inventory management. These measures resulted in in-year non-cash charges – predominantly due to our legacy US operations – but put us on a stronger foundation from which to move forward.

Aligned to the restructuring, and to be more resilient in the new market environment, we are refining our strategy in the US to be better aligned to current national security and defence priorities. We are focused on four revenue streams where we have good long-term incumbent positions and have delivered underlying growth in the year; maritime systems, advanced sensors, space and missile defence mission support and persistent surveillance systems. The Avantus long-term contracts with Space Development Agency, Strategic Capabilities Office and the Tethered Aerostat Radar System programme are all high priority national programmes and all have delivered significant on-contract growth in the year, providing a solid base from which to execute our refined strategy.

Looking ahead, there continues to be demand for our mission-critical capabilities and we are committed to maintaining financial discipline and executing our restructuring activities to deliver sustainable growth.

Market relevance and opportunities for growth

Governments are increasingly looking to the defence industry to help them build greater resilience, rapidly modernise and deliver defence innovation at pace, so they can better address current and future threats. Our mission critical capabilities are highly relevant and aligned to enabling our customers to deliver their changing national priorities, as evidenced by this year's record order intake.

Advanced technology is disrupting how our armed forces deter and fight but before it can be deployed, new equipment and technology needs performance and safety assurance so users have confidence it will operate how and when they need it. Our core skills and deep expertise in research and development, engineering and Test, Trials, Training and Evaluation (T3E) mean we are well positioned to continue to be a critical enabler to mission success. Our people experiment, innovate and develop new capabilities, drawing on a range of existing, emerging and disruptive technologies, to enable the safe performance of defence equipment and systems in service.

Our expertise in threat representation and in operating complex ranges enables us to support our customers' needs for improved training and affordability. We design, develop and facilitate multi-domain exercises that allow armed forces to be better prepared and able to succeed in warfare scenarios including joint and multi-national forces and human-machine teams.

We also provide our customers with advice, research, engineering, integration, testing and analysis that enables them to operate with confidence in increasingly contested environments and defend against rapidly evolving cyber and electronic warfare.

Our record order backlog, including the LTPA extension, provides a firm foundation for the company. Combined with our five-year qualified and prudent pipeline of £10bn, we have good visibility of 8x our FY25 revenue, underpinning our confidence in creating long-term value.

Committed to being a responsible business

Our purpose of protecting lives by serving the national security interests of our customers unites all who work for QinetiQ. Motivated by the vital services they deliver for our customers, our people are critical to our success and the execution of our strategy. Ensuring we create an environment that is safe and secure, where our people are inspired to deliver for our customers, have the opportunity to realise their potential and feel recognised for their contribution, is a priority.

Listening to our people helps us improve the working environment and provides opportunities for career development. We measure employee engagement each quarter and closed the year with consistent engagement to the prior year.

In delivering our sustainability programme we are focussed on what matters most to our Company so that we meet the expectations and needs of our stakeholders, ensuring we are addressing risks and creating value for our shareholders and customers.

We have an ongoing commitment to improving workplace safety and wellbeing. Our safety performance, measured by Lost Time Incident rate has shown a consistent year-on-year improvement reflecting our ongoing commitment to workplace safety and significant progress made in creating a safer workplace environment. In FY25, we saw an increase in our Total Recordable Incident Rate and while within the typical range for the defence sector, we will renew our focus on safety initiatives and proactive risk management.

We continue to focus on ensuring our business is resilient to the changing climate. We are also committed to playing our part in protecting the environment and have consistently recorded reductions in our Scope 1 and 2 emissions since FY20.

Focused on disciplined capital allocation

The Group continues to be highly cash generative and in that context we continually assess the best risk adjusted opportunities to deploy capital to support shareholder returns.

In the year, we delivered record shareholder returns through our progressive dividend with a year-on-year growth rate of 7% and the return of excess cash to shareholders via our buyback programme. In February, we completed our £100m share buyback programme and commenced an additional £50m share buyback programme expected to complete in June. In March, we subsequently announced an additional extension to the share buyback programme of up to £200m over the next two years, on completion of the current programme.

Our priority remains on delivering value accretive organic growth, with our strong cashflow enabling investment in our people, technology and capability, and delivering attractive shareholder returns.

Board and Leadership changes

Martin Cooper, our Group Chief Financial Officer joined QinetiQ and the plc Board as an Executive Director in September. During the year we also welcomed two new Non-Executive Directors to the Board with the appointment of Dr. Ezinne Uzo-Okoro in November and Roger Krone in January. Both Ezinne and Roger have extensive experience in US national security and defence bringing additional strength and depth to the plc Board.

We also strengthened our leadership team in the year with the appointment of Iain Stevenson and Tom Vecchiolla. Iain joined QinetiQ in July in the newly created role of Chief Operating Officer and in January we appointed Tom to lead our US Sector. All of these appointments are providing positive improvements for our long term performance.

FY26 outlook and summary

For the year ahead, we expect:

- Revenue growth expected to be c.3% for FY26, supported by 75% revenue coverage.
- Margin expected to be c.11%.
- Cash conversion expected to be c.90%.
- EPS growth expected to be 15–20%.

The fundamentals of the Company remain strong and we have a clear strategy to create value across the Group, positioning us at the centre of defence innovation for future warfare. With the £1.5bn LTPA extension through to 2033, we now have a record order backlog. This, combined with the strong pipeline and alignment of our mission critical capabilities to our customers' needs, provides confidence and visibility in delivering medium to long-term growth.

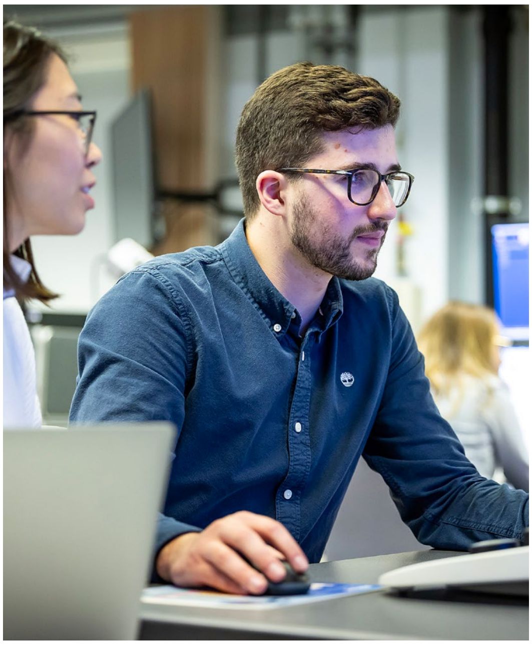
Steve Wadey
Group Chief Executive Officer

22 May 2025

£1.9bn
FY25 revenue

9.6%
FY25 operating profit margin

105%
FY25 cash conversion



Themes driving market growth

Themes reshaping defence markets around the world

The world order is increasingly characterised by greater instability, polarising narratives, eroding trust and insecurity. The geopolitical landscape will become even more complex as the technological revolution, politicisation of trade and evolving allegiances make the world a more contested place.

These factors are driving many states to increase defence and security investment and strengthen relationships with like-minded allies.

// Our customers seek to rapidly modernise their defence and security capabilities so they can better address current and future threats. //

Demand for military equipment and adoption of advanced technologies

The acceptance and operation of new military equipment in service needs safety and performance assurance. Technology is also transforming the character of warfare, creating new vulnerabilities. Artificial Intelligence, Autonomous Systems, Quantum Technologies, Hypersonics, Directed Energy and other advanced technologies are affecting how militaries deter and fight, now and in the future.

How QinetiQ is responding

Customers need to experiment, develop and integrate new technologies swiftly, safely and seamlessly into existing capabilities.

Research, development, test and evaluation of technologies is at the core of what we do. With an understanding of existing and emerging threats, we experiment, innovate and develop new capabilities. Drawing on a range of existing, emerging and disruptive technologies, we enable safe performance of military equipment in service.

Demand for secure, reliable intelligence across all domains

Detecting and intercepting threats at speed requires reliable situational awareness and decision-making based on secure intelligence. With the application of Artificial Intelligence, more sophisticated and frequent cyber and electronic warfare threats are increasing the challenge to constrain and defeat adversaries.

How QinetiQ is responding

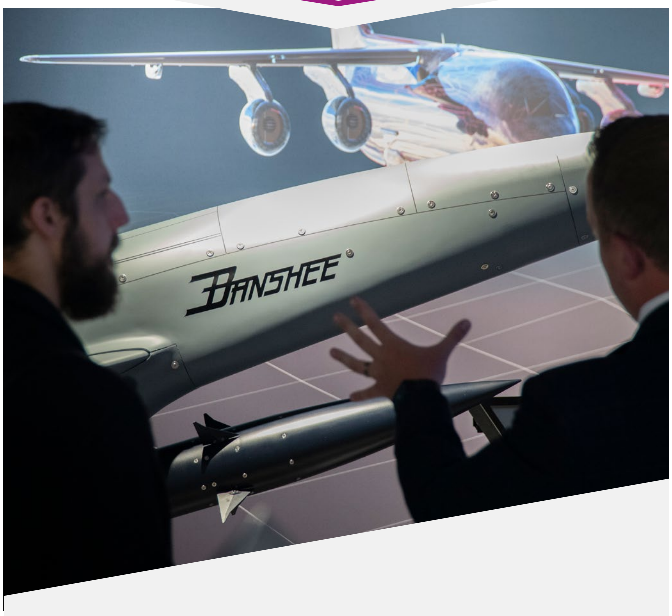
Customers need to defend physical and information systems against evolving cyber and electronic warfare threats across all domains.

Using our knowledge, experience and understanding of multi-domain networked systems, and evolving cyber and electronic warfare threats we provide customers with advice, research, engineering, integration, testing and analysis to support their ability to operate with confidence in increasingly contested environments.

Demand for affordable, realistic training and simulation

Evolving threats, new technologies and rapidly changing warfare tactics are driving the need to be better prepared and more adaptable to deter, defend and defeat adversaries.

How QinetiQ is responding



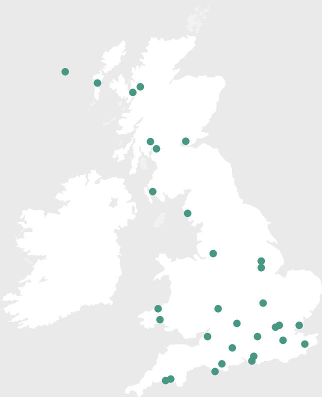
Customers need to train, rehearse, exercise and experiment across all domains to succeed in contemporary operating and warfare scenarios. This includes both individual and collective training across both joint and multi-national forces as well as with human-machine teams.

From designing distributed training architectures and integrating human factors to delivering realistic threat representation and operating complex ranges, we provide technology-agnostic training and simulation solutions across all domains. Integrating and developing emerging technologies, we support our customers' needs for improved training realism and affordability.

Our >£35bn addressable market

The UK, US and Australia are our home countries and collectively represent 94% of our revenue

UK



Trading environment

In October 2024, the UK government increased the defence budget by a further £2.9bn in FY24/25 and increased the FY25/26 budget to £59.8bn. This is equivalent to an annual average real-terms growth-rate of 2.3% between FY23/24 and FY25/26[1]. A Strategic Defence Review launched in July 2024 and is due to report in the first half of 2025. The UK plans to increase defence spending to 2.5% GDP by 2027 with a longer-term ambition of increasing it to 3% between 2029 and 2034. In a dynamic security environment, the UK is committed to European security and remaining the leading NATO ally in Europe.

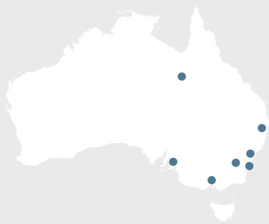
In the short term, trading has been challenging for some parts of our business with greater exposure to short cycle contracting. However, as the UK seeks to establish a modernised integrated multi-domain defence capability, we are well positioned to support this transformation.

1 Autumn Budget 2024 (HTML) – GOV.UK.

6,128 employees

34 sites

Australia



Trading environment

Australia's strategic environment has continued to deteriorate since the release of the 2023 Defence Strategic Review with increasing risk of military miscalculation leading to major conflict in the Indo-Pacific region[2]. The 2024 National Defence Strategy (NDS) and 2024 Integrated Investment Programme (IIP), published in April 2024, detailed defence capability investments. The consolidated Defence and Australian Signals Directorate funding for FY25/26 is estimated at AUD $58.4bn[3]. $50.3 billion is being invested over the next decade, which will see defence funding rise to 2.4% GDP by 2033–34[4].

As Australia seeks to establish an integrated future force, accelerating acquisition of critical capabilities with a focus on minimum viable capability, we are well positioned to support their needs.

2 2024 National Defence Strategy and 2024 Integrated Investment Programme.

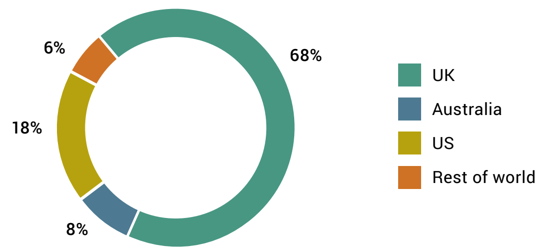
3 Portfolio Budget Statements 2024–25.

4 2024 National Defence Strategy – Budget.

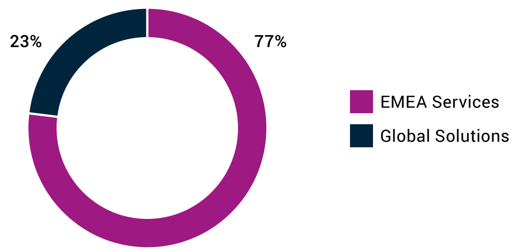
828 employees

8 sites

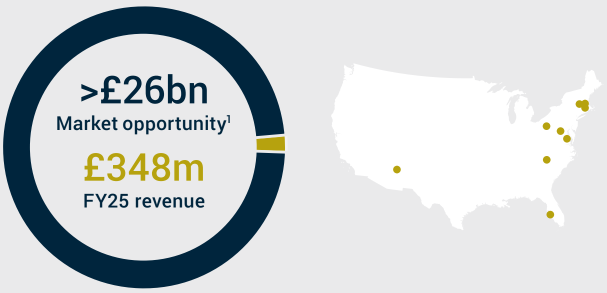
Revenue by customer location



Revenue by division



US



Trading environment

The Department of Defence funding request for FY25 is $849.8bn[5]. As part of this, the research development test and evaluation budget is $143.2bn. Investment in critical technology areas aimed at strengthening technological advantage include directed energy, hypersonics, integrated sensing and cyber.

The U.S. administration is refocusing FY26 budget priorities towards enhanced lethality whilst preserving priority funding for areas such as border security and missile defence. In parallel, the new Department of Government Efficiency (DOGE) is tasked with improving efficiency through all US government agencies including modernisation of software and IT systems. These transformation activities may cause some short-term uncertainty as well as emerging opportunities and threats for US government service providers.

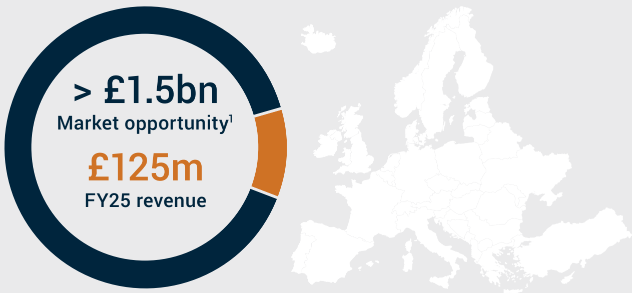
Our services and solutions are aligned to the US government's priorities and we continue to invest to support our customers' needs.

5 FY2025_Budget_Request_Overview_Book.pdf

1,243
employees

12
sites

Rest of the world



Trading environment

During 2024 there has been a further increase in global defence investment as many countries have re-evaluated their defence and security environment as consequence of the Russia-Ukraine war. The 2025 forecast for global defence spending stands at $2.5Tn[6].

Rapid spending increases among European NATO members is driven by the ongoing Russian threat and concerns about possible US disengagement within the alliance. All NATO members increased their military expenditure in 2024. Total military spending by NATO members amounted to $1,56bn, or 55% of global military expenditure[7].

While priority and investment focus is attached to the implementation of our three home country strategies (UK, US and Australia), we continue to conduct business in the support of allied nations.

6 Defence Tech: Shaping the Future of Global Security – Global X ETFs Europe.

7 Unprecedented rise in global military expenditure as European and Middle East spending surges – SIPRI.

204
employees

4
sites

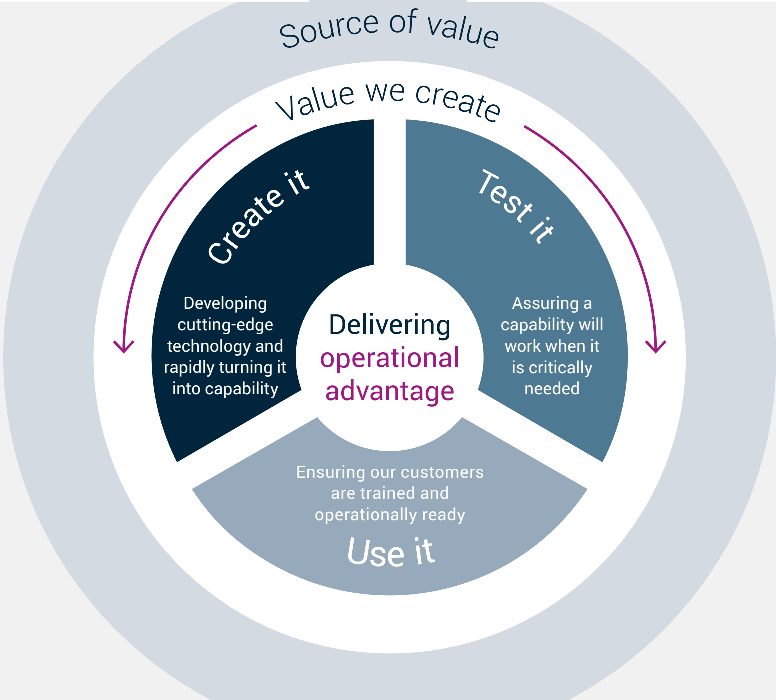
Delivering operational advantage

Our customer relationships

- **Understanding our customers' mission** We invest time in gaining a broad and deep understanding of our customers' mission, operations and challenges.
- **Gaining insights from operations** Through our training and mission rehearsal activities and in-service support experience, we gain unique and valuable insights into the operational context.
- **Collaborating and co-creating solutions** We put the customer at the heart of what we do. Collaborating with our customers, we innovate at pace and co-create value for money solutions.

Our skills and knowledge

- **Deep technical expertise and know-how** Our highly skilled scientists and engineers apply their world-leading technical and domain expertise to deliver evidence-based solutions, services and intelligence to our customers.
- **Understanding of threats and environments** Our capability to replicate realistic and dynamic threat environments enables us to evaluate system performance across the domains of cyber and information, land, maritime, air and space.
- **Broad knowledge of existing and emerging technologies** Our world-leading experts apply their scientific and engineering knowledge across existing and emerging technologies, harnessing them for the benefit of our customers.



Our partner relationships

- **Small to medium sized enterprises (SMEs)** In all our home countries, we have established relationships with a large network of SMEs, drawing on their specialist expertise and services to deliver value, agility and innovation.
- **Universities and research institutions** We actively engage and partner with universities and research institutes to undertake collaborative research and development of new operationally relevant technologies.
- **Large defence and non-defence technology enterprises solutions** We frequently form teaming relationships with a variety of large defence and non-defence companies, collaborating to deliver cutting-edge solutions to our customers.

Our tools and techniques

We invest in and maintain specialist tools such as facilities, aircraft, test ranges and software:

- **Test facilities, aircraft and ranges** We operate some of the most advanced facilities and, sea and air ranges in the world and manage live-fire exercises and rehearsals combined with digitally enabled infrastructure.
- **Datasets and models** We maintain and create extensive datasets and models to support the performance and evaluation of defence and security capabilities.
- **Digital engineering, innovation and transformation** We apply digital engineering techniques to accelerate innovation, improve efficiency and create new defence and security capabilities for our customers.

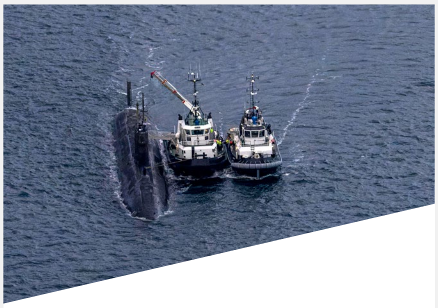
Delivering value for our stakeholders

Customers

Using our world-leading expertise, we help our customers fulfil their defence and security needs. We are critical to the development, testing and assurance of cutting-edge systems and technologies essential to our customers' ability to maintain operational advantage.

People

We foster a culture that promotes strong performance by developing a highly skilled workforce of world-leading engineers, scientists and technologists led by effective leaders across our Global Business. We empower our people to thrive and deliver in a high-performance environment. For the second year we achieved record-high employee engagement, reinforcing QinetiQ as an employer of choice.



Partners

We forge partnerships with industry and academia to address the challenges of the current threat environment with agility. We form complementary partnerships to deliver the most effective solutions for our customers, often managing large networks of small and medium-size enterprises.

Shareholders

By focusing on our customers' needs and ensuring a disciplined approach to the management and governance of the Company, we aim to deliver sustainable and attractive returns to our shareholders.

Communities

We aim to make a positive contribution to the communities where we work. Our people volunteer and we support a number of charities across all our markets. We work with armed forces organisations and those which are aligned with the development of technology and STEM skills.

Environment

We play our part in tackling climate change by reducing our greenhouse gas emissions. We are also developing and delivering solutions for our customers to support their sustainability ambitions.

Reporting via EMEA Services and Global Solutions segments

We manage the business through four operating sectors, each with their own Chief Executive and Leadership Team. This outlines how the sectors correlate with our external reporting framework and the financial results for each segment.

EMEA Services

EMEA (Europe, Middle East and Australasia) Services combines world-leading expertise with unique facilities to generate and assure capability. We do this through capability integration, threat representation and operational readiness, underpinned by long-term contracts that provide good revenue visibility and cash generation.

£1,478m

Total revenue

1 Book-to-bill (B2B) ratio is orders won divided by revenue recognised, excluding the LTPA non-tasking services revenue of £270m (FY24: £266m).

Further reading
→ UK Defence pages 24–25
→ UK Intelligence pages 26–27
→ Australia pages 22–23

UK Defence

£903m

FY25 revenue

Our UK Defence sector provides test & evaluation, engineering assurance services, science & technology solutions, and enables training and mission rehearsal for our air, maritime and land customers in the UK. It is a trusted partner throughout the acquisition lifecycle and provides services to international allies via our UK base capabilities.

UK Intelligence

£417m

FY25 revenue

The UK Intelligence sector helps government and commercial customers respond to fast-evolving threats based on its expertise in data and digital engineering (including Artificial Intelligence (AI)/ Machine Learning (ML)), quantum, training and simulation, secure communication networks and devices, intelligence gathering, surveillance sensors and cyber security.

Australia

£158m

FY25 revenue

Our Australia sector delivers advisory and engineering services, threat representation and capability assurance services to customers in Australia and the rest of the world. This includes target services used for live-fire training and weapon systems test and evaluation, operational air to air training and special mission service delivery.

Financial performance

Orders increased 21%, including €284m for the continuation of the threat representation training contract that underpins our German business on a long-term ten-year plus basis. The funded order backlog excluding LTPA ended the year at £1.6bn, with a book-to-bill ratio of 1.2x (FY24: 1.0x).

Revenue increased by 4% to £1,477.7m (FY24: £1,417.4m), or 5% on an organic basis, as a result of good growth in the UK, primarily in the UK Defence sector.

At 31 March 2025, we had £1.1bn of EMEA Services' FY26 revenue under contract, compared to £1.0bn (of the FY25 revenue) at the same point last year.

Underlying operating profit grew by 3% to £169.0m (FY24: £163.4m) in line with revenue growth. Operating margin remained stable at 11.4%.

Approximately 66% of EMEA Services revenue is derived from single-source contracts (FY24: approximately 66%). By investing in our core contracts and extending their duration, the high proportion of single-source revenue contracted on a long-term basis provides visibility and highlights the unique capabilities that we bring.

	FY25 £m	FY24 £m
Orders	**1,441.7**	1,193.1
Revenue	**1,477.7**	1,417.4
Underlying operating profit	**169.0**	163.4
Underlying operating margin	**11.4%**	11.5%
Book-to-bill ratio	**1.2x**	1.0x
Total funded order backlog	**2,470.6**	2,551.7

Global Solutions

Global Solutions combines our world-leading technology-based products and services. Our strategy is to expand the portfolio of solutions to win larger, longer-term programmes providing good visibility of revenue and cash flows.

£454m

Total revenue

United States

£346m

FY25 revenue

Our US Sector provides design, development, rapid prototyping, systems engineering and integration and manufacture of speciality defence mission products and solutions related to robotics, autonomy, maritime and sensors.

UK Defence, UK Intelligence and Australia Products

£108m

FY25 revenue

The portfolio of our other Global Solutions products provides research services and bespoke technological solutions derived from EMEA Services, and includes QinetiQ Target Systems (QTS).

Financial performance

Orders decreased by 6% to £513.1m (FY24: £547.3m), 4% organically. This was driven by a reduction in US order flow against a strong prior year comparator and more challenging market environment in the second half of the year.

Revenue reduced 8% on a reported basis to £453.9m (FY24: £494.7m). On an organic basis, revenue declined 7%, primarily in the US driven our legacy US business whilst Avantus remained flat.

At 31 March 2025, we have 67% of Global Solutions' FY26 revenue under contract, compared to 52% (of the FY25 revenue) at the same point last year. In addition, we have a further $127m of US contract awards in FY25, which are expected to be funded during FY26. This would increase revenue cover to 89% in FY26.

Underlying operating profit decreased to £16.4m (FY24: £51.8m), with a reduced underlying operating profit margin of 3.6% (FY24: 10.5%), driven by the second half operating result in the US. Our US operations performed below expectations in the year due to market conditions and some key contract losses and slippages. The second half of the financial year included the change in US administration, together with the change in US Sector CEO, re-alignment of strategy and start of required restructuring plan along with a number of one-off charges.

	FY25 £m	FY24 £m
Orders	**513.1**	547.3
Revenue	**453.9**	494.7
Underlying operating profit	**16.4**	51.8
Underlying operating margin	**3.6%**	10.5%
Book-to-bill ratio	**1.1x**	1.1x
Total funded order backlog	**374.6**	321.3
Total US unfunded order backlog*	**529.0**	773.2

* Unfunded orders represents the value of contract awards for which funding has not yet been appropriated or authorised.

1 Book-to-bill (B2B) ratio is orders won divided by revenue recognised.

Further reading

→ United States pages 28–29

Australia

£216m

Total Revenue

£468m

Total Orders

Overview

Our Australia Sector comprises our specialist advisory and engineering business in Australia and also includes our threat representation business operating in the Australian, UK, German and Canadian markets.

The Australia sector delivered good revenue growth in the year, across a wide breadth of activities. Bolstered by our new Advisory Board, the business is set for continued strategic progress in Australia.

Operational and order highlights

Performance has been driven by a broad array of offerings, generating £468.8m of orders including:

- **Next Generation German Aerial Target Services:** In Germany, we secured an award of a minimum 10-year Aerial Target Services contract worth €284 million, providing a range of tailored services for the German Armed Forces, including close air support, maritime air operations, ground control intercept training, and target towing for ground based air defence systems.
- **Scalable High Powered Laser:** Building on QinetiQ's established laser R&D expertise, in Australia we successfully demonstrated a prototype of our scalable high power laser, enhancing sovereign defence capabilities against current and emerging threats.
- **Underwater Tracking System:** We continued to demonstrate our Test & Evaluation capabilities, in Australia, supporting the Defence Science and Technology Group in the Autonomous Warrior 2024 exercise by delivering a rapid deployable underwater tracking range system for independent assessment of Autonomous Underwater Vehicles.
- **Aerial Targets:** We continued to see success with our training capabilities, including the significant milestone of manufacturing our 10,000th Banshee aerial target in the UK, as well as securing a $13.3m USD contract in Canada to provide the United States Government with uncrewed aerial target support services.
- **Defence Aviation Safety Authority:** Demonstrating our R&D capabilities, we were certified to design and produce limited run parts across all air platforms, making us the only non-original equipment manufacturer in Australia to carry both design and certification and manufacture designation status with the Defence Aviation Safety Authority (DASA). We were also awarded a DASA Strategic Support Contract building on 25+ years of delivering specialist engineering and technical services across the Department of Defence.
- **Team TECSA:** Within T&E, we announced the formation of Team TECSA (Test and Evaluation, Certification and Systems Assurance), an industry and academic collaborative enterprise for the provision of T&E services in Australia.

Outlook

The coming year will present a range of opportunities for the Australia sector that align with both QinetiQ's global offerings as well the strategic campaigns that we have been pursuing in the Sector.

R&D opportunities will continue to include Directed Energy, and support to the Defence Science and Technology Group through both our Engineering and Innovation Business Unit and our Advanced Capabilities campaign team.

Engineering Services opportunities being actively pursued include a number of Capability Acquisition and Sustainment Group contracts and we are developing our strategy and approach for the next evolution of the Major Service Provider following the loss of the Land Integrated Work Package contract.

Training opportunities are currently being pursued in the Indo-Pacific, North America, Europe and NATO regions. A number of adversarial air opportunities have presented in all three regions and provide us with the ability to showcase our crewed, uncrewed and target towing capabilities.

Our campaign to position ourselves as the Enterprise T&E Strategic Partner within Australia continues and has been well supported by a series of senior engagement meetings and a cross-enterprise campaign. Concurrently we are pursuing opportunities to bid and win discrete T&E programmes with a focus on the Maritime Domain.

Case study

Enhancing defence aviation

QinetiQ was awarded an AUD $47m Defence Aviation Safety Authority (DASA) Strategic Support Contract over five years, with a further five-year extension option. This contract builds on QinetiQ's more than 25 years of experience in supporting Australia's aviation needs and enables DASA to access QinetiQ's global resources, specialist skills and knowledge required to promote and enhance defence aviation safety in collaboration with its partners, including Muru Management Consulting – a 100% female and Aboriginal-owned safety consultancy. Furthermore, QinetiQ now holds two military approvals for all Australian Defence Force (ADF) aircraft by Defence Aviation Safety Regulations (DASR). These include Subpart 21J Military Design Organisation, authorising QinetiQ to design and certify structural and mechanical systems for Defence aircraft; and Subpart 21G Military Production Organisation, enabling QinetiQ to build and supply structural, mechanical, and electronic parts and appliances across all ADF aircraft. These certifications offer unparalleled flexibility and expertise in design and production.

Case study

Delivering Mission Rehearsal activities for NATO allies

In June 2024, QinetiQ signed a three-year agreement with the NATO Support & Procurement Agency (NSPA) for the provision of mission rehearsal activities. This provides NATO nations with a simplified contracting route to access the extensive Test, Trials, Training and Evaluation (T3E) services provided by QinetiQ. Focused on the MOD Hebrides and MOD Aberporth Air Ranges operated through the Long Term Partnering Agreement (LTPA), together with target services to provide representative threat scenarios, we provide an extensive array of capabilities that enable NATO allies to deliver their mission rehearsal programme outcomes with live weapon firings. The contract has proved very popular with the Spanish Air and Space Force, Italian Air Force, and German Air Force conducting extensive campaigns with us since the NSPA contracting framework has been in place.

UK Defence

£935m
Total Revenue

£704m
Total Orders

Overview

The UK Defence Sector performed strongly in the year, with continued support from long-term contracts providing mission critical solutions for our Air, Maritime and Land customers' advantage. The relevance of our core offerings delivered another year of impressive revenue growth with strong operating profit and good cash conversion. Partnerships through long term contracts remain central to how we deliver customer value. The Engineering Delivery Partner (EDP) has surpassed £2bn of orders since its inception in 2018, we have worked closely with the customer to extend the delivery of the LTPA test, trials, training and evaluation (T3E) capabilities by five years until 2033, and we have secured our leadership of the Weapons Sector Research Contract (WSRF) for a further two years until 2027.

Operational and order highlights

Key drivers of performance and £703.5m orders over the course of the year included:

- **Long Term Partnering Agreement (LTPA):** The five-year extension to the LTPA contract is an important step in continuing our partnership with the MOD, as it provides a firm foundation to invest in the transformation of UK sovereign T3E capabilities to enable armed forces personnel to respond at pace to the threat environment. Examples of where this journey to adapt T3E capabilities is already underway includes securing a £16m order to build one of the largest Anechoic Test Facilities in Europe at MOD Boscombe Down in support of current and future radio frequency anti-jamming requirements, and c.£35m in orders to design new Maritime Signature measurement capabilities.
- **DragonFire:** Following the customer's decision to accelerate the cutting-edge DragonFire laser Directed Energy Weapon system into service on Royal Navy warships, working in partnership with the MOD, MBDA and Leonardo, we have rapidly mobilised this programme of work securing £58m of orders to date.
- **E-X Drive Technology:** To enable the exploitation of our electrification technology solutions, following the licencing deal with Texelis for our Hybrid Electric Hub Drive, we have secured a deal with RENK for the sale of our E-X Drive technology for the electrification and hybridisation of existing and future land platforms.
- **Engineering Delivery Partnership (EDP):** The Aurora partnership with AtkinsRealis and BMT, delivering Engineering Services through the EDP contract, continues to deliver very strong operational performance across a broad range of procurement programmes. The partnership recently secured the highest incentive fee to date based upon contractual key performance indicators.
- **NATO Support & Procurement Agency framework:** Separate air-to-air missile firing campaigns, contracted through a NATO Support & Procurement Agency framework, have been delivered for the German, Spanish and Italian Air Force.
- **Test, Trials, Training and Evaluation:** Against the backdrop of increasing threats, we continue to support our customers so they can be mission ready; supporting experimentation, accelerating new capabilities, and delivering pre-operational deployment evaluations and training. Recent examples include:
  - **REPMUS:** Supporting the UK Navy's participation in the recent NATO multi-domain REPMUS (Robotic Experimentation and Prototyping with Maritime Unmanned Systems) operational exercise.
  - **Sea Venom and UAS:** Successful firings of the new Sea Venom missile from the Wildcat helicopter and trialling a novel launch method for an Uncrewed Air System (UAS) for the Air Force Rapid Capability Office.
  - **Archer Artillery System and weapons stockpile assurance:** Evaluation activities for the recently procured Archer Artillery System to achieve initial operating capability prior to deployment in support of NATO exercises and environmental testing and an improved risk based assurance approach to extend air carriage hours for weapon stockpiles.

Outlook

The outlook is positive with our core engineering services, T3E, research and development offerings being well aligned to evolving customer demands to enhance the capabilities of the UK armed forces, drive innovation, develop industrial capacity, increase integration and boost interoperability with allies. Engineering Delivery Partner services are expected to continue performing well, with the renewal of major air platform contracts due next year. We are seeing increasing opportunities in science and technology, especially for Directed Energy Weapons. Integrated Air & Missile Defence and the adoption of uncrewed systems are opportunities to provide a broader set of integration support services. We are also seeing good opportunities for collective training and mission rehearsal services for UK and allied forces. The Defence Nuclear enterprise is also providing a number of important future opportunities aligned to our core offerings.

UK Intelligence

£435m

Total Revenue

£388m

Total Orders

Overview

The UK Intelligence Sector utilises its unique domain knowledge across C5ISTAR (Command, Control, Communications, Computers, Cyber, Intelligence, Surveillance and Reconnaissance) as well as research, innovation and applied engineering skillsets to support UK Government in the development, assurance, integration and deployment of mission critical capabilities at pace.

During the year it was impacted by a marked slowdown in short cycle orders, most noticeably in the second half of the year. As a result, a review was undertaken and the business realigned to better support the UK Government and ensure it remains well-placed for the ongoing delivery of critical digital change programmes to Defence Equipment and Support (DE&S), Defence Digital (DD), Defence Intelligence (DI) and Defence Science and Technology Laboratory (DSTL).

Operational and order highlights

The sector recorded £387.7m of orders for our distinctive capabilities across all of our markets:

- **Defence Intelligence:** The partnership with DI has continued to grow strongly with orders of c.£70m in the year. For example, the Engineering Delivery Partnership (EDP) affords rapid access to a very wide array of expert suppliers across the UK in the fields of Mission Data Development and Exploitation, Transformational Training and; Operational Services to help DI drive its' transformation strategy.
- **Defence Digital:** We have continued our strong and enduring relationship with DD's successful New Style of IT (Deployed) NSOITD programme for over five years, and secured another 12 months of support for FY26. It is a critical enabler of a range of Defence C4ISR capabilities on both exercises and on operations.
- **Borderwatch:** QinetiQ's Borderwatch system is used to detect illegal migrants at several European ports and in April 2024 we started work on a multi-million pound technology refresh programme to upgrade the systems.
- **Q40 GNSS Receiver:** FY25 saw the first two commercial releases of our new Q40 GNSS (Global Navigation Satellite System) receiver product. Designed to military standards, Q40 has entered the market at exactly the right time with the first partner products already launched, with extensive customer engagement in Europe, the US and Asia.
- **TacSys Resource Partner:** This contract, worth up to £150m, delivers support to the Battlefield Tactical Communication and Information Systems (BATCIS) Delivery Team and is a critical enabler for BATCIS to deliver the next generation of Tactical Communication and Information Systems as part of a Single Information Environment for UK armed forces.
- **Dreadnought Synthetic Environment:** Whole boat synthetic environment for Dreadnought to include interactive Systems, Sub-systems, and components for shore-based training and qualification prior to deployment.
- **Royal Navy Under Water capability:** The Royal Navy's Under Water capability delivery is a critical area for the UK, where continual improvement is required to maintain operational advantage. Sensor operators are presented with a significant challenge to detect and classify contacts from highly complex data. AI is providing significant opportunities and our Accelerated Capabilities Environment (ACE) is bringing diverse SMEs to explore this in partnership with the MOD and AUKUS partners.

Outlook

Despite the near-term trading challenges, UK Intelligence is well positioned over the medium-term with offerings aligned to increasing customer demand. EDP services are expected to continue performing well, with increased demand for our digitally focused offerings expected next year. We are seeing a good pipeline of opportunities in science and technology, especially in Artificial Intelligence, Data Science and Electronic Warfare. Integrated Air & Missile Defence, and the continued focus on Multi-Domain Integration and the Digital Backbone are providing opportunities to provide a broader set of digitally-focused integration services. We are also seeing opportunities for collective training and simulation services for both UK and allied forces and for us to enhance our core offerings into National and Homeland Security. We continue to invest in and see long-term demand for our product portfolio across North America, Europe and NATO regions.

Case study

Bright Corvus – Deep ISR/ Distributed Sensing Technology

QinetiQ have recently completed the delivery of four research projects under the Spending Review 2020 'Bright Corvus' project delivering £8m+ of revenue over two years. Our main project developed and demonstrated world-leading distributed radar and radio frequency sensing technologies via field trials using drones detecting difficult targets in difficult environments. These technologies use multiple small and low cost sensors acting as one to deliver significant performance improvements over conventional approaches that use single large and expensive sensors. Key achievements were the use of the same sensors for multiple sensing techniques; demonstrating foliage penetrating radar capability – detecting targets hidden beneath trees; as well as collecting and processing 3D radar data. The work was highly collaborative, including academic partners and SMEs, with our academic collaborators publishing several papers on their novel passive radar work. Whilst the other projects developed novel Position, Navigation and Timing (PNT) fusion algorithms, and an architecture for PNT as a Service to support the distributed sensing technologies. Bright Corvus culminated in a showcase to military stakeholders in February 2025 that has already generated strong interest and leads for exploiting the research for the benefit of UK Defence.

Case study

Enhancing battlefield operations through Advanced Sensor Integration

Modern military operations demand real-time data sharing across various platforms to maintain situational awareness and decision superiority.

QinetiQ US provides mature Counter-Unmanned Aerial System (c-UAS) solutions supported by robust hardware and software sensor integration capabilities alongside cutting-edge Artificial Intelligence/Machine Learning (AI/ML) algorithm development experience. The seamless, end-to-end integration of existing high-performance sensors and processors, combined with the employment of AI/ML algorithms, provides fused sensor output and automated threat mitigation to protect our soldiers while minimising operator cognitive load.

United States

Overview

Our US Sector provides design, development, rapid prototyping, systems engineering and integration, and manufacture of speciality defence mission products and solutions related to robotics, autonomy, maritime, sensors, and persistent surveillance, along with mission enablement and operations services to support U.S. Defense, Federal, Homeland, and National Security customers.

Whilst legacy Avantus revenue was flat, the wider US business was affected by delays in short cycle product sales impacting performance in the second half of the year. In January 2025, Tom Vecchiolla was appointed US President and Chief Executive and embarked upon a restructuring plan to enhance the sectors' ability to compete, win and execute larger programmes as a mid tier prime. The change in US administration, together with the change in US Sector Chief Executive and resultant refinement of strategy and start of necessary restructuring, led to a goodwill impairment charge of £143.9m predominantly related to legacy US operations. With a backdrop of new leadership and restructured operations, our US Sector is well-positioned as a leading mid-tier defence and national security Company in the rapidly evolving US market.

Operational and order highlights

In FY25, QinetiQ US generated £394.8m of orders, delivering key solutions and capabilities that enhanced our customers' ability to execute their missions:

- **Enhanced U.S. Border Security Operations**: Building on our TARS contract, we expanded surveillance coverage and increased mission-critical support personnel for U.S. Customs and Border Protection, leading to expanded mission scope and over 10% on-contract growth.
- **Expanded Support for SDA and SCO**: We increased support for the Space Development Agency's (SDA) Proliferated Warfighter Space Architecture (PWSA) to improve missile tracking and data transmission. Additionally, our expanded role with the Strategic Capabilities Office (SCO) accelerated the transition of advanced capabilities to counter emerging threats.
- **U.S. Navy Submarine Programme Deliveries**: QinetiQ US delivered three Electromechanical Actuator Power Conditioner and Controller (EPCC) shipsets for the Virginia-Class submarine programme and began delivering Electronic Grounding Unit (EGU) shipsets for the Columbia-Class programme.
- **U.S. Navy Aircraft Carrier Support**: We delivered key systems for the Electromagnetic Aircraft Launch System and Advanced Arresting Gear on the USS Doris Miller.
- **$42.2m U.S. Army DEVCOM Sensor Development:** Supporting the development of embedded intelligent sensor processing and optics technologies to improve targeting capabilities.
- **$41.2m U.S. Army DEVCOM c-UAS**: Technical and software engineering expertise to advance sensor technologies and data fusion capabilities aimed at countering a rapidly evolving UAS threat landscape.
- **$4.9m U.S. Army Research Laboratory (ARL):** Enhancing and integrating Artificial Intelligence/ Machine Learning to improve sighting capabilities on combat vehicles for Project Linchpin.
- **$31.5m U.S. Army PEO IEW&S**: Advancing the Integrated Sensor Architecture (ISA) for seamless sensor data integration.
- **FLRAA Strategic Partnership**: Awarded a contract by Integris Composites to provide systems engineering and integration expertise for advanced armour materials on the U.S. Army's Future Long Range Assault Aircraft (FLRAA).
- **U.S. Army PD Aerostats:** Awardee on a $4bn multiple award task order contract to support persistent surveillance systems globally.

Outlook

Going forward, QinetiQ US will be focusing on the following key areas:

- **Border Security and Persistent Surveillance**: We are operating and developing persistent surveillance systems for U.S. border security as well as pursuing expansion into the international market.
- **Next Gen Sensor and ISR Systems:** We are building upon our core sensor and ISR system development and integration and intelligent processing algorithms and imaging technologies to address next generation programme including counter UAS and augmented reality systems.
- **Space, Missile Defense, and Intelligence Mission Enablement**: We are expanding technical and programmatic services that directly support the mission for markets aligned to the US market priorities.
- **Maritime Systems**: We are pursuing new opportunities to provide additional content and modernisation solutions in support of the U.S. Navy's shipbuilding plan.

£346m
Total Revenue

£395m
Total Orders

← Page 28 – Credit: Tethered Aerostat Radar System Optimization Image 7 of 7, by Debora Henley, identified by DVIDS. The appearance of U.S. Department of Defense (DoD) visual.

Difficult market conditions impacted in year profitability

Overview of full year results

The Group has delivered organic order and revenue growth at an underlying operating profit margin of approximately 10%. Consistently strong cash generation of above 100% has contributed to net debt to EBITDA falling to 0.4x (FY24: 0.5x) and enabled us to continue and extend our share buyback programme, enhancing returns to shareholders. We have also continued to grow the dividend in line with our progressive dividend policy, increasing the distribution by 7% to 8.85p per share (FY24: 8.25p).

The Group achieved a second successive year of record orders totalling £1,954.8m (FY24: £1,740.4m), a year-on-year 12% increase and a book-to-bill of 1.2x excluding LTPA non-tasking revenue. We have secured major orders across both of our operating segments.

Within EMEA Services we secured £1,441.7m of orders, representing organic growth of 21%. Within Global Solutions, FY25 orders were £513.1m (FY24: £547.3m), a 4% decrease on an organic basis, which was driven by the impacts to our US short cycle work. In the US, the total value of contract awards was $589.6m. Of this, $506.8m has been funded and is reported within the Global Solutions order intake. The remaining $82.8m represents unfunded orders, which are contract awards for which funding has not yet been appropriated or authorised.

Funded order backlog remains strong at £2.8bn, or £3.4bn including unfunded orders, providing good visibility going forward:

- In EMEA Services, the total funded order backlog was £2.5bn (FY24: £2.6bn). The decrease in the backlog is due to the delivery of non-tasking revenue (c.£270m per annum) within the LTPA, offset by the long-term award in Germany. This is a large multi-year contract that was booked in prior years and as we deliver, this will naturally reduce the LTPA order backlog.
- In Global Solutions, the total funded order backlog grew from £321.3m in FY24 to £374.6m in FY25. US unfunded order backlog reduced from $974m to $772m as orders were booked and traded in year.

On 31 March 2025 approximately 70% (£1.4bn) of the Group’s FY26 expected revenue was under contract, compared to 64% (£1.3bn) of the forecast FY25 revenue at the same point last year.

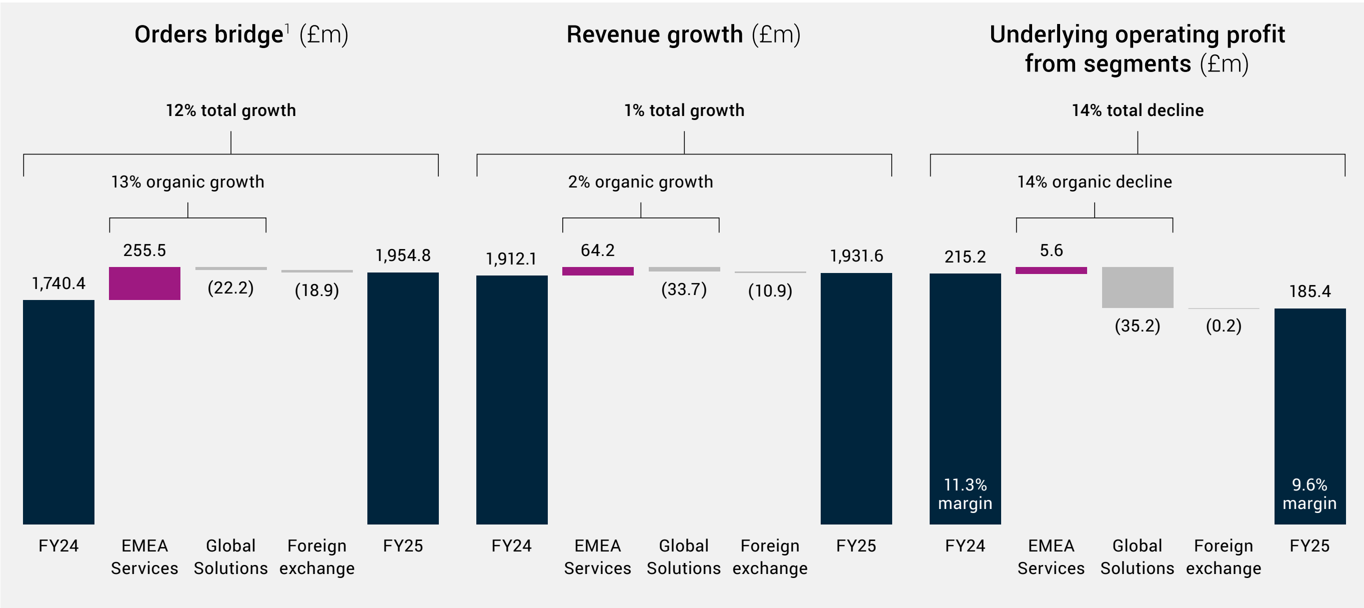
We delivered organic revenue growth of 2% to £1,931.6m (FY24: £1,912.1m), demonstrating continued demand for our mission critical capabilities. We saw a 5% organic revenue increase in EMEA Services primarily due to good growth in the UK Defence sector. Global Solutions revenue reduced 8% on a reported basis to £453.9m (FY24: £494.7m). On an organic basis, revenue declined 7%, primarily in the US driven our legacy US business whilst Avantus remained flat.

Financial performance

	Underlying* results		Statutory results	
(£m)	FY25	FY24	FY25	FY24
Revenue	**1,931.6**	1,912.1	**1,931.6**	1,912.1
Operating profit/(loss)[1]	**185.4**	215.2	**(90.5)**	192.5
Profit after tax	**147.0**	169.6	**(185.7)**	139.6
Earnings/(loss) per share **(p)**	**26.1**	29.4	**(33.0)**	24.2
Full year dividend per share **(p)**	**8.85**	8.25	**8.85**	8.25
Funded order backlog	**2,845.1**	2,873.0		
Orders	**1,954.8**	1,740.4		
Net cash inflow from operations	**316.2**	320.2	**287.6**	294.1
Net debt	**(133.2)**	(151.2)		

* Definitions of the Group’s Alternative Performance Measures’ can be found in the glossary.

1 Underlying operating profit refers to operating profit from segments. See note 3 for details.



Operating profit from segments of £185.4m (FY24: £215.2m) was down 14%. This represents a 9.6% operating margin (FY24: 11.3%), consistent with our March revised anticipated outturn of approximately 10%. EMEA Services delivered a stable operating margin of 11.4% (FY24: 11.5%). Operating margins in Global Solutions reduced from 10.5% in FY24 to 3.6% in FY25, driven by the second half operating result in the US and one-off charges.

To ensure consistency and clarity, our headline profit figure remains as operating profit from segments and excludes any benefit arising from RDEC income. The statutory operating result was a loss of £90.5m (FY24: profit of £192.5m), including the impact of specific adjusting items and RDEC income, which increased to £30.0m (FY24: £27.2m).

Underlying profit before tax decreased 13% to £198.6m (FY24: £227.0m), in line with the reduction in underlying operating profit, with underlying net finance expense in line with the prior year at £16.8m (FY24: £15.4m).

Specific adjusting items

The total impact of specific adjusting items (which are excluded from underlying performance due to their distorting nature) on operating profit was a £305.9m cost (FY24: cost of £49.9m).

Our US operations performed below expectations for orders, revenue, profit and cash flow in the year with some key contract losses. The goodwill impairment charge of £143.9m relates to the US Sector and is driven by a combination of an increase in the discount rate and a reduction in the forecast cash flows used to calculate the recoverable amount predominately in our legacy US operations. During the second half of the financial year the change in administration, together with the new US Sector Chief Executive's perspective on the US business performance and outlook led to a material impact on the future projections of the business and an associated restructuring plan. These factors, together with the impact of the discount rate which increased significantly in H2, has a knock-on impact for future years' profitability and cash flow and hence an impairment.

Restructuring costs and other impacts of £64.5m includes approximately £20m of costs relating to restructuring to create efficiency and competitiveness in our functions and sectors. The remaining £45m relates to a number of one-off, largely non-cash charges and provisions primarily relating to inventory and cost recovery in our legacy US operations. These items are predominantly a consequence of the developments referred to above which happened in the second half of the financial year, including the restructuring of our US sector against the backdrop of challenging US market conditions.

1 Book-to-bill ratio is orders won divided by revenue recognised, excluding LTPA revenue of £270m (FY24: £266m).

£1,932m
Total Revenue

£1,955m
Total Orders

Acquisition, disposal and integration costs of £14.9m (FY24: £9.2m) primarily comprise residual costs associated with integrating the Avantus and Air Affairs acquisitions into their respective sectors and specific post-deal retention arrangements relating to Avantus employees.

In FY25 the non-recurring cost of the discrete digital investment programme is £20.8m (FY24: £16.9m). We have continued the roll out to modernise the IT infrastructure to support our future growth ambitions which will continue over the next two to three years. The non-recurring costs are reported as specific adjusting items in the P&L, with ongoing recurring operating costs (such as licence costs and overheads) remaining within underlying operating costs.

The loss on sale of property of £36.6m relates to the sale and leaseback of Cody Technology Park which was announced in September 2024. A gross cash receipt of £112m was received and a new 15 year lease was entered into. The sale and leaseback accounting under IFRS16, results in a one-off, non-cash, accounting loss, which is calculated based on the varying values of assets which were sold and those which are being leased back.

Also included within specific adjusting items are net finance income from pensions of £1.0m (FY24: £5.6m), impairment of right of use lease assets in the US following space relocation of £1.0m, and amortisation of acquisition intangibles of £24.2m (FY24: £25.2m).

Tax

The total tax charge was £79.4m (FY24: £43.1m). The underlying tax charge was £51.6m (FY24: £57.4m), on a lower underlying profit before tax, with an underlying effective tax rate of 26.0% for the year ending 31 March 2025 (FY24: 25.3%). The underlying effective tax rate is slightly above the UK statutory rate of 25% (FY24: 25%) primarily as a result of prior year adjustments to returns.

	FY25 £m	FY24 £m
Acquisition, integration and disposal costs	**(14.9)**	(9.2)
Digital investment	**(20.8)**	(16.9)
Restructuring costs and associated impacts	**(64.5)**	–
(Loss)/Gain on sale of property	**(36.6)**	2.1
Impairment of property	**(1.0)**	(0.7)
Amortisation of intangibles assets arising from acquisitions	**(24.2)**	(25.2)
Impairment of Goodwill	**(143.9)**	–
Pension net finance income	**1.0**	5.6
Total specific adjusting items loss before tax	**(304.9)**	(44.3)

The total specific adjusting items tax charge was £27.8m (FY24 credit: £14.3m). Although the pre-tax specific adjusting items result in a loss, a tax charge rather than a tax credit arises primarily due to the de-recognition of US deferred tax assets (£45.0m, being £29.6m brought forward and £15.4m arising in current year), the significant non-tax deductible impairment of goodwill, the non-recognition of US deferred tax assets created by deductible restructuring costs and the non-deductible loss on sale of Cody Technology Park.

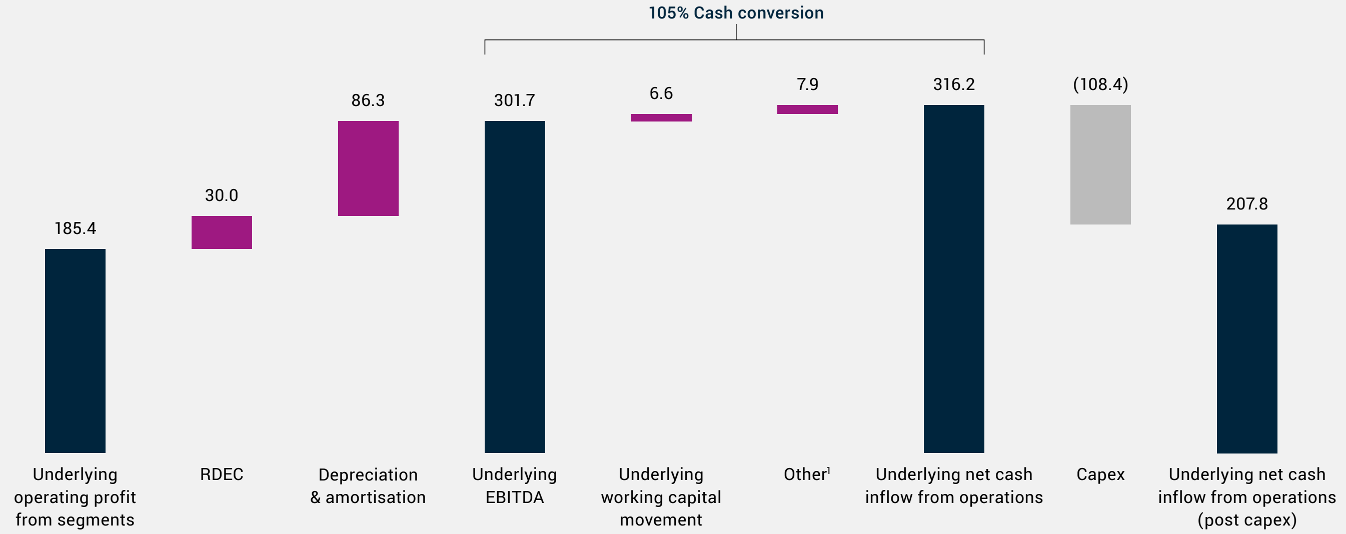
The underlying effective tax rate is expected to remain marginally above the UK statutory rate, subject to the impact of any tax legislation changes and the geographic mix of profits. The Group has engaged with advisers to assess any potential impact on the tax charge by the UK's enactment of the OECD's Global Anti-Base Erosion Model Rules (Pillar Two). The Group performed an assessment of the potential exposure to Pillar Two income taxes based on current period data. The Group believes it qualifies for one of the transitional safe harbours provided in the rules in all territories in which it operates. The Group has not accrued a Pillar Two top up tax for FY25. The Group has applied the temporary exemption issued by the International Accounting Standards Board from the accounting for deferred taxes under IAS12 and neither recognises nor discloses information about deferred taxes related to Pillar Two income taxes. The Group does not anticipate a material quantitative impact from Pillar Two legislation, however, there are expected to be significant compliance obligations.

Cash management and capital allocation policy

Working capital management and overall cash performance has remained strong. Underlying net cash flow from operations was £316.2m (FY24: £320.2m). Our cash conversion definition reflects our pre-capital expenditure cash flows as a proportion of EBITDA to demonstrate how we convert our profit (excluding interest, tax, depreciation and amortisation) into cash flow. We achieved consistent underlying cash conversion of 105% (FY24: 104%).

As at 31 March 2025, the Group had £133.2m net debt, reduced from £151.2m as at 31 March 2024 due to the strong operating cash conversion during the year and the proceeds from the sale and leaseback of Cody Technology Park, offset by c.£150m of shareholder returns through dividend and share buyback. During the year, we have successfully reduced leverage to 0.4x (31 March 2024: 0.5x) and announced two extensions of our share buyback programme.

Cash flow bridge (£m)



Through FY25 we have demonstrated our capital allocation policy in action:

- Invested in our organic growth – net capital expenditure of £108.4m (FY24: £96.1m), focused on contractual commitments (45% relating to customer funded contracts including £43m into the LTPA), sustainment of the portfolio and investment to support future growth.
- Provided a progressive dividend to shareholders – year-on-year growth rate of 7%.
- Completed sale and leaseback of Cody Technology Park allowing for a £50m extension to the buyback.
- Returned of excess cash to shareholders – c.£100m share buyback completed during the year, extensions announced in November 2024 (£50m) and March 2025 (£200m).

The Group is not subject to any externally imposed capital requirements.

Committed facilities

The Group has a £335m Term Loan split into two tranches: GBP Term Loan £273m (Tranche A); and, USD Term Loan $80m (Tranche B), which will mature on 27 September 2027. Participating banks have lent on a 2-tier basis, 3-banks at £67m and 4-banks at £35m. In line with Group policy, £270m (c.80%) of the floating rate debt has been fixed using SONIA interest rate swaps at a weighted average rate of 3.46%, maturing on 27 September 2027.

The Group has a £290m bank revolving credit facility with an 'accordion' facility to increase the limit up to £400m. The facility which will mature on 22 April 2028 was undrawn at 31 March 2025 and has a one-year extension option to extend the final maturity date to 22 April 2029.

We adopt a strict policy on managing counterparty risk through a combination of diversification of investments and regular reviews of counterparty limits using credit rating assessments. Our debt sits with our key relationship banks who have strong credit ratings and diverse portfolios. The banks have been selected for their capabilities in our home countries to support our business.

Return on Capital Employed (ROCE)

To help understand the overall return profile of the Group, we continue to report our Return on Capital Employed, using the calculation of: operating profit from segments less underlying amortisation / (average capital employed less net pension asset), where average capital employed is defined as shareholders' equity plus net debt (or minus net cash).

For FY25, Group ROCE was 22% (FY24: 21%), increased due to the impact of the Goodwill impairment and other specific adjusting items relating to the US. As we continue to invest in our business to support sustainable long-term growth, our ROCE is forecast to remain attractive, at or above the upper end of the 15-20%+ range, excluding the impact of any further acquisitions.

1 Other movements driven by share based payments, pensions impacts and provision movements.

26.1p
Earnings per share

8.85p
Dividend per share

Earnings per share

Underlying basic earnings per share decreased by 13% to 26.1p (FY24: 29.4p) driven by the lower underlying profit after tax. Basic earnings per share for the total Group (including specific adjusting items) were a loss of 33.0p (FY24: profit of 24.2p), driven by the impairment of Goodwill relating to the US, restructuring costs and other related items.

The average number of shares in issue during the year, net of treasury shares and as used in the basic earnings per share calculations, was 563.4m (FY24: 577.0m). There were 551.8m shares in issue at 31 March 2025, net of treasury shares, reduced due to the ongoing share buyback.

Dividend

The Board proposes a final FY25 dividend per share of 6.05p (FY24: 5.65p) making the full-year dividend 8.85p (FY24: 8.25p). The full-year dividend represents growth of 7% in line with the Group's progressive dividend policy.

Subject to approval at the Annual General Meeting, the final FY25 dividend will be paid on 21 August 2025 to shareholders on the register at 25 July 2025.

Pensions

The net pension asset under IAS 19, before adjusting for deferred tax, was £39.4m (31 March 2024: £18.4m). The key driver for the increase in the net pension asset during the year relates to the net actuarial gain on the net scheme assets.

The key assumptions used in the IAS 19 valuation of the Scheme are set out in note 27.

Net finance income and expense

The underlying net finance expense was £16.8m (FY24: £15.4m), increased due to a higher expense relating to leases following completion of the sale and leaseback transaction. Net finance income of £1.0m (FY24: £5.6m) in respect of the defined benefit pension net surplus reduced due to the lower opening net asset and is reported within specific adjusting items.

Foreign exchange

The Group's income and expenditure is largely settled in the functional currency of the relevant Group entity, mainly Sterling, US Dollar or Australian Dollar. The Group has a policy to hedge all material transaction exposure at the point of commitment to the underlying transaction. Uncommitted future transactions are not routinely hedged. The Group does not hedge its exposure to translation of the income statement.

The principal exchange rates affecting the Group were the Sterling to US Dollar and Sterling to Australian Dollar exchange rates.

	FY25	FY24
£/US$ – opening	**1.26**	1.24
£/US$ – average	**1.28**	1.26
£/US$ – closing	**1.29**	1.26
£/A$ – opening	**1.94**	1.85
£/A$ – average	**1.96**	1.91
£/A$ – closing	**2.07**	1.94

Foreign exchange translation has provided a modest headwind to revenue and operating profit in the year. Most significantly, the US Dollar has strengthened with the average exchange rate to Sterling increasing from 1.26 to 1.28. In FY25, 18% of our total Group revenue was generated in the US. As a result of the strengthening US Dollar and other FX movements in year, revenue decreased by £10.9m and operating profit decreased by £0.2m. For every 1 cent move in the USD FX rate this would impact Group revenue by c.£3m.

Martin Cooper
Group Chief Financial Officer

22 May 2025

Further reading

→ Details of the Group's tax strategy, treasury policy and approach to managing currency risk and liquidity risk can be found in the Additional Information section on page 199.


LEFT

Measuring our performance

Financial KPIs

Orders

£1,955m

Description

This is the level of new orders and amendments to existing orders booked in the year.

Performance this year

Orders increased by 12%, including the €284m long-term award in Germany, with a book-to-bill of 1.2x.

Link to strategy

Enables us to assess the execution of our strategy to grow the Group. Order intake is used as a metric for the Annual Bonus Plan.

Underlying operating profit*

£185m

Description

The earnings before interest and tax, excluding all specific adjusting items.

Performance this year

Profit was down 14%, driven by the second half operating results in the US.

Link to strategy

Used for performance analysis as a measure of operating profitability. Specific adjusting items are excluded because their size and nature mask the true underlying performance.

Backlog

£2,845m

Description

This represents the total future revenue currently on contract.

Performance this year

Backlog remains stable at £2.8bn. As expected the LTPA backlog naturally decreases over the course of the contract, this was offset by a strong order intake.

Link to strategy

Backlog allows us to assess the effectiveness and execution of the Group strategy to move towards larger longer-term contracts, increasing confidence in our long-term revenue guidance.

Underlying earnings per share

26.1p

Description

The underlying earnings, net of interest and tax, excluding all specific adjusting items, expressed in pence per share.

Performance this year

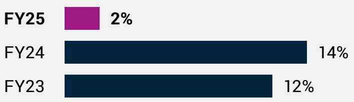
Underlying basic earnings per share decreased by 13% driven by the lower underlying profit after tax.

Link to strategy

Provides a measure of the earnings generated by the Group after deducting tax and interest. Specific adjusting items are excluded because their size and nature mask the true underlying performance year-on-year.

Organic revenue growth

2%



Description

Calculated by taking the increase in revenue over prior year, at constant exchange rates excluding the impact of acquisitions and disposals.

Performance this year

Grew 2% on organic basis, with a 5% increase in EMEA Services driven by the UK Defence sector.

Link to strategy

Demonstrates the Group's ability to grow market share within its chosen markets. Delivering long-term sustainable growth reflects the successful execution our strategy.

Underlying net cash flow from operations

£316m

Description

This represents net cash flow from operations before cash flows of specific adjusting items and capital expenditure.

Performance this year

Remained consistently strong, with an operating cash conversion of 105%.

Link to strategy

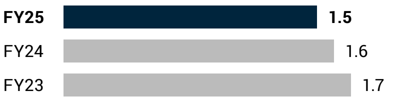
A measure of the ability to generate cash from operations. Gives an indication of the ability to make discretionary investments and pay dividends.

* Definitions for the Group's 'Alternative Performance Measures' can be found on page 202. Underlying operating profit refers to operating profit from segments. See note 3 for details.

Non-Financial KPIs

Health and safety
(LTI)

1.5



Description
The Lost Time Incident (LTI) rate is calculated using the total number of accidents resulting in at least one day taken off work, multiplied by 1,000, divided by the average number of employees in that year.

Performance this year
Our LTI decreased to 1.5 in FY25 from 1.6 in FY24, supported by our Safety Strategy and Safety Improvement Programme.

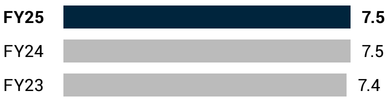
→ Read more on page 52

Link to strategy
It is imperative we operate with the highest level of safety. This is the right thing to do for our people and for our customers who entrust us with safety-critical work. The safety, health and wellbeing of our people is therefore intrinsically linked to our success.

→ Safety is linked to our Leadership Incentives (page 119)

Employee engagement
(score out of 10)

7.5



Description
We use WorkDay Peakon, an employee engagement measurement tool, which provides regular insights into how our people feel about working at QinetiQ, enabling us to identify what we are doing well, but also where we can improve and take action.

Performance this year
We continued to have good participation rates and have maintained an overall score, of 7.5 in FY25 compared with 7.5 in FY24.

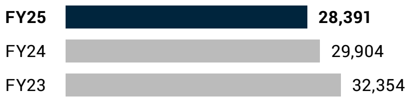
→ Read more on page 53

Link to strategy
Employee engagement is a key part of sustaining our strategy. Having an engaged workforce delivers increased productivity and retention. Improving employee engagement is essential to creating a positive culture within QinetiQ and aligns with our behaviour of 'listen'.

→ Employee Engagement is linked to our Leadership Incentives (page 119)

Greenhouse gas emissions Scope 1 & 2 (tonnes CO_2e)

28,391



Description
Our Net-Zero plan includes a near-term target of 50% reduction in Scope 1 and 2 emissions by FY30 from a base year of FY20.

→ Near-term and long-term targets are shown on page 41

Performance this year
We continued a downward trajectory for our Scope 1 and Scope 2 emissions, equating to a 36% reduction, in FY25 against our FY20 base year. This figure is not provided on a like for like basis as it includes the impact of the sale and leaseback of our Farnborough site, mid-year, which has not yet been retrospectively applied to our base year dataset.

→ Read more on pages 42–43

Link to strategy
We are committed to addressing our impact on climate change. Actively tracking our emissions, and striving to reduce these, is a critical part of our Sustainability strategy, which underpins and supports wider business performance.

→ Scopes 1, 2, and elements of Scope 3 GHG emissions are linked to our Leadership Incentives (page 119)

Sustainability: Environmental, Social & Governance

We are committed to being a responsible business

Highlights in FY25

We are pleased to have made progress against our three non-financial KPIs and continue to perform well and improve with key accreditations and ratings.

7.5/10

Employee engagement score maintained, with in year improvements. See page 53.

1.5

Lost time Incident (LTI) rate decreased from 1.6 in FY24 to 1.5 in FY25. See page 52.

36%

Scope 1 & 2 GHG emissions decreased from FY20 baseline (includes impact of sale and leaseback of our Farnborough site). See page 42.

Key independent accreditations and ratings

MORNINGSTAR SUSTAINALYTICS

Sustainalytics: Top rated ESG Companies List for third year

MSCI ESG RATINGS

CCC | B | BB | BBB | A | AA | AAA

AA

MSCI AA rating

CDP Discloser 2024

CDP – overall B rating

Over the following pages we report progress on those areas of sustainability we consider most material (environment on page 40, social on page 52 and governance on page 58) and those aspects that meet our regulatory reporting obligations (for example the Taskforce for Climate-related Financial Disclosures on page 46). We also include aspects of ESG across this annual report:

- → Investment case (page 07)
- → Non-financial KPIs (page 37)
- → Risk management (page 62)
- → Stakeholders/Section 172 (page 70)
- → Non-financial and sustainability information statement (page 60)
- → Corporate Governance including ESG (page 74)
- → ESG in leadership remuneration (page 119)

Additional information is provided on our website:
www.qinetiq.com/en/our-company/sustainability

Strategy and materiality

It is important that we are focused on those environmental, social and governance (ESG) elements of sustainability that matter most to our business as it evolves and that we meet the expectations and the needs of our stakeholders. Delivering our sustainability strategy, based on key ESG material factors, ensures we are addressing risks and creating value for our shareholders and customers. It means we create a great place to work for our people and future workforce, protect the environment and have a positive impact in our communities.

Our ESG framework is driven by our business strategy, the external landscape and stakeholder requirements and informed by best practice frameworks such as the UN Sustainable Development Goals. Based on this approach, we believe that the aspects of sustainability that we are focusing on are the most material to our business and to our stakeholders, and our approach is to embed ESG into strategy and our business processes.

Stakeholder engagement

Our strategy is informed by needs and expectations of our stakeholders, so regular engagement is important. Throughout the year, we engage with shareholders, customers and our people about ESG directly, and via reporting, surveys and questionnaires, so we are able to listen, understand, and identify what matters most to them; their focus tends to be on climate change, governance and inclusion.

We strive to be proactive, chairing a number of industry groups. We actively collaborate with customers, peers, academic partners and suppliers on topics such as climate change, ethics, modern slavery, inclusion and skills.

External landscape

The external landscape continues to rapidly evolve: 2024 was another record year for global temperatures, and there were social and geo-political changes. We know it is important to proactively seek to monitor and understand changes and trends so that we can try and ensure that sustainability is an enabler for our business.

ESG reporting requirements

QinetiQ Group plc is subject to a growing number of regulatory reporting requirements and we meet many of those obligations within this Annual Report. There have been developments in ESG reporting across all of our geographies in FY25 and a key evaluation we have undertaken is relating to the European Union's Corporate Sustainability Reporting Directive (CSRD). Following the EU Omnibus Proposal in February 2025, we will continue to monitor developments closely. We recognise the importance of the International Sustainability Standards Board (ISSB) disclosure standards and standards for transition plans, and will progress alignment of our reporting so we are ready for when the UK guidance is in place.

Our ESG framework

Our purpose: Protecting lives by serving the national security interests of our customers

We have a clear framework and focus to deliver change in the three areas of ESG

Environmental

Material factors

- Climate change: decarbonisation
- Climate change: resilience
- Solutions for customers
- Environmental management
- Waste and resources
- Conservation and biodiversity

→ Read more on pages 40–51

Social

Material factors

- Safety and wellbeing
- Employee engagement
- Diversity, equity and inclusion
- Learning and development
- Reward and recognition
- Social and community impact

→ Read more on pages 52–57

Governance

Material factors

- Business ethics and Code of Conduct
- Anti-bribery and corruption
- Human rights (ethical trading) and modern slavery
- Sustainable procurement
- Responsible tax management

→ Read more on pages 58–59

Underpinned by our values, integrity, collaboration and performance, we deliver safely, responsibly and sustainably for the benefit of all our stakeholders

Environmental

Additional information on GHG Emissions Methodology:
www.qinetiq.com/en/our-company/sustainability/climate-change

The frequency and severity of climate-related events seen in 2024 continues to highlight the importance of focusing on our environment, to ensure our business is resilient to the changing climate, and playing our part in mitigation.

Climate change

Greenhouse Gas (GHG) emissions targets

We have set GHG emissions targets that cover our full value chain, across all categories of Scopes 1, 2 and 3 emissions. These have been validated by the Science Based Targets initiative (SBTi), which confirmed that they were ambitious, and aligned to a 1.5°C global temperature pathway. Within these targets, we have made a commitment to at least a 90% reduction in absolute emissions across our full value chain by 2050 or sooner. We recognise that eliminating all sources of emissions will be challenging with current technologies, and with the pace of change across the other sectors and industries that sit within our value chain, therefore up to 10% of our carbon footprint may need to be offset in some form to enable us to reach Net-Zero.

GHG emissions methodology

Our methodology for calculating our GHG emissions is aligned to the GHG Protocol, and best practice outlined by the SBTi. As part of our drive for continuous improvement, we have a data programme underway to review and refine our approach and improve the accuracy of our Scope 3 emissions. We are committed to being transparent about our approach and have published our methodology for Scope 1 and 2, and Scope 3 on our website.

Climate Transition Action Plan

We recognise the need for a clearly defined plan to address the impact of climate change and the steps we are taking to address this. Our Net-Zero Plan (published in 2022) enabled us to set the foundations for achieving our targets and ambitions. We have worked hard to improve understanding of our emissions, and our business has changed since then, so we believe that now is the right time to evolve from that foundational Net-Zero Plan to a Climate Transition Action Plan (CTAP).

We have reviewed our GHG emissions data, and have identified that four key contributors are responsible for the significant majority of our total carbon footprint. These comprise: our jet fuel consumption (Scope 1), our operational energy emissions (Scope 1 fuel consumption and Scope 2 electricity); Procurement of Goods and Services and Capital Goods (Scope 3, Categories 1 and 2), and our Business Travel (Scope 3, Category 6).

While we will continue to endeavour to reduce all of our emissions, we believe that by prioritising our focus on these four areas, we will see the greatest and most rapid reduction in our footprint. We have designed four decarbonisation workstreams to enable focused planning and action against these sources of emissions.

Through our experience of meeting the Taskforce for Climate-Related Financial Disclosures (TCFD) requirements, we have been evolving our approach to both physical and transitional climate change risk. This forms the fifth workstream.

These workstreams are underpinned by a series of cross-cutting enabling programmes such as a focus on improving data, processes and skills. A high-level summary of our approach is outlined on page 41.

Climate Transition Action Planning – Building on strong foundations

Five key workstreams to reduce majority of emissions and improve operational resilience

Decarbonisation				Risk management
Workstream 1: Jet fuel	**Workstream 2:** Operational energy	**Workstream 3:** Procurement	**Workstream 4:** Business travel	**Workstream 5:** Climate resilience
Cross-cutting enabling programmes: data, tools, behaviours, forecasting				
Reducing Scope 1 emissions: – Operational efficiency – Platform efficiency – Sustainable aviation fuel	Reducing Scope 1 and 2 emissions: – Behavioural change – Building consolidation – Energy projects	Reducing Scope 3 emissions: – Efficiency programme – Selection criteria – Supplier engagement	Reducing Scope 3 emissions: – Travel less – Travel differently – Policy and tools	Increasing climate resilience: – Financial modelling – Business continuity – Risk assessment – Scenario analysis
2030 Target: 50% reduction in Scope 1 & 2		**2030 Target: 30% reduction in Scope 3**		**Resilience/TCFD**

Evolving workstreams driving reductions across wider carbon footprint; increased resilience

2050 Target: 90% reduction in Scope 1, 2 & 3

↑ **QinetiQ Group Climate Transition Action Plan overview**

Net-Zero targets

-50%
Absolute reduction Scopes 1 & 2 by FY30
Baseline year FY20

-30%
Absolute reduction Scope 3 by FY30
Baseline year FY20

-33%
Absolute reduction total by FY30
Baseline year FY20

Net-zero
by FY50 or sooner

The evolution and development of this plan was undertaken as part of our annual strategic planning process. Our goal was to integrate how we address climate change within our business plan. The advantage of this approach is that it ensures it is embedded and owned by the key sectors and functions, and also enables annual review and updates so that it adapts to our evolving business. Governance of the CTAP will be overseen by the Climate Change Steering Group, chaired by our Group CFO.

Environmental continued

28,391

tCO$_2$e (Scope 1&2) FY25

A copy of PwC's report is available on our website: www.qinetiq.com/en/our-company/sustainability/climate-change

Progress against targets

Scope 1 and Scope 2 emissions

For our Scope 1 and 2 emissions reporting, we have adopted a financial control approach, and used the GHG Protocol Corporate standard and UK Government emission conversion factors. We collect relevant data throughout the year via a dedicated team of energy experts. PricewaterhouseCoopers LLP (PwC) carried out a limited assurance engagement on selected GHG emissions data for the year ended 31 March 2025, in accordance with International Standard on Assurance Engagements 3000 (revised) and 3410, issued by the International Auditing and Assurance Standards Board. The figures provided in the table below that are covered by independent assurance are indicated by the following symbol Ⓐ. (It should be noted that the same metrics were subject to limited assurance in prior years).

We have seen consistent reductions in our Scope 1 and 2 emissions since our FY20 base year. In FY25 we achieved a 36% reduction in our total Scope 1 and 2 emissions. It should be noted that in October 2024 we completed the sale and leaseback of our UK Farnborough site which contained QinetiQ offices and facilities but also a number of tenants. This is a large site and so has contributed a significant proportion of our Scope 1 and 2 emissions to date. From November 2024 onwards, a proportion of these emissions migrated to Scope 3 (Category 8 Leased Assets), with the remainder no longer attributable to QinetiQ. This has had a significant contribution to the reduction of Scope 1 and 2. Under SBTi guidelines, as this change is material, it will trigger a recalculation of our Scope 1 and 2 baseline, and we will undertake this in FY26, as part of our wider methodology review and associated changes and improvements under our data programme.

To comply with the UK Government's Streamlined Energy and Carbon Reporting (SECR) requirements, we present our Scope 1 and 2 emissions and energy performance in the table below (indicating the proportion for the UK).

Scope 1 and Scope 2 emissions	FY25	FY24	FY23	FY22	FY21	FY20
Total Scope 1 emissions (tCO$_2$e)	**19,662** Ⓐ	19,362	20,996	23,126	23,710	28,377
Total Scope 2 emissions (tCO$_2$e)	**8,729** Ⓐ	10,542	11,358	12,222	13,555	16,281
Total Scope 1 and 2 emissions (tCO$_2$e)	**28,391**	29,904	32,354	35,348	37,265	44,658
Intensity ratio (tCO$_2$e per £m of revenue)	**15** Ⓐ	16	20	27	29	42
Energy consumption (kWh) resulting in the above emissions	**124,902,749**	132,659,501	146,600,802	154,759,131	156,719,332	176,376,247
Proportion of energy consumption arising from UK operations (%)	**73%**	73%	75%	80%	79%	77%
Proportion of emissions arising from UK operations (%)	**71%**	70%	72%	78%	78%	78%

The following are examples of energy and emissions reduction projects:

- Continuation of the electrical sub-metering implementation programme across our UK estate, to enable greater insight into our energy consumption to directly support reductions.
- Ongoing use of digital energy monitoring and management toolsets, enabling identification of energy saving opportunities.
- Implementation of upgraded automated Building Management Systems across key UK sites, which enables energy saving through automatic lighting and heating controls.
- 'Switch off' campaigns, encouraging people to switch off lighting, heating and electrical equipment across extended holiday periods. This raises employee awareness of how they can practically contribute to energy saving and the impact theses actions have.
- Piloting of Senior Leader 'Energy Walk-around' visits to key UK sites, to support identification of energy-saving opportunities and to engage with people to encourage energy saving.
- Delivery of training for our Energy Champions which focuses on supporting them in the identification and implementation of energy-saving opportunities.
- Installation of new Photovoltaic (PV) arrays at our Portsdown Technology Park (PTP) and Malvern sites in the UK, driving greater availability of renewable power for emissions reduction and business resilience.
- Completion of airworthiness certifications on all QinetiQ-owned aircraft in the UK, to ensure compatibility with Sustainable Aviation Fuel (SAF), in response to the implementation of the new UK Government SAF Mandate.
- Working with an expert third-party to undertake a decarbonisation assessment of our owned and leased estate in the UK, to identify the decarbonisation projects to deliver in FY26.

In FY26 we plan to focus our efforts on reducing Scope 1 and 2 emissions by:

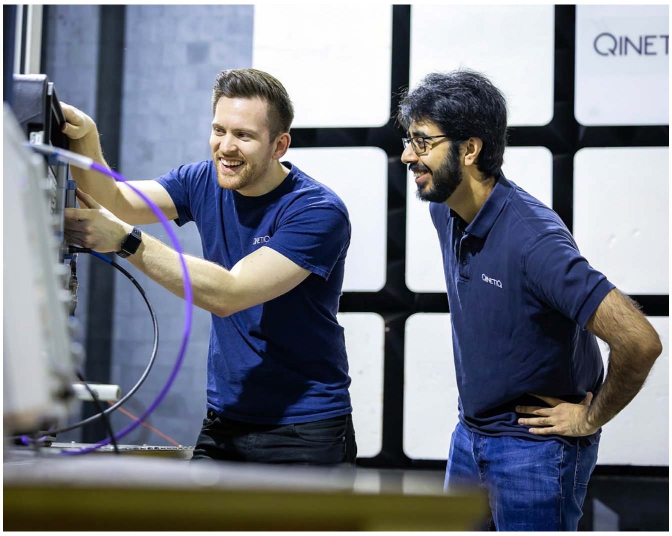
- Reviewing and assessing efficiency options across our aviation operations in Australia and Germany, to reduce fuel consumption.
- Implement prioritised decarbonisation projects across our estate including energy saving and renewable energy projects.

Scope 3 emissions

In contrast to Scope 1 and 2 emissions, where we have been working for many years to understand our data and manage emissions reductions, like many organisations, we are still evolving and refining our approach to the far greater and more complex challenge of Scope 3 emissions. The data capture and analysis takes considerable effort and is on a different time-line from our Scope 1 and 2. During FY25 we finalised the capture and processing of our FY24 Scope 3 data (312,629 tCO_2e), and implemented a new approach to data verification. While we have seen reductions in some areas (for example in upstream leased assets) overall our FY24 Scope 3 emissions are higher than the previous year, primarily due to an increase in spend with our supply chain which increases emissions in Category 1 (Procured Goods and Services) and Category 2 (Capital Goods).

As part of our CTAP we will focus our efforts on the most material emissions. Our largest contributor to our Scope 3 emissions remains Categories 1 and 2 (which represented circa 83% of our FY24 Scope 3 emissions). It should be noted that we currently use spend-based calculation (in line with the GHG protocol guidance), which provides an indication but not an accurate representation of the true emissions impact. During FY25 we have really focused our efforts on understanding the contributing roles of the different categories of spend within our supply chain (e.g. professional services, vs. construction), and we are developing our strategy to obtain meaningful product-level emissions data from our supply chain in the longer-term. We have been investigating alternative calculation methods to start refining our data.

Our next largest contributor to Scope 3 emissions is Category 6 – Business Travel. As a business with international operations, travel is an important enabler for collaboration and customer delivery. We have been encouraging less travel and promoting how to use our travel booking tools to choose lower emission options.



Environmental continued

The following are examples of activities undertaken in FY25 to improve our understanding of Scope 3 emissions and to drive emission reductions in the short and longer-term:

– Implemented the Net-Zero contractual clause for UK supply chain agreements that we developed in FY24, now applied to all new supplier engagements, setting expectations for our supply chain on setting targets and reducing emissions;
– Detailed analysis of supplier and procurement data, to enable prioritisation of supplier engagement; Supply Chain Efficiency Programme, to identify opportunities for cost savings across the business;
– Continuation of global adoption of a single business travel booking provider, to enable greater access to global travel data and availability of low-emission transport options;
– Changes to our Business Travel guidance, to provide greater clarity on allowances and entitlements for travel.

Our focus for FY26: will be to drive the two Scope 3 emission workstreams in our CTAP – procurement and business travel. For our supply chain we will be further investigating alternative calculation methods to start refining our data. For business travel we will continue to promote lower emissions options, review our policy and guidance and we will also be rolling out new digital tools that will enable greater remote collaboration.

Stakeholder engagement and awareness

We communicate regularly with our people on climate change and wider aspects of sustainability through a range of routes including campaigns on our Intranet, our dedicated online community of interest (the Sustainability Knowledge NetworQ) with our 'Lets Talk Sustainability' events and we have run dedicated sessions to support our leaders.

In addition to the training for Energy Champions we also have climate change as part of our mandatory training and this year developed a new climate change e-learning module.

We continue to be active within our sector, chairing a number of key networks for example our UK Trade Body ADS (Aerospace, Defence and Security) Sustainability Network, and we are co-chair of the MOD-Industry Sustainable Procurement Working Group. These enable us to engage with our suppliers and customers. We also run our Collaborate event for our suppliers (see page 59). We are signatories to the ADS ESG Charter.

Environmental management

As part of our ongoing commitment to responsible environmental management, we introduced the Environment Group Requirements in early FY25. These requirements cover 22 key areas, which align with the principles of the international standard ISO 14001:2015, and represent a step forward in reinforcing QinetiQ's governance commitment to the environment across our products, services and systems.

In FY25, 25 UK-based sites and one site in Canada successfully achieved recertification to the ISO 14001:2015 standard for environmental management systems, with no major non-conformities identified by the certifying bodies involved.

We launched a new initiative aimed at enhancing our regulatory compliance monitoring capabilities and are in the process of implementing a formal regulatory compliance evaluation tool, sourced from a leading business intelligence provider. This tool is designed to systematically evaluate environmental compliance performance across all operationally controlled sites, with the results feeding directly into our risk management programmes.

We have been defining applicability criteria, and we are moving towards broader deployment in FY26. Our evaluation programme focuses on key areas such as environmental management systems, and compliance with regulations related to permits, waste management, petroleum product storage, and refrigerant gas management. We noted that there were no enforcement actions, notices, or penalties arising from these inspections in FY25.

As part of our broader environmental performance monitoring, we also utilise an Incident Management Reporting (IMR) tool to track safety and environmental incidents. In FY25, environmental-related concerns were primarily related to low-impact issues such as vehicle leaks or burst hydraulic hoses, which were promptly contained. We are actively promoting awareness amongst our people about the opportunities to report environmental issues through the IMR tool.

Waste management

We continue to aim to deliver effective waste management practices. While the proportion of our business involved in electrical and electronic equipment remains small, we deliver our compliance obligations with regard to Waste Electrical and Electronic Equipment (WEEE) regulations, supported by membership of a WEEE Product Compliance Scheme.

Conservation and biodiversity

QinetiQ continues to focus on conservation efforts across our UK operations (the sites we own and those we manage on behalf of the MOD). While our Farnborough head office site was sold during FY25 and is now a leased property, in FY26 we look forward to celebrating the 30 year partnership with Marwell Wildlife in support of the conservation of Eelmoor Marsh Site of Special Scientific Interest (SSSI). Furthermore, a number of sites operated on behalf of the UK Ministry of Defence (MOD) are located in areas of significant conservation value, including SSSI, Special Areas of Conservation (SAC), and Marine Protection Areas (MPA). These sites are of both national and international importance, and we are committed to ensuring that our operations align with conservation standards, contributing to the protection and sustainable management of these vital ecosystems.

Customer solutions and innovation

Over the last year, our customers have increased their focus on resilience to the impacts of climate change and alignment to the international energy transition, for example, the MOD held the 'Energy Transition by Design' conference in January 2025 to bring industry and wider stakeholders together. QinetiQ has been proactive, with a customer-focused round table at Farnborough International Air Show, provoking discussion between start-ups, academia, the MOD and industry on how to create sustainable and resilient defence capability. We also published 'Sustainability on the Edge', a thought leadership report on the same topic, see QR code ↘.

Via our Internal Research and Development (IRAD) funding we have invested to create a suite of scenarios suitable to incorporate issues of climate change into war-gaming, simulation and experimentation. The work contributed to two small successful bids to support the UK Government Defence Science and Technology Laboratory (DSTL) with operational analysis and further scenario work.

Through the Aurora Engineering Partnership, between QinetiQ, AtkinsRealis and BMT (who together deliver the Engineering Delivery Partnership), we have continued to deliver a proof of concept emissions management programme with the UK MOD Defence Equipment and Support (DE&S) creating the foundation for emissions monitoring and management for the UK MOD.

Read our thought leadership report 'Sustainability on the Edge':
www.qinetiq.com/insights

Environmental continued

Taskforce on Climate-related Financial Disclosures

The Financial Stability Board's Taskforce on Climate-related Financial Disclosures (TCFD) recommends a reporting framework across four themes: governance, strategy, risk management, and metrics & targets. In accordance with section 414CB of Companies Act and following the TCFD all-sector guidance (there is no specific supplementary guidance for our sector) we provide our disclosures here (pages 46–51) aligned to the four themes, providing material information against each requirement. We also outline our approach in our non-financial information and sustainability statement on page 60. We provide links to where further information is provided in this Annual Report and Accounts and on our website.

Compliance statement

In accordance with the UK Listing Rule 6.6.6R(8) we confirm we have considered the guidance and believe our approach is consistent with the TCFD recommendations, save for, we recognise we need to do more on quantitative modelling as part of the strategy disclosures and we continue to evolve our financial models to progress our quantitative financial assessment. We are committed to implementing this approach to provide investors and other stakeholders with information on climate-related risks that are relevant and material to our business.

Governance

Disclose the organisation's governance around climate-related risks and opportunities

TCFD recommended disclosures:	Overview	Additional information
a) Describe the Board's oversight of climate-related risks and opportunities	QinetiQ's Board sets the Company's strategic priorities, including ESG and climate change, and has regular oversight and input into our climate-change programme. It has oversight of the threats and opportunities resulting from climate change, and this is considered as part of our strategy. Our Group CFO is the Board Sponsor for climate change and wider ESG programme. The Group CFO, and our Group Director of ESG provide regular reports and briefings on ESG and climate change to the Board and Board Committees. The Board reviews our company Strategic Plan, where climate change is integrated into functional/sector plans and approves the annual budget (which contains Net-Zero targets and programmes). An update on the CTAP was discussed at the November meeting. The Audit Committee reviews and monitors QinetiQ's financial and non-financial reporting requirements including TCFD. During FY25 the committee moved to quarterly updates on non-financial reporting and are provided by the Group Director ESG. The Remuneration Committee oversees leadership incentives, and at the May 2024 meeting, included Net-Zero initiatives for leaders for the third year, as part of the Annual Bonus Plan. The Risk and Security Committee has oversight of and provides assurance to the Board on QinetiQ's risk management system. This includes quarterly monitoring and review of all QinetiQ's principal risks, which includes climate change. A deep dive on climate risk was provided by the Group Director ESG at the July 2024 meeting.	Board Directors (see pages 80–82) Board committees (see page 83) Board Responsibilities (see page 84) Audit Committee (see page 100) Remuneration Committee (see page 110) Risk and Security Committee (see page 106)
b) Describe management's role in assessing and managing climate-related risks and opportunities	The Group CFO has oversight of the programme. Leadership and delivery of the Climate Change Programme is the responsibility of the Group Director of ESG, reporting to the Group CFO. Our QinetiQ Leadership Team (QLT) are responsible for managing climate-related risks and opportunities and delivering the programmes through our operations and across our value chain. ESG and climate change form an integral part of our strategic planning process, and so consideration of the role of individual sectors and functions was undertaken in H2 during the planning process, with oversight by the Group Director ESG and then reviewed by our executive team, the QLT. Our Functional Councils support good governance across QinetiQ, where functional and sector leaders come together to communicate, review and agree on issues, actions and standards of best practice that are enterprise-wide and/or have operational significance. Key Functional Councils include the Environment Council, Chaired by the Group Director ESG, and the Risk and Assurance Council, Chaired by the Group Chief Risk Officer, attended by the Group Director ESG. The Climate Change Programme includes leaders and subject matter experts from across the business, ensuring the necessary multidisciplinary approach. Climate change forms part of the Environment principal risk and the Group Director ESG is responsible for identification, assessment and oversight of the risk and opportunities, undertaking regular reviews of the programme and capturing those risks through the enterprise risk management governance process.	ESG Governance (see page 59) Non-financial information and sustainability statement (see pages 60–61) Environment principal risk (see page 66)

Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's business strategy and financial planning where such information is material

TCFD recommended disclosures:	Overview	Additional information
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long-term	We have reviewed and refined our climate-related risks and opportunities (see table) and assessed that our business is exposed to both physical and transitional risks (before mitigation activities) and opportunities, with impacts varying over the short (0–2 years), medium (2–5 years) and long-term (5–20 years), depending on climate change scenarios. This aligns with our strategic planning approach over a rolling five-year cycle. Each risk was associated (qualitatively) with a financial impact, for example, an increase in costs or in the case of opportunities, an increase in revenue. We will continue to review our risks and opportunities as the external landscape and our business evolves over time, and refine our approach, particularly focusing on quantifying the impacts, and we will report further information as this develops.	Table of risks and opportunities (see page 49)
b) Describe the impact of climate-related risks and opportunities on the organisation's business strategy and financial planning	We recognise the importance of integrating climate change and wider ESG into our company strategy and planning and our wider governance and processes. While there is no requirement for a fundamental shift in our overarching business strategy due to climate change, having assessed the risks we understand it to be resilient to climate change (subject to the delivery of the CTAP plans and programmes). This is illustrated as follows: – Our commitment to sustainability forms part of our investment case. – Climate change forms part of our Environment principal risk. – Scope 1 and Scope 2 GHG emissions are a core non-financial KPI. – Net-Zero is integrated into our leadership incentives. – We have committed funding to support our climate change programme. ESG and climate change are embedded in our annual strategic planning process. During FY24 we planned for a number of actions which were implemented in FY25, including: – Allocation of budget to deliver energy-saving projects. – Internal research and development (IRAD) fund to support Net-Zero projects. – Investment in access to third-party horizon scanning tools. – Refinement of our investment approach including greater emphasis on Net-Zero. – Development of a new climate change e-learning model, and resources and support for leaders. During our strategic planning process in FY25 we further integrated climate change within our core business plan. Working with each of our functions and sectors to identify their key areas of responsibility in decarbonisation and climate resilience. This will be delivered through the CTAP. In addition as part of the broader scenario impact assessment of our strategic plan, a climate change event (a significant flood at a critical site) was selected as one scenario for financial modelling. The findings inform the consideration of the recommended longer-term viability statement and going-concern statement disclosures.	Investment case (see page 07) Environment principal risk (see page 66) Non-financial KPIs (see page 37) Leadership incentives (see page 119) Climate change programme (see pages 40–44) Climate Transition Action Plan (see page 40) Viability statement and going-concern statement (see page 67).

Environmental continued

Taskforce on Climate-related Financial Disclosures continued

Strategy continued

TCFD recommended disclosures:	Overview	Additional information
c) Describe the resilience of the organisation's strategy taking into consideration different climate-related scenarios, including 2°C or lower scenario	**Climate scenarios** The science is clear and it is unequivocal that the climate is changing. However, the precise trajectory is dependent on: – the influence of activities in the past, – the global action taken now and in the coming years and – the rate at which that action is taken. To guide our strategy and planning, we consider different scenarios: – <2°C strongly declining emissions: Intensification of decarbonisation action resulting in increasing and rapid transition, with more limited physical impacts. – 2–4°C stabilising/slowly declining emissions: Physical risks continue and transition risks continue to increase. – >4°C rising emissions: Failure to address climate change results in high physical risks with more limited transition issues. We used the scenarios above, based on the Representative Concentration Pathways (RCPs), which are used by the Intergovernmental Panel on Climate Change (IPCC). We considered horizons aligned with our Net-Zero targets and used a variety of data sources. We have aligned our assessment with our risk management approach (see next section) so that we are able to evaluate as low, medium or high. We review this approach regularly. We have made a qualitative assessment of the financial impacts (see table on the next page) and are currently continuing our work on modelling the quantitative impacts.	Climate change programme and targets (see pages 40–44) Approach to risk management (see page 62)

Risk effect (unmitigated)	Financial impact	Declining emissions	Stabilising emissions	Rising emissions	Mitigation/adaptation
Flooding		**Type of Risk: Physical (acute)**			
Direct damages to sites due to increase in severity and frequency of flooding, resulting in damage to assets and causing disruption to operations.	Reduced revenue and increased costs	L S M	M S M L	M S M L	– Risk assessment – Climate resilience business continuity planning – Customer and supplier engagement
Extreme temperature fluctuations		**Type of Risk: Physical (chronic)**			
Increased need for cooling and heating to minimise damage to high-value equipment within buildings.	Increased costs	L S M	M S M L	M S M L	– Risk assessment – Climate resilience business continuity planning – Customer and supplier engagement
Wind and storms		**Type of Risk: Physical (acute)**			
Direct damage to operational sites due to wind and associated storms, resulting in disrupted operations and increased cost for building repairs.	Reduced revenue and increased costs	L S M	M S M L	M S M L	– Risk assessment – Climate resilience business continuity planning – Customer and supplier engagement
Increased cost of energy		**Type of Risk: Transition (market)**			
Energy costs, such as those related to fossil fuels and electricity derived from non-renewable sources, are expected to increase.	Increased costs	M S M L	M S M L	M S M L	– Improving forecasting – Reduce reliance on energy through Net-Zero programme
Carbon taxes		**Type of Risk: Transition (policy and legal)**			
Current and emerging regulations on carbon emissions may result in carbon taxes.	Increased costs	M M L	M S M L	M S M L	– Legislative monitoring – Energy reduction programmes
Cost of raw materials		**Type of Risk: Transition (market)**			
Potential for exposure to increases in prices of raw materials directly or in supply chain.	Increased costs	L M L	L M	L M	– R&D investment – Customer and supplier engagement
Access to capital		**Type of Risk: Transition (reputation)**			
Failure to meet shareholder expectations of Net-Zero commitments, and resulting access to, or cost of capital.	Increased costs	L L	L S M L	L M L	– Reporting of progress – Investor advocacy – Customer and supplier engagement
Increased customer demand		**Type of Risk: Opportunity (product and service)**			
Growth in customer demand for more sustainable and resilient solutions could result in increased sales/access to new markets.	Increased revenue	L L	L S M L	L M L	– R&D investment – Customer and supplier engagement

Key: Scenarios (see page 48)

Impact:

L Low   M Medium   H High

Timescale:

S Short term   M Medium term   L Long term

Environmental continued

Taskforce on Climate-related Financial Disclosures continued

Risk management

Disclose how the organisation identified, assesses and manages climate-related risks

TCFD recommended disclosures:	Overview	Additional information
a) Describe the organisation's processes for identifying and assessing climate-related risks	**Identifying risk;** Our risk assessment approach is in line with TCFD recommendations and addresses both physical risks, including factors such as flooding and extreme weather events and transition risks, which are related to the transition to a lower-carbon economy, such as policy or regulation change and changing markets. It is important that we understand where these risks are material to our business. – For physical risks we considered these primarily by site, as well as the potential impact on our supply chain and business delivery. A variety of potential risks have been identified (e.g. where there may be increased flood risk or exposure to storm events). We recognise that this needs to be a continuous process due to new emerging information or changes to our business (e.g. use of site, supplier etc). As part of our day-to-day management of our site operations, we have a good understanding of the physical risks posed and suitable mitigations. – To identify transition risks (such as market or regulatory changes) we undertake horizon scanning to identify any relevant changes. We work with subject matter experts across the business, and our industry networks and have invested in a third-party tool to support our horizon scanning approach. **Assessing risk:** As the global landscape changes and our business evolves, we recognise the need to review and update our risks regularly. Risks and opportunities are scored considering the potential impact, the likelihood of occurrence, and the velocity (proximity of occurrence). Scenario analysis has been undertaken on our most material risks and opportunities, and this has formed the foundation for the development of financial models to quantify financial impacts (taking into account impact on revenue, costs, and asset value).	Environment principal risk (see page 66) Summary table of risks (see page 49) Enterprise risk management (see page 62)
b) Describe the organisation's processes for managing climate-related risks	Our risk management and control framework enables us to effectively identify, assess, monitor and manage risks. Ownership and management of individual risks are assigned to members of the QinetiQ Leadership Team (QLT) who are responsible for ensuring the operational effectiveness of internal control systems and for implementing risk mitigation plans. Climate change is recognised as part of the Environment principle risk and the Group CFO is accountable. The Board Risk and Security Committee review and discuss principle risks quarterly and the Board undertakes a twice-yearly assessment of the principal risks, including a deep dive on climate risks in July 2024. The QLT is supported by our Chief Risk Officer and our risk managers, who are able to have more tactical and operational oversight. All risks are assigned owners.	Principal risks (see page 64) Risk and Security Committee (see page 106)
c) Describe how processes for identifying, assessing and managing climate related risks are integrated into the organisation's overall risk management	We have based our approach to climate risks on our enterprise risk management methodology, to ensure that we are embedding it into our existing processes. Managing transition risks requires us to consider a range of factors. Any new changes (e.g. new legislation) will be addressed in line with our standard processes. Key to supporting the management of risks is raising awareness and engagement with internal stakeholders. We also engage with key stakeholders such as our Environment Council. Our Business Management System contains our Group policy, requirements and instructions, to ensure that we have established and are maintaining robust and adequate procedures, systems and controls.	Enterprise risk management (see page 62) Internal stakeholder engagement (see page 44) Environment Council (see page 60)

Metrics and Targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material

TCFD recommended disclosures:	Overview	Additional information
a) Disclose metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	GHG absolute Scope 1 emissions GHG absolute Scope 2 emissions Intensity ratio (tCO_2e per £m of revenue) Energy consumption GHG Scope 3 emissions	Non-financial KPI (see page 37) Summary of emissions, intensity and energy consumption (see page 42) Scope 3 (see page 43)
b) Disclose Scope 1, 2, and if appropriate, Scope 3 GHG emissions and the related risks	We annually report our absolute GHG Scope 1 and 2 emissions and data are subject to independent third-party limited assurance. – Total FY25 Scope 1 emissions were 19,662 tCO_2e – Total FY25 Scope 2 emissions were 8,729 tCO_2e – Total FY25 Scope 1 and 2 emissions were 28,391 tCO_2e We have reported our total Scope 3 emissions for FY24 in this Annual Report and Accounts and are finalising our FY25 scope 3 data which will be published on our website during 2025: – Total FY24 Scope 3 emissions were 312,629 tCO_2e Climate change forms part of our Environment principal risk.	Scope 1 and Scope 2 GHG emissions (page 42) Scope 3 GHG emissions (see page 43)
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	We have committed to near-term and long-term science based targets across our value chain, validated by SBTi in June 2022 (all from an FY20 baseline): – 50% absolute reduction of Scope 1 and 2 by FY30 – 30% absolute reduction of Scope 3 by FY30 – 33% absolute reduction by FY30 – Net Zero by FY50 or sooner Performance: We have achieved progress against our Scope 1 & 2 target and by the end of FY25 we have achieved a reduction of 36% against our FY20 baseline (which includes the impact of the sale and lease-back of our Farnborough site). Scope 3 is currently more challenging and we saw an increase in FY24 compared with FY23, driven primarily by an increase in procurement.	Net-Zero targets (see page 41) SBTi validation of targets (see page 40) Scope 1 and 2 performance (see pages 42–43) Scope 3 performance (see page 43)

Plans for FY26

Our focus for FY26 will be to deliver our climate change programme, based on our evolved Climate Transition Action Plan. Under four workstreams, we will be delivering projects that focus on reducing our key emissions. We will also be continuing to improve our resilience to climate change through reviewing and managing our identified physical and transitional risks (Workstream 5).

Social

1.5

Lost time incident rate

FY25: 1.5

FY24: 1.6

FY23: 1.7

Group Lost Time Incident (LTI) rate

(The number of lost time incidents where the employee is away from work for one or more days, multiplied by 1,000 divided by the total number of employees)

Our people: Investing in our people, delivering for our customers.

It's important to us that our people work in a safe and secure environment where they are inspired to deliver for our customers, have the opportunity to realise their potential and feel recognised for their contribution.

Safety and wellbeing

Our safety programme is managed across five thematic workstreams. We have made a number of improvements this year:

1. **Risk management:** A new framework for safety cases provided a group-wide approach to safety case structure and application. Actions arising from the risk stabilisation programme over the past two years continued to be completed meaning that we are on track to complete this work in Q4, FY26.
2. **Culture:** A new Safety Strategy and embedding of a safety culture maturity model.
3. **People:** A focus on wellbeing (see below).
4. **Process:** Our compliance assessment completed its group-wide roll-out with legal registers in all sectors and countries of operation and a commitment to address identified gaps.
5. **Technology:** Safety was able to leverage artificial intelligence (AI) for the first time.

Safety is a key non-financial KPI (page 37). Our LTI performance has shown a consistent year-on-year improvement, decreasing from 1.6 in FY24 to 1.5 in FY25. This sustained reduction reflects our ongoing commitment to workplace safety and our focus on hazardous work.

Compared to typical LTI rates in the defence sector (between circa 2.0 and 3.0), our performance demonstrates significant progress in creating a safer working environment.

Our total recordable incident rate (TRIR) has increased from 2.5 in FY24 to 3.6 in FY25. While this remains within the typical range for the defence sector, (between circa 3.5 and 5), it reflects an upward trend.

In April 2025, QinetiQ Ltd was convicted for the offence of breaching section 2(1) of the Health and Safety at Work Act 1974 and fined £800k, in respect of an incident during an ammunition trial in March 2021 at one of the ranges operated by the Company.

We recognise the need for continued focus on safety initiatives and proactive risk management.

During FY25 we have evolved our approach to wellbeing:

– A new group-wide and multidisciplinary wellbeing steering group has been launched.
– A Group wellbeing manager was appointed.
– A new strategy developed with four focus areas: thriving environments; culture; bodies; and minds.
– Our employee engagement survey indicates sentiment around wellbeing has improved since 2020.
– At the beginning of 2025 our new occupational health partner launched their service in the UK.

Our safety and wellbeing roadmap for FY26 covers our five themes. **Risk management** activity will continue to focus on those activities with greatest risk of hazard and includes our safety case programme. Significant personal safety hazards include activities involving heavy lifting, aviation, and fire and explosion risks. The **people** theme includes our wellbeing programme alongside a refreshed approach to safety training that is planned for global roll-out. Our **culture** theme is focused on improving overall score against best practice benchmark the '*DSS+* Bradley Curve' through a variety of targeted activities. These include analysing a large amount of new information collected this year when we asked our leaders for their safety priorities and focus areas. We continue work to simplify and enhance safety **processes** via our Business Management System and we continue the roll-out of our safety compliance assessment. Safety made use of artificial intelligence **technology** for the first time this year and we will build on this work in FY26 to improve our service to customers and stakeholders.

Employee engagement: Listening, learning and taking action

Listening to our people helps us improve our working environment and we encourage feedback via:

- Global Employee Voice representatives act on behalf of our colleagues to shape ideas and initiatives.
- Peakon, our employee engagement platform, provides quarterly feedback, informing our decision-making at a Group, business and team level.
- Two-way communication channels encourage colleagues to share thoughts, feedback and experiences.
- Employee Roadshows are held group-wide, twice a year, providing an opportunity to hear from our leadership team about strategic progress and priorities.
- Site Champions and Heads of Site bring people together, building a community feel at a local level.

Employee engagement is a non-financial KPI, (see page 37) and we measure it quarterly. While our final quarter FY25 score (that we use for the KPI) maintained at 7.5, for the first three quarters of the year our score peaked at 7.6 out of 10; a significant increase over a five-year period (compared with 6.9 in FY20). Our voluntary attrition was 11.8% compared with 14.1% in FY24.

Employees provide valuable feedback on our strengths, including improvements to workload, reward and career path. We have also made progress against key themes identified as needing attention:

- Improving our sites. This includes the sale of Cody Technology Park, our head office, to Tristan Capital Partners who are committed to improving the working environment. In addition, our UK site strategy will optimise our footprint, and will save energy, reduce costs and enhance buildings.
- Engagement activities and resources, such as templates and toolkits, have enabled our people to connect their contribution to our strategy through their own performance goals to those for their team, sector and across the Group.

Looking ahead, we are creating a new approach to employee engagement, bringing together our feedback channels to create realistic and deliverable plans both across the Company and at a local level. Delivery and enhanced governance will be managed by a central steering group, who will ensure we are balancing business needs with employee feedback to create an inclusive environment in which our people can thrive.

We are launching a Culture and Leadership programme aimed at delivering the cultural change required to successfully deliver our strategy and improve performance.

Skills and development: investing in future capability

Delivering for our customers is reliant on having the right skills, where and when they are needed, both now and in the future. Furthermore, by listening to our people, we know that having opportunities to develop their career matters. With a personal development fund, formal programmes, fellowships and digital platforms, we ensure our people have the learning tools and resources they need to help them succeed. We enable professional qualification pathways, supported by mentoring and coaching from experts and qualified professionals. Over the last three years, we have more than doubled utilisation of the Apprenticeship Levy in the UK, with 178 of our people taking part in an apprenticeship in FY25, including early careers (see table on next page) and colleagues who are using the scheme to advance their skills.

We are proud of our group-wide Fellows scheme, which recognises technical, scientific and engineering leaders. We currently have 79 Fellows and Senior Fellows who are nationally or internationally renowned experts in fields such as Avionic Systems, Lasers and Adaptive Optics, Target Acquisition & Tracking and Sustainability. The scheme helps us attract and retain leading experts, enabling us to win work and invest in our capability.

This financial year, we invested in learning opportunities tailored to specific needs, such as the Project Management Improvement Programme.

7.5/10
Employee Engagement

Social continued

In the UK, we delivered two programmes for our mid-level technical leadership teams – Leaders as Coaches and Leading in a Technical Environment – developing capability in performance management and technical delivery. Following successful pilots, we will continue to improve and evolve them into FY26 and beyond.

As part of our commitment to developing talent from within, we are building a new digital approach to talent management which will provide personalised development plans for all our people, enhancing our ability to plan skills development on a wide-scale; ensuring delivery certainty for the future.

Other areas of focus include a new approach to succession planning and management, ensuring effective utilisation of learning, exploring the use of artificial intelligence within our People systems and introducing a new performance management framework, designed to ensure clarity and drive strong and consistent performance, aligned to Company strategy.

Leadership expectations

With a focus on leveraging our group-wide capability and offerings, this year we introduced the Leadership Expectations. They were designed to provide a collective view of leadership in QinetiQ around group-wide mindset, collaboration, performance and enterprise leadership. They ensure our leaders understand what is expected of them in order to focus their efforts where they matter the most, whilst holding themselves and each other accountable. This in turn creates an environment in which our customers, our people and our stakeholders can succeed. The expectations have been introduced to the QinetiQ Leadership Community (top 100+), who have been using them to develop their own capability. As a result, we are already seeing an improvement in our employee engagement feedback. We are also using them to support us in performance assessments aligned to leadership roles. From FY26, the expectations will be introduced to all middle-level managers, as part of a new Performance Framework process, whilst simultaneously forming a fundamental part of our new Culture and Leadership programme.

Early Careers

We continued to invest in our Early Careers pipeline and in FY25 we maintained progress towards 5% of the UK workforce being part of an Earn and Learn scheme, using apprenticeships as both an entry route and upskilling opportunity for professional development. Through deployment to customer work, research and trials, our Early Careers community make a meaningful contributions which are reflected in the feedback we receive via the employee engagement activities. We continue to see good retention rates (circa 80%). We saw a reduction in recruitment this year, in comparison to FY24 due to market forces creating some uncertainty in our key markets.

Commitment to The 5% Club

As a Patron and founding member of The 5% Club, we remain committed to achieving 5% of our workforce being either part of our Early Careers programmes or wider 'Earn and Learn'. The breakdown of our UK Earn and Learn community is published each year (see table below) including the percentage they comprise of the UK workforce.

UK Earn and Learn community	FY25	FY24	FY23	FY22
Apprentices	97	139	85	53
Graduate programme	106	105	128	105
Sponsored students[1]	21	16	26	24
Reskilling (within first 5 years in QinetiQ)	64	48	25	8
Early Careers as % of UK workforce	**3.7**	**4.2**	**4.2**	**3.4**
Total Earn and Learn as % of UK workforce	**4.7**	**5.0**	**4.7**	**3.5**

1 Includes eight-week paid work experience and Year-in-Industry placements.

Looking ahead for FY26: We are focused on building a group-wide learning capability that will develop skills for performance across the business, providing consistency of approach whilst allowing for regional contextualisation.

Flexibility and adaptability

Our adaptive working environment helps us to build an inclusive, collaborative and customer-focused culture. This continues to evolve and this year we have introduced in the UK:

- Paternity leave: now increased to four weeks paid leave.
- Pre-Retirement planning tool-kit: Providing advice on changing working patterns when approaching retirement.
- Sabbatical leave: Enabling a temporary unpaid break for a minimum of three months and a maximum of 12 months at one time.
- Carers leave entitlement: Providing five days of unpaid leave in any calendar year.
- Formal flexible working: Enhancements, following UK government changes.
- Compressed working: In the UK this continues to be valued, with 23% of UK employees taking part.

Diversity, Equity & Inclusion (DEI): strengthening representation and inclusion

We are committed to creating a culture where everyone is respected and empowered. We create high performing and collaborative teams; where everyone feels valued for their contribution.

We have delivered a number of initiatives, including:

- Strengthening our senior talent pipeline by investing in inclusive recruitment practices, offering tailored development programmes and creating opportunities for progression at every stage of a career.
- Mentorship and sponsorship initiatives participating in structured programmes, such as reverse mentoring, Women in Defence mentoring programme and the KPMG Cross Company Allyship Programme.
- Through our people-led networks, fostering greater understanding of the unique challenges people face, providing a platform for discussion, learning and advocacy.
- Supporting awareness raising campaigns, such as International Women in Engineering Day, Pride Month and Black History Month.
- As part of our Social Value commitments with UK customers, we have delivered a military spouses programme (see next section).
- Creating long-term partnerships across industry and our supply chain to share learning and best practices.
- We are signatories to the UK Women in Defence Charter and long-term sponsors of the Innovation and Sustainability Award.

Gender balance data

The table below shows the breakdown by gender of our board, senior managers and all employees. We have maintained the proportion of women who are senior managers and seen a slight reduction in our overall workforce.

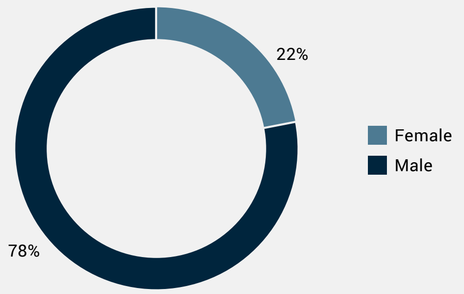
In our latest UK Gender Pay Gap report (for the FY24 reporting period) we report a mean gender pay gap of 11.6% which is a slight reduction compared with the previous year (11.8% for the FY23 reporting period).

We also participate annually in the FTSE Women Leaders Review which focuses on female representation at Executive level and their direct reports. We reported 26.7% (at October 2024), compared with 27.6% in FY24. We remain committed to 30% females by 2030.

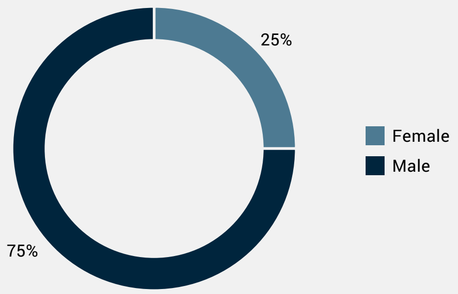
Our focus in FY26: inclusion will form a cornerstone of our Culture and Leadership programme and we will be reinvigorating our diversity, equity and inclusion strategy.

	FY25		FY24		FY23		FY22	
	Female	Male	Female	Male	Female	Male	Female	Male
Board Directors[1]	**4 (36%)**	**7 (64%)**	4 (44%)	5 (56%)	3 (33%)	6 (67%)	4 (44%)	5 (56%)
Senior managers[2]	**65 (22%)**	**237 (78%)**	69 (22%)	251 (78%)	57 (19%)	244 (81%)	59 (20%)	240 (80%)
Other employees[3]	**2,054 (25%)**	**6,036 (75%)**	2,144 (26%)	6,152 (74%)	1,976 (25%)	5,989 (75%)	1,478 (22%)	5,136 (78%)

Senior Managers



All employees (including leaders)



1 For more information on Board diversity, see page 97.

2 Senior managers are defined (in accordance with section 414C of the Companies Act 2006) as employees who have responsibility for planning, directing or controlling the activities of the Group, or a strategically significant part of it. This includes Directors of subsidiary Companies. It includes our QinetiQ Leadership Team (QLT) but excludes our CEO and CFO who are captured under Board Directors.

3 Excluding senior managers and the CEO and the CFO.

Social continued

Rewarding for Performance: Celebrating employee contribution

Our approach to reward and recognition 'Rewarding for Performance' ensures our people collectively share in our success and that we recognise outstanding contributions. In FY25, we continued to reward and recognise our people through our established programme:

- A discretionary payment of £400 (or equivalent) to eligible employees, in recognition for their outstanding contribution in a challenging year.
- Pay & Progression, invested over £1.2m on developing employees through in-year role changes and grade progression.
- Thank Q, our group-wide recognition scheme, celebrated 3,966 individual people and 6,125 teams, with 10,091 awards.
- Global Recognition Gala awarded 25 people in eight categories, celebrating the attributes most important to us at QinetiQ.

In April 2024, we completed the second phase of our UK reward strategy, providing increased pay transparency and implementing an additional base salary increase for eligible employees, equivalent to an average of 7.5% salary budget for FY25, addressing market relativity. In addition, our Group Hardship fund and Employee Assistance Programmes (EAP) continue to provide additional support to our people who are experiencing challenging personal circumstances. We also continue to be accredited as a Living Wage Employer.

Our focus in FY26: Having completed a reward benchmarking exercise in our Australia sector, we will be implementing the reward strategy for this sector. We will also be making recognition and benefits enhancements, introducing a new recognition platform. Aligned to our focus on performance, we will be adapting our incentive programmes to ensure we are driving the results and outcomes needed to ensure progress.

Our communities/social impact

We recognise the importance of giving back. At QinetiQ, volunteering is a vital part of our social impact strategy enabling our skilled workforce to dedicate their time and expertise to deliver social, environmental and economic benefits within the communities where we work. To support this, we've expanded our volunteering efforts to include working more closely with our defence charity partners, alongside our focus on Science, Technology, Engineering, and Mathematics (STEM), environmental initiatives, and skills-based volunteering. In the UK, we continue to promote and drive our flagship events such as: International Women in Engineering Day (INWED), Royal International Air Tattoo (RIAT), Hands on Science Day and our Power Boat Challenge, the latter receiving a spotlight segment on lunchtime and early evening BBC South News Today.

After the successful launch of Social Impact Week in the USA, we decided to bring the same campaign to the UK this year. Across both geographies colleagues were given the opportunity to drive awareness and give back to their local communities. The week consisted of environmental clean-ups, mental health awareness talks, inspiring the next generation of engineers, participating in veterans' support initiatives and writing letters to our troops. We continue to value the partnerships with organisations such as the Jon Egging Trust (JET), where we've continued to roll out our interactive apprentice workshops, and inspiring students to explore the world of STEM through engaging workplace visits.

Our focus in FY26: is to strengthen our approach to social impact by improving how we measure and report outcomes. This includes aligning our efforts with a recognised social impact reporting framework, and enhancing our data collection processes to ensure more consistent and meaningful reporting. These improvements will help us better demonstrate the value we create in the communities we work in. We will continue to champion and grow engagement in our flagship STEM outreach events. 2025 also marks the 30th anniversary of our partnership with Marwell Wildlife who have been instrumental in managing and maintaining the SSSI at our Farnborough site.

Social value

QinetiQ also delivers a range of 'Social Value' activities as part of the contracts we deliver within the UK. This activity complements and supports our Group ESG strategy and programmes, and sees project teams working with, and on behalf of, our customers on a range of areas; from positively growing the next generation of suitably qualified and experienced personnel (SQEP), volunteering for local good causes, or championing wellbeing. In FY25, we are proud to have successfully delivered outreach and community projects across the UK as part of our customer commitments. These projects have not only met the expectations of our customers but have also contributed to the social and economic wellbeing of the communities we're involved in. We understand that every project is an opportunity to drive social value, and we have prioritised initiatives that foster community job creation, inspiring the next generation of STEM innovators and sustainability. During FY25, the QinetiQ Social Value team have worked with projects to deliver a range of activities supporting good causes. Examples include:

- Inspiring the next generation of women in cyber: project teams have run targeted STEM outreach activities, 'Capture the Flag' events, and virtual work experiences, introducing the wide range of careers within the field and allowing them to work on real-world problems with those working in the sector.
- Employability skills for military spouses: with our partner the community interest company (CIC) 'Recruit for Spouses', the team has supported the development of employability skills for military spouses, through the delivery of a targeted 'Demystifying Defence' programme. Eight sessions have been delivered, supporting spouses to identify their transferable skills, find roles on LinkedIn, prepare their CV and get ready for a mock interview.

Our focus in FY26: our social value work will continue at pace in FY26, with the team focused on designing and delivering projects to drive the skills agenda, empower under-represented communities and support non-traditional Small to Medium Enterprises (SMEs) and Voluntary Community and Social Enterprises (VCSEs) to enter the defence supply chain.

Our commitment to the Armed Forces

We have always been passionate about supporting our Armed Forces community, including veterans and reservists, as we believe that within our company they greatly enhance how we connect with our customers.

QinetiQ was an early adopter of the Armed Forces Covenant in the UK and signatories of equivalent statements in Australia and in the US. We go beyond these statements to express commitment that matters. Specifically, we commit to honour and support the Armed Forces Community. We recognise the value Serving Personnel, both Regular and Reservists, Veterans and military families contribute to our business and our country.

Partnerships with the Armed Forces

To demonstrate this, we choose partnerships that strategically align with our business and reinforce our commitment to the Armed Forces.

In FY25 our UK partnership with the Royal Air Forces Association (RAFA) enabled QinetiQ employees the opportunity to volunteer in RAFA's community check-in calls, logging over 300 calls across the year, and as a result of this a number of veterans are now accessing the support they need.

Through our Social Value programme, we worked with our partner Recruit for Spouses in the UK to host two ten-week placements for military spouses, designed to help them regain confidence and re-enter the workforce (see previous section). In the USA we've supported Home Base, a Red Sox Foundation national non-profit dedicated to supporting Veterans. In Australia we continue to support Legacy, a defence charity who support partners and children of veterans who gave their lives or health serving their country.

In FY26 in the UK we will partner with Combat Stress who provide vital mental health treatment and support for veterans and service personal.

Raising awareness and celebrating contribution

Each year we take time to celebrate the UK's Armed forces week, recognising the contribution of QinetiQ's military community of veterans, reservists, military families and cadet force adult volunteers. Through this awareness raising activity, we encourage our people to learn more about the Armed Forces, fly the Armed Forces Day flags at our sites, participate in 'wear your uniform to work' day and encourage our people to get involved in activities taking place in their local communities.

As part of our approach to employee led networks, our Veteran's and Reservist's Network helps to connect, support and value the QinetiQ Military family. This year we have widened the network to be more inclusive with the addition of Army Cadet Instructors, regional points of focus for cadets and military spouses. We continue to support this network in raising awareness, recognising the unique skills and special contribution veterans and reservists make to our company.

Governance

Integrity

Trusted to do the right thing at all times, we take pride in our decisions, and work to create a sustainable and responsible business.

Collaboration

The chosen partner for customers and industry colleagues, we are a diverse and inclusive community with a common purpose; every contribution is valued.

Performance

Customer focused and highly responsive, providing operational excellence and assuring safe and secure delivery.

Our Code of Conduct is available on our website:
www.qinetiq.com/en/our-company/sustainability/business-ethics

Effective governance is a critical pillar, underpinning our ethical standards and supporting how we work responsibly and sustainably.

Business ethics, doing business the right way

Our values

Our values of integrity, collaboration and performance underpin all that we do. Our values form part of our performance management framework, our leadership expectations are part of our reward and recognition framework and celebrated at our annual gala awards (also see page 78).

Code of conduct

Our Code of Conduct defines our ethical standards, providing clear direction and guidance on how we do business. It contains information on ethical decision-making and also how to seek help and advice. We review the Code annually to reflect the evolving needs of our business, the regulatory environment and best practice. Our Code of Conduct is for our people but we also make it available for customers, suppliers and other partners. Our Code of Conduct is available on our website (see link below).

Speak up

We strive to create an environment where our people feel confident to speak up and we provide a number of different ways for them to seek help or to raise concerns. Employees can talk to a manager, use our ethics email advice services, our global network of Ethics Champions and our independently run, 24/7, confidential reporting line.

For third parties, we provide our Speak Up contacts via our website and in our supplier Code of Conduct.

Throughout the year we have promoted the importance of speaking up and the various different contact routes, via awareness campaigns, in the Code of Conduct and in our mandatory business ethics training. We promoted our Speak Up Guide for Managers, supporting them in creating an open and inclusive environment, where our people feel confident to raise concerns, and managers know how to listen to and support anyone who may come to them with an issue.

We have responded to all queries received via our ethics email advice services and confidential reporting line. Our Audit Committee oversees our approach to confidential reporting (see page 91).

Our Business Ethics Committee, chaired by our Chief Ethics Officer (Group Director Legal and Company Secretary), oversees our ethics programme. We are members of our trade association, ADS, Business Ethics Network where members can share best practice on ethics, human rights and anti-bribery.

Conduct and ethics training

Annual business conduct and ethics training is mandatory and supports our people in understanding and using the Code of Conduct. The training is undertaken by our Board and is available to our suppliers and customers. We provide a number of challenging scenarios to help our people know what to do if they were to come across issues such as bribery, fraud, harassment, conflict of interest and modern slavery.

Our focus in FY26: will be to continue to promote our Code of Conduct, training and raise awareness on Speak Up.

Anti-bribery and corruption

The Company is required to comply with applicable anti-bribery laws and regulations in the jurisdictions around the world in which we operate. To that end, our anti-bribery and corruption programme seeks to ensure the adequate identification, assessment, monitoring and mitigation of bribery and corruption risks.

We do not tolerate bribery or any other form of corruption. The prevention of bribery and corruption is a focus of our third-party risk management and due diligence processes, as well as our monitoring and audit programmes.

We reinforce our commitment to ethical business conduct through our annual business conduct and ethics training (see above), alongside anti-bribery training for our people in certain high-risk roles, helping them to identify and mitigate any potential bribery risks that they may face.

Human rights and modern slavery

We operate and manage an action plan across the Group to address the risk of forced labour and modern slavery. Our annual modern slavery statement is published on our website homepage. We scored 82% on the UK Government Modern Slavery Assessment Tool in FY25. Our supplier Code of Conduct helps to ensure our suppliers have clarity of their responsibilities on human rights, forced labour, modern slavery and speaking up. We provide in-depth training to our people in key roles and continue to provide supporting resources for all employees and suppliers, including industry engagement events through our Collaborate Series.

Responsible business practice underpins how we operate, and we continue to anticipate, prevent and mitigate potential negative human rights impacts through our policy and processes. These are monitored through our business and supplier assurance processes and regular self-assessment, with oversight by our Business Ethics Committee. For example, we address salient human rights issues through our Code of Conduct, our ethical trading policy, international business risk management process, supply chain due diligence, export controls process and grievance mechanisms. Our confidential reporting approach provides routes for third parties to raise concerns. During FY25 we have been developing our approach to governance of AI, running workshops, and discussing with the Board.

Our focus in FY26: we will be reviewing and updating our Modern Slavery action plan to reflect the evolving external requirements and to continue to make progress. We will continue to evolve our approach to ethical trading and further develop our AI governance approach.

Responsible tax management

We make a significant tax contribution to the economies of the countries where we operate. In alignment with our sustainability and tax strategies, we strive to be responsible in all our business dealings with zero tolerance of tax evasion. Our annual tax strategy statement is published on our website. We apply our approach to tax management in a consistent and transparent manner in our dealings with tax authorities around the world.

As a UK-head-quartered Group we file our country-by-country report with the UK tax authorities. Our policies, processes and controls are regularly reviewed and risk assessed. Recognising the importance of embedding the tax strategy as a Group-wide culture, we provide relevant tax insights through our quarterly internal newsletter and bespoke tax training. Our Audit Committee oversees our approach to tax (see page 104).

Working with our supply chain

As an extension of our Company, we ensure that our suppliers are committed to the same standards and values of safety, security, sustainability and governance as we are. Working in collaboration with wider industry, we foster and develop ecosystems which draw together suppliers, academia and third-sector communities to solve complex challenges in science, social and environmental, engineering and technology to support our customer offering.

Through promoting inclusive procurement and removing barriers to entry, we enable access to opportunities for diverse suppliers, including Small to Medium Sized Enterprises (SMEs), minority owned and non-traditional defence suppliers. We maintain our support to the SME community through our various trade associations and being an active prime contractor at the Defence Procurement Research and Technology Exportability (DPRTE) trade show. We have continued to enhance our Supplier and SME Hub web-pages to make it easier for suppliers to engage and register their interest with us. We are committed to paying suppliers promptly.

We continue to work with our third-party subcontractors on UK sites as they progress towards compliance with our Real Living Wage commitment. In support of our Climate programme, we developed a new climate-conscious clause and successfully deployed it in our UK supplier terms and conditions. In FY26 we will continue to develop our approach to sustainable procurement and run further Collaborate events.

We have our Supplier Code of Conduct and Sustainable Procurement Guide documents available on our website: www.qinetiq.com/en/our-company/suppliers-and-smes

Governance and leadership of our sustainable business approach

Our approach to Sustainability is sponsored by our Group CFO and actively supported by our Board. Our Group Director ESG leads our sustainability strategy and programmes, working with leaders and subject matter experts across the business.

Regular briefings and papers are provided to the Board and key Board Committees. These cover all material aspects of our sustainability programmes, including sustainability strategy, climate change, non-financial reporting, ethics and community impact (see page 89). Programmes such as anti-bribery and corruption, confidential reporting, safety, and inclusion are updated to the Board from key functional leaders. This provides the necessary oversight of our approach, including progress and plans.

We have a global policy framework (our Business Management System) which underpins how we operate. We have been reviewing and refreshing key policies, group requirements and instructions.

Key aspects of governance are overseen by the Environment Council, Business Ethics Committee and Risk and Assurance Council. These multidisciplinary leadership fora provide governance and oversight and also the opportunity to collaborate across our global functions and sectors.

For more information on policy, due diligence, risk and KPI for key sustainability aspects – see pages 60 and 61.

Non-financial and sustainability information statement

The non-financial and sustainability reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006 are addressed within this section by means of cross reference, in order to indicate where they are located within the strategic narrative and to avoid duplication. We have a range of policy and guidance, some of which is published on our website: **www.qinetiq.com.** Certain of the non-financial and sustainability information required pursuant to the Companies Act 2006 is provided by reference to the following locations:

Non-financial information	Section	Pages
Business model	Business model	→ 18
Policies	Non-financial and sustainability information statement	→ 60
Risk management and Principal risks	Risk management	→ 62
Key Performance Indicators	Key performance indicators	→ 37
Sustainability (ESG)	Environmental Social Governance	→ 38
Board Diversity Policy	Corporate Governance	→ 97

Environmental matters

Policy statement	Description
Environmental management	We are committed to embedding an environmentally sustainable approach to business (see page 44). The effectiveness of our Environmental Group Requirement is governed through our assurance process and our six-monthly self-certification. Environmental issues are part of a regular governance timetable, with oversight by the Environment Council and the Board Risk and Security Committee. We are certified to ISO 14001 in the UK and Canada and so are subject to external audit as well as our internal processes, which are overseen by the Risk and Assurance Committee.
Climate-related financial disclosure requirements S414CB(2A)	The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 place requirements on QinetiQ to incorporate climate disclosures in the annual report and accounts. We believe these have been addressed within our statement on TCFD (pages 46 to 51), Climate related governance (page 46), Climate related risk management (page 52), climate related strategy (page 49) and climate related metrics and targets (page 51).

Our people

Policy statement	Description
Code of Conduct	Our Code of Conduct lays out our ethical standards, providing our people with clear direction and guidance on how we do business across the Company (page 58). There is guidance on our standards, on ethical decision-making and also how to seek help and raise concerns. We review our Code of Conduct annually to reflect the needs of our business, regulations and best practice. Guidance for our people and third parties on how to 'speak up' is provided within our Code of Conduct and our supplier Code of Conduct (see page 59), both are available on our website. Speak up and the Code of Conduct form part of the Business Ethics Committee agenda and updates are part of ESG papers for the Board. Confidential reporting is overseen by the Audit Committee; the process is described on page 91.
Health and Safety	Our Safety policy outlines our commitment to continuously improving standards of safety management and compliance. This is supported by our Safety Strategy. The effectiveness of the policy is governed through our assurance process and our six-monthly self-certification. Safety issues are part of a regular governance timetable, quarterly through the Technology and Operational Excellence Council meetings, through QinetiQ Leadership Team (QLT) meetings and regularly as part of the Board Risk and Security Committee (see page 106. Lost Time Incidents (LTI) are a key non-financial KPI (page 37), and have shown an improvement compared with FY24. Safety programmes are described on page 52 and listed in our principal risks (page 66).
Diversity and Inclusion	Diversity and Inclusion forms part of our Employee Engagement and Culture Group Requirement and underpins our approach to supporting an inclusive workplace. The effectiveness is governed via our assurance processes and KPIs with monthly oversight by our QLT as well as regular oversight by the Board. Our Inclusion, Diversity and Belonging Strategy and data on gender diversity (against our 30% by 2030 target), is described on pages 55. Data and progress against the Board Diversity Policy is described on page 97.

Community and society matters

Policy statement	Description
Community	Our instructions provide guidance for employees to use dedicated volunteering time to use their skills, which enable us to make a positive difference in the community (page 56). The effectiveness is monitored by the ESG team. We ensure that there is screening and due diligence of donations and we also undertake selection with oversight by the Sponsorship and Donations Committee and our assurance process.
Tax	Our tax strategy (available on our website) outlines our commitment to being compliant with tax legislation, wherever we do business. We recognise our responsibility to pay the right amount of tax, at the right time and in the right jurisdiction. Oversight of this commitment comes through external challenge, such as business risk reviews and audit questions from tax authorities and external auditors and internal reviews such as quarterly tax updates with executive level reviews of process and procedure. The tax strategy also has oversight by the Audit Committee (page 104).

Human rights

Policy statement	Description
Human rights	We seek to anticipate and prevent potential negative human rights impacts through our policy and processes and address salient human rights issues through our Code of Conduct, ethical trading policy, international business risk management process and trade compliance process. Our policies ensure we meet all statutory requirements. We monitor the application of these policies through our business assurance processes and regular self assessment and with leadership oversight (ESG Steering Committee, Business Ethics Committee and Board). We believe that this integrated approach is effective in ensuring our business acts responsibly and respects human rights (see page 58). Our Supplier Code of Conduct helps ensure our suppliers have clarity on our expectations on human rights issues. See page 59 and our website for more details.
Modern slavery	We recognise our responsibility to comply with all relevant legislation, including The UK Modern Slavery Act 2015 and in accordance the modern slavery laws of other locations in which QinetiQ operates. Our supporting policies focus on management of the supply chain and the requirements for due diligence. In addition we include modern slavery in our resourcing policy. Our Modern Slavery and Human Trafficking statement is updated annually, signed by our Board and published on the homepage of our website. The effectiveness is monitored via our assurance programme and leadership oversight (QLT and Board). See page 58 for details of the programme.
Data protection	Our Data Protection Group Requirement details how we manage the privacy and security of personal information. The effectiveness is monitoring via our assurance programme and leadership oversight (QLT and Board).

Anti-bribery and anti-corruption

Policy statement	Description
Anti-bribery and corruption	Our anti-bribery and corruption (ABC) Group Requirement sets out our responsibilities in observing and upholding our zero-tolerance approach to all forms of bribery and corruption. This ensures we meet applicable statutory requirements, has significant senior oversight at QLT and Board level, is managed via our assurance processes and self-certification and there are regular internal audits. Details of our ABC programme are provided on page 58. This is underpinned by a number of supporting requirements and instructions, for example our approach to gifts and hospitality and for managing Commercial intermediaries. The foundation for all of this is our Code of Conduct which lays out our ethical standards, and contains advice on anti-bribery and corruption (see page 58).
Sanction Screening	It is key that we comply with applicable sanctions requirements so undertake various screenings. This is captured by our Sanctions Screening Group Requirement, with Board and QLT oversight and subject to assurance processes and self certification.

Risk management

Risk factors against heightened geopolitical and macroeconomic threat landscape.

Shifting priorities and an ever-changing risk landscape bring new challenges to our customers. QinetiQ's established risk, governance and assurance process aims to ensure we are well positioned to deliver for our customers and protect lives by serving their national security interests, while understanding and addressing the risks that could impact the execution of our strategy.

The tough near-term trading conditions, market and geopolitical volatility have caused realisation of some of our risks in the final quarter of the year. As a result we have repositioned our mitigation strategies including a review of our sector operations and are embarking on a restructure to support future growth, building on our capabilities in our sectors, with particular focus on the US, and leveraging them across the Group. These strategies will enable more pace and efficiencies in delivering a consistent operational performance.

Risk and assurance highlights

- Progressed the maturity of our risk management framework by advancing our risk appetite and risk capacity methodology and linking it to mitigations and residual risk levels.
- Completed Committee-level deep-dives on our principal risks focusing on mitigations and exposure reduction.
- Matured our approach to our risk and assurance activities at the first and second lines to ensure it demonstrates a proportionate approach to risk and has coverage across our material risks.
- Completed a full risk review finalising the outcome with the Board enabling us to 'ready, set, go' our risk strategy for the forthcoming year.

→ **Ongoing communication and feedback process**

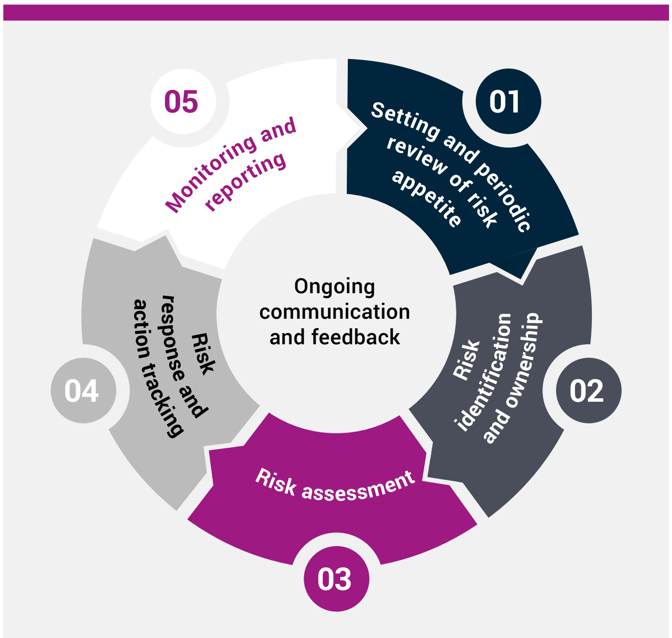
This diagram illustrates a continuous five-part cycle that supports effective enterprise risk management throughout the year.

Our Enterprise Risk Management Framework

Our annual cycle consists of comprehensive identification, monitoring and review of current and emerging risks material to the Group which we conduct together with our Sectors and Functions. We take into account industry insights, competitor analyses, geopolitical, macro and microeconomic developments and advancements in technology. There is a healthy level of cross-functional challenge around principal risks and their collective mitigation. This ensures we keep pace with a growing business in a complex industry and manage our risks in line with our long-term priorities.

On behalf of the Board, the Risk & Security Committee provides oversight of the Company's principal risks, reviewing and monitoring them through the year. Risk owners are accountable for confirming adequate controls are in place, that the necessary mitigation plans are used to bring the risk within acceptable tolerance levels. Sectors conduct bi-annual detailed reviews of their risks which are reported to the Board and Risk and Security Committee.

We align our assurance activity to the identified risks in the context of our business processes and how those risks may affect our strategic goals and day-to-day operations. This is presented to the Risk & Security Committee quarterly, ensuring adequate monitoring to maintain the effectiveness of the Group's risk management activities and internal control processes.



Risk management and assurance activity

The Three Lines Model

We have embedded the Three Lines Model for our risk management and assurance activities. The first line is performed by operational management who are responsible for managing risks and reports to the QinetiQ Leadership Team. The second line is performed by teams that provide expertise, framework design and oversight role but sit outside of day-to-day management of the risks reporting through the Chief Risk Officer to the QinetiQ Leadership Team and the Risk & Security Committee. The third line is performed by internal or external teams such as Internal Audit that provide independent objective assurance reporting to the QinetiQ Leadership Team and the Audit Committee.

The Board is responsible for effective risk management and internal control across the QinetiQ Group, sets risk appetite and assesses principal and emerging risks. The Audit Committee and Risk & Security Committee receive reports from assurance functions, monitor and review principal and emerging risks, undertake risk deep dives, and monitor the effectiveness of internal controls.

The QinetiQ Leadership Team identifies and monitors principal and emerging risks, as well as material risks reported from the Sectors and Functions.

Management

First Line

- Identify and evaluate risks
- Design and operate internal controls and other mitigation measures
- Apply risk appetite, delegated authorities, policies, procedures and codes of practice
- Report risks through relevant reporting and escalation processes
- Manage day-to-day operational risks
- Report to the Board and QinetiQ Leadership Team

Second Line

- Independent of first line, perform oversight of risk management and other oversight functions, including compliance
- Design and facilitate risk management processes across the Group
- Provide risk expertise and support
- Responsible for continually improving the risk management process across the Group
- Report to the Board and the QinetiQ Leadership Team

Independent Assurance

Third Line

- Internal Audit and other external independent assurance providers
- Review and evaluate risk management activity and provide assurance over the effectiveness of the control environment
- Manage the confidential reporting process
- Report to the Board and the QinetiQ Leadership Team

Further reading

→ Board of Directors page 77
→ Audit Committee Report page 100
→ Risk & Security Committee Report page 106

Principal risks FY25

The Group Principal Risk Register consists of material risks that could affect the delivery of our strategic objectives and may have a material impact on our stakeholders and environment. We accept that risk is an inherent part of doing business and our Principal Risk Register aims to provide reasonable assurance that we understand, monitor and manage the effects of the main uncertainties that we face in delivering our objectives.

As part of our continual cycle of review and improvement in risk management, we completed an annual identification of risks to our strategic objectives followed by activities in sizing and handling those risks. The results were shared with the Risk & Security Committee who reviewed and agreed the principal risks for the year.

Principal risks FY25

			Link to strategy		
	Risk	Executive Owner	Global leverage	Distinctive offerings	Disruptive innovation
1	Markets	CGO	●	●	
2	Competition	CGO	●	●	●
3	Business winning	CGO	●	●	●
4	Capability	COO	●	●	●
5	Delivery	COO	●	●	●
6	Business platform	CESO	●		●
7	Acquisition & business Integration	COO	●	●	●
8	Culture	CPO	●	●	
9	Environment	CFO	●		●
10	Safety	COO	●		●
11	Security	CESO	●		

Potential Impact	Mitigation
1 Markets	
Evolving customer priorities, spending and terms of trade may lead to reduced profitability, adverse investor perception and decreased growth prospects and adverse financial impacts.	We are enhancing our competitive position as an established player in the defence and technology sector through our customer-centric approach, which includes engagement with the UK government as part of our UK first strategy. We are also re-evaluating the strategy of the German business in the context of EU/ NATO; and evaluating the changing EU/ NATO landscape and market context. We are augmenting our diverse product portfolio and unique skill, capability and resource mix to align to our customer needs in our home and priority markets. This will mitigate contract risk, optimise project delivery, ensuring efficiency and customer satisfaction throughout capture and project delivery.
2 Competition	
Failure to exploit emerging technologies (such as AI) into our operations or custom offerings as quickly or effectively or failure to respond to changes in market landscape may result in a decreased competitiveness in the market or loss of market share.	The Group has established technical capability priorities delivering insight into future customer and internal needs, including plans for embedding and exploiting new technologies. This includes creation of an ethical trading policy in terms of artificial intelligence that carefully considers regulatory and legal frameworks and potential future regulatory needs. We continue to carefully monitor developments in this area. We are also augmenting our diverse product portfolio and unique skill, capability and resource mix to align to our customer needs in our home and priority markets. This will mitigate contract risk, optimise project delivery, ensuring efficiency and customer satisfaction throughout capture & project delivery. We have strong collaborative and supporting processes that focus budgets, investment and resources on our strategic priorities.
3 Business winning	
Inadequate shaping of requirements and bidding competitive solutions could lead to adverse financial impacts and decreased growth prospects.	We are enhancing our competitive position as an established player in the defence and technology sector through our customer-centric approach to the digital transformation of our offerings. Company performance will benefit from leveraging improved 'win' strategies which enhance through-life delivery and optimised business operational costs.
4 Capability	
Inadequate functional skills, processes and tools to meet regulatory requirements and standards, deliver consistent performance and enable growth.	The effectiveness of our internal control environment continues to be assessed at both senior management and Board level. Having implemented a joint strategy and People approach to strategic capability planning which is supported by talent and demand management systems, we are implementing a further set of actions to ensure performance excellence: Investing in our people to upskill our management and leadership across the Company and reviewing our performance reward framework to improve our individual and team performance impact. We are also reviewing our site location strategy to improve our site occupancy and team building and improve our working environment by promoting an effective and inclusive culture. We are also implementing a common set of tools and processes across the Group that will promote one way of working on a standard platform.
5 Delivery	
Varying levels of capability in Project, Programme and Portfolio Management (P3M) and Supply Chain Management (SCM) community lead to poor delivery performance and increased likelihood of major programme failure.	Having updated and rolled out the Global P3M Competency Framework and the P3M Delegations process, we are making further improvements to organisational alignment in P3M and SCM. P3M and SCM competency assessments are used to build a capability baseline from which we can create improvement plans. In addition, we are making improvements to the Operating Model and implementing more effective governance.

Potential Impact	Mitigation
6 Business platform	
Effectiveness and stability of our IT infrastructure and business tools could affect broader Company business operations and ability to support revenue generating services.	Implementation of the Global Interoperable Infrastructure and Digital Workspace which enhances our collaboration and enables us to leverage our skills globally is well underway and includes replacement of some poorly-performing systems and introduction of new, more powerful tools. We have a robust programme of deployment with continual upgrade of our cyber security detection and protective capabilities and technologies. This includes a routine exercising and technical assessment of our networks, enhanced requirements for IT architecture and security.
7 Acquisition and business integration	
Failure to select and integrate value accretive businesses to enable strategic ambition and realise the maximum potential benefits.	Improved and synchronised Merger & Acquisition governance framework and the policies and procedures that guide pre and post-acquisition activities have been produced. Enhanced due diligence process and associated policies including ESG, and external advisory support, are in place to enable early warning, monitoring and action where and when necessary.
8 Culture	
Failure to define and build a single inclusive and high-performing organisational culture and leadership behaviour could impact achieving our strategic goals and ambition.	Implementation of our QinetiQ Operating Model enables us to invest in developing our culture and focus on embedding our approach to inclusion, diversity, and people management as well as align rewards, pay and progression and other tools and processes that enable performance and help us to continuously improve our ways of working. Examples include Peakon reviews and actions, and completion of Organisational Network Analysis which inform our priorities in building and embedding a single organisational culture.
9 Environment	
Rapidly shifting macroeconomic uncertainty, failure to meet our published climate change targets and outbreak of diseases, could impact stakeholder expectations and resilience needs, resulting in operational disruption, loss of new business, reduced investor confidence and compromised reputation.	We have a mature and established set of controls and policies to manage and respond to volatile economic and financial conditions including hedging, and counterparty limits, stress-testing and specialised contractual clauses. We developed a Net-Zero Plan and are committed to science based targets to drive our emissions to Net-Zero by 2050 or sooner. We have in place initiatives across the Group to ensure that we are embedding our Net-Zero transition plan. These are: investment in energy efficiency projects, development of programmes to deliver reductions in Scope 3 emissions, internal and industry-wide enabling activities (e.g. engagement and remuneration incentives), and working with our customers to develop sustainable solutions and protecting biodiversity. We are have a robust crisis management process in place supported by business continuity plans and we continue to improve this approach.
10 Safety	
Serious physical or mental health injury, fatality of employee(s), third-party personnel, or member(s) of the public; loss of assets or significant regulatory enforcement action.	A global Safety Improvement Programme is in place enabling measurable improvements in the safety culture maturity including more effective global safety processes to achieve overall risk reduction, aligned and integrated three lines of safety assurance approach, enhanced competence and upskilling employees to become better safety leaders and role models and inclusion of technology as an enabler for safety. We have established local emergency preparedness and in-country safety teams and are focusing on improving the engagement and training across the Group.
11 Security	
A breach of physical, personnel or information or cyber security could lead to the loss of information or harm our people, customers and broader stakeholders, exfiltrate or deny the use of data, degrade or deny capabilities.	Information is protected through policy, procedural, physical and digital security controls, supported by ongoing assurance activities, awareness campaigns and annual mandatory security training. We are further investing in tooling to improve tracking of trends to inform improvement in our security measures. We have a robust programme of deployment and continual upgrade of our cyber security detection and protective capabilities and technologies. This includes a routine exercising and technical assessment of our networks. Our changing and increasingly sophisticated threat environment is continuously reviewed and handled as part of our overarching security strategy, ensuring it balances the security, cost and flexibility required for any given solution. Our programme of continuous security improvement is underpinned by annual strategic security reviews.

Viability statement

Assessing the prospects of the Group

This viability statement should be read in conjunction with the Group's growth strategy on pages 4 and 5.

The Group's corporate planning processes involve the following individual processes covering differing time frames:

- An annual Integrated Strategy-to-Perform Plan (ISP) process that looks at the financial outlook for the following five years. This process commences with an assessment of the orders pipeline producing an order intake scenario. A review of the phased delivery profile of that order intake as well as contracted order backlog, and the cost base required to support this enables generation of a base-case profit forecast. Capital expenditure and working capital requirements are also collected, reviewed, approved and an operating cash flow produced for the plan period. This is then overlaid with inorganic growth assumptions as well as detailed tax, interest, funding and other non-operating assumptions to produce a five-year net debt/cash forecast including relevant covenant and funding metrics;
- An annual budget process that covers the first year of the five-year planning horizon in detail;
- A rolling monthly 'latest best estimate' process to assess significant changes to the budget/forecast for the year in progress.

The corporate planning process is underpinned by assessing scenarios and risks that encompass a wide spectrum of potential outcomes, both favourable and adverse. The sensitivity analysis undertaken by management explores the resilience of the Group to the potential impact of each of the principal risks set out on pages 64 to 66, and a combination of those risks.

The scenarios are designed to be severe but plausible and take full account of the availability and likely effectiveness of the mitigating actions (as described on pages 65 and 66) that could be taken to avoid or reduce the impact or occurrence of the underlying risks, and that realistically would be open to them in the circumstances. In considering the likely effectiveness of such actions, the conclusions of the Board's regular monitoring and review of risk and internal control systems, as discussed on page 89 is taken into account.

Alongside the annual review of risk scenarios applied to the strategic plan, performance is rigorously monitored to alert the Board and QinetiQ Leadership Team to the potential crystallisation of a key risk. We consider that this stress-testing- based assessment of the Group's prospects is reasonable in the circumstances of the inherent uncertainty involved.

The period over which we confirm longer-term viability

The period over which the Directors consider it possible to form a reasonable expectation as to the Group's longer-term viability is the five-year period to 31 March 2030. This period is deemed appropriate as the Group has good visibility of revenue out to 2030 driven by long-term contracts and frameworks. This is also the period covered by our strategic planning process and is subject to stress-testing and scenario planning around potential risks. It has been selected because it presents the Board and readers of the Annual Report with a reasonable degree of confidence whilst still providing an appropriate longer-term outlook.

The ISP base case assumed the renewal of the Long Term Partnering Contract (LTPA) from 1 April 2028. The five-year extension was signed by the UK MOD in May 2025.

Assessing the viability of the Group

The scenarios applied consider the key risks facing the Group, as summarised in the Risks and Uncertainty section on page 62. These include:

- Sensitivities on growth metrics in the plan such as margin achievement and revenue growth
- Sensitivities based on our cash position including increased working capital burden and the availability of debt financing
- An environmental risk focusing on a severe flooding event at the Shoeburyness site
- Sensitivities linked to the economic environment including revenue reduction and foreign exchange risk

The impact of each scenario is assessed in terms of revenue, operating profit, net cash/(debt) and loan covenants (leverage and interest cover ratio). They are considered individually and aggregated through two combined stress-tests, covering financial pressures and poor trading performance.

The Group has significant forecast growth resulting in a return to positive net cash from FY29. The sensitivities assume that the Group continues to have access to revolving credit facilities of £290m (expiring April 2028 with a one-year extension option) and that the term loan of £335m can be extended (expiring September 2027).

The financial impacts are inherently subjective and highly variable, but have provided an indicative assessment to the Board. None of the risks applied individually, have a material impact on long-term viability (in terms of breaching our available facility headroom or associated covenants). Despite being unlikely, the Directors have considered mitigations that could be put in place to offset the risks. The Group has a number of cost-control levers that could immediately be drawn on to control cash outflows. In addition it continues to review its portfolio of assets to ensure they remain relevant to the strategic ambition (through disposal of non-core assets). The revolving credit facility has the option to increase further by an additional £110m, prior to considering the reduction of dividends. All of these options can be drawn on to ensure the Group remains a going concern and does not breach covenants.

Confirmation of longer-term viability

As noted on page 62, the Directors confirm that their assessment of the principal risks facing the Group was robust. Based upon the robust assessment of the principal risks facing the Group and their stress-testing based assessment of the Group's prospects, all of which are described in this statement, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to 31 March 2030.

Scenarios modelled	Links to Principal Risks	
Scenario 1 – Profit margin downgrade		
Profit margin is downgraded as a result of competitive pressure, project execution, inability to achieve supply chain and organisational efficiency savings or a regulatory fine. **Assumptions:** A 2% reduction in profit margin, no impact on revenue.	– Market competition – Business winning – Delivery capability – Business platform	– Security – Environment – Safety
Scenario 2 – Reduction in revenue growth		
Revenue grows at a slower rate through the planning period driven by slow-down in orders as a result of customer spending, macroeconomic pressures, a cyber incident, or failure to plan the future resource and skillset needed. **Assumptions:** A 5% per annum reduction in revenue compared to the ISP base plan	– Markets – Competition – Business winning	– Security – Environment
Scenario 3 – Reduced operating cash conversion		
Economic environment causes delays in customer payments, high inventory levels driven by supplier shortages, or IT system failure resulting in inability to raise invoices and receipt of supplier payments. **Assumptions:** Cash conversion restricted to 90%.	– Delivery – Capability – Business platform	
Scenario 4 – Major environmental event		
For the purposes of this scenario we have assumed a failure at the exposed area that would result in significant flooding. This flooding would, despite mitigation measures, damage the equipment and infrastructure resulting in significant remediation work to safely restore capability. **Assumptions:** There would be an immediate impact to our ability to deliver. The impact has been modelled through lost backlog, pipeline revenue and reputational damage, together with lost recoveries from people impacted.	– Environment – Delivery	– Safety – Security
Scenario 5 – Increased FX rates		
Macro-economic trends, global events and government interventions may cause foreign exchange rates to move in unfavourable directions (mainly an increase in the USD:GBP and AUD:GBP rates) such that the returns of the US and Australia businesses are worth less in GBP terms. **Assumptions:** 10% increase in FX (USD, CAD, EUR & AUD) rates.	– Markets	

Going Concern Disclosures

The Group's activities, combined with the factors that are likely to affect its future development and performance, are set out on pages 1 to 29. The Group meets its day-to-day working capital requirements through its available cash funds and its bank facilities. The Chief Financial Officer's review on pages 30 to 34 sets out details of the financial position of the Group, the cash flows, drawn and committed borrowing facilities (including associated covenants), liquidity, and the Group's policies and processes for managing its capital and financial risks.

This past year has seen continued unrest and growing conflict across many regions of the world. The defence and security context continues to elevate the market needs for our mission critical capabilities. Both our addressable market and our confidence in capitalising on that market opportunity continues to grow. The Group enters the new financial year with a healthy balance sheet and leverage position, and strong order backlog and pipeline. After making enquiries, the Directors believe that the Group is well positioned to manage its overall business risks successfully and have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going-concern basis in preparing its financial statements.

The Group is exposed to various risks and uncertainties, the principal ones being summarised in the 'Principal risks and uncertainties' section on pages 64 to 66. In reaching its conclusion on the going concern assessment, the Board also considered the findings of the work performed to support the statement on the long-term viability of the Company and the Group. As noted below, this included assessing forecasts of severe but plausible downside scenarios and further downside stress testing related to the Company's principal risks. Crystallisation of such risks, to the extent not fully mitigated, would lead to a negative impact on the Group's financial results but none are deemed sufficiently material to prevent the Group from continuing as a going concern for the next 12 months from 22 May 2025.

Key Stakeholder groups and Section 172 statement

Section 172 Statement

We are committed to our responsibilities to promote the success of the Group. The Board of QinetiQ Group plc confirms that during the year under review, it has acted in the way that it considers in good faith, would be most likely to promote the Group's success for the benefit of its members as a whole, having due regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006.

QinetiQ Group plc is a public Company limited by shares, registered in England and Wales No. 4586941.

Typically in large and complex companies such as QinetiQ, the Directors partly fulfil their duties through a governance framework that delegates day-to-day decision-making to the employees of the Company. The Board recognises that such delegation needs to be part of a robust governance structure which covers our values, how we engage with our stakeholders, and how the Board assures itself that the governance structure and systems of controls continue to be robust.

The main methods used by the Directors to perform their duties are outlined below.

This statement and the relevant disclosures referenced on this page summarise how the Board has upheld and discharged its duties to consider:

(a) The likely consequences of any decision in the long term;

(b) The interests of the Company's employees;

(c) The need to foster the Company's business relationships with suppliers, customers and others;

(d) The impact of the Company's operations on the community and the environment;

(e) The desirability of the Company maintaining a reputation for high standards of business conduct; and

(f) The need to act fairly as between members of the Company.

→ See page 73 for relevant disclosures.

Our stakeholders and approach to engagement

To deliver responsibly and for the benefit of our stakeholders we must understand what matters to them. To do this we engage in a variety of ways in an open and transparent manner, with the aim of identifying common goals.

In some cases the Board will engage directly with certain stakeholders, however, the relevant delivery teams will also manage these relationships if they are better-placed to facilitate meaningful engagement.

We consider our respective stakeholders and relevant issues to ensure that engagement is led by those best-placed to affect any necessary change and therefore expect that, to best benefit our stakeholders, our approach to how we engage will continue to evolve as we pursue further growth.

Board activity and principal decisions in FY25

The principal decisions taken by the Board in FY25 are detailed on pages 87 and 88. These decisions cover a variety of topics including, capital allocation, the Cody Technology Park Disposal and business strategy. Due to the nature of these decisions, a variety of stakeholders are considered as part of the Board's discussions.

How we engage with our key stakeholder groups

Customers

Our customers are at the heart of our purpose and we strive to apply our strengths to their advantage to enable delivery of mission-led innovation. Every QinetiQ customer has a delivery team and we regularly invest time listening and understanding our customers' views and needs via our formal customer research systems. For more information see pages 18 and 19.

People

Our people are critical to the success of our business. To ensure meaningful engagement the business continues to utilise its key forms of engagement, the Global Employee Voice Group, Peakon and the 'Speak Up' programme.

The business holds regular Global Employee Roadshows and Q Talks to enable employees to engage directly with decision makers and the QLT. The Board were also able to spend time this year with employees during visits to UK sites such as the offices of QinetiQ and Inzpire in Lincoln, and our Group Chair during visits to a number of sites in the UK and Germany. Our site Champions and Heads of Sites also provide feedback at a local level.

To see more about how we engage with our people see Employee engagement on page 91 and Employee engagement: Listening, learning and taking action on page 53.

Shareholders

We engage with our shareholders throughout the year via physical and virtual roadshows, results presentations and at the AGM. We seek to keep an open dialogue regarding business, our strategy, and the management team. Our Group Chief Financial Officer has met with a number of shareholders from the UK, US and Germany during the year as part of his induction, and has attended a number of industry specific investor conferences since his appointment in September 2024. Our Group CEO and Group Chair have also engaged directly with a number of major shareholders throughout the year.

See page 76 for details on the 2025 AGM.

Impact of stakeholder engagement and how we create value

Customers

The formal feedback we receive from our customers allows us to respond and adapt our approach when achieving their objectives. It is reviewed at all levels of our organisation to ensure we continuously improve and evolve our business processes and delivery solutions. It enables us to deliver mission-critical solutions and help customers address their most pressing challenges. They benefit from a responsive and agile approach and the ability to innovate at pace, while delivering value for money.

People

Listening to our people through these various feedback channels has enabled us to identify priority focus areas to improve the employee experience by directing our efforts to enhance areas highlighted by direct feedback. This year we responded to feedback around site improvements and engagement activities, making progress on resources such as templates and toolkits, to enable our people to better connect their contribution to our strategy.

Our people's work makes a genuine difference to our customers and we are committed to providing an employee experience which fosters rewarding careers in highly skilled areas, giving our people the opportunity to perform to their full potential.

Shareholders

Shareholder feedback and comments help shape our strategic thinking and decision-making, and their ongoing support enables us to invest in our business and execute our growth strategy for the benefit of all stakeholders. In return we aim to deliver long-term sustainable growth and attractive returns, and have sought to keep both our investors and the financial markets up-to-date with our progress and strategic decisions throughout the year. Shareholder feedback this year helped shape the decision to extend our share buyback programme of up to £200m over the next two years and our ongoing engagement enables balanced choices to be made on how and where we invest.

How we engage with our key stakeholder groups

Suppliers

We occupy a unique position in the defence industry and actively engage with our suppliers, working collaboratively to ensure we treat them with integrity and take a fair and sustainable approach. We hold strategic relationships across organisations and engage with our supply chain through in a variety of ways, including our QinetiQ Collaborate events and industry working groups such as Aerospace Defence and Security (ADS), techUK, Aerospace and Defence Procurement Group (ADPG) and MOD Sustainable Procurement; see Working with our supply chain on page 59 for more information.

Community

We strive to have a positive impact on our local communities by engaging in community investment such as our outreach programme, volunteering, supporting local charities and community liaison. Our aim is to benefit the wider environmental and socio-economic wellbeing of our communities and our community investment is viewed positively where we operate. Volunteering is a vital part of our social impact strategy and we enable our skilled workforce to dedicate their time and expertise to deliver social, environmental and economic benefits within the communities where we work. We have also expanded our volunteering efforts to include defence, as well as our usual Science, Technology, Engineering, and Mathematics (STEM), environmental initiatives, and skills-based volunteering. See pages 56 and 57 for more information.

Environment

We engage with shareholders, customers and our people on environmental and ESG related matters throughout the year via reporting, surveys and questionnaires. We also chair a number of industry groups and actively collaborate with customers, peers, academic partners and suppliers. This enables us to listen, understand, and identify what matters most to our stakeholders and over the last year our customers have increased their focus on resilience to the impacts of climate change and alignment to the international energy transition.

Our sustainability programme is focused on the most material issues for the Company including a deliverable Net-Zero plan, and the business is cognisant to the importance of ensuring its own resilience to the changing climate and how it can contribute to its mitigation. See pages 40 to 45 for more information.

Regulators

We engage with Regulators to understand changing regulations and ensure we meet their requirements. This year our Audit Committee oversaw planning to implement changes needed to audit, risk and internal controls to comply with the recently published 2024 UK Corporate Governance Code, as well as the proposed changes in non-financial reporting. We have also successfully submitted our 2024 Parker Review.

See page 76, Audit risk and internal control at pages 100 to 105 and Board activity at page 89.

Impact of stakeholder engagement and how we create value

Suppliers

We aim to bring down barriers for suppliers in defence and emerging sectors. In the year under review we held a number of QinetiQ Collaborates working group events, including 'Raising Awareness of Modern Slavery in the Supply Chain' and 'Let's Talk Sustainability Climate Contracting'. Our engagement with our supply chain gives us insight into industry partnering to effectively support our customers.

Community

We provide services that promote the safety and security of members of society and seek to drive social value from our projects. This year we are proud to have successfully delivered outreach and community projects cross the UK and continue to engage in regular community liaison updates ensure local people are aware of our outreach activity.

We have also delivered a range of 'Social Value' activities as part of our contract delivery and have prioritised initiatives that foster community job creation, inspiring the next generation of STEM innovators. Early Careers and STEM in particular are communities in which we are continually supporting and investing.

Environment

The Company has worked hard to improve its greenhouse gas understanding of its emissions since the publication of its 2022 Net-Zero plan and in light of the Company's evolution felt it was appropriate to evolve from a foundational plan, to a Climate Transition Action Plan (CTAP). The evolution and development of this plan is intended to integrate climate change within the Company's business plan and will be overseen by the Climate Change Steering Group, chaired by our CFO (see page 40).

The Company has also invested via IRAD in the creation of a suite of scenarios suitable to incorporate issues of climate change into war-gaming, simulation and experimentation and has been proactive in provoking discussion this year between start-ups, academia, the MOD and industry on how to create sustainable and resilient defence capability by holding a customer-focused round table at Farnborough International Air Show.

During the year in review the Company also retained its rating as a top-rated ESG company by Sustainalytics and its AA rating from MSCI.

Regulators

We take an active role in the defence industry through various forums and industry networks. Our engagement supports us meeting the high standards expected by our regulators. This year the UK tax authorities provided an overall low risk rating across all measures of systems and delivery, governance and approach to tax compliance following their testing of the Group Tax policies. The Company is also in the process of implementing a formal regulatory compliance evaluation tool designed to systematically evaluate environmental compliance performance across all operationally controlled sites.

Section 172 relevant disclosures

Considering long-term consequences

s172 link (a)

The Board holds annual strategy meetings which assess the long-term sustainable success of the Group and our impact on our investors, customers, people, and local communities over a five and ten-year outlook. Our Group Chair and Company Secretary working with the Executive Directors, set a rolling agenda for each Board meeting, including a two-day strategy review to consider the Company's overall purpose and strategy. This is supported by a budget for the following year and both medium and long-term (five and ten-year) financial planning informed by strategic assessments such as SWOT analysis. These arrangements are supported by external political, industrial and customer inputs. There are also risk management processes that identify the potential consequences of decisions in the short, medium and long term, so that mitigation plans can be put in place to prevent, reduce or eliminate risks to our business and wider stakeholders.

Relevant S172(a) disclosures

- → Pages 78 to 79 Significance of our purpose, values and strategy
- → Pages 18 to 19 Business model
- → Pages 4 to 7 Strategy
- → Pages 34 and 87 Dividend and Capital Allocation policy
- → Pages 67 to 69 Viability statement
- → Page 109 Frameworks for risk management and internal control
- → Pages 40 to 41 Climate Transition Action Plan (CTAP)
- → Page 88 Integrated Strategic Planning

Protecting communities and environment

s172 link (d)

The Group is committed to corporate responsibility oversight including business ethics, anti-bribery and corruption, human rights, modern slavery, environmental stewardship and use of resources, sustainable solutions, greenhouse gas emissions and energy management, investing in our local communities and the armed forces. Any major decisions taken by the Board includes formal consideration to these factors where relevant as well as regular reviews through the Board risk management process and the Audit, Risk and Security and Remuneration Committees.

Relevant S172 (d) disclosures

- → Pages 40 to 51 Environmental
- → Pages 38 to 39 Sustainability: Environmental, Social & Governance
- → Pages 46 to 51 TCFD disclosures
- → Pages 60 and 61 Non-financial and sustainability information statement
- → Pages 52 to 57 Social
- → Pages 58 and 59 Governance

Fostering stakeholder relationships

s172 links (b, c)

To encourage mutually beneficial stakeholder relationships, specific training is provided for Directors and senior managers and we ensure external assurance, through audits, stakeholder surveys and reports from brokers and other advisers, and stakeholder engagement. The Board receives regular presentations and reports on customer engagement, risk, health and safety, confidential reporting, defence process review, dividend policy, people and culture strategy, and operational business updates. The Company also made progress against the themes identified in previous years as needing attention and are in the process of creating a new approach to employee engagement to bring together our feedback channels to create realistic and deliverable plans at a local level and across the Company.

Relevant S172 (b, c) disclosures

- → Pages 52 to 57 Social
- → Page 91 Employee engagement
- → Pages 53 to 54 Skills and development: investing in future capability
- → Page 56 Rewarding for performance: celebrating employee contribution
- → Pages 60 to 61 Non-financial information statement
- → Pages 71 to 72 Stakeholder engagement
- → Page 55 Diversity, equity and inclusion
- → Page 39 ESG framework
- → Pages 78 to 79 Significance of our purpose, values and strategy
- → Page 71 Shareholders

Setting culture and conduct

s172 link (e, f)

The Board sets the Group's purpose, values and strategy, ensuring it is aligned with our culture. To ensure section 172 requirements are met, stakeholder factors are addressed in Board papers, and through standing agenda matters presented at each Board meeting (for example, the Group CEO presents updates on the financial overview, strategic progress, investor relations, business development, and operational progress) and the Company Secretary presents updates on relevant corporate governance and compliance matters.

Relevant S172 (e, f) disclosures

- → Pages 52 to 57 Social
- → Pages 78 and 79 Significance of our purpose, values and strategy
- → Page 109 Frameworks for risk management and internal controls
- → Page 76 Annual General Meeting
- → Pages 62 to 66 Risk Management
- → Page 83 Governance structure
- → Page 55 Diversity, Equity & Inclusion (DEI)
- → Pages 77 to 90 Board leadership and Company purpose

Corporate Governance

Introduction to Governance

Neil Johnson
Non-executive Group Chair

At a time of rapidly changing threat environment, proportionate and effective corporate governance is a key enabler, guiding how our business delivers for our customers, partners and shareholders.

The following corporate governance statement provides an overview of the system of governance adopted by the Company and will enable our shareholders to evaluate the manner in which the 2018 UK Corporate Governance Code Principles and Provisions have been applied by the Company for the year ended 31 March 2025.

Key Board activities

During this reporting year, the Board welcomed a new Chief Financial Officer, and further evolved the depth of its skills and experience through the recruitment of two new Non-executive Directors. The Company's Capital Allocation Policy has also been effectively utilised, supporting the extension of the current share buyback programme to return value to our shareholders. The Audit Committee has overseen planning to implement changes needed to audit, risk and internal control required by the recently published 2024 UK Corporate Governance Code, as well as the proposed changes in the non-financial reporting and audit environment.

A fuller summary of the Board's activity during the year can be found on page 89 and further information about the Group's stakeholder engagement can be found on page 70.

I have already covered a number of areas in the Group Chair Statement earlier in this Report, so rather than repeat those comments, I set out below some further additions.

Environmental, Social and Governance (ESG)

QinetiQ is committed to responsible and sustainable business practice and is proud to be acting as a catalyst, by driving and leading these important issues within our sector. During the year, the Board has had many discussions on how to best keep evolving our approach to ESG matters including our climate change programme and the evolution of non-financial reporting. As part of our regular business review, we are able to oversee and monitor management of ESG aspects and we are proud of the significant progress made to date on our ESG strategy and programmes. We continue to support the business in its ambition to embed this further into corporate strategy and decision-making.

Health, safety and wellbeing

Health, safety and wellbeing are a priority for the Company and its leadership teams, across the breadth of its varied operations and in all territories in which it carries out its business. We remain committed to looking after our people, customers and visitors while ensuring the public is never harmed by the work we do. This ethos is at the heart of our culture.

This year, investments have been made to enhance the Company's expertise in safety compliance and safety leadership, and to further strengthen its safety culture. Further information on health, safety and wellbeing can be found on page 52.

Culture

Promoting a culture of transparency, robust debate and effective challenge in the Boardroom is one of my key responsibilities as Group Chair. As a Board, we have an important role in leading and promoting the desired culture and identity of the organisation. Through the time which I and my fellow Board members have spent with the business and its people, we have maintained a clear view on how the Company's values of integrity, collaboration and high performance are embedded and lived by its leadership and employees. In QinetiQ, I have found a culture that is both responsible and highly committed to delivering the best support it can to its customers and their key objectives. The Company's senior leaders spend considerable time on engagement with our people, to embed and harness the benefits of our Company values.

Further reading
→ Board decision-making page 87
→ Environmental, Social and Governance pages 38–59

Board succession and evaluation of the Board's performance

I have already set out in the Group Chair Statement, earlier in the Report, the changes that have been made to the composition of the Board and I will say more about this in the Nominations Committee Report.

Central to setting the correct tone is the review of the Board's own performance. FY25 was the first year of our next three-year review cycle, and an external assessment was carried out by Emma Bendon of Bendon Advisory. Please see page 98 for details of the outcome of the review.

Remuneration

During the year, the Board's Remuneration Committee has focused on ensuring that the Remuneration Policy approved at the 2023 AGM continues to operate as intended, to appropriately reward, retain and incentivise the Executive Directors who are driving the Company's success. It has done so by seeking to ensure that the Company's remuneration schemes and their outcomes for Executive Directors continue to be transparent, aligned with the Company's strategy and also aligned with the interests of our shareholders and the returns we deliver to them.

Meeting the revised 2024 UK Corporate Governance Code (the '2024 Code')

During 2025, the Board and its Committees will oversee the application of the revised 2024 Code which will apply to the financial year beginning on 1 April 2025, with the exception of the changes to Provision 29, which relate to the effectiveness of the risk management and internal control framework. The changes to Provision 29 will apply to the financial year beginning on 1 April 2026.

Significant time has been spent during the year planning for the upcoming changes, see page 100 for more information.

Annual General Meeting

We are delighted this year to again welcome shareholders to our AGM. The AGM will be held at 11:00 on Thursday 17 July 2025 at the office of Ashurst LLP, London Fruit and Wool Exchange, Duval Square, London E1 6PW. The Notice of AGM and related papers will, unless otherwise noted, be sent to shareholders at least 20 working days before the meeting. For those shareholders who have elected to receive communications electronically, notice is given of the availability of the documents via www.qinetiq.com.

Neil Johnson
Non-executive Group Chair

22 May 2025

Governance framework and Board at a glance

The Board is accountable to shareholders for its standards of governance and as a UK-listed company our governance is based on applying the principles and provisions of the 2018 UK Corporate Governance Code (the 'Code').

Application of the provisions of the 2018 UK Corporate Governance Code (the 'Code')

In respect of the year ended 31 March 2025, the Company was subject to the Code. The Board confirms that it applied the principles and complied with the provisions of the Code throughout the year.

Further information on compliance with the Code can be found as follows:

Board leadership and Company purpose

Provides an overview of the activities undertaken by the Board in the year, how the Board has considered its section 172(1) responsibilities and its governance framework.

→ Section 172(1) statement **pages 70 to 73**.
→ Board of Directors **pages 80 to 82**.
→ Company purpose **page 78**.
→ Social **pages 55 to 57**.
→ Stakeholder engagement **pages 70 to 73**.
→ Employee engagement **page 91**.

Division of responsibilities

→ Governance structure **page 83**.
→ Division of responsibilities **page 84**.
→ Board of Directors **pages 80 to 82**.
→ Time commitment **page 85**.
→ Board and Committee processes **pages 85 and 86**.

Composition, succession and evaluation

→ Nominations Committee report **pages 92 to 99**.
→ Board of Directors **pages 80 to 82**.
→ Director effectiveness **page 98**.

Audit, risk and internal control

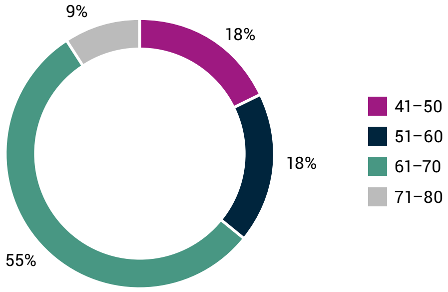
→ Audit Committee report **pages 100 to 105**.
→ Risk & Security Committee report **pages 106 to 109**.

Remuneration

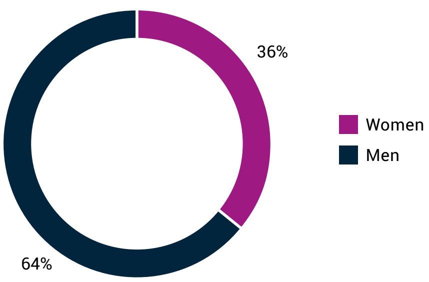
→ Directors' Remuneration Committee report **pages 110 to 129**.

Board
at a glance

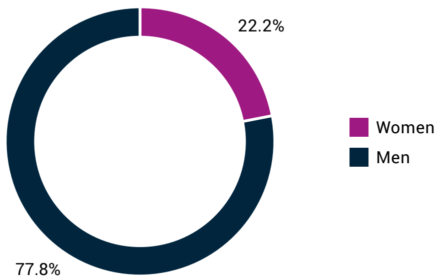
Board members: Age



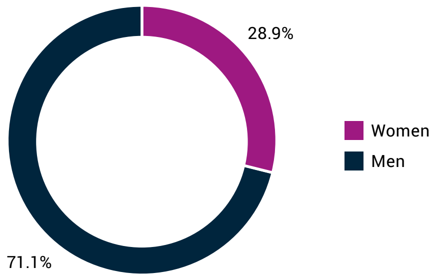
Board members: Gender balance



QinetiQ Leadership Team: Gender balance



Direct reports to the QLT: Gender balance



FY25 Board ethnicity

80%
White

20%
Ethnic minority

FY25 Board independence

80%
Independent

20%
Executive Directors

8
Independent Non-executive Directors

2
Executive Directors

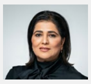
Non-executive Director tenure*

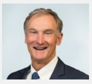
2.4
Years average


Neil Johnson (Chair)
6 years


Steve Mogford
2 years


Shonaid Jemmett-Page
5 years


Dina Knight
1 year


Roger Krone
<1 year


Ross McEwan
1 year


Gordon Messenger
4 years


Ezinne Uzo-Okoro
<1 year

* as at 21 May 2025.

Further reading

→ Composition of the Board page 85
→ Board attendance page 86

The significance of our purpose, values and strategy

Our Values

Integrity
Trusted to do the right thing at all times, we take pride in our decisions and work to create a sustainable and responsible business. We are responsible and accountable for all our actions. We take personal responsibility to do the right thing, demonstrating this individually and as an organisation in our decisions, behaviour and day-to-day actions. We actively support each other to meet the highest ethical and professional standards.

Collaboration
The chosen partner for customers and industry partners, we are a diverse and inclusive community with a common purpose; every contribution is valued. Delivering value through partnership and teamwork, we actively collaborate with our colleagues, customers and industry partners to bring together the best thinking, the smartest talent and breadth and depth in capability to our work, driving innovation. We know that working together is the best way to meet our stakeholders' needs.

Performance
Customer-focused and highly responsive, providing operational excellence and assuring safe and secure delivery. Our performance is measured by how we deliver for our customers; meeting their needs through flawless execution and delivery of the mission-critical solutions on which they depend. This includes being accountable for getting things right first time, safely, securely and in a cost-effective way. Taking an innovative and responsive approach to create an outstanding customer experience, we try to go the extra mile and act with courage.

Our purpose

Protecting lives by serving the national security interests of our customers

↓

Our vision

The chosen partner around the world for mission-critical solutions, innovating for our customers' advantage

↓

Driven by mission-led innovation

Applying our unique technical expertise across the product lifecycle, helping our customers to create, test and use defence and security capabilities as needed to meet their mission requirements

↓

Creating a safe and secure environment for us all to thrive

Through our core values of Integrity, Collaboration and a High-Performance Culture, and our Company behaviours of Listening, Focusing and Keeping Our Promises

↓

Delivered through a customer-focused growth strategy

Global leverage – building an integrated global defence and security company to leverage our unique technical capabilities and distinctive offerings – co-creating high-value differentiated solutions for our customers in experimentation, test, training, information, engineering, disruptive innovation and autonomous systems

↓

We deliver safely, responsibly and sustainably for the benefit of all our stakeholders

The Board has supported the review and further refinement of the Company's purpose, to ensure it continues to capture the Board's view of the Company, its evolving global strategy and its role in society. Our purpose communicates the Group's strategic direction and intentions to customers, employees, partners, investors, the local communities we work in and its wider stakeholders. Our values make clear our priorities and form the foundations of the Company's culture.

While the Recognition Gala and Thank Q programmes raise awareness of, and recognise and reward the behaviours that demonstrate our values, there are many other actions which contribute to the creation of a healthy corporate culture. These include:

- Our corporate policies, reviewed and approved by the Board, which set a clear expectation, and mandate, for every member of the workforce to perform the Company's business with integrity and in accordance with applicable laws, including anti-bribery and corruption, anti-slavery and human trafficking, data protection and 'Speak Up' policies and procedures.
- Fair and transparent employee policies and practices which ensure that employees' rights are respected in accordance with applicable laws and employment contracts, together with a number of programmes and initiatives which support the health and wellbeing of our people, develop talent and promote diversity.
- Supplier protocols and procedures which seek to ensure that our key suppliers operate their businesses and respect their employees' rights in the same way that we do.
- The application and monthly assessment by business and functional executive teams and the QinetiQ Leadership Team of safety and operational KPIs to enable management to monitor and drive continuous improvements in safety, reliability and efficiency of our services.
- Implement the work of Group support functions to advise on the Group's policies, procedures and standards at every level and location of the business around the world, including dedicated safety and operational excellence teams, finance, legal and governance teams, procurement, the People function, and the Group internal audit function.

In addition, we as a Board use a number of other methods to understand and monitor the Company's culture and assess whether our people reflect our values. These include:

- Reviews, in the Boardroom, of the outcomes of the Company's employee Peakon surveys, customer satisfaction scores and updates on confidential reporting 'Speak Up'. These give us insights into what the Company does well and what could be improved, as well as any particular areas of concern.
- Employee interaction with the Global Employee Voice (GEV), discussing the issues which matter most to our people.
- Directors' attendance at Company events, such as the biannual virtual Global Employee Roadshows.

Through feedback from all of these monitoring activities, the Board is satisfied that the Company's culture is aligned with our values.

Where the Peakon surveys, workforce engagement events or other interactions between Directors and employees and other stakeholders, have revealed matters that can be improved upon or have flagged concerns, the Board has discussed these and assured itself that management is putting action plans in place that are designed to drive improvements or address those concerns.

Safety culture

QinetiQ's Health and Safety Strategy sets the direction for how we look after ourselves, each other and our partners. Our safety culture journey is constantly progressing and adapting. The Safety Improvement Programme, established by the Board and led by the QLT, is driving a step-change in our safety culture. More information on the Safety Improvement Programme can be found on page 66.

Stakeholder engagement

Engagement and collaboration through our value chain is essential. Partnering with our stakeholders, understanding their challenges and managing risks, we can find solutions to enable shared success, sustain our business and benefit all our stakeholders. We have aligned our strategic priorities with the requirements and needs of our stakeholders to enable delivery of profitable, sustainable value. The Board recognises that it has a duty to act in the best interests of the Company for the benefit of its shareholders, as well as considering other stakeholder interests.

In its decision-making, the Board considers all relevant factors, including:

- How the decision would align with the Group's over-reaching purpose.
- The likely short-, medium- and long-term consequences of the decision.
- The value created for our investors.
- The enhancement of our performance created by the decision.
- The potential impacts on our people, local communities and environment of making the decision.
- The need to create strong, mutually-beneficial customer and supplier relationships.
- The Group's commitment to business ethics.

The section 172(1) statement on pages 70 to 73 explains how the Directors have adhered to the matters set out in section 172(1) (a) to (f) of the Companies Act 2006, when performing their duty under section 172. The Board aims to promote the success of the Company for the benefit of its shareholders as a whole, taking into account the long-term consequences of its decisions while giving due consideration to the interests of the Company's stakeholders (including employees, customers, suppliers, shareholders, as well as the environment and local communities which are impacted by our operations), while also considering the importance of maintaining our reputation for high standards of business conduct. Examples of what that has looked like in practice over the past year can be found as follows:

Shareholders	page 71
Employees	page 91
Customers/suppliers	page 59
Environment	pages 40 to 51
Social	pages 52 to 57

Further information about how the Directors have accounted for stakeholders in their decision-making is set out on pages 87 to 88.

Depth and Diversity in experience and strategic capabilities

Neil Johnson

Group Chair

N R RS

Nationality: British

Appointed: April 2019

Skills, competence and experience

Neil's former CEO experience and current roles as a plc Group Chair and Non-executive Director brings to the Board relevant knowledge, challenge and leadership.

Starting his career at Sandhurst and the army, Neil spent much of his early career in the automotive and engineering industries. He was worldwide Sales and Marketing Director at Jaguar before being seconded to the UK Ministry of Defence to command 4th Battalion The Royal Green Jackets. He returned to industry with British Aerospace, initially with Land Rover and then running all of its European automotive operations. Neil was later CEO of the RAC and is a former Director General of the EEF and was a Home Office-appointed Independent Member of the Metropolitan Police Authority. He was previously Chair of Motability Operations Group Plc, Synthomer Plc and Electra Private Equity Plc.

Other appointments

Chair of Dialight plc, Trustee and Council Member – National Army Museum.

Steve Wadey

Group Chief Executive Officer

RS

Nationality: British

Appointed: April 2015

Skills, competence and experience

Steve's proven track record of driving growth and his in-depth experience of defence and technology industries is of essential importance and benefit to the Board.

Steve is a Fellow of the Institution of Engineering and Technology, the Royal Aeronautical Society, and the Royal Academy of Engineering. He was previously a member of the Prime Minister's Business Advisory Group, Co-Chair of the National Defence Industries Council Research and Development Group, and a Non-executive Director of the UK MOD Research and Development Board. He has held various roles with MBDA, including as Managing Director, MBDA UK. Previously he held various roles with Matra BAe Dynamics and British Aerospace. He was also Chair of the Defence Industry Liaison Board of the UK Department for International Trade, Defence and Security Exports.

Other appointments

Co-Chair of UK Defence Growth Partnership with HMG.

Martin Cooper

Group Chief Financial Officer

RS

Nationality: British

Appointed: September 2024

Skills, competence and experience

Martin has more than 25 years' experience leading multi-disciplinary teams in senior finance roles. He brings valuable global experience particularly in the UK, US and Australia, coupled with deep financial and operational expertise and significant experience in the capital markets. His detailed understanding of our sector and the markets we operate in will be instrumental in helping the Group perform and grow.

Martin is a Chartered Accountant, having qualified at PricewaterhouseCoopers. He subsequently moved to Credit Suisse and then to BAE Systems where he held numerous finance roles over a 22-year career. These included UK Rest of World Financial Controller, Divisional Finance Director and Head of Investor Relations.

Other appointments

N/A

Steve Mogford

Senior Independent Non-executive Director

A N R RS

Nationality: British

Appointed: August 2022

Skills, competence and experience

Steve has vast experience in both executive and non-executive roles across a range of sectors. In particular, his long and comprehensive international defence and security sector experience equip him to further develop the skill sets of our Board. Steve has a first class honours degree in astrophysics, maths and physics from London University.

Formerly the CEO of United Utilities Group PLC, Steve started his career at British Aerospace. During his long career with them, he held a number of senior positions before being appointed COO and a member of the BAE Systems plc Board. Steve then joined Finmeccanica as Chief Executive of SELEX Galileo. He also served on the Board of G4S plc as Senior independent Director up to its acquisition in 2021.

Other appointments

Independent Non-executive Director of Costain Group PLC and Intertek Group plc.

Committee membership key

A Audit N Nominations R Remuneration RS Risk & Security ■ Committee Chair

Shonaid Jemmett-Page
Independent
Non-executive Director

A N R RS

Nationality: British
Appointed: May 2020

Skills, competence and experience
Shonaid has widespread experience as an Executive and Non-executive Director spanning a variety of sectors, including industrial and technology-based businesses with international operations. This, combined with her extensive financial experience, is invaluable in her role as Chair of the Audit Committee. Shonaid is a Fellow of the ICAEW.

Previously she was the Chief Operating Officer of CDC Group plc, the UK Government's development finance institution, having joined from Unilever, where she was Senior Vice-President Finance and Information, Home and Personal Care, originally in Asia and later for the Group as a whole. Her early career was spent at KPMG, latterly as a partner. Her Board-level experience includes Non-executive Chair of Greencoat Wind plc, MSAmlin plc and Non-executive Director at GKN plc.

Other appointments
Non-executive Chair of Cordiant Digital Infrastructure Limited and ClearBank Limited and Non executive Director of Aviva plc.

Dina Knight
Independent
Non-executive Director

A N R RS

Nationality: British
Appointed: March 2024

Skills, competence and experience
Dina is a highly experienced HR leader with over 30 years' experience gained across both private and PLC business environments. She has a strong track record of working with international workforces, building high-performing teams to deliver change and drive results, whilst ensuring that strategic outcomes are balanced with a continued focus on people, culture and wellbeing as a core priority. Dina read Business Studies and gained a Post Graduate Diploma in Personnel Management from Teesside University.

Dina is Chief People Officer of global technology provider Datatec Group and Logicalis International, accountable for its people operations and strategy. Previously she was Global HR Director at Truphone, responsible for driving a collaborative and innovation-centred culture. She has also held positions as Group HR Director for Teledyne e2v and Northgate Information Solutions.

Other appointments
Chief People Officer of Datatec Group.

Roger Krone
Independent
Non-executive Director

A N R RS

Nationality: USA
Appointed: January 2025

Skills, competence and experience
Roger served as the Chairman and CEO of Leidos Holdings, Inc. from 2014 until his retirement in 2023. Previously, he has served as a Director of BorgWarner Inc. and of Mercury Systems Inc., and as President of Network and Space Systems for The Boeing Company from 2006 to 2014. He also held various senior programme management and finance positions at Boeing, McDonnell Douglas Corporation and General Dynamics Corporation.

Roger is a Certified Public Accountant and has a bachelor's degree in Aerospace Engineering from the Georgia Institute of Technology, a master's degree in Aerospace Engineering from the University of Texas at Arlington and a Master of Business Administration from the Harvard Graduate School of Business.

Other appointments
Director of Lear Corporation and the President and Chief Executive Officer of the Boy Scouts of America.

Ross McEwan
Independent
Non-executive Director

A N R RS

Nationality: New Zealand
Appointed: March 2024

Skills, competence and experience
Ross has more than 30 years' experience in the finance, insurance and investment industries, and brings a strong focus on customers, business performance, capital management, technology transformation, risk management, and people and culture. He holds a Bachelor of Business Studies from Massey University, New Zealand.

Ross was Chief Executive Officer and Managing Director of National Australia Bank Limited between 2019 and 2024. He was previously Group CEO of Royal Bank of Scotland. He also held the positions of Group Executive for Retail Banking Services and Executive General Manager at the Commonwealth Bank of Australia, as well as Managing Director of First NZ Capital Securities and Chief Executive Officer of National Mutual Life Association of Australia Limited/AXA New Zealand Limited.

Other appointments
Chair of BHP Group Limited and Lead Independent Director of Reece Limited.

Committee membership key

A Audit N Nominations R Remuneration RS Risk & Security Committee Chair

General Sir Gordon Messenger

Independent Non-executive Director

A N R RS

Nationality: British

Appointed: October 2020

Skills, competence and experience

Gordon brings considerable experience from the armed forces having served for 37 years as a Royal Marine. Throughout his military career he served in key appointments in various UK and NATO headquarters, overseeing the planning and execution of UK and coalition military and humanitarian relief operations worldwide. He most recently served as Vice Chief of the Defence Staff, a position he held for three years until his retirement in 2019.

His unique experience enables him to provide invaluable insight in his role as the Chair of the Risk & Security Committee.

Other appointments

A Board member of the UK Health Security Agency, a member of the Advisory Board of C3.ai Inc., Senior Independent Advisor to BUPA, Trustee of Historic Royal Palaces, Trustee of the Kings Foundation, and serves as Constable of His Majesty's Tower of London.

Ezinne Uzo-Okoro

Independent Non-executive Director

A N R RS

Nationality: USA

Appointed: November 2024

Skills, competence and experience

Ezinne has had more than 20 years of U.S. government service, most recently as Assistant Director at the White House Office of Science and Technology Policy from 2021 to 2024, where she had overall responsibility for Space Policy. Her career has included contributions to U.S. national policy and more than 60 NASA missions and programmes, and her work has resulted in strategies for U.S. technological leadership and future economic growth.

She earned an undergraduate degree in Computer Science from Rensselaer Polytechnic Institute, and master's degrees in Aerospace Systems, Space Robotics and Science & Technology Policy from John Hopkins University, MIT and Harvard University, respectively. She also earned a doctorate degree in Aeronautics and Astronautics from MIT.

Other appointments

Senior Fellow of the Belfer Center at Harvard University, a Partner in SineWave Ventures, a venture capital fund focused on early stage technology and a General Partner in Calthorp Group, a private equity firm focused on mature critical technology businesses.

James Field

Company Secretary and Group Director Legal

Nationality: British

Appointed: July 2022

Skills, competence and experience

James joined QinetiQ as an in-house lawyer in 2004, progressing through various roles to Head of the Group Legal and Intellectual Property team, before becoming Group Director Legal and Company Secretary. Prior to QinetiQ, James worked as in-house Legal Counsel at Transport for London, and has a background in London-based private legal practice.

Other appointments

N/A

Governance structure

This is the structure through which the Company is managed. It has evolved over time, and continues to evolve to meet the needs of the business and the Company's stakeholders. Boards of large companies invariably delegate day-to-day management and decision-making to Executive Management. Directors should maintain oversight of a company's performance and ensure that management is acting in accordance with the strategy and its delegated authorities. At QinetiQ, the culture, values and standards that underpin this delegation help to ensure that when decisions are made, their wider impact has been considered. The Board has reserved certain matters (posted at www.qinetiq.com) for its own consideration so that it can exercise judgement directly when making major decisions, and in doing so, promoting the success of the Company.

Shareholders

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Group Chair

Responsible for the leadership of the Board and for ensuring that it operates effectively through dynamic discussions and challenge.

↓

Board of Directors

The Board is responsible for leading the Group, by setting strategic priorities and overseeing the delivery of the strategy in a way that promotes sustainable long-term growth, while cultivating a balanced approach to risk within a framework of effective controls and taking into account the interests of a diverse range of stakeholders.

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Committees

Audit Committee

Reviews and monitors the Group's financial and non-financial accounting and reporting processes and the integrity of published financial statements. Reviews the Group's system of internal control, including the effectiveness of its internal audit function and the independence and effectiveness of its external auditors.

→ See pages 100 to 105

Nominations Committee

Considers the structure, size and composition of the Board and Committees, and succession planning. It identifies and proposes individuals to be Directors and also for Executive Management, and establishes the criteria for any new positions.

→ See pages 92 to 99

Remuneration Committee

Determines and recommends to the Board the framework for the remuneration of the Group Chair, Group CEO, Group CFO and QLT. Oversees workforce remuneration and workforce policy.

→ See pages 110 to 129

Risk & Security Committee

Provides scrutiny and assurance to the Board, that the required standards of risk management, security, health, safety and environment within the UK, and internationally, are achieved.

→ See pages 106 to 109

Disclosure Committee

Considers and acts on the need for disclosures to be made to the market under the requirements of the Market Abuse Regulations. The Committee comprises all Board members, except for when called at short notice, when it comprises the Group Chair, the Group CEO, the Group CFO and any one of the Committee Chairs.

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Group Chief Executive Officer

Responsible for the day-to-day running of the Group's business and performance, and the development and implementation of the Group strategy.

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QinetiQ Leadership Team (QLT)

The interaction between the Board and the QLT enables the Board to receive information first-hand about the Company and its operations and to give guidance on strategy and oversight of the business directly to senior management. The QLT meets on a monthly basis. It is responsible for the day-to-day management of the Group's activities. The focus of the QLT includes managing the operational performance of the business, delivering the strategy, managing risk, managing regulatory compliance, establishing financial and operational targets and monitoring performance against those targets.

Division of responsibilities

Role of the Board

Underpinned by good corporate governance, the Board is focused on delivering an effective and entrepreneurial Board which:

- Provides challenge, advice and support to management
- Drives informed, collaborative and accountable decision-making
- Creates long-term sustainable success and value for our shareholders, having regard to the interests of all our stakeholders

Roles and responsibilities

The Board has agreed a clear division of responsibilities between the Group Chair and the Group CEO. Other Directors and the Company Secretary's roles are also clearly defined to assist in enhancing the effectiveness of the Board. A summary is set out below:

Group Chair Neil Johnson	– Provides overall leadership and ensures effectiveness of the Board – Sets the agenda, character and tone of the Board meetings and discussions	– Maintains an effective working relationship with the Group CEO – Leads the annual performance evaluation of the Board and its Committees and ensures that each Non-executive Director makes an effective contribution
Group CEO Steve Wadey	– Develops the Group's strategy for consideration and approval by the Board and provides effective leadership of the QinetiQ Leadership Team (QLT) in its delivery of strategy – Develops the Group's business model and manages the Group's operations – Overseas the QLT's development and implementation of corporate, safety and environmental policies and standards	– Establishes and services relationships with key stakeholders – Reinforces the Group's values and sets expected employee behaviours – Communicates (alongside the Group CFO) the Group's financial performance and strategic progress to investors and analysts – Ensures the Board is kept fully appraised of the Group's operational and safety performance, risks and opportunities
Group CFO Martin Cooper	– Responsible for the financial stewardship of the Group's resources through appropriate accounting, financial and other internal controls – Directs and manages the Group's finance, tax, treasury, risk management, ESG, legal and governance and insurance functions	– Communicates (alongside the Group CEO) the Group's financial performance and strategic progress to investors and analysts
Senior Independent Non-executive Director Steve Mogford	– Acts as sounding board for the Group Chair and a trusted intermediary for the other Directors – Available to shareholders to discuss any concerns that cannot be resolved through the normal Group Chair or Group CEO channels	– Leads the Board in the annual performance evaluation of the Group Chair and in developing the long-term plans for the Group Chair's succession – Meets with the Non-executive Directors without the Group Chair present at least annually, and as required, to discuss Board matters
Independent Non-executive Directors Shonaid Jemmett-Page, Dina Knight, Roger Krone, Ross McEwan, General Sir Gordon Messenger, Steve Mogford, Ezinne Uzo-Okoro	– Monitor and scrutinise the Group's performance against its strategic goals and financial plans – Provide an objective perspective on the Board's deliberations and decision-making, drawing on their own broad collective experience and individual expertise and insights	– Monitor and assess the Group's culture, use appropriate and effective means to engage with employees and acquire an understanding of other stakeholders' views – Assess the effectiveness of, provide support to, and constructively challenge, the Executive Directors – Play a lead role in the functioning of the Board's Committees
Company Secretary James Field	– Provides advice and support to the Board, its Committees, the Group Chair and other Directors individually as required, primarily in relation to corporate governance matters, and Non-executive Directors' training and development needs	– Responsible, with the Group and Committee Chairs, for setting the agenda for Board and Committee meetings and for high-quality and timely information and communication between the Board and its Committees, and between the Directors and senior management as required – Ensures that Board and Committee procedures are complied with

Composition, succession and evaluation

Composition of the Board

The Board considers that its composition reflects the requisite balance of skills, experience, challenge and judgement appropriate for the requirements of the business and full Board effectiveness. The skills and experience of the Board's individual members, particularly in the areas of UK defence and security, the commercialisation of innovative technologies, corporate finance and governance, international markets and risk management, have brought both support and challenge to the Group CEO, Group CFO and the QinetiQ Leadership Team during the year.

Independence

The majority of Board members are independent Non-executive Directors. The independence of the Non-executive Directors is considered annually by the Nominations Committee, using the independence criteria set out in Provision 10 of the UK Corporate Governance Code. The Group Chair was independent upon his appointment in April 2019 and continues to use objective judgement in his leadership of the Board. As part of this process, the Board keeps under review the length of tenure of all Directors, as this is a factor when assessing independence.

Time commitment

Each Non-executive Director must be able to devote sufficient time to their role as a member of the Board to discharge their responsibilities effectively. As part of the appointment process, consideration is given to assess Non-executive Directors' ability to devote time to an additional directorship.

Prior to undertaking an additional external role or appointment, the Non-executive Directors are asked to confirm that they will continue to have sufficient time to fulfil their commitments to the Company. This means not only attending and preparing for formal Board and Committee meetings, but also making time to understand the business of the Company. The Non-executive Directors' commitment is reviewed as part of the Board and Director evaluation process.

Board and Committee processes

The Board has a formal schedule of matters reserved for its approval, which includes (but is not limited to): strategy; risk appetite and review of Group-wide principal and emerging risks; major M&A, contracts and bids; share capital, debt financing and other liquidity matters; financial results and budgets; key policies; Board and Committee membership; and governance.

Other matters, responsibilities and authorities have been delegated by the Board to its standing Committees, comprising Nominations, Audit, Risk & Security, Remuneration and Disclosure. Any matters outside of the schedule and the responsibility of the Committees fall within the authority of the Group CEO and/or Group CFO. The schedule of matters reserved for the Board and the terms of reference of each Committee, which are regularly reviewed and approved by the Board, can be found on the Company's website at www.qinetiq.com.

The Group Chair and the Company Secretary are responsible, in consultation with the Group CEO and the Chairs of the Committees, for maintaining a scheduled 12-month programme of business for the Board and its Committees, with flexibility for additional business to be discussed as required. The programme ensures that all necessary matters are covered and appropriate time is given for discussion and, if thought fit, approval of relevant business. At each scheduled Board meeting, the Board rigorously reviews updates from the Executive Directors on Group and operational sector safety, operating and financial performance, investor relations, and from the Group Director Legal & Company Secretary on legal compliance and corporate governance. Other regular Board agenda items include strategic proposals (including those relating to major contract bids and capital allocation), integrated change programmes, risk management, people and culture updates (including on employee relations, talent development and diversity promotion), and stakeholder engagement. Senior management and external advisers regularly attend both Board and Committee meetings, which allows for detailed and informed discussions on specific matters on which their input or advice is needed.

The Board also seeks to hear external viewpoints inside and outside the Boardroom, including from customers, suppliers and experts in areas relevant to the Company's strategy.

In advance of each Board and Committee meeting, Directors receive, via a secure web portal, high-quality briefings, prepared by the Executive Directors, senior management, the Company Secretary and/or external advisers where appropriate, on the agenda items to be discussed. The secure web portal also gives Directors immediate access to a range of other resources, including previous meeting papers, minutes, financial reports, business presentations, investor reports, Company policies and governance guidelines, and details of Board and Committee procedures. If a Director is unable to attend a meeting due to illness or exceptional circumstances, they will still receive all supporting papers in advance of the meeting and are directed to discuss with, and provide input, opinion and any instructions to, the Group Chair or relevant Committee Chair on the business to be considered at that meeting.

Composition, succession and evaluation continued

The Board has access to the Company Secretary for support and advice as required, and the Company operates a policy which allows Directors to obtain, at the Company's expense, independent professional advice where required to enable them to fulfil their duties effectively. In addition to Board and Committee meetings, the Non-executive Directors hold private meetings without the Executive Directors present, including to discuss Executive Director performance. There are also opportunities during the year for Directors to have informal discussions outside the Boardroom, either between themselves or with senior management or external advisers.

Conflict of interest

The Board operates a policy to identify and manage situations declared by the Directors (in accordance with their legal duty to do so) in which they or their connected persons have, or may have, an actual or potential conflict of interest with the Company. In accordance with the Companies Act 2006 and the Articles of Association, the Board has the authority to authorise conflicts of interest. This ensures that the influence of third parties does not compromise the independent judgement of the Board. Directors are required to declare any potential or actual conflicts of interest that could interfere with their ability to act in the best interest of the Group.

The Company Secretary maintains a conflicts register, which is a record of actual and potential conflicts, together with any Board authorisation of the conflict. The authorisations are for an indefinite period and are reviewed biannually by the Nominations Committee, which also considers the effectiveness of the process for authorising Directors' conflicts of interest. The Board reserves the right to vary or terminate these authorisations at any time. No Director conflict of interest currently exists.

Board and Committee Meetings

During the year, the Board has seven meetings, each scheduled over one or two days, for Board and Committee business. Additional Board sub-Committee meetings and conference calls are held between the scheduled meetings as required. The table below sets out the Board and Committee membership and attendance by members at meetings held in FY25.

NED board attendance FY25

Board and Committee attendance – 1 April 2024 to 31 March 2025

Members	Board	Audit Committee	Nominations Committee	Remuneration Committee	Risk & Security Committee
Carol Borg[4]	0/7	0/4	0/2	0/4	0/4
Martin Cooper[1,6]	5/7	–	–	–	2/4
Shonaid Jemmett-Page[7]	6/7	4/4	1/2	4/4	4/4
Neil Johnson[9]	7/7	–	2/2	3/4	4/4
Dina Knight	7/7	4/4	2/2	4/4	4/4
Roger Krone[3]	2/7	1/4	1/2	1/4	1/4
Ross McEwan	7/7	4/4	2/2	4/4	4/4
General Sir Gordon Messenger[8]	6/7	4/4	2/2	4/4	4/4
Steve Mogford	7/7	4/4	2/2	4/4	4/4
Susan Searle[5]	7/7	4/4	2/2	4/4	4/4
Ezinne Uzo-Okoro[2]	3/7	2/4	1/2	2/4	2/4
Steve Wadey[6]	7/7	–	–	–	4/4

1 Martin Cooper was appointed to the Board on 2 September 2024.

2 Ezinne Uzo-Okoro was appointed to the Board on 1 November 2024.

3 Roger Krone was appointed to the Board on 8 January 2025.

4 Carol Borg resigned from the Board on 16 April 2024.

5 Susan Searle resigned from the Board on 31 March 2025.

6 In compliance with the UK Corporate Governance Code, and the Committee Terms of Reference, Steve Wadey and Martin Cooper are not members of the Audit, Nominations, and Remuneration Committees, and Neil Johnson is not a member of the Audit Committee.

7 Shonaid-Jemmett-Page was unable to attend the Board and Nominations Committee meetings on 19 September 2024 due to a prior commitment.

8 Gordon Messenger was unable to attend the Board meeting on 8/9 October 2024 due to a prior commitment.

9 Neil Johnson was unable to attend the Remuneration Committee meeting on 15 May 2024 due to a prior commitment.

Board decision-making

In making decisions, the Board of Directors is cognisant of undertaking its legal duties, including its duty under section 172(1), in the way that is most likely to promote the success of the Company for the benefit of its members as a whole, and the need to have regard to the factors set out in section 172(1); see pages 70 to 73 for more information.

Examples of some important decisions taken by the Board during the year, and the factors which the Board had regard to when reaching those decisions, are set out below.

1. Capital Allocation Policy

Background	Throughout FY25 the Company maintained in place a share buyback programme, and kept under regular review with the Board how its capital was balanced between shareholder returns, investment in its business and balance sheet leverage.
Board discussion	Board review and discussions were held primarily in November 2024 and March 2025, and covered detailed consideration of the options for deployment of the Company's capital, and the associated pros and cons of each option, alongside the interests of its various key stakeholder groups. These discussions, and the Board's understanding of the various business and stakeholder perspectives, were informed by direct feedback from shareholders; advice from the Company's brokers; the views of equity market analysts; and considering the application of the Company's capital allocation policy in terms of its impact on the Company's long-term strategy and planned investments in its facilities and its employees.
Board stakeholder considerations and impact	The Board took account of the views of a number of its major shareholders, through direct engagement at investor roadshows and one-to-one meetings held by the CEO, CFO and Group Chair. The Board considered the impact of capital allocation decisions on its ability to invest in its facilities for the benefit of delivering to its customers; capital investment in its operations to enable organic growth of its business; the returns on investment that its shareholders would receive; and the impact on planned investments for the benefits of its employees.
Outcome and next steps	The Board approved the extension of the Company's existing share buyback programme by a further £50m within FY25 and the commencement of a further £200m share buyback over a period of 2-years, to commence in FY26. This was based on balancing the various considerations of all stakeholders, and concluding that the further share buyback was in the best interests of its investors, including delivering returns on investment in the short term, and could be delivered without materially reducing the Company's ability to make planned investments in the medium to long term for the benefit of its customer delivery, its employees and its planned organic growth, and without adversely affecting its balance sheet leverage position.

2. Evolution of Board to bring in new capability

Background	FY25 saw a number of planned changes to the Board, driven by the implementation of its succession planning to ensure the skills and experience of the Board remained best aligned to the Company's strategy and its geographic focus areas, and to effectively harness diversity of experience, culture and thinking.
Board discussion	Succession planning during the year was supported by discussion at both Nominations Committee and at Board-level, which included input from the Group CEO and Chief People Officer on the strategic focus of the Company, and the support and input required from the Board to enable delivery of the Company strategy.
Board stakeholder considerations and impact	In setting its succession plans, the Board took consideration of the Company's strategic focus on its core home markets of the UK, US and Australia, the needs of its core government customers; its investors' desire to see continued strong strategic input and direction at Board level, with the right experience to guide the effective growth of the Company; and from an employee perspective, support and guidance in driving process simplification and efficiency.
Outcome and next steps	During the year, as a result of its succession planning, the Board saw the planned stepping down of Susan Searle at the end of her completed term, the transition of Dina Knight into the role of Remuneration Committee Chair, and the appointments of Roger Krone and Ezinne Uzo-Okoru to respectively bring deep and intimate U.S. defence sector and U.S. government experience and knowledge.

Board decision-making continued

3. Integrated Strategic Planning	
Background	Against the backdrop of a fast-changing and unpredictable macro environment, and rapid advances in technology brought by new disruptive competitors in the market, the Board was engaged in discussion and decision-making on how the Company should evolve its Integrated Strategy-to-perform Plan (ISP) in response.
Board discussion	The Board's considerations included the perspectives of political, customer, industrial and societal strategic influences, and the opportunities and threats they could pose to the Company in delivering against its strategy. This informed debate and decision-making on change needed to the Company's ISP, and identification of both short-term/long-term actions that needed to be taken.
Board stakeholder considerations and impact	At its October Strategy meeting, the Board brought to bear its experience and understanding of customer requirements and procurement strategy in the Company's three core home markets of the UK, US and Australia; how the changing geopolitical environment would likely impact the Company; and the threat and opportunity posed by the entry of new disruptive competitors in the defence and security market. Employee perspectives included future ways of working and risks to talent retention and attraction, particularly in relation to fast evolving new technology areas and skill sets important to performance of the Company's strategy. From an investor perspective, thought was given to the returns on investment that the Company's current and anticipated future shareholder base expected to see, and how the Company's strategy and deployment of its resources would best meet those expectations.
Outcome and next steps	The ISP process was shaped based on the input and guidance given by the Board, based on a long-term strategic outlook, and informed by key insights in to relevant political, customer and industrial perspectives across the UK, US and Australian markets. The output of the Board discussion and decision making was fed into the process for constructing the Company's latest five-year ISP, which has been further reviewed and refined through regular engagement with the Board at meetings between November 2024 and March 2025.

4. Cody Technology Park Disposal	
Background	In FY25 the Company sold its Cody Technology Park site, in Farnborough, UK, to Tristan Capital Partners, following a strategic decision to enter into a partnership with a property investor committed to investing in the site and developing its future as a centre of excellence in defence, science and technology in the UK.
Board discussion	The Board considered and debated the merits of the opportunity to partner with a property investor, and to sell the site, taking into consideration the need for focus on the Company's core business strategy; the benefits to the Company of the capital that would be achieved from the transaction; mitigating future risks; reducing the Company's ESG exposure; and the opportunity to create a fit-for-purpose long-term occupational footprint for the Company's Farnborough based operations.
Board stakeholder considerations and impact	The Board considered the short and long-term benefits for the employees of the Company, in terms of the facilities and working environment that could be offered at the Cody Technology Park site. The Board also evaluated the opportunity created for investment in facilities both at the Farnborough based site, and creating investment headroom for other facilities, which would improve the Company's ability to deliver to its customers. The Board also gave consideration to the potential to use capital raised from the transaction to invest in the development of the Company consistent with its capital allocation policy, including the potential for both short-term and longer-term returns for investors.
Outcome and next steps	The Board gave its approval for the transaction to sell the Cody Technology Park site to Tristan Capital Partners, and partner in the further development and modernisation of the site. An agreement for the sale of the site was consequently signed in September 2024 and the transaction completed in October 2024.

Board activity

The key business and activities of the Board during the year were as follows:

Topic:	Key activities	
Strategy and operations	– Reviewed and considered the Company's purpose, values and strategy. See more on **page 78** – Approved ISP-30, the Group's five-year Integrated Strategy-to-perform Plan (ISP). See more on **page 67** – Undertook in-depth reviews of business strategy and performance – Reviewed and approved material bids, any potential divestments and assessed performance against these – Received updates from each of the Group's Sectors and Functions on their performance vs strategy and budget, and their priorities and initiatives	– Oversaw evolution of Group's Capital allocation policy – Received reports and discussed the Group's Transformation strategy and investments – Reviewed progress of the Group's Digital & Data improvement programme – Monitored the economic, environmental, legislative and geopolitical landscape, particularly as regards the political climate in Ukraine and Gaza and regarding other global economic pressures
Financial performance	– Approved the Company's annual budget, business plan and KPIs, and monitored performance against them. See more on **page 36** – Reviewed and approved the Group's full and half-year results and interim trading updates – Approved the full-year and half-year dividends – Approved the Company's Annual Report, including its fair, balanced and understandable nature	– Reviewed and confirmed the Group's viability statement and going-concern status – Reviewed the Group's capital, debt and other liquidity arrangements – Approved the Group's tax strategy and treasury policy – Considered and approved expenditure and guarantees related to material bids, acquisitions and contracts
Internal control and risk management	– Reviewed and approved the Group's risk appetite and reviewed the Group's principal and key risks, the processes for identifying them, and actions to mitigate those – Received reports from the Chair of the Risk & Security Committee on its activities – Received reports from the Chair of the Audit Committee on its activities and assessments – Reviewed and validated the effectiveness of the Group's system of internal control	– Reviewed and approved confidential reporting policy and process – Regularly monitored confidential reporting reports and actions made within the Company (the process of which is described further on **page 91)**
Leadership, people and culture	– Received recommendations from the Nominations Committee on the appointment of new Directors, the re-election of Directors and other advice regarding the structure, size and composition of the Board – Reviewed and actioned succession plans for the Board and senior management, having regard to skills, experience and diversity – Reviewed and approved amendments to the Board Diversity, Equity & Inclusion Policy	– Received reports from the Chair of the Remuneration Committee on its activities, recommendations regarding remuneration strategy and decisions regarding the Group Chair's, Executive Directors' and senior management's pay, and reviewed and approved Non-executive Directors' fees – Reviewed people reports, including updates on talent development, retention and acquisition programmes and diversity and inclusion programmes
Engagement, environment and community	– Undertook an annual review of the Group's stakeholders – who they are, methods of engagement, outcomes and feedback. See more on **pages 70 to 73** – Reviewed feedback from investors and analysts and the output of engagement with major shareholders and other stakeholders – Reviewed workforce engagement activities and outcomes, including the results of the Peakon surveys and received reports on the Group Chair's workforce engagement activities	– Reviewed regular reports on our approach to ESG issues. See more on **page 38** – Reviewed the activities of, and approved a financial commitment to, the Company's environmental programmes, Net-Zero Plan and charitable and community initiatives
Governance and legal	– Approved the Group's section 172(1) statement. See more on **pages 70 to 73** – Approved the Notice of the AGM – Undertook an annual compliance review of the UK Corporate Governance Code and DTR7 – Undertook an annual review of the Group's Defence process and vulnerability position	– Reviewed the results of the internal Board and Committee effectiveness evaluations – Reviewed and approved matters reserved for the Board and its Committees' terms of reference – Reviewed and approved the Group's annual Modern Slavery and Human Trafficking statement, published on www.qinetiq.com

Management and control of US subsidiaries

QinetiQ's US Sector is comprised of QinetiQ Inc and its subsidiary operating companies, including Foster Miller Inc and the Avantus Federal group. These companies operate under a Special Security Agreement (SSA) between QinetiQ and the U.S. Government, which governs how the rest of the QinetiQ Group interfaces, collaborates and works with the companies in the U.S. Sector. The controls contained in the SSA are required by the U.S. National Industry Security Programme rule governing contractor access to classified information, to appropriately mitigate certain aspects of foreign ownership, control and influence to the extent they might otherwise adversely affect the interests of U.S. national security. QinetiQ Group plc, QinetiQ Inc and the U.S. Government are parties to the SSA, which establishes procedures that regulate the management and operation of our US Sector to achieve that mitigation. Under the SSA, the Board of Directors of QinetiQ Inc is comprised of three types of Directors, all nominated by QinetiQ Group plc, as the foreign owner of QinetiQ Inc., and approved by the U.S. Government. The these are Outside Directors, Inside Directors and Officer Directors of QinetiQ Inc.

Through the Inside Directors, QinetiQ maintains appropriate visibility of the management and operations of the companies in the US Sector. These positions are typically held by the Group CEO and Group CFO of QinetiQ Group plc. The Inside Directors serve as a minority representative of QinetiQ Group plc as the foreign owner, to ensure there is no undue control or influence on the actions of the US Sector. Inside Directors do not need to be U.S. citizens, and are excluded from access to U.S. classified and export-controlled information in possession of QinetiQ Inc and its subsidiaries.

Officer Directors are responsible for the day-to-day operations of the US Sector, and serve as a liaison with the wider QinetiQ Group. The Chief Executive & President of the U.S. Sector is the appointed Officer Director of QinetiQ Inc. Officer Directors must ensure that the procedures and requirements of the SSA are effectively implemented, and have an obligation to maintain the security of classified and export-controlled information entrusted to QinetiQ Inc and its subsidiaries, as well its ability to perform on classified contracts and participate in classified programmes. They must be resident US citizens who either have, or are eligible to possess, personal US security clearance.

Outside Directors must be resident U.S. citizens who are objective individuals, who have no prior relationship with QinetiQ, and possess personal U.S. security clearance. Our appointed Outside Directors are currently John Hillen, Chair of the QinetiQ Inc Board and Pamela Drew. The number of Outside Directors must outnumber the Inside Directors. Presently, a process is underway to recruit an additional Outside Director to ensure a minimum of three Outside Directors act on the Board, and until such additional appointment has been made only one Inside Director is acting on the Board. The Outside Directors also form the Government Security Committee, which is in place to ensure U.S. national security interests are upheld.

Employee engagement

We have experienced, diverse and dedicated people who are recognised as key assets to our business and who are critical to our success.

The Group has a long-standing commitment to the importance and value of employee engagement.

The Board recognises the value of engaging directly with employees to ensure an understanding of their views and inform its decision-making in considering employee interests. The Board typically holds a number of its meetings at different Company sites and undertakes site visits outside of scheduled board meetings, both in the UK and other home countries, to take the opportunity to meet with employees in person.

The engagement channels set out below describes how the Board continued to be able to effectively gain the views of employees throughout the year.

How we engage with our people

Dedicated Non-Executive Director

The Group Chair, Neil Johnson, is the dedicated Non-executive Director for gathering the views of employees

- At least two meetings with the Global Employee Voice (GEV) each year
- Attends the Global Recognition Gala and also Global Employee Roadshows
- Reports back to the Board

Global Employee Voice (GEV)

The GEV is a global forum that acts as the collective voice of all QinetiQ employees. Elected employees from across QinetiQ sites in all home countries represent the employees to the leaders of the Company

- Two meetings annually with Dina Knight, the Chair of the Remuneration Committee
- Regular meetings with the Group Chief Executive Officer and Chief People Officer, who reports to the Board on culture, employee and people strategy, and employee engagement

Monthly Q-Talks

Delivered by members of the QLC to their teams, with the purpose of keeping employees up-to-date with what is currently important across QinetiQ

- A mechanism accessible for employees to get a thorough understanding of what is happening in the Company and also to provide individual feedback

Regular QinetiQ Leadership Community (QLC) events – delivered by the QinetiQ Leadership Team (QLT)

Providing updates to the direct reports of the QLT on latest operational, financial, strategic and key stakeholder issues

- The members of the QLC feedback to their teams at team meetings sharing key messages on company strategy

Global Employee Roadshows

Delivered biannually by the QinetiQ Leadership Team, the Global Employee Roadshows give an update on the progress we are making against our vision and strategy, and provide an understanding of our key priorities for the future

- Employees have the opportunity to ask questions, either in person or through a number of online mediums
- Reported on to the Board by the Group CEO

Peakon Employee Engagement surveys

Quarterly surveys enabling the Board and the Leadership team to assess and understand issues affecting employee-engagement throughout the Group. See more on page 53

- After each survey, the Group Director Employee Experience has a meeting with the Group CEO where they discuss the results, trends and any matters for concern
- The Group CEO feeds back to his fellow Board members at each Board meeting
- QLC members interact directly with their team to identify tangible actions in response to feedback from each survey

Global Portal – our intranet

- A platform where all employees can access our polices and be kept fully informed of the latest Group news through internal communications and community groups
- Enables employees to ask questions and discuss topics internally

Confidential Reporting

QinetiQ has in place a Group-wide ‘Speak Up’ programme, which includes an externally provided confidential reporting process, as detailed on the Company’s intranet and in its Code of Conduct. All concerns are passed by the external third-party to the Group Director Internal Audit, who ensures that they are held in strict confidence and properly investigated

- Reports on confidential reporting activity and outcome of investigations are reported to the Board at each of its meetings
- The Board annually reviews the effectiveness of the Group’s confidential reporting process, provides challenge and advice on the issues raised, and remains satisfied that the process in place is fit for purpose

More information on the Group’s 'Speak Up' programme can be found on page 58

How does it work?

- By using a number of different employee engagement mechanisms and accessibility ensuring flexibility
- By having a direct link to the Board via the designated Non-executive Director
- By way of a dedicated forum to relay the voice of the employees
- By regularly reporting to the Board on culture, people strategy and employee engagement
- By drawing on each individual Board member’s accessibility and unique experience as business leaders

Nominations Committee report

// QinetiQ has successfully evolved its Board to bring new skills and experience, from a diverse range of backgrounds, to support the Company's strategic direction in delivering world-class technology and engineering for our customers in core national defence and security of the countries we work with. //

The Nominations Committee has overseen considerable change in both the Board and the senior leadership of the Company, ensuring diverse perspectives and experience are harnessed to best guide the strategic and operational decisions required to drive the Company's growth.

This year I've been impressed and pleased with the developments made in the senior leadership team, strengthening its capabilities, including the creation of a new Chief Operating Officer role taken up by Iain Stevenson, the recruitment of Martin Cooper as Group CFO and the appointment of Tom Vecchiolla to lead the US sector. Which has been mirrored by a number of changes in the Non-executive Directors on the Board, especially in terms of bringing increased sectorial experience in both the defence sector and broader government contracting in the US. This is a further execution of our succession plans to maintain the effectiveness of the Board and its Committees, aligned with the Company's strategic priorities.

Further details of the changes to the Board during the last year can be found on page 9.

The Nominations Committee undertook its usual assessment of Directors' continued independence for the year in review, and further information on the Committee's effectiveness can be found on page 98 and 99.

FY25 activity highlights:

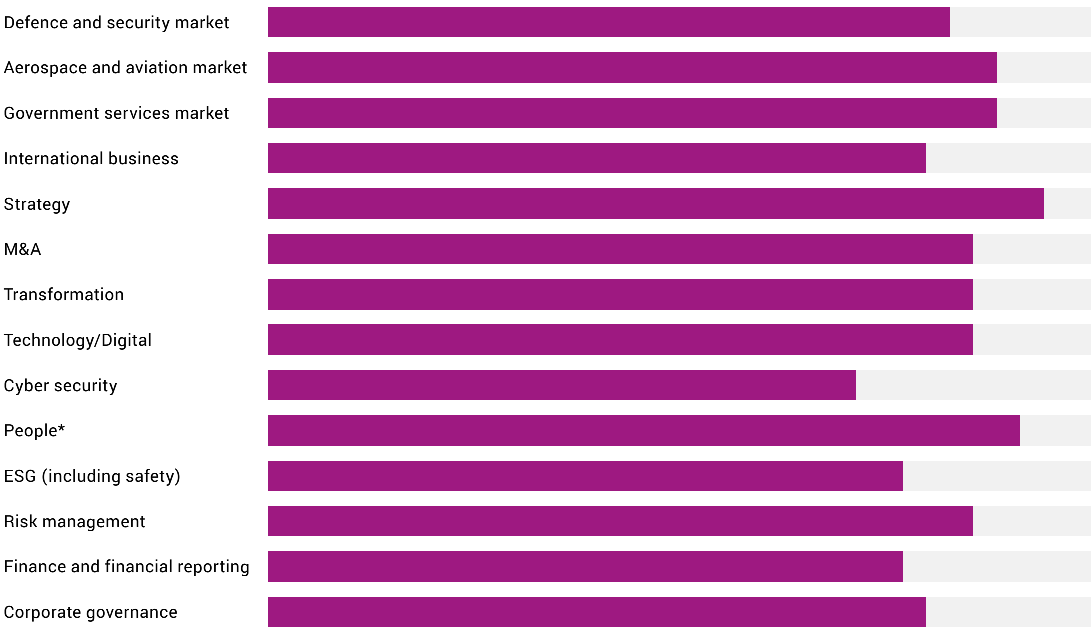
- Process to recruit two new Non-executive Directors
- Overseeing changes to the senior leadership team
- Review of Board and senior management succession plans – improved internal succession bench strength in leadership team
- Updates to Board Diversity Policy and the Company's inclusion initiatives
- Ensuring leadership succession plans enabled

FY26 Priorities:

- Progress towards meeting diversity targets under UK Listing Rules
- Overseeing the setting of Parker Review targets for diversity balance within Senior Management of the Company by 2027
- Building the experience of the Board in its leadership of achieving the Company's Climate Change targets and goals

Skills and experience

Our Board offers the obvious, expected strengths in governance, risk management and financial reporting. Equally impressive, however, are the coverage and deep knowledge held by the Directors in various industrial fields and markets globally, particularly in defence and security, government services and aerospace and aviation. This strength, when coupled with a broad diversity of age, gender, ethnicity and geographic balance, affords our Company a robust and strategic influence to match our high delivery standards.



* e.g. culture, diversity & inclusion, succession, talent, reward.

Principle responsibilities:

- Keeping the structure, size and composition of the Board under review
- Succession planning for Directors and other senior Executives
- Reviewing the leadership needs of the organisation, both Executive and Non-executive, to ensuring the continued ability of the organisation to compete effectively in its core markets
- In accordance with the Board Diversity Policy, identifying and nominating for Board approval, appropriately diverse candidates to fill Board and Committee vacancies when they arise
- Reviewing the time required from Non-executive Directors to sufficiently discharge their duties
- Evaluating the skills and experience of the Directors, to assess the Board's capability to support the execution of the Company's strategy and delivery of its operations
- Reviewing the independence of the Non-executive Directors and any potential conflict of interest for all Directors

Case study

Martin Cooper: Group Chief Financial Officer induction

As part of an extensive tailored induction programme, Martin received a number of briefings, including with the Chair, the Group Chief Executive Officer, his fellow Non-executive Directors, members of the QLT and other key senior management personnel.

The induction programme involved visits to sites in each of our Sectors, and included briefings from the Chief Executive and CFO of each sector. Martin also met with the Function Heads that support the Sectors, providing him with an invaluable introduction into the capabilities of each area of the business. During his first six months he has visited a number of UK sites, as well as undertaking trips to the United States, Australia and Germany. On many of these visits, Martin also met with a number of shareholders from the UK, US and Germany, to gain a rounded investor perspective of the organisation and the key objectives of its shareholders.

Information provided, as for all new Directors, included a number of key corporate briefing documents relating to the Group, such as the latest Annual Report and Accounts, strategy papers, the five-year plan, mergers and acquisitions pipeline, the internal audit plan and governance documents such as the Articles of Association and Terms of Reference of the Committees. As well as a Directors' responsibilities briefing to ensure awareness of the Company's governance approach and processes.

Succession planning

Board and Committees

The Committee annually reviews the composition of the Board and its Committees and the Nominations Committee expects to continue to implement its succession plans for the Board and its Committees in 2025/2026 and beyond. We use the process outlined below to ensure that we continue to recruit only candidates of the highest standard, that we continue to make progress towards our diversity and inclusion targets, and that we have the right balance of an appropriately experienced and skilled Board, yet maintaining a fresh perspective.

After this year's review the Committee is satisfied that we have an appropriate mix of skills, knowledge and experience to operate effectively.

Process step	Action	Outcome/impact
Identifying current and future needs and skills gaps	The Committee maintains and regularly reviews a matrix of the Directors' experience and skills to ensure that the Board and its Committees are composed of individuals who have the right experience and skills to enable them to shape (and, in the case of the Executive Directors, deliver) the Company's strategy, and to monitor and assess the effectiveness of the Company's control environment and management of risk. The matrix considers: – Diversity, including age, gender and ethnicity. – Background, professional skills and experience. – The number and balance of Executive and Non-executive Directors. – Length of tenure. – Independence.	– The appointment of Martin Cooper as Group Chief Financial Officer. – The appointment of Ezinne Uzo-Okoro and Roger Krone as Non-executive Directors with deep experience of U.S. Government and the U.S. defence and security market. – After Susan Searle stepped down as a Director and Chair of the Remuneration Committee in March 2025, Dina Knight assumed the role of Chair of the Remuneration Committee as part of a planned succession.
Ensuring that we get access to the best candidates	Regularly reviewing the recruitment agencies that we use to ensure that they are best placed to find QinetiQ the right mix of candidates, capturing the clear benefits of greater diversity. In addition, we pick the best-suited agency for the specific role currently being recruited for.	Sciteb (who has no other connection to the Group or any individual Director) was used for the recruitment of Ezinne Uzo-Okoro. Roger Krone was appointed after a direct recruitment process which did not involve a recruitment agency.
Ensuring accountability and success of the Board's performance	Annual Board effectiveness and performance evaluation, using an external provider at least every three years. See more on page 98: – Annual review of the Group Chair's performance led by the Senior Independent Director. – Annual independence review of the Non-executive Directors. – Continued assessment of the Non-executive Directors' time commitment. – Policy on Board members' appointments to other Boards – Annual performance review of the CEO and CFO, supplemented by the Group Chair's and Non-executive Directors' continual assessment of their performance. – A thorough induction programme for new Directors. – Annual training for the Board as a whole and on an individual basis.	– The FY25 Board effectiveness review concluded that the Board has been effective, engaged with and was helpful to the organisation. – A summary of the Board's decision-making, considering section 172(1) can be found on pages 70 to 73.

The effectiveness of the Committee's succession plans is demonstrated by the appointment in FY25 of Ezinne Uzo-Okoro and Roger Krone, who have further enhanced the Board's portfolio of experience. Ezinne has deep knowledge in technical leadership and a wealth of relevant experience in US national government operations, while Roger has extensive transformational leadership experience in the defence industry, combined with a great understanding of the US markets.

The process that the Committee has established, together with the particular considerations it takes into account, in identifying and nominating Director candidates, is set out below:

A sub-Committee of the Nominations Committee is appointed to oversee the recruitment and appointment process

↓

A tender process identifies the most suitable recruitment agency to conduct the search and prepare candidate specifications

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The sub-Committee reviews the list of candidates and narrows down to a short-list of those who best meet the Company's requirements, considering the following:

↓

Background, skills and experience	**Independence and other commitments**	**Diversity**	**Other individual attributes to widen the Board's overall knowledge, providing challenge and further support**

↓

The sub-Committee conducts initial interviews with the candidates on the short-list and identifies preferred candidates

↓

Other Board members, including the Group CEO and Group CFO, interview the preferred candidates

↓

Nominations Committee recommends to the Board which of the preferred candidates best fulfils the Board's and its Committees' needs

Senior management succession planning programme

The Committee has undertaken its usual programme of senior management succession planning. Senior management for this purpose includes the members of the QinetiQ Leadership Team, as well as those talented individuals who have demonstrated the potential for promotion to higher or broader positions in the Group's senior management structure.

The programme includes an annual review of such senior managers' experience and skills and their progress and notable achievements to ascertain their potential for further career progression. The Committee also keeps the performance of potential successors to Executive Director roles under regular review throughout the year during Board interactions and visits to the Company's operations.

This gives Committee members the opportunity to observe senior managers' working practices and relationships with their stakeholders first-hand. These reviews complement the Executive Directors' assessment of these individuals' performance through a formal process of annual reviews and continual feedback and support. This enables the Committee to identify any gaps in the senior management succession pipeline which may need to be met externally, and any requirements for senior managers' further development.

In light of FY25 performance, a significant programme of work will take place in FY26 to revise the QinetiQ Operating Model to enable the shift in business performance required. This will include changes to the QLT structure.

This year has seen further focus on both promotion of internal talent and the external strengthening of key aspects of the Executive QinetiQ Leadership Team. This has resulted in leadership changes announced in April 2024, including the recruitment of Martin Cooper as a new Group CFO and Iain Stevenson in a newly created Chief Operating Officer role, and subsequent changes announced in April 2025 to position the Company for future success to drive consistent performance and growth.

Board and Company commitment to diversity

The Board is committed to ensuring diversity in all aspects (including as regards to gender, ethnic and social background), at Board and senior management-level and throughout the Company's employees. This is because we believe diversity can:

- Improve decision-making at all levels of the business by ensuring diverse perspectives.
- Ensure we can attract and retain the best talent with a culture of inclusion where all individuals are respected and supported to reach their full potential.
- Better serve our customers, other stakeholders and the communities in which we operate by ensuring that the diversity of our workforce demographic is representative of the diversity of such stakeholders.

This commitment is aligned with our values, which in turn support our strategy of growth by retaining and winning business through having the best talent and delivering the best service for our customers. See more on Diversity, Equity & Inclusion on page 55.

Board Diversity Policy

Our commitment is confirmed in the Board's Diversity Policy, which has been updated and strengthened again this year, and which applies to the Board and all of its Committees – the main objectives of which are:

- To achieve and maintain targets on gender and ethnic diversity on the Board and its Committees.
- To ensure that the membership of the Board and its Committees reflects the diversity of the geographies and communities we operate in, and the customers that the Group serves.
- To respect the differences of its members, and value and encourage the diversity of thought that such differences can bring – in each case within the context of Board members having, between them, the experience and skills required to support the development, oversight and delivery of the Company's strategy.

We are pleased to have seen the positive benefits to these initiatives, which have resulted in improvements in both gender and ethnic diversity at a number of levels of the business, including:

- Two members of the Board identify as coming from an ethnic minority background.
- The Audit and Remuneration Committee Chairs are female with Shonaid Jemmett-Page continuing as Chair of the Audit Committee and Dina Knight replacing Susan Searle as Chair for the Remuneration Committee as a result of succession planning.
- Female representations of the direct reports to the QLT has increased to 28.9% (27% in 2024), and remains a key area of focus.

The Company has, as at 31 March 2025, met the following target, as referenced in Listing Rule 6.6.6(9): that there should be a Director from a minority ethnic background on the Board. The remaining targets: that at least 40% of the Board are women, and that at least one of the senior Board positions is held by a woman have not been met, due to a change at executive director level which resulted in a role held by a female being filled by a male following a recruitment process. The Company's mandatory requirement for a diverse candidate pool ensures that we continue to have the opportunity to recruit candidates from all gender, cultural and ethnic backgrounds, while we remain focused on recruiting the best candidate for any role based on merit.

Voluntary disclosures required under Listing Rule 6.6.6(10)R as at 31 March 2025

(a) Table for reporting on gender identity or sex

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
Men	7	64%	4	7	77.8%
Women	4	36%	0	2	22.2%
Not specified/prefer not to say	N/A	N/A	N/A	N/A	N/A

(b) Table for reporting on ethnic background

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
White British or other white (including minority-white groups)	9	81.82%	4	4	44.44%
Mixed/multiple ethnic groups	N/A	N/A	N/A	N/A	N/A
Asian/Asian British	1	9.09%	N/A	N/A	N/A
Black/African/Caribbean/Black British	1	9.09%	N/A	N/A	N/A
Other ethnic group	N/A	N/A	N/A	N/A	N/A
Not specified/prefer not to say	N/A	N/A	N/A	5	55.56%

The above data was obtained on a voluntary self-reported basis. Participants were invited to provide information through a secure electronic portal, wherein they were asked to share detail such as ethnic background. As part of our refreshed Engagement and Inclusion strategy which will be launched in H1 FY26, we are focusing on increasing our ethnic minority representation within our Senior Management team and are working through the process of setting the right target to support achievement of this. This will be achieved through creating diverse recruitment and talent pipelines and through delivery of our culture change programme of work which will support creation of an inclusive culture where everyone can feel they belong and thrive.

Director effectiveness

A performance evaluation of the Board, its Committees and the individual Directors is conducted annually, with an externally facilitated review required at least once every three years. As illustrated by the chart below, FY25 was the first in our latest three-year cycle and an external evaluation was undertaken by Emma Bendon of Bendon Advisory. In FY26 and FY27 internal evaluations are anticipated to be carried out. Neither Emma Bendon , nor Bendon Advisory has any other connection to the Group.

The principal sources of data used to assess the effectiveness of the Board and its Committees were questionnaires completed by each Board member and a selection of members of the senior management team, followed by interviews to gain further insight into feedback given.

The Company Secretary, in consultation with the Group Chair and Committee Chairs, will review and analyse the results of the evaluation by reference to the scores given, the specific observations made, and any conclusion made or recommendations given for improvements. Following which, actions to be taken will be agreed in discussion with the Board and its Committees.

The actions taken by the Board and its Committees during the course of this year in response to the output of its effectiveness review are shown below:

Director effectiveness

Year 1

FY25 – External

evaluation by selected independent consultants Bendon Advisory, with an agreed scope of review and approach

Year 2

FY26 – Internal

evaluation to focus on reviewing core effectiveness and areas identified for development from the Year 1 external evaluation

Year 3

FY27 – Internal

evaluation to focus on reviewing progress made on areas identified for development from the Year 2 internal evaluation and identify any gaps where further action is required to improve

Areas for focus	Action taken during the year
Supporting the further maturation of the Company's Three Lines Model within its Group-wide control and assurance framework, including the embedding of defined roles and responsibilities for the first and second lines of assurance.	The Board, led by the Chairs of the Risk & Security and Audit Committees, has been actively engaged in giving guidance to the Company's programme for strengthening and maturing its Three Lines Model, with a particular focus on improvements to the definition and clarity of the roles and responsibilities for its first line and second line assurance. This has been implemented through workshops led by the Company's Chief Risk Officer designed to ensure that leaders and managers within the organisation responsible for assurance understand and are aligned on the relevant roles and responsibilities. That improved definition of roles and responsibilities will now be embedded within the Company's assurance processes and working practices.
Undertaking re-assessment of the Board's skills and experience, following a number of recent changes in Board composition, to be reflected in an update to the Board's skills matrix, aligned to the Company's evolving strategy.	Following four new Non-executive Director appointments being made to the Board within the last 18 months, a more detailed assessment of Board skills and experience has been undertaken to understand strengths, and any experience gaps, relevant to the Company's current strategy, opportunities and risks. This will be used by the Board and its Nominations Committee to inform and guide its succession planning.
Achieving a deeper level of Board understanding of material risks in the Company's supply chain and how those risks are managed and mitigated by its business.	The Company has undertaken an in-depth review of its supply chain, including achieving better efficiencies in its operation and management of the supply chain, and also how supply chain risks can be better managed and mitigated. This has been facilitated through an external consultancy, Boston Consulting Group. The output of this activity will support enabling the Board to gain deeper insight and understanding into the relevant risks in the different parts of the Company's supply chains, and how material risks are managed.

The Group Chair's individual performance

As part of our annual evaluation process, Steve Mogford, as Senior Independent Director, led a review of the Group Chair's performance. At a private meeting, the Non-executive Directors, with input from the Executive Directors and Company Secretary, assessed the Group Chair's ability to effectively fulfil his role. It was concluded that he had showed effective leadership of the Board and his actions continued to influence the Board and the wider organisation positively.

Director induction

On joining the Board, whether in an Executive or Non-executive role, each Director undertakes an induction programme covering subject areas relevant to the requirements of their role. This programme is designed to fast-track a new Director's understanding of the Group's purpose, values, strategy and operations, thereby equipping them to perform their role.

Details of the induction programme, organised by the Company Secretary in conjunction with the Group Chair, for new Non-executive Directors, is illustrated by the following diagram:

Background reading material, including previous Board and Committee packs, investor and strategy presentations, relevant Company procedures and Board policies

↓

Meetings with the Group Chair, Executive Directors and members of senior management

↓

Guidance on corporate governance arrangements, including the Board and Committee agendas and procedures, Board succession-planning and Board evaluation – provided by the Company Secretary

↓

Visits to Company sites, meetings with senior local management

↓

Meetings with the Chair of the Committees, external auditors and external remuneration advisers

The Directors' individual performances

The Group Chair, Neil Johnson, held performance meetings with each Board member to discuss their individual contribution and performance over the year, and their future training and development needs. After these meetings, Neil Johnson confirmed to the Nominations Committee that, during the year, all Directors have demonstrated a clear commitment to their roles.

Meetings and Director site visits

Physical Board meetings and Director visits are scheduled throughout the year at our sites, both in the UK and internationally. Locations for meetings and site visits are agreed annually and are arranged by the Company Secretary with assistance from the QLT as appropriate.

During the year the Board held physical meetings in London and Lincoln in the UK, as well as some Board meetings that continue to be held virtually.

In October 2024, the QinetiQ Lincoln office hosted the Board for their annual strategy meeting, which included a site visit to RAF Waddington, where the Board received a briefing from Group Captain Andy Ross on the work of the QinetiQ lead SOCIETAS programme in the Joint Electronic Warfare Operational Support Centre (JEWSOC). The Board were able to engage with Inzpire at their business headquarters and with QinetiQ employees over lunch.

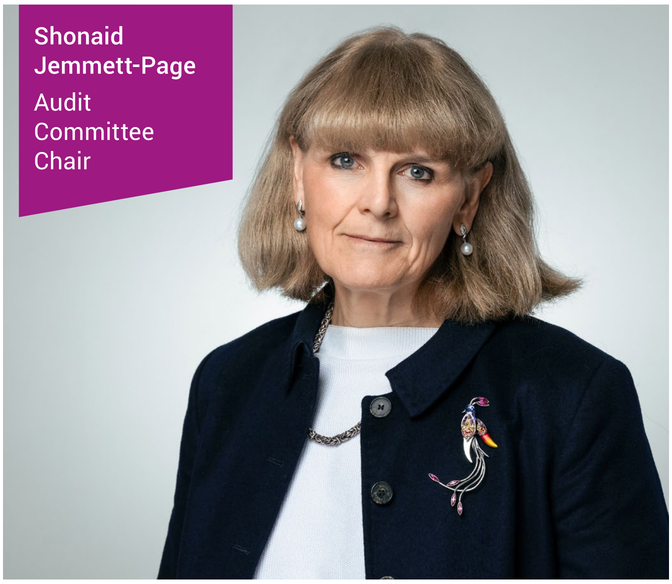
In 2024 the Group Chair paid visits to our sites at MOD Aberporth, MOD Pendine, Fort Halstead and Ashford, as well as two of our sites in Germany.

Ongoing Director training

The Directors have the opportunity to participate in an ongoing training programme organised by the Company Secretary. This includes the Company Secretary keeping the Board briefed on relevant regulatory changes, and arranging external training, as required.

During the year PwC briefed the Board on forthcoming changes to the external audit and governance environment and Ashurst provided Directors with training on Directors duties, and gave an overview of recent legal and regulatory updates. Further training on safety and security as well as climate change is planned for FY26.

Audit, risk and internal control



Shonaid Jemmett-Page
Audit Committee Chair

Dear Shareholder,

I am pleased to present this report which sets out the work carried out by the Audit Committee during the year, including the key topics it has considered and how it has discharged its responsibilities.

The Audit Committee continues to ensure the integrity of reporting, including the Annual Report and Accounts. For FY25 the Committee has reviewed and challenged the key accounting estimates and judgements inherent within the financial results, particularly the assumptions relating to the goodwill impairment testing, the allocation of restructuring related adjustments and long-term contract accounting.

The Committee welcomes the strength of the Group's ESG credentials and supports the evolving sustainability agenda, including target-setting, assurance and reporting. Its work during the year in this area has included the embedding of existing requirements and the preparation and planning for future requirements.

The Committee provides oversight of the system of internal controls and risk management across the business. This includes considering both financial and non-financial risks.

In preparation for the upcoming changes in the UK Corporate Governance code and declaration on the effectiveness of controls, the Audit Committee has spent significant time during the year guiding the ongoing work to identify the relevant material controls and to plan for the testing and assurance strategy.

The US sector has been in a transitional year, now refocused with a refreshed strategic clarity reflecting market dynamics and pipeline opportunities. It continues to be an area of focus for the business and therefore for the Committee. As the business resets and continues to evolve and mature, the Committee will ensure that there is a strengthened and more consistent system of internal control and risk management which is appropriate for the portfolio of operations in the US. The Committee maintains regular dialogue with the US Special Security Arrangement (SSA) Audit Committee.

The internal audit function continues to be effective and collaborative. It has been instrumental in informing the Committee's work on a range of topics including cash flow forecasting and the associated target setting.

The key areas for focus for the Committee are addressed by the internal audit plan, the scope of work of the external auditors and scheduled deep-dive review sessions. The focus areas are set and evolve based on the changing needs of the business and the risks it faces, as it simplifies its strategy and investment case and seeks to deliver more effectively for all stakeholders. The full terms of reference of the Committee can be found at www.qinetiq.com. The Committee is content that it meets the relevant responsibilities set out in the FRC's External Audit: Minimum Standard.

Looking ahead the Audit Committee is keen to oversee further improvements and enhancements to the Group's control environment as it evolves through its performance focus and delivers against its strong growth prospects in the near, medium and long term.

I hope you find the information in this report about the Committee's work helpful and I will be pleased to answer any questions you have about it at this year's AGM.

Shonaid Jemmett-Page
Audit Committee Chair

Activities during the year

Financial reporting

During the year the Committee spent significant time reviewing the most critical accounting estimates and judgements inherent within the annual and interim financial results. These include the assumptions within the Goodwill impairment testing, judgements relating to the future costs and risks within long-term contracts, the quality of income and the allocation between underlying performance and specific adjusting items. The quality of income review includes considering one-off items within the underlying results and their consequence on the overall sustainability of earnings. We also reviewed the cut-off of income expenditure between the current and prior year. This assessment informs the Committee's work on determining whether the accounts are fair, balanced and understandable, and whether any adjustments should be considered in remuneration calculations.

The Committee also paid close attention to the accounting for the sale and leaseback transaction relating to Cody Technology Park, given its materiality and the complexity of the accounting under IFRS 16.

During the year, the Committee held deep-dive sessions into various topics including the status and future strategy of the pension scheme, debt financing and covenant management, operating cash performance management and tax strategy including OECD Pillar II compliance.

Fair, balanced and understandable

In accordance with the Code, the Board has established processes to ensure that all reports and information it is required to present in accordance with regulatory requirements, represent a fair, balanced and understandable assessment of the Company's performance, position and prospects.

As such, the Audit Committee was requested to provide advice to the Board on whether the FY25 Annual Report and Accounts, taken as a whole, provide a fair, balanced and understandable assessment of the Company's financial position and future prospects and provide all information necessary to a shareholder to assess the Group's performance, business model and strategy.

Following the established process, the Committee reflected on the information it had received and its discussions throughout the year. The review is a well-established and documented process involving senior management and the core reporting team. The assessment was assisted by an internal verification of the factual content by management, a review at different levels of the Group to ensure consistency and overall balance, and a comprehensive review by the senior management team and the external auditors.

The Board considers that the FY25 Annual Report and Accounts, taken as whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position, and performance, business model and strategy.

Rigour over non-financial reporting (TCFD and other sustainability metrics)

The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 place requirements on QinetiQ to incorporate climate disclosures in the Annual Report and Accounts. Since FY22, we have included a section in this report which addresses the four TCFD recommendation pillars (Governance, Strategy, Risk and Metrics) and 11 disclosures. We are committed to continuous improvement as guidance and methodologies mature. The Committee has reviewed the proposed disclosures and endorsed the assumptions and judgements applied by management.

With the growing and evolving body of non-financial reporting requirements, the Audit Committee charter includes Non-Financial Reporting, to ensure that the Audit Committee has oversight of non-financial reporting (including TCFD). The Committee has a standing agenda item and is briefed quarterly. The Committee is provided with a reporting tracker providing progress on all current reporting, an update on how new requirements are being prepared for and a horizon scanning summary to look further ahead. The TCFD reporting, on page 46, has been reviewed and endorsed by the Committee.

Internal financial controls

Internal financial controls are the systems that the Group employs to support the Board in discharging its responsibilities for financial matters and the financial reporting process.

During the year, the Audit Committee spent significant time understanding and validating management's roadmap to prepare for the upcoming required declaration relating to the effective operation of material controls. The Committee reviewed and challenged the assessment of material processes, and is guiding the ongoing work to identify material controls within each process area and establish a testing and assurance strategy.

The Committee maintains regular dialogue with the US Special Security Arrangement (SSA) Audit Committee, regarding scope and coverage and the sharing of best practice. The Committee takes a keen interest in the ongoing evolution of the US Sector's control environment as integration of the underlying businesses continues.

Key issues and judgements impacting FY25 accounts

Issue	Key uncertainties and judgements	Review and challenge	Conclusion
Impairment of goodwill and acquired intangibles	The Group holds goodwill on its balance sheet in respect of various Cash Generating Units (CGUs). An impairment review has been undertaken to assess the level of headroom (the difference between the net present value of future cash flows and the carrying value of net operating assets) in respect of all CGUs. An impairment charge has been recognised in respect of the Group's combined US sector CGU.	The Committee reviewed the outputs of management's annual impairment testing exercise, noting the use of external advisors to prepare the technical assumptions (discount rates, long-term inflation) which have also been verified as appropriate by the external auditors. The Committee held detailed discussions with management and the external audit team, specifically challenging revenue and profit assumptions, as well as the technical assumptions.	There are a wide range of outcomes to the impairment test which is very sensitive to outer year cash flows. On challenging management, the Committee concluded that management's estimates were reasonable and that the associated disclosures within the financial statements are adequate.
Long-term contract accounting Risk assessment on key contracts	The Group has a large number of contracts which span multiple periods and are accounted for on a 'percentage of completion' basis in accordance with IFRS 15. Long-term contract accounting requires a number of judgements and management estimates to be made, particularly in calculating the forecast costs to complete the contract, and resultant contract profitability.	The Committee received commentary from both management and the external auditors in respect of the most significant contracts being delivered by the Group and discussed the main financial assumptions (including level of risk reserves, assumed forecast savings challenges and the use of Monte-Carlo modelling).	The Committee concluded that management's best estimates were reasonable.
Sale and leaseback transaction Cody Technology Park	During the year the Group entered into a sale and leaseback transaction relating to Cody Technology Park. The transaction resulted in a loss on disposal of £36.6m which is classified as a specific adjusting item.	The Committee reviewed the calculation and the key assumptions which related to the allocation of both carrying and fair values to the various portions of the site, noting the use of specialist external advisers to assist with the property and lease valuations.	The Committee concluded that the methodology and key assumptions were reasonable.

// We continue to strive for continuous improvement and, whilst there have been some challenges in the second half of the year, progress has been made in enhancing the internal control environment and preparing for the upcoming changes in the UK corporate governance code. //

Issue	Key uncertainties and judgements	Review and challenge	Conclusion
Specific adjusting items	The Group reports underlying performance which excludes the impact of specific adjusting items.	The Committee receives an update on the nature and quantum of specific adjusting items, as well as management assessment as to their appropriate use.	The Committee agreed with management's assessment that the restructuring costs and other such items are distorting in nature and it is therefore consistent and helpful to the reader to separate their impact.
Restructuring costs	Specific adjusting items for FY25 includes the impairment of Goodwill in the US as well as the costs of restructuring and a number of associated impacts in the US		
Digital investment	The ongoing one-off period of digital investment continues to be included as a specific adjusting item.		
Acquisition and disposal related costs	Specific adjusting items also include a number of acquisition and disposal-related costs including post-acquisition integration costs and one-off post-acquisition remuneration costs.		
Provisions and contingent liabilities	The Group holds provisions in respect of legal, regulatory and environmental issues. Judgement is required in determining whether provisions are required.	The key judgements considered by the Committee were the quantum of the potential costs involved, probability of economic outflow, disclosure requirements, and in relation to the Pendine incident, that insurance will cover the cost of any civil damages (with a provision of c£12.1m being recorded together with an equally offsetting Other Receivable).	The Committee concluded that management's best estimates were reasonable.
Restructuring and other provisions	Specifically, a provision is held in respect of the recently announced restructuring, various obligations relating to the sale and leaseback transaction and the incident at the MOD range at Pendine in a previous financial year.		
Pensions Net pension asset valuation	The Group's net pension asset increased during the year. The key assumptions relate to inflation, discount rates, demographic assumptions and liability experience data.	The Committee reviewed and challenged the results of the valuation exercise, and the key assumptions used, noting the use of external advisers to prepare the calculations.	The Committee concluded that the assumptions and outputs made by management and the external advisers were reasonable.
Taxation Key judgements including recoverability of losses	The key accounting assumptions relating to tax include tax and RDEC provisioning and the recoverability of deferred tax balances relating to historical losses. During the year the Group has derecognised the deferred tax balance in respect of historical losses in the US.	The Committee reviewed and challenged the key judgements taken by management, particularly relating to the future recoverability of deferred tax relating to losses, which will depend on the future financial results of the relevant entities and has linkages to the testing of Goodwill for impairment.	The Committee concluded that the judgements made by management were reasonable.

Going concern and long-term viability statements

The acquisition of Avantus during FY23 took the Group into a net debt position. The Audit Committee continues to pay close attention to the Group's net debt and leverage positions, and their underlying drivers including free cash flow generation, capital allocation including the share buyback extension and one-off transactions such as the sale and leaseback of the Cody Technology Park site.

The Committee has again reviewed the annual going concern and long-term viability assessments, in particular considering the renewal dates of key long-term customer contracts, forecast covenant compliance, debt capacity and the implications of the ongoing share buyback programme which was extended during the year.

After review of the available information and challenge of the underlying assumptions, the Committee has concluded that the Group will be able to continue in operation and meet its liabilities as they become due through to 31 March 2030. The Committee considered it appropriate that the long-term viability statement continues to cover a five-year period. In reaching its conclusion, the Committee reviewed the budget for the next financial year, the five-year business plan, the stress-testing scenarios applied and the mitigating actions available. The viability statement and the going concern statement can be found in full on page 67, including the detail on how the assessments were conducted.

Internal Audit

The Group Internal Audit function operates independently as part of the third-line under QinetiQ's adoption of the Three Lines Model (see page 63 for further details). The function continues to provide an independent input to help maintain a robust system of risk management and internal control, and also to ensure there remains a collaborative approach to assurance across the Group.

Group Internal Audit have formally reported to the Audit Committee four times during the year. The Committee approves the annual audit plan, reviews the findings from the audit reviews, and assesses the overall effectiveness of the internal audit process. A key aim for the audit plan is to ensure that significant financial and non-financial risks are reviewed on a rolling basis, with the plan built around a number of priorities including core project management processes and controls, controls over budgeting and forecasting, target setting and safety improvement initiative progress. Fraud risk management has also been a priority area in FY25 as well following the release of new UK legislation that includes an offence of failure to prevent fraud. The overall assessment following the audit and assurance activity is that the control environment is considered effective, with a culture conducive to improving internal controls and risk management processes.

This year, to assess the overall effectiveness of the internal audit process the Committee commissioned an external review by Grant Thornton, a process that included interviewing members of the board and, senior management, and reviewing artefacts. The result overall was very positive, and whilst there were helpful recommendations raised, it was reported that there was a high degree of compliance to the new Global Internal Audit Standards and Code of Practice.

Looking forward into the next financial year the Committee recognises the importance of addressing the new UK corporate governance requirements whilst allowing sufficient time to provide assurance over other key internal projects such as the business systems upgrades in the UK and Australian businesses. Other priority areas include financial reporting and core internal controls, export controls, and risk management.

The team has remained stable, and as we progress in to the new financial year the function is enhanced by being part of the graduate programme and having a placement for part of the year.

Risk management

The Group Risk Management function operates independently within the business, as part of the second line assurance under QinetiQ's adoption of the Three Lines Model (see page 63 for further details). The function works closely and collaboratively with the business, providing an independent input to help develop a robust system of risk management and internal control, and is fully engaged with the ongoing work to prepare for the upcoming required declaration relating to the effective operation of material controls. The Committee notes the continual activity to monitor the risk landscape and ensure the principal risks to the business are mitigated effectively through robust and transparent risk management activity.

Treasury strategy and compliance

The Group Treasury policies and procedures provide a robust framework of internal controls for the management of treasury risks faced in a net debt environment. These include; monitoring of leverage and availability of liquidity through Group cash forecasting, managing intra-Group loans and financing arrangements, meeting our covenant compliance and legal requirements for our banking partners, and managing our financial exposures to foreign exchange and interest rate fluctuations. The Committee continues to challenge and review this framework to ensure that it is fit for purpose and robust enough to meet the changing nature of financial and counterparty risks, the interest rate environments and other macroeconomic factors, and the banking sector's policies on investing in the defence sector, which impact the availability of liquidity.

Tax strategy and compliance

The Group Tax policies and procedures provide the framework of internal controls for the management of tax risks for the growing business in an ever-changing global regulatory environment, in which tax transparency has increasing prominence. The Committee reviews the Group's tax affairs annually, which includes considering the Group Tax Strategy, status of any tax audits and filings, tax accounting judgements (including the recoverability of deferred tax assets and any judgements relating to RDEC income) and associated disclosures, the structuring of key transactions and important regulatory changes, such as the adoption of global Pillar 2 compliance. The UK tax authorities tested the Group Tax policies and procedures during last year's business risk review and provided an overall low risk rating across all measures of systems and delivery, governance and approach to tax compliance.

External audit

PwC audit scope

QinetiQ Limited, QinetiQ Australia and the combined QinetiQ US sector (comprising the Foster Miller Inc, MTEQ and Avantus entities) are 'full scope'. This represents a change in scope for the US sector from the prior year after the further integration of the underlying businesses, move to a new single accounting system and a common control environment. Consistent with the prior year, QinetiQ Target Systems Limited is also in scope for inventory only. The Committee viewed it appropriate for the audit scope to be enhanced for the US sector given the underlying changes in the business and so as to provide greater audit coverage over the consolidated financial statements.

Non-audit work and auditors' independence

The Committee is responsible for the Group's policy, the Code of Practice on non-audit services and the approval of non-audit services. The Code of Practice is applicable to all employees and sets out the principles for regulating the award of non-audit work to the external auditors.

To safeguard the auditor's independence and objectivity, and in accordance with the 2019 FRC's ethical standard, the Group does not engage PwC for any non-audit services except where it is work that they must, or are clearly best-suited to perform.

Accordingly, the Group's policy for the engagement of the auditors to undertake non-audit services broadly limit these to audit-related services such as reporting to lenders and grant providers, where there is a requirement by law or regulation to perform the work. All other non-audit services are considered on a case-by-case basis in light of the requirements of the ethical standards and in compliance with the Group's own policy.

The Committee approves the terms of all audit services as well as permitted audit-related and non-audit services in advance. Pursuant to the Code of Practice, any non-audit services conducted by the external auditors require the prior consent of the Group Chief Financial Officer or the Chair of the Audit Committee, and any services exceeding £50,000 in value require the prior consent of the Committee as a whole. For work that is permissible by type, the Committee will take into consideration the size of the contract in proportion to the Group's revenue and profit, and also the total size when aggregated with other contracts with PwC, noting that some non-auditing services are subject to an annual regulatory 70% spending cap of the average of the audit fees billed over the last three-year period.

It is also the Group's policy that no former PwC employee may be appointed to a senior position within the Group without the prior approval of the Group Chief Financial Officer.

Review of non-audit work during the year

The Committee reviews the cost and nature of non-audit work undertaken by the external auditors at three meetings during the financial year as a standing item, with a fourth meeting considering the auditor's fees as part of the year-end review. The Committee concluded, prior to engaging PwC for the provision of these services, that there had not been any conflict of interest that might compromise the independence of PwC's audit. Fees paid to PwC are set out in note 8 to the Consolidated Financial Statements on page 148.

Non-audit related fees paid to the auditor during the year were £0.17m (FY24: £0.16m), representing 10% (FY24: 9%) of the audit fee. This included £0.12m (FY24: £0.12m) relating to the review of the half-year results. Our annual review of the external auditors takes into account the nature and level of all services provided.

Review of the effectiveness and the independence of the external auditors

At its September meeting the Committee discussed the effectiveness of the external audit for FY24. PwC continues to perform its audit work to a high standard, with a deeper understanding of the Company's business, key contracts, control processes and the matters on which significant accounting judgements or estimates are required. The Committee is of the view that PwC provide a well-considered validation and robust challenge of management's views as appropriate. Following several recommendations made in previous years the audit process is now in a stable cycle of continuous improvement with no significant changes made during FY24 or FY25.

Audit appointment and partner succession

PwC was appointed as auditor of the Group at the 2017 Annual General Meeting (AGM) following a tender process. PwC are now in their eighth year as auditor, with the external audit engagement partner, John Ellis, in his third year, having taken the lead for the FY23 audit cycle. The external audit contract will be put out to tender at least every 10 years. During FY26 the Committee will start planning for an external audit tender to take place in FY27 to ensure that PwC are reappointed or new auditors are appointed for the FY28 audit cycle. The Committee is of the view that the timing for the audit tender strikes an appropriate balance between continuity for the current audit firm and consideration of alternative firms.

The Committee and the Board will be recommending PwC's reappointment at the 2025 AGM for the FY26 cycle.

Governance

Audit Committee structure

The Audit Committee is comprised entirely of independent Non-executive Directors and is chaired by Shonaid Jemmett-Page, who is considered by the Board to fulfil the Code requirement of having recent and relevant experience from the financial sector.

The Board considers the members of the Audit Committee to be independent and, in accordance with the Code, the Board concludes that the Committee as a whole possesses competence relevant to the Group's sector, having a range of financial and commercial experience in the industry and the commercial environment in which the Group operates. The Group Chief Executive Officer, Group Chief Financial Officer, Group Financial Controller, Group Director Internal Audit, Chief Risk Officer and representatives of the external auditor attended all Committee meetings by invitation during the year. Twice a year we also welcome the Chair of the US SSA Audit Committee to update us specifically on the internal controls and risk management across the US business. The Committee met with PwC and the Group Director Internal Audit on two separate occasions, without Executive Directors present, to discuss the audit process and assure itself regarding resourcing, auditor independence and objectivity.

Audit Committee effectiveness review

The evaluation of the effectiveness of the Committee was conducted alongside the Board effectiveness review, in the external evaluation year of its three-year cycle for FY25. See more on pages 98 and 99. The outcome of the evaluation confirmed that the Committee continues to operate highly effectively and determined that Committee members have good oversight of, and are able to raise appropriate challenges in respect of, important financial matters, such as the significant accounting judgements and estimates relevant to the Group's financial statements, and the implementation of new accounting standards.

Statutory audit services compliance

The Company confirms that during the year under review it applied and was in compliance with the Competition and Market's Authority's Order on statutory audit and services, which relates to the frequency and governance of external audit tenders and the setting of a policy on the provision of non-audit services.

Risk & Security Committee report

Dear Shareholder,

I am pleased to present our Risk & Security Committee report for FY25, which describes our activities and areas of focus during the year.

Risk profile of the Group

In my view, risk management is ever more embedded in daily operations and the culture of the organisation. We have robust reviews and progress updates throughout the year and conducted a deep-dive workshop on the Three Lines Model where we agreed the clear linkage of material risks to assurance activities and identification of assurance owners for each material risk. The quarterly review of the Group Risk Register, which is described further on pages 64 to 68 continues to be key for the Committee to undertake its duties and understand details of the Group's principal risks, their impact on the Group and how they are managed.

// Effective risk management and security oversight are not merely safeguards but strategic imperatives in an era where uncertainty is the only certainty. //

Geostrategic challenges

Ongoing challenges including climate change, war, and malevolent state actors highlight the need to be constantly on guard and that at no point can the business be complacent in its approach to managing and mitigating risk. Our role is to ensure that potential threats are anticipated, mitigated and transformed into opportunities for resilience and growth. When the business deploys people to dangerous locations, a robust risk process is employed to minimise risk and ensure safety.

Security profile of the Group

One of our core responsibilities is to oversee the Group's physical and non-physical security systems. As our future success is dependent on our ability to exploit and operate technology at pace while still retaining the rigorous levels of security required by our customers and partners, the Committee members and I have, together with the Chief Enterprise Services Officer, Group Director Security, and Chief Risk Officer, developed a schedule of security-related agenda items, ensuring that the Committee continues to be able to oversee this key pillar. As a defence, technology and engineering Company, we are set to remain continuously aware about our risks and adapt our tools, processes, systems and people to address increasing risks arising from changing cyber threats, climate change and technological and geopolitical instability.

The Risk & Security Committee risk management responsibilities

The Risk and Security Committee has a close relationship with the Audit Committee which enhances the efficiency and effectiveness of Board oversight. The Committee provides further scrutiny and assurance to the Board that the required UK and international standards in risk management, quality, security and health and safety are achieved. This includes ensuring that the organisation fulfils its statutory requirements and duty of care. This assists the Board in setting the risk appetite and reviewing and assessing the Group's risk management systems.

I hope you find the information in this report about the Committee's work helpful and I will be pleased to answer any questions you have about it at this year's AGM.

General Sir Gordon Messenger
Risk & Security Committee Chair

FY25 Key Highlights:

- Matured Security & Information and Risk & Assurance Councils as key governance bodies; the Risk & Assurance Council has an overarching role across all Councils to monitor governance and adherence to policies
- Launched the Business Management System, the single source for all policies and requirements
- Developed QinetiQ's Assurance Model, providing an integrated and aligned approach to delivery of compliance and assurance activities
- Transitioned Security transformation project to Business as Usual/Continuous Improvement after successful delivery of key project outcomes, including consistent Group-wide security risk and assurance management
- Transitioned Group Cyber Security Improvement Programme (GCSIP) transformation project to Business as Usual/Continuous Improvement after successful delivery of key project outcomes, including on-boarding of several Governance Risk & Compliance (GRC) tools

FY26 Priorities:

- Focus on strategic mix of oversight, resilience and adaptability
- Increase visibility of first line compliance activities
- Improve linkage between risk and resilience activities
- Demonstrate improvements to assurance activities
- Continue preparations for compliance with FRC UK Corporate Governance Code changes
- Drive a risk culture that ensures we stay on top of our material risks
- Enhance existing and embed new GRC tools

Key responsibilities

The Committee's primary functions are:

- To oversee the sound operation of the Group's risk management systems
- The ongoing review of the Group's principal and emerging risks (see pages 64 to 66)
- To oversee the Group's physical and non-physical security systems, including monitoring security exposures and security culture, and considering emerging security issues
- To ensure that health and safety risks are being effectively managed across the Group
- To oversee the Group's second-line assurance activity over the first-line compliance activity taking place across the Group's functions and businesses
- To monitor adherence to the generic MOD compliance system
- To review the Group's policies, processes and controls for the detection and prevention of bribery, corruption and modern slavery and compliance with applicable laws, regulations and codes of conduct.

The Board assumes ultimate responsibility for the effective management of risk across the Group, determining its risk appetite and ensuring that each operating sector implements appropriate internal controls. The Group's risk management systems are designed to appropriately manage the risk of failure to achieve business objectives, and thus can only provide reasonable and not absolute assurance against material misstatement or loss.

These systems are also designed to be sufficiently agile to respond to changes in circumstances, such as increased competition and disruptive business models, technological advancements, economic volatility and supply chain disruptions.

Risk & Security Committee structure

All members of the Board are members of the Risk & Security Committee, which is chaired by General Sir Gordon Messenger. The Chief Enterprise Services Officer, the Group Director Security, the Chief Information Officer, the Chief Information Security Officer, the Chief Risk Officer and the Group Director. Internal Audit attend Committee meetings by invitation.

To enable the Committee to get a comprehensive understanding of how risk management processes have been implemented and to ensure that these are fully embedded within the business's day-to-day work, deep-dives are presented to the Committee by employees who have first-hand knowledge of such matters, i.e. perform the work on a daily basis.

Risk monitoring and reporting is incorporated into the management of the business through the QinetiQ Leadership Team and monthly performance reviews feed into the Group strategy at the Executive and Board level.

Further reading

→ Risk management pages 62–66
→ Principal risks pages 64–66

The risk management and risk monitoring processes are divided as following:

Risk management	– Review risk management structures and reporting lines (i.e. effectiveness of control environment) – Evaluate the effectiveness of risk reporting processes including risk control assessment – Review the effectiveness of risk identification processes – Consideration of any security issues relating to the appointment of external auditors
Risk monitoring	– Review of risk register and key exposures – Monitor Health, Safety and Environmental performance – Scrutinise Internal Audit reports with respect to risk and security issues – Oversee international business governance – Oversee application of applied anti-bribery and corruption measures

Security management

The business employs a proactive threat assessment process with effective horizon scanning for future and emerging threats to the business to manage and mitigate risk. Security Incident Management is achieved through a Security and Information Governance process with a defined structure and escalation process through Sectors, Group, Security and Information Council, Security Steering Group and on to the Risk and Security Committee to ensure visibility of current and emerging risks and their management.

The Committee is assured by the progress made by the Group in the year, although, with the ever-increasing incidence and sophistication of cyber-attacks and the consequent need for the Group to remain vigilant, the Committee expects security to remain one of its key areas of focus. As part of the drive to further control our risk exposure, we are further refining our risk appetite definitions. The Security Culture Survey, conducted by the Group Security team covering the whole Group and aimed at understanding the security maturity levels across four areas – information, physical, cyber and personnel security – proved invaluable in identifying areas for focus.

Cyber security

Given the nature of our business, emergent security threats such as the adoption of artificial intelligence and the broader geo-political landscape, we continue to invest in our Digital and Cyber Security Programmes.

In combination with our wider education and culture initiatives, we continued to strengthen our policies, procedures and tooling to ensure we can appropriately identify, assess and manage cyber security risks. We have made further improvements to our protective monitoring and response capability provided by Cyber Security Operations team. Our strategy remains under constant review and our Cyber and Information Security Operating Model ensures we best utilise our technical expertise and knowledge across all business areas.

The Committee continues to receive regular reports from the CIO and CISO on our cyber and information security risks, the performance of protective controls and the progress of any ongoing security improvement activities.

All employees must complete mandatory cyber, information, physical and personnel security training each year, which focuses on our policies, procedures, culture and behaviours aligned to known threats. Our Group intranet also includes a comprehensive Security Knowledge Library which is used both individually and by leaders for regular security engagements at team level.

Business continuity and crisis management

Our business continuity and crisis management procedures have been designed for flexible arrangements when responding to incidents and emergencies. They are scalable and can be adapted to work in a wide range of specific scenarios. We focus on resilience, informed by our risk identification and assessment rather than individual emergency scenarios. Our Crisis Management Plan sets out a decision-making model and overarching management response which supports the Leadership Team and ultimately the Board in making effective decisions during an incident. This has proved to be an effective approach with incidents managed well without causing adverse effects on the business. Supplementary training has been provided to the Leadership Team and we will continue with this approach in FY26.

Self-certification process

An annual process of self-certification on the effectiveness of internal controls has been established and embedded across the Group. This process provides a documented and auditable trail of accountability for the operation of the system of internal controls and continues to be our preferred tool to tangibly assess the effectiveness of those controls in all functions and sectors across the Group. It is informed by a rigorous and structured self-assessment that addresses compliance with Group policies and processes, and provides a comprehensive level of assurance to be given at higher levels of management and, finally, to the Board.

Each sector and functional Chief Officer are required to make a declaration that their system of internal controls are effective, are fit for purpose and are being monitored throughout the year. Any material risks, control failures or non-compliance with the Group's risk policies, legislation and/or local delegations of authority must be highlighted as part of this process. The outcomes of the self-certification process, which is carried out at the full and half-year, is reported to the Risk and Security Committee by the Chief Risk Officer.

Generic MOD compliance system

A key aspect of the Committee's work is the oversight of the UK Ministry of Defence's (MOD) generic compliance system. This is integral to the work of QinetiQ in its relationship with the UK Government. The system is designed to give the MOD customer confidence that QinetiQ is able to provide impartial advice during any competitive evaluation of a procurement opportunity where the Group wishes to operate on both the 'buy' and the 'supply' sides.

The aim is to achieve a balance between meeting the needs of the procurement customers in the MOD (principally defence equipment & support) and the need to allow QinetiQ the flexibility to commercialise research into the supply chain and pursue its planned business activities, without compromising the defence or security interests of the UK. The Board nominates two senior managers to act as Compliance Implementation Director (CID) and Compliance Audit Director (CAD).

Anti-bribery and corruption

The Committee oversees a zero-tolerance approach to bribery and corruption, as confirmed by the Company's anti-bribery and corruption policy and the supporting local policies that apply to members of its Group. The Group also has in place a range of procedures, including regular training targeted at potentially risk-exposed roles of our employees, Group and local gifts and hospitality policies, and Group and divisional procurement, contracting and partnering practices, which are designed to prevent bribery. See more on page 61.

Data privacy

The Company respects the personal data privacy of its customers, employees and other individuals in respect of whom it and members of its Group process personal information. The Group therefore has in place policies which mandate the lawful processing and protection of such personal information in accordance with applicable laws and procedures which are designed to achieve the same. A report on GDPR compliance is presented to the Committee at each Committee meeting.

Effectiveness review

A performance evaluation of the Committee is conducted annually. This process is described further on page 98.

Frameworks for risk management and internal control

The Board is responsible for promoting the long-term success of the Company for the benefit of shareholders, as well as taking account of other stakeholders including employees and customers. To discharge this responsibility, the Board has established frameworks for risk management and internal controls using the Three Lines Model, see page 63, and reserves for itself the setting of the Group's risk appetite. In-depth monitoring of the establishment and operation of prudent and effective controls to assess and manage risks associated with the Group's operations is delegated to the Audit Committee, complemented by the work of the Risk & Security Committee. However, the Board retains ultimate responsibility for the Group's systems of internal controls and risk management and has reviewed their effectiveness during the year. The frameworks are regularly reviewed for prudency. They were in place throughout the financial year under review and up to the date of this report. They help ensure the Group complies with the Financial Reporting Council's (FRC) guidance on Risk Management, Internal Controls and related financial and business reporting.

After discussions with the Audit Committee and the Risk & Security Committee, the Board conducts a robust six-monthly assessment of the Group's emerging and principal risks and specifically considered the principal risks facing the Company including the impacts to the Group's business model and future performance and therefore require management prioritisation and action when approving the Group business plan.

During the year, as part of the oversight process, the Board and the Risk & Security Committee received updates on risks and associated mitigating actions. Principal risks were also taken into account in the design of scenarios which are intended to stress-test the Group's five-year strategic business plan, recovery plan, climate change impacts, decisions on the return of capital to shareholders and operational resilience.

Our risk management framework is designed to consistently identify, evaluate, manage, monitor and report the principal risks to the achievement of the Group's strategic objectives and is embedded throughout the Group. It is codified through risk policy and associated processes and procedures which set out the risk appetite, requirements and controls for the Group's worldwide operations. This is further described on pages 62 to 66.

The Group maintains a manual of financial reporting policies which is compliant with International Financial Reporting Standards (IFRS). An internal control framework is in place across the Group which covers Group financial reporting and local statutory reporting activity. The process follows a risk-based approach, with management identification of key financial reporting-related controls.

Board oversight of risk management

The Board's delegated responsibilities regarding oversight of risk management and the approach to internal controls are set out on pages 62 to 66. There are strong working relationships between the Board Committees, which enable robust oversight of internal controls and risk management. Committees provide regular reports to the Board on their activities and escalate significant matters where appropriate. The responsibilities and activities of each Board Committee are set out in the Committee reports.

Directors' Remuneration report

Dear Shareholder,

I am pleased to have been appointed as Chair of QinetiQ's Remuneration Committee in April 2025, having joined the Committee on appointment in March 2024.

I would like to express my sincere thanks to Susan Searle, former Chair, for her diligent leadership and for supporting my transition into the role. I look forward to working with the Board to deliver an effective remuneration policy that reflects shareholder expectations and recognises sustained business performance.

As noted by the Group Chair in his statement on page 8, FY25 was a year in which financial performance, particularly revenue and profit, fell below expectations, due to dynamic trading conditions and geopolitical uncertainty. However, strong cash conversion and order intake reflect the underlying resilience of the Company and the strength of our strategy. With the Board's support, management has taken decisive action to strengthen the leadership team and to resize and refocus the Company in response to the external environment. This has resulted in one-off exceptional charges and the value of certain assets being written down, which has also had an impact on overall performance and shareholder returns. The Remuneration Committee has carefully considered these factors in its decision-making for FY25.

QinetiQ's Gender Pay Gap data can be found on our website at **www.qinetiq.com**

Reward decisions for FY25

While revenue was below expectations, our orders performance was above the stretch level. Net cash flow and performance against the common goals were above target. The formulaic FY25 Annual Bonus Plan (ABP) outturn was 52.0% and 51.4% of the maximum for Steve Wadey (CEO) and Martin Cooper (CFO) respectively.

Having considered the Company's FY25 performance in the round, with particular attention to the trading update issued in March 2025, and at the recommendation of the CEO, the Remuneration Committee has exercised its discretion to reduce the ABP payment to zero for FY25 for the Executive Directors and members of the QinetiQ Leadership Team (QLT).

The second grant under the Long-term Performance Award (LPA) was made in July 2024, with the same scorecard of performance metrics as the FY24 award, comprising: cumulative underlying operating profit; Return on Capital Employed (ROCE); and total revenue growth. Stretch targets remain aligned to the Company's growth ambitions.

The contingent share award under the legacy Deferred Share Plan (DSP) granted in FY22, based on performance, will vest in June 2025, as the profit underpin (set in 2022) for that award was met. Subject to the performance underpin, a final DSP award granted in FY23, based on performance, may vest in June 2026. No further awards will be made under the DSP as it has been replaced by the LPA.

> // The Remuneration Committee has carefully considered the alignment of incentive outcomes with overall company performance in its decision-making for FY25. //

The Committee believes that the FY25 CEO single figure on page 113 reflects the performance achieved by the Company. It is approximately 53% of the value in FY24, as a result of the reduction to zero of the FY25 bonus outturn and a lower value from the vesting legacy FY22 DSP compared to the prior year.

In assessing the remuneration outcomes, the Committee has continued to consider carefully the potential impact on incentives of the share buyback programme which commenced in February 2024, involving the gradual purchase and cancellation of some £100m of shares over 12 months.

The Committee confirms that no current incentive plans measure performance on a 'per share' basis and that there has been no direct financial performance boost from the share buyback. Therefore, the Committee determined that no adjustment to incentives is necessary in relation to the share buyback.

Leadership changes

As disclosed last year, Carol Borg stepped down from her role as CFO on 16 April 2024 and has been succeeded by Martin Cooper who joined on 2 September 2024. Details of their respective termination and joining arrangements were disclosed in last year's remuneration report, however, in accordance with the regulations, full details are also included on pages 122 and 123 of this year's report.

Directors' Remuneration Policy

In FY23 the Committee spent a significant amount of time reviewing the current Policy and consulted widely with shareholders prior to its introduction in 2023. The Policy received a 84.3% 'For' vote at the 2023 AGM and will remain in place until its full renewal at the 2026 AGM. During the year ahead we will be reviewing the Policy to ensure it is operating effectively and remains aligned with our strategy. We will consult with major shareholders in advance if any changes are identified for introduction at that time, allowing reasonable notice to consider and respond to feedback ahead of finalisation.

Salary Review

As disclosed in last year's report, the CEO's base salary was reviewed in line with the Rewarding for Performance guidance used for all UK employees. The CEO's increase, effective 1 July 2024, was 4.5%, below the 5% budget applied to UK employees. The CFO, Martin Cooper, joined QinetiQ in September 2024.

For FY26, the overall salary review budget for UK employees is 4%, with new salaries effective from 1 July 2025. At the request of the CEO, the review of his salary will be deferred to the end of FY26. The CFO's salary will be increased by 3.3% with effect from 1 July 2025, reflecting his performance and development in the role.

Implementation for FY26

The ABP for FY26 is based on the same financial metrics as in FY25 (orders, profit and cash) with stretch targets set against delivery of the Integrated Strategy-to-perform Plan (ISP). Financial metrics carry a 75% weighting (increased from 70%) and non-financial targets have a 25% weighting (reduced from 30%). The non-financial targets are a combination of personal and strategic goals, including selected ESG metrics.

The Committee has reviewed the performance metrics for the FY26 LPA three-year performance period and decided that, as for FY25, they will be cumulative underlying operating profit, ROCE and total revenue growth designed to drive consistent profit performance, robust investment selection and value creation for our customers through collaboration. The Committee is cognisant that inclusion of a relative Total Shareholder Return (TSR) metric is a preference for at least one of the Company's major shareholders and keeps the use of TSR under review, most recently in March 2025. The Committee continues to believe that relative TSR is strongly influenced by market sentiment and remains mindful of the challenge in identifying appropriate comparators for a company such as QinetiQ, given the limited number of direct UK peers.

Employee engagement and reward

The Group CEO and the Chief People Officer have held regular discussions with our Global Employee Voice (GEV) representatives on reward matters. Members of the Board also met with the GEV representatives twice in FY25. The social section on page 52 details our employee engagement activity.

QinetiQ's employees are key to the delivery of our strategy. They have performed strongly this year, demonstrating focus, collaboration and drive to deliver for our customers. We have maintained employee engagement levels and commitment through a challenging year.

The Company operates a range of incentive and reward programmes throughout the organisation that align our people with our goals. These arrangements are tailored to reflect employee levels and specific market conditions. This includes an All Employee Incentive Scheme (AEIS) under which every eligible employee can earn a payment if the Company achieves a level of operating profit within a predetermined range from target to stretch. The potential lump-sum payment ranges from £500 to £1,250 per employee. In addition, high-performing employees can earn up to an additional 5% of salary based on personal performance rating. For FY25 the operating profit threshold was not achieved, and therefore the Company performance element of AEIS was not paid.

To recognise the contribution of our people, a discretionary 'thank you' payment of £400 to each eligible employee was approved, with individual payments of up to 2.5% of salary made to high performing employees. Executive Directors and the QLT did not receive this payment, in recognition of the Company's overall performance and the shareholder experience.

The AEIS is a key element of the Company's Rewarding for Performance framework aligning employees with shareholder interests by incentivising and rewarding profitable growth. Looking forward, the Company will continue to invest in its global reward and benefits strategy to further strengthen the employee offering.

Our Group Hardship Fund and Employee Assistance Programme (EAP) continue to provide vital support to our people experiencing personal challenges.

Conclusion

Supporting leadership to drive the Company's performance and strategy through the implementation of the new Policy was a primary focus for the Remuneration Committee in FY25. The Committee believes the evolution of the QLT at the beginning of FY25, along with the further changes made in April, positions the Company well for future success to drive consistent performance and growth. We also remain mindful of the highly competitive global talent environment and the importance of ensuring incentives are appropriately aligned at all levels of the organisation.

I hope that we can rely on your vote in support of the Directors' Remuneration Report at the AGM on 17 July 2025. I would welcome comments and questions from shareholders in relation to this Directors' Remuneration Report and I can be contacted through **companysecretariat@qinetiq.com**. I also look forward to engaging with many of you as the Committee reviews the Directors' remuneration policy prior to its renewal at the 2026 AGM.

Dina Knight

Remuneration Committee Chair

22 May 2025

Remuneration at a glance

Components, alignment, application and changes

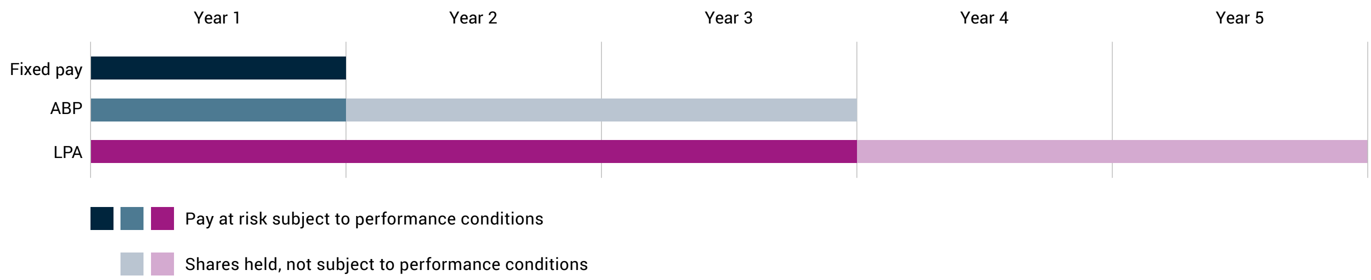
Annual fixed pay	Link to strategy	Application in FY26
Salary Executive Directors' base salaries are set on appointment and reviewed annually, or when there is a change in position or responsibility. Typically, base salaries will be increased by a similar percentage to the average pay increase for all employees of the Group.	Fixed pay is set at a level that enables us to attract and retain high-quality Executive Directors who are capable of successfully leading and executing our strategy and delivering long-term sustainable growth. Our Policy aims to ensure that fixed pay remains attractive and competitive.	No change in prior-year implementation of Policy for CFO. Salary review for CEO deferred to end of the financial year.
Benefits Benefits include a car allowance, health insurance, life assurance, income protection and taxable expenses.		No change in prior-year implementation of Policy.
Pension Executive Directors receive 10.5% of base salary allowance as cash in lieu of pension which is equivalent to the UK workforce pension available to all employees.		No change in prior-year implementation of Policy.

Annual variable pay	Link to strategy	Application in FY26
The Annual Bonus Plan (ABP) introduced for FY24 onwards is as follows: – 70% of any outcome is payable in cash at year end and 30% will be deferred into shares, which vest after two years – The maximum incentive for Executive Directors is 200% of salary – The performance measures used for the ABP are the same as those used in prior years. For FY25 these were orders, operating profit, cash flow, common goals (which include ESG metrics) and personal goals. As in FY24, a weighting of 70% financial and 30% non-financial metrics was used	The ABP rewards strong sustainable financial performance through a weighting of at least 70% on core financial metrics, driven by the implementation of our strategy. The ABP also rewards non-financial performance through the delivery of key goals related to environment (Net-Zero roadmap), employee engagement and inclusion and safety in addition to the achievement of personal goals. The partial deferral of any ABP payment into shares drives a long-term and sustainable focus aligned to the interests of shareholders.	For FY26 the Remuneration Committee increased the annual incentive financial target weightings to 75% of the total award with orders, cash and operating profit each weighted at 25%. The remaining 25% will be based on personal performance goals. To drive consistent cash collection throughout the year, 30% of the cash goal (7.5% of the bonus weighting) will be based on the achievement of H1 performance. The revised weightings reflect the need to drive profitable growth and strong cash management and are closely aligned to strategy.

Long-term variable pay	Link to strategy	Application in FY26
The Long-term Performance Award (LPA) introduced for FY24 onwards is as follows: – Three-year performance test with any shares vesting subject to a further two-year holding period – The maximum LPA award for Executive Directors is 250% of salary for the delivery of truly stretching financial targets – The performance measures used for the LPA for FY26 will be earnings, ROCE and total revenue growth – No more than 20% of each element of the award will vest at threshold levels of performance	The LPA has a clear link to strategy and incentivising growth: – Cumulative earnings: To deliver consistent operational performance over the longer term. Understood, relevant and actionable for QinetiQ senior leaders – Returns: To drive robust investment selection and delivery – Total revenue growth: To drive value creation through collaboration and market leverage The payment of any LPA in shares which must be held for a further two years drives a long-term and sustainable focus aligned to the interests of shareholders	No change in prior-year implementation of Policy and financial targets

Timing

To create strong alignment between executive remuneration and the long-term interests of our shareholders, the ABP is paid partly in deferred shares vesting two years after the award was earned. The LPA has a three-year performance period, after which any vested shares must be retained by the Executive for a further two years.



Single figure FY25
(£'000)

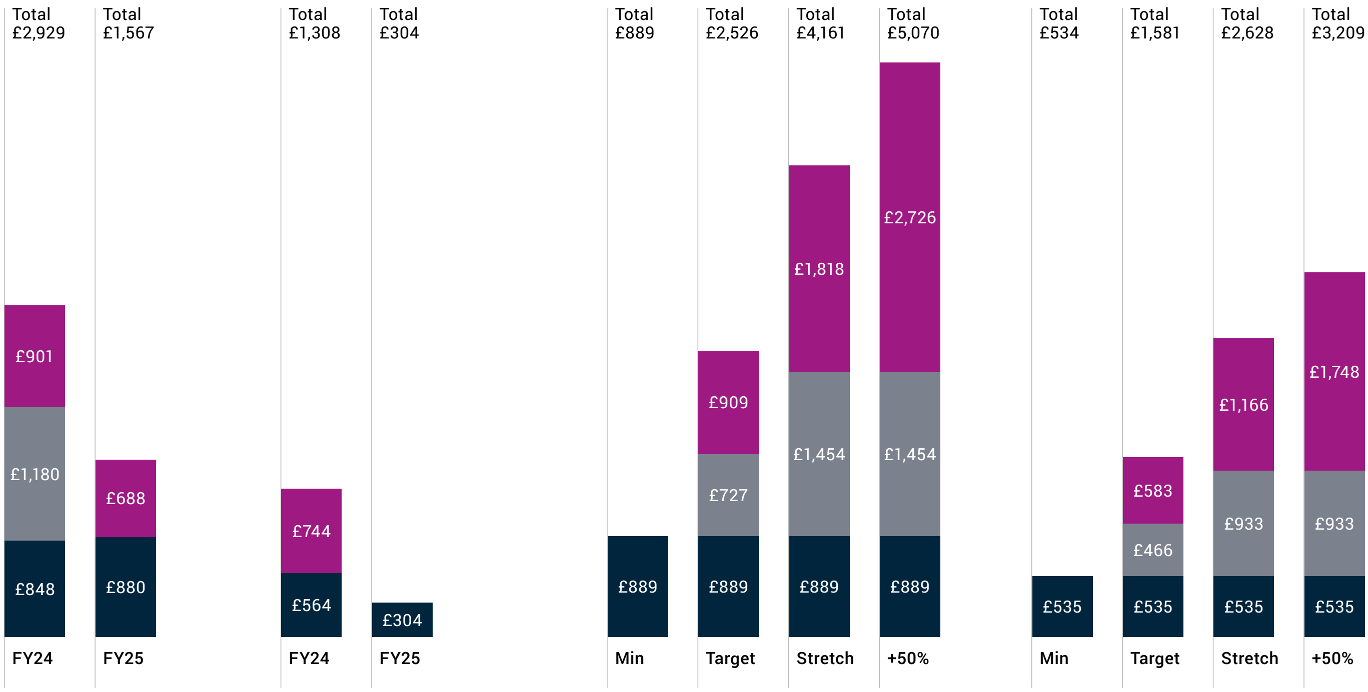
Illustration of FY26 potential
(£'000)

Steve Wadey
Chief Executive Officer

Martin Cooper*
Chief Financial Officer

Steve Wadey
Chief Executive Officer

Martin Cooper
Chief Financial Officer



Key
- Minimum
- Annual variable pay
- Long-term variable pay

Minimum – Fixed pay (base salary, plus taxable benefits and pension allowance)
Target – Fixed pay plus ABP at Target (100% of base salary) and LPA at Target (125% of base salary)
Stretch – Fixed pay plus ABP at Maximum (200% of base salary) and LPA at Maximum (250% of base salary)
+ 50% Share price appreciation – Stretch plus 50% share price appreciation (on 100% of LPA)

* FY24 single figure shown above is for Carol Borg, Former CFO, with FY25 not shown, but available in table on page 117. FY25 single figure shown is for Martin Cooper, CFO, and is lower as is pro-rated based on mid-year start date.

Directors' Remuneration Policy Q&A

Q What are the principles of QinetiQ's Directors' Remuneration Policy?

The principles of the Policy are:

- Ensure a clear and transparent approach aligned to market practice with a distinct separation between annual and long-term incentives;
- Drive sustainable annual performance, supporting our ambitious growth strategy and long-term value creation;
- Maintain a balanced focus between organic and inorganic growth;
- Drive collaboration across our teams; and
- Retain, attract and appropriately incentivise top talent.

Q How does the Policy align Executive pay with the interests of shareholders?

QinetiQ's annual incentive scheme and long-term share plan deliver shares which must be retained after any award is paid or vests. In our ABP, 30% of the award is deferred and held as shares and is therefore subject to share price exposure. In our LPA there is a three-year performance period before any shares vest and then a further two-year holding period.

In addition, the Executive Directors are required to build and hold a significant shareholding in the Company of 300% of salary for the CEO and 200% for other Executive Directors.

Q How does your Policy reward the implementation of Company strategy?

Our strategy, as detailed in our five-year Integrated Strategy-to-perform Plan (ISP), aims to deliver sustainable and long-term growth in our business and to increase value to our shareholders.

The Policy supports this by focusing on the achievement of stretching but sustainable financial performance targets, both annually and over three years, aligned to the ISP. These are balanced with personal and strategic goals to ensure alignment and reinforce the Company's growth ambition.

Q How does the Policy drive corporate culture?

Our annual bonus scheme includes a weighting towards non-financial metrics focusing on personal goals. This is achieved through our performance framework, which has been designed to ensure strong accountability and consistent performance across the organisation, driving success and enabling our people to achieve their potential.

A cornerstone of this framework are our Leadership Expectations with a shared commitment on Enterprise Leadership; being a visible and responsible role model measuring demonstrable improvements in employee engagement, safety, security and environmental leadership.

The personal goals measure the 'what' and the 'how' to ensure that key personal deliverables are achieved through responsible and collaborative behaviours.

Q How do you avoid rewarding for failure?

In line with best practice, Executive Directors' contractual notice periods are 12 months with termination payments normally limited to salary, benefits and pension with a duty to mitigate loss if they are terminated by the Company.

Incentives have stretching performance targets to ensure any payments are justified with the Remuneration Committee retaining discretion to adjust the formulaic outturn to ensure that rewards are appropriate. In addition, bonus deferral, holding periods and shareholding requirements ensure a focus on sustainable performance and long-term shareholder value.

Q How is ESG reflected within the bonus plans?

ESG is measured through a standard 'Enterprise Leadership' goal which includes measures on employee engagement, safety, security, and Net-Zero. This goal is applied to all leaders within the organisation and forms part of the personal goals in the Annual Bonus Plan (ABP).

Q When and how do you apply discretion?

The Remuneration Committee sets challenging targets for incentive plans which are aligned with shareholder expectations. It plays a key role in assessing overall company performance when determining remuneration outcomes. In FY25 the formulaic outcome of the Annual Bonus would have resulted in a payout around target. Taking account of the company performance, the experience of shareholders, and the recommendation of the CEO, the Committee exercised its discretion and reduced the bonus for FY25 to zero for the Executive Directors and the QinetiQ Leadership Team.

Q How have you supported employees in FY25?

In April 2024, we completed the second phase of our UK reward strategy, providing increased pay transparency and implementing an additional base salary increase for eligible employees equivalent to an average of 2% of the UK salary budget addressing market relativity. In addition, our Group Hardship Fund and Employee Assistance Programmes continue to provide additional support to our people who are experiencing challenging personal circumstances. We also continue to be accredited as a Living Wage Employer.

Q How do you focus on employee engagement?

Our people share in the Company's success after the introduction of the AEIS in FY19 which pays up to £1,250 to all eligible employees on the basis of the Company's annual operating profit performance. The AEIS is important as a performance driver, to support collaboration and to share the success we create for shareholders.

Our Global Employee Voice (GEV), representing our global employees, is deeply engaged across the Company. We listen to the views and level of engagement of our people through a quarterly survey using a market-leading dynamic tool (Peakon).

Summary Directors' Remuneration Policy

The Directors' Remuneration Policy was approved by shareholders at the AGM on 20 July 2023.

The full Policy is provided in the Corporate Governance section on the Company's website, and it will remain in effect until the 2026 AGM. When considering the review of the Policy, the Committee was mindful of UK Corporate Governance Code provisions which state that the Committee should address the issues as follows:

- Clarity is achieved by the simplification of the incentives and the better separation between the annual and long-term plans in the Policy
- Simplicity is delivered by a simple approach to incentives in the Policy, particularly the ABP
- Risk continues to be managed through the operation of a broad suite of performance measures and targets, the use of deferral, holding periods and malus and clawback provisions, and the close interaction with the Audit and Risk & Security Committees
- Predictability is achieved by setting clear performance targets and outcomes for threshold, target and stretch levels of performance, with a close link to Company strategy
- Proportionality is delivered through performance conditions, both financial and non-financial, with the clear link to strategy. The Committee has the discretion to override formulaic outturns to ensure that they are appropriate and reflect overall performance
- Alignment to culture is supported by performance measures which are consistent with the Company's purpose, values and strategy

A summary of the Policy is set out below:

Element	Purpose and link to strategy	Operation and performance measures	Maximum opportunity
Base salary	To attract and retain the talent needed to lead our business.	An Executive Director's base salary is set on appointment and reviewed annually or when there is a change in position or responsibility. When determining an appropriate level of salary, the Committee considers: – general salary rises for employees; – remuneration practices within the Group; – any change in scope, role and responsibilities; – the general performance of the Group; – the experience of the relevant Director; – the economic environment; and – pay levels for similar roles among appropriate comparators. Individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the targeted policy level until they become established in their role. In such cases subsequent increases in salary may be higher than the general rises for employees until the target positioning is achieved.	Typically, the base salaries of Executive Directors in post at the start of the Policy period and who remain in the same role throughout will be increased by a similar percentage to the average annual percentage increase in salaries of all other employees in the Group. The exceptions to this rule may be where: – an individual is below market-level and a decision is taken to increase base pay to reflect proven competence in the role; or – there is a material increase in scope or responsibility to the Executive Director's role. The Committee ensures that maximum salary levels are positioned in line with companies of a similar size to QinetiQ and validated against other companies in the industry, so that they are competitive against the market.
Pension allowance	To ensure that Executive Directors' total remuneration remains attractive and competitive.	The Company provides a pension contribution allowance in line with practice relative to its comparators to enable the Company to recruit and retain Executive Directors with the experience and expertise to deliver the Group's strategy.	The maximum policy pension allowance is aligned with the Company pension contribution paid to the majority of UK pension scheme members (which is currently 10.5% of salary).
Benefits	To ensure that Executive Directors' total remuneration remains attractive and competitive.	Benefits include car allowance, health insurance, life assurance, income protection, expenses incurred which HMRC may deem taxable and membership of the Group's employee Share Incentive Plan which is open to all UK employees.	Benefit values can vary year-on-year depending on premiums and the maximum is the cost of providing the relevant benefits.

Summary Directors’ Remuneration Policy continued

Annual Incentive	Purpose and link to strategy	Operation and performance measures	Maximum opportunity
Annual Bonus Plan (ABP)	The ABP provides an incentive for the Executive Directors to achieve targets that are entirely aligned to the Company’s strategy.	– The ABP is an annual incentive plan with a one-year performance measurement period, with any award paid partly in deferred shares; – A maximum award of 200% of salary is available each year; – At the end of the first year 70% of the award is paid as a cash bonus; – The remaining 30% is deferred as an award of deferred shares that must be held for two years, and are subject to malus and clawback for up to three years from the payment date; and – Dividend equivalents will be paid on the deferred shares.	Maximum = 200% of salary. Target = 100% of salary. Threshold = 0% of salary.

Long-term Incentive	Purpose and link to strategy	Operation and performance measures	Maximum opportunity
Long-term Performance Award (LPA)	The LPA provides an incentive for the Executive Directors to achieve long-term financial targets that are entirely aligned to the Company’s strategy and the creation of shareholder value. The delivery of any LPA in shares, which must be held for a further two-years, drives a long-term and sustainable focus aligned to the interests of shareholders.	Vesting of the LPA award will be determined by performance against a scorecard of three-year performance measures, the majority of which will be financial (which will not duplicate those for the ABP). Any vested shares must be held for a further two years. Malus and clawback provisions apply to the LPA. The Committee will normally provide dividend equivalents on vested shares under the LPA.	Maximum = 250% of salary. Target = 125% of salary. Threshold = 50% of salary. No more than 20% of each element of the LPA may vest at threshold levels of performance.

Element	Purpose and link to strategy	Operation and performance measures	Maximum opportunity
Minimum shareholding requirements – during and after employment	To align Executive Directors’ interests with those of shareholders through the build-up and retention of a personal holding in QinetiQ shares.	Executives have five years to accumulate the required shareholding. 300% of base salary for the CEO. 200% of base salary for other Executive Directors. Executive Directors will have a post-employment shareholding requirement of 100% of salary for the first year post-cessation, then 50% of salary for the second year post-cessation of employment.	The Committee reviews compliance on an annual basis and adherence to these guidelines is a condition of continued participation in the equity incentive arrangements.

Chairman and Non-executive Directors			
Fees	To attract and retain Non-executive Directors of the calibre required to assist the Company in setting and delivering its strategy.	Fees are reviewed annually based on equivalent roles in the comparator group used to review salaries paid to the Executive Directors.	The fees for Non-executive Directors and the Group Chair are broadly set at a competitive level against the comparator group.

Annual Report on Remuneration

The following section of this report details how the Directors' Remuneration Policy has been implemented for the year ended 31 March 2025. In the interests of clarity, CEO refers to Steve Wadey, CFO to Martin Cooper and Former CFO to Carol Borg.

Audited information

Executive Directors' single total figure of remuneration:

Executive Director	Year	Salary £'000	Benefits £'000	Pension £'000	Total fixed Pay £'000	Annual Bonus Plan £'000	Deferred Share Plan £'000	Compensation Share Plan £'000	Total variable pay £'000	Total remuneration £'000
Steve Wadey (CEO)	**FY25**	**719**	**85**	**76**	**880**	**0**	**688**	**–**	**688**	**1,567**
	FY24	689	87	72	848	1,180	901	901	2,081	2,929
Martin Cooper (CFO) (Appointed 2 September 2024)	**FY25**	**265**	**11**	**28**	**304**	**0**	**–**	**–**	**–**	**304**
	FY24	–	–	–	–	–	–	–	–	–
Carol Borg (Former CFO)[1] (Left 16 April 2024)	**FY25**	**19**	**3**	**2**	**24**	**0**	**162**	**836**	**998**	**1,022**
	FY24	448	69	47	564	744	–	–	744	1,308

1 Details of Carol Borg's Deferred Share Plan and Compensation Share Plan awards are shown on page 120.

Benefits can include travel and subsistence expenses incurred in relation to the execution of their duties with the Company that are considered by HMRC to be taxable. Where the Company settles the Director's tax, the value disclosed is not grossed up for tax.

Salary

Salaries are reviewed effective 1 July, which is the same timing as for the rest of the UK employee population.

	Salary as 1 April 2024 £'000	Increase in the year	Salary as 1 July 2024 £'000	FY25 salary actually paid £'000
CEO	696	4.5%	727	**719**
CFO	–	–	–	**265**
Former CFO	452	–	–	**19**

Benefits (audited)

Benefits comprise a car allowance, travel allowance, private medical insurance, life assurance, income protection and taxable expenses.

	Taxable expenses £'000	Travel & car allowance £'000	Insurance benefit £'000	Total benefits £'000
CEO	38	19	28	85
CFO	0	8	3	11
Former CFO	0	3	0	3

Pensions (audited)

The Executive Directors did not participate in the QinetiQ pension scheme for FY25. The pension figure is cash in lieu of pension equating to 10.5% of base salary.

	Cash in lieu of pension £'000	Total in lieu of pension £'000
CEO	76	76
CFO	28	28
Former CFO	2	2

Annual Report on Remuneration continued

Annual Bonus Plan (audited)

The Annual Bonus Plan (ABP) is an annual incentive with a one-year performance measurement period, with any award paid partly in deferred shares. After the end of the first year, 70% of the award is paid as a cash bonus. The remaining 30% is made as a deferred share award that must be held for two years and is subject to continued employment. Malus and clawback apply for up to three years from the payment date.

	ABP award £'000	June 2025 payment in cash (70% value £'000)	Value of share payment (30% value £'000)	30-day average share price to 31 March 2025 (p)	Estimated deferred shares awarded June 2025
CEO	0	0	0	443.6	0
CFO	0	0	0	443.6	0
Former CFO	0	0	0	443.6	0

On-target performance provides a payment equal to 100% of base salary, rising on a linear scale to 200% of base salary for achievement of stretch performance. The scheme begins to pay out once threshold performance measures have been achieved.

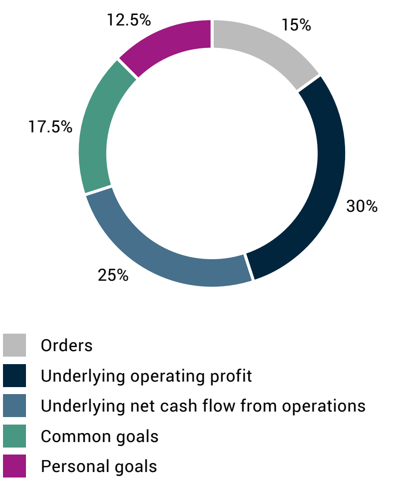
For the year ended 31 March 2025, the CEO and CFO were measured against the targets as shown in the chart to the right. The target payment was 50% of maximum for financial and non-financial objectives.

When setting performance targets the Remuneration Committee takes into account the budget and the Company's strategy set in relation to the ISP, shareholder expectations and the external environment.

The aim is to set stretching targets which incentivise the Executive Directors to deliver annual results which will exceed the expectations of investors, but which are also sustainable and do not create undue profit risk. Financial performance measures exclude the contribution from businesses acquired in the year.

Taking account of the company performance in the round, including the experience of shareholders, and at the recommendation of the CEO, the Committee exercised its discretion and reduced the bonus for FY25 to zero for the Executive Directors and the QLT.

% of maximum



Audited information

FY25 performance outcomes

	Weighting %	Threshold	Target	Stretch	Actual	% of maximum reward achieved	CEO outturn	CFO outturn
CEO/CFO financial performance measures								
Orders[1]	15%	£1,675.0m	£1,800.0m	£1,925.0m	£1,954.8m	100.0%	£215,744	£78,908
Underlying operating profit[1]	30%	£220.0m	£230.0m	£240.0m	£185.4m	0.0%	£0	£0
Underlying net cash flow from operations[1]	25%	£250.0m	£280.0m	£325.0m	£288.0m	58.9%	£211,749	£77,447
CEO non-financial measures								
– Common goals: performance against key stretching objectives[2]	17.5%	40%	50%	100%	77.4%	77.4%	£194,745	
– Personal goals: performance against stretching objectives	12.5%	40%	50%	100%	70%	70%	£125,851	
CFO non-financial measures								
– Common goals: performance against key stretching objectives[2]	17.5%	40%	50%	100%	66.7%	66.7%		£61,364
– Personal goals: performance against stretching objectives	12.5%	40%	50%	100%	80%	80%		£52,605
CEO overall result[3]						0.0%	£0	
CFO overall result[3]						0.0%		£0

1 Threshold payment was 0% and target payment was 50% for financial objectives. Definition of underlying measures and performance can be found in the glossary on page 202.

2 Common goals as detailed on page 119.

3 The formulaic award for the CEO and CFO respectively would have been £748,088 (52% of the maximum award of £1,438,293) and £270,325 (51.4% of the maximum award of £526,055).

Common goals (17.5% weighting) (audited)

Measures	FY25 Performance	Outturn (% maximum)
Net-Zero (5.0% weighting)	Make demonstrable progress towards the QinetiQ Net-Zero plan by reducing Scope 1, 2 and some elements of Scope 3 emissions. The FY25 Net-Zero performance was achieved with a reduction of 1.2% against the target, predominantly due to a reduction in business travel.	
Engagement (5.0% weighting)	Achieve Group Peakon (third-party employee engagement survey) improvement target above FY24 baseline. The FY24 baseline engagement score was maintained in FY25 resulting in a payment at target (at 7.5), with a peak of 7.6 achieved mid-year.	
Safety (7.5% weighting) Safety Maturity (3.75%) Safety Individual Engagements (3.75%)	Drive the overall safety maturity of the Group as measured by an independent process. Make specific tangible safety interventions that improve underlying safety performance and controls. For FY25 the safety maturity score was above Stretch, marking strong progress against this independent process, with the CEO and CFO delivering the stretch and target requirement respectively for tangible safety interventions.	
CEO Total		**77.4%**
CFO Total		**66.7%**

Personal goals (12.5% weighting) (audited)

FY25 Performance	Outturn (% maximum)
CEO	
Deliver consistent operational performance in FY25. – Measure: demonstrable consistent performance throughout the year evidenced by KPIs, with minimal programme performance issues.	**Not achieved**
Continue to develop organisation culture and leadership capability that enables sustainable growth to realise five-year ambition. – Measure: demonstrable personal leadership and commitment in delivering an improved performance culture and enhanced leadership capability development globally.	**Partially achieved**
Enable growth through customer focus and delivering first year outcome of AUKUS roadmap. – Measure: delivery of Year 1 outcomes of AUKUS and positive customer feedback.	**Partially achieved**
Continue to embed safety and secure operations, and provide strategic leadership to the delivery and embedding digital transformation. – Measure: continued safety and security performance, successful delivery of GII/DW in FY25 and maturation of digital engineering for customer offerings.	**Achieved**
Total	**70%**

FY25 Performance	Outturn (% maximum)
CFO	
Deliver consistent operational performance in FY25. – Measure: demonstrable consistent performance throughout the year evidenced by KPIs, with minimal programme performance issue.	**Not achieved**
Continue to mature Finance & Governance function consistent with five-year ambition and partner with the Chief Operating Officer to embed a new Integrated Strategy-to-perform Plan (ISP) global approach. – Measure: demonstrable progress in functional performance and capability enhancements globally and delivering of the ISP with positive feedback from key stakeholders.	**Achieved**
Lead and mature the Business Systems Finance (BSF) programme of work ensuring there is a clear programme of work ready for launch in FY26. – Measure: delivery of a resourced and clear investment case on BSF to meet the needs of the global business.	**Achieved**
Deliver Year 3 of ESG plan. – Measure: evidenced progress against Net-Zero plan in year with proactive leadership in support of the ESG development Company-wide.	**Achieved**
Total	**80%**

Annual Report on Remuneration continued

Deferred Share Plan (audited)

The FY22 legacy DSP award achieved the performance underpin and, therefore, the shares ceased to be contingent, will vest in June 2025 and are disclosed in the single figure for FY25.

	FY22 Shares awarded	Vesting %	Shares vesting	Estimated value £'000
CEO	159,198	100%	159,198	688
Former CFO	49,299	100%	37,489	162

The FY22 DSP award performance underpin required the FY25 profit to exceed that in FY22 (£137.4m). Profit for FY25 was £185.4m and, therefore, the shares will be released on 10 June 2025. The 100% vesting refers to the shares which have passed the underpin of those initially granted based on FY22 performance, which was 60.2% of the maximum available. If the underpin had not been met, 50% of the DSP award would have lapsed. For the Former CFO, the shares vesting have been pro-rated based on her leaving arrangements, with 11,810 shares of the original award having lapsed. The net shares vesting from the FY22 DSP must be retained for a further two years.

The value of this award is calculated as CEO £687,974 and Former CFO £162,009 based on the share amounts due to vest of 159,198 and 37,489 (pro-rata) respectively based on the three-month average to 31 March 2025 (408.4p). The estimated value includes CEO £37,810 and former CFO £8,904 as dividend equivalent payments based on an aggregate dividend of 23.75p paid in FY23 to FY25 and a share price appreciation between grant and vesting of £169,227 and £39,851 respectively (for the Former CFO this is based on her pro-rata award).

Following the approval of the new Directors' Remuneration Policy at the 2023 AGM, the DSP was terminated with the final award (the FY23 award) granted in June 2024 and vesting following the end of FY26. Subsisting DSP awards as identified on page 122 will continue to be available to vest on the basis of the relevant performance underpin.

Compensation Share Plan (audited)

The Compensation Share Plan (CSP) was awarded to Carol Borg in part compensation for share awards which were forfeited on resigning from her former employer (page 122). The value of this award is calculated based on the actual share price on the date of vesting (409.5p). The estimated value includes a dividend equivalent payment based on an aggregate dividend of 23.25p paid between date of grant and vesting.

	Shares awarded	Vesting %	Shares vesting	Estimated value £'000
Former CFO	193,199	100%	193,199	836

Long-term Performance Award (audited)

Performance targets for FY25 award granted in July 2024

The Committee maintained the same set of performances measures and weightings used in FY24 for the FY25 Long-term Performance Award (LPA). These have a clear link to Company strategy and incentivising growth:

- Earnings: organic underlying operating profit on a three-year cumulative basis (35% weighting)
  - Designed to deliver consistent operational performance over the longer term
  - Understood, relevant and actionable for QinetiQ senior leaders
- Returns: ROCE (35% weighting)
  - Average EBITA for the three-year period divided by average capital employed
  - Designed to drive robust investment selection and delivery
- Total revenue growth (30% weighting)
  - Designed to drive value creation through collaboration and market leverage

For the FY25 LPA the Committee agreed the following targets aligned with our growth ambition (20% of each element vests at threshold).

Cumulative earnings targets are deemed commercially sensitive at this time but are consistent with our growth ambition at 11–12% margin.

ROCE	Threshold 15.0%	Stretch 20.0%
FY27 Total revenue	Threshold £2.0bn	Stretch £3.0bn

The FY25 target level of performance is not calculated on a linear basis and the target is deemed commercially sensitive at this time as it is aligned to confidential Group strategy. Subject to the targets no longer being commercially sensitive they will be disclosed in full at the time of vesting.

FY25 LPA conditional share awards were granted based on a maximum of 250.0% of base salary at a share price of 448.8p for the CEO in July 2024 and 410.4p for the CFO in December 2024 determined over a five-day period prior to grant. The three-year performance period for the FY25 award ends on 31 March 2027. Any shares which vest must then be held until fifth anniversary after grant.

Audited information

Statement of Directors' shareholding and share interests

In relation to the shareholding requirement adopted on 1 April 2017, the Company requires Executive Directors to hold shares (beneficially owned) equivalent to 300% (CEO) and 200% (CFO) of base salary. Executive Directors have five years from the adoption of the guideline to achieve the required level through, at a minimum, retaining 50% of the after-tax shares vesting from Company incentive plans.

The CEO has achieved his shareholding requirement and currently holds shares equivalent to 537% of base salary using a share price of 408.4p (three-month average to 31 March 2025).

The CFO does not currently meet the minimum shareholding requirement, with a current holding equivalent to 21% of base salary using a share price of 408.4p (three-month average to 31 March 2025). This reflects his recent appointment as CFO and the lack of any opportunity for share-based awards to vest.

For the former CFO, the post-cessation shareholding requirement will continue to be applied following the termination of her employment as per Policy.

The Remuneration Committee continues to monitor compliance with the shareholding requirement.

	Shares beneficially owned	Shares subject to performance conditions	Shares not subject to performance conditions	Total share interests at 31 March 2025
Steve Wadey	955,382	1,398,361	488	**2,354,231**
Martin Cooper[1]	23,359	496,465	–	**519,824**
Carol Borg[2]	183,176	170,614	–	**353,790**
Shonaid Jemmett-Page	7,000	–	–	**7,000**
Neil Johnson	100,000	–	–	**100,000**
Dina Knight	–	–	–	**–**
Roger Krone[3]	–	–	–	**–**
Ross McEwan	20,000	–	–	**20,000**
General Sir Gordon Messenger	11,958	–	–	**11,958**
Steve Mogford	–	–	–	**–**
Susan Searle[4]	48,300	–	–	**48,300**
Ezinne Uzo-Okoro[5]	–	–	–	**–**

1 Martin Cooper – Appointed 2 September 2024.

2 Carol Borg – Departed 15 April 2024.

3 Roger Krone – Appointed 8 January 2025.

4 Susan Searle – Resigned 31 March 2025.

5 Ezinne Uzo-Okoro – Appointed 1 November 2024.

Shares beneficially owned comprise shares purchased under the Share Incentive Plan (SIP) and shares owned by the Director and any connected persons. SIP matching shares are identified as shares not subject to performance conditions. On 9 April 2025 Steve Wadey purchased 56 shares, then on 9 May 2025 he purchased a further 46 shares, through his participation in the SIP. Shares subject to performance conditions comprise awards made under the Deferred Share Plan and Long-term Performance Award which remain contingent subject to the relevant performance conditions as detailed on page 123.

Carol Borg's scheme interests were adjusted on leaving the Company as detailed on page 123.

There have been no other changes to the shares shown above between 31 March 2025 and 22 May 2025.

Annual Report on Remuneration continued

Payments to past Directors and payment for loss of office (audited)

As disclosed last year on 16 April 2024, Carol Borg stepped down from the role of CFO by mutual agreement. Full details of Carol Borg's termination agreements were disclosed in accordance with s.430(2B) of the Companies Act 2006 and in the FY24 Directors' Remuneration Report.

The Remuneration Committee exercised its discretion taking account of her contribution to determine that Carol should be treated as a Good Leaver in respect of a number of her incentive arrangements. The details of her remuneration following the cessation of her employment are as follows:

– Pay in lieu of her 12-month notice period, comprising salary, benefits and pension for the remainder of her notice period. This amounted to £565,930 and was paid in quarterly instalments.
– As disclosed last year, an FY24 ABP payment based on actual results of £744k, 70% in cash and 30% in shares which will vest after two years from payment in June 2024.
– The conditional share award termed the Compensation Share Plan, awarded in part compensation for share awards which were forfeited on resigning from her former employer, was allowed to vest on the normal vesting date in January 2025 in accordance with the original terms of the award.
– FY22 and FY23 DSP awards (shown in table on pages 122 and 123), reduced for time pro-rating, may also vest on the normal vesting date, subject to the relevant performance underpin being met. Vested shares will remain subject to a two-year holding period.
– No incentive payments will be paid in respect of her service in FY25 and the FY24 LPA will lapse.
– Shares vesting will be subject to the post-cessation share ownership requirement as per Policy.

New Group CFO Terms of Appointment

As disclosed at the time of his appointment and in last year's report, Martin Cooper joined QinetiQ on 2 September 2024 and on appointment the key terms of his remuneration were as follows:

– A base salary of £455,000 subject to review in July 2025, benefits and pension allowance aligned to Policy.
– An ABP maximum annual payment of 200% of salary and an LPA maximum annual grant of 250% of salary, as per Policy.
– A cash allowance of 10.5% of salary per annum in lieu of a pension contribution (in line with the level of pension contribution paid to the majority of QinetiQ's UK pension scheme members).
– A car allowance of £13,000 per annum and other standard benefits.
– A shareholding requirement in QinetiQ of 200% of base salary, expected to be achieved within five years of appointment.
– A notice period of 12 months (by either party).

Audited information

Total scheme interests summary

Total scheme interests, including those awarded during the financial year ended 31 March 2025, are as follows.

Plan name	Date of grant	Number 1 April 2024	Granted in year (maximum potential of awards)	Vested in year[3]	Lapsed in year	Number 31 March 2025	Share price on date of grant	Vest date
Steve Wadey								
DSP 2021	25 Jun 21	232,746	–	232,746	–	0	321.9	25 Jun 24
DSP 2022	10 Jun 22	159,198	–	–	–	159,198	302.1	10 Jun 25
DSP 2023	20 Jun 23	251,444	–	–	–	251,444	330.2	20 Jun 26
LPA 2024	28 Sep 23	521,352	–	–	–	521,352	321.3	28 Sep 26
ABP 2024[1]	1 Jul 24	–	78,911	–	–	78,911	448.8	31 Mar 27
LPA 2025[2]	1 Jul 24	–	387,456	–	–	387,456	448.8	1 Jul 27
		1,164,740	466,367	232,746	–	1,398,361		
Martin Cooper								
CSP Tranche 1	18 Dec 24	–	134,015	–	–	134,015	410.4	31 Mar 26
CSP Tranche 2	18 Dec 24	–	85,282	–	–	85,282	410.4	31 Mar 27
LPA 2025[2]	18 Dec 24	–	277,168	–	–	277,168	410.4	18 Dec 27
		–	496,465	–	–	496,465		

Plan name	Date of grant	Number 1 April 2024	Granted in year (maximum potential of awards)	Vested in year[3]	Lapsed in year	Number 31 March 2025	Share price on date of grant	Vest date
Carol Borg								
CSP	5 Jan 22	193,199	–	193,199	–	0	258.8	5 Jan 25
DSP 2022	14 Jun 22	49,299	–	–	11,810	37,489	302.1	10 Jun 25
DSP 2023	20 Jun 23	163,256	–	–	79,896	83,360	330.2	20 Jun 26
LPA 2024	28 Sep 23	338,489	–	–	338,489	0	321.3	28 Sep 26
ABP 2024[1]	1 Jul 24	–	49,765	–	–	49,765	448.8	31 Mar 27
		744,243	49,765	193,199	430,195	170,614		

1 The FY24 ABP share award granted on 1 July 2024 is the share payment of the FY24 ABP award with a face value of £354,056 and £223,327 which is 30% of the total FY24 ABP award of £1,180,186 and £744,423 for the CEO and former CFO respectively.

2 The FY25 LPA conditional shares granted on 1 July 2024 and 18 December 2024 at a share price of 448.8p and 410.4p (five-day average prior to grant) are calculated on the basis of 250.0% of salary with a face value of £1,738,750 and £1,137,500 for the CEO and CFO respectively. The performance period for the FY25 LPA ends on 31 March 2027 based on the achievement of earnings, ROCE and revenue targets. Any shares which vest must be retained for a further two years.

3 Vested shares include shares sold to cover tax and National Insurance contributions.

Martin Cooper (audited)

In December 2024, conditional awards were made to Martin Cooper as part compensation for the loss of a number of share option and long-term incentive awards at his previous employer, BAE Systems. The Committee confirms that these were necessary to facilitate his recruitment and compensate him for the forfeiture of certain benefits as a result of his employment at QinetiQ. In approving the grant of the awards, the Committee understood the importance of recruiting Martin without delay and therefore the one-off awards were approved by the Committee under the exemption to the requirement for prior shareholder approval to which Listing Rule 9.3.2(2) applies, and the awards will be satisfied by the transfer of existing shares. No consideration was paid for the grant of these awards and no consideration is due on the vesting of these awards.

The awards consisted of two time vested conditional share awards with a total value of £900,000 using a share price of 410.4p (five-day average prior to grant) and will be disclosed in the single total figure at point of vest.

– Tranche 1 with a value of £550,000 as 134,015 shares will vest in March 2026; and
– Tranche 2 with a value of £350,000 as 85,282 shares will vest in March 2027.

In accordance with the approved policy, the value and structure of the awards fairly reflects the awards Martin forfeited on leaving his previous employment in terms of value and timing of vesting and take account of the performance conditions applicable to some of his forfeited awards at that time. Both vesting dates are a one-year extension on the awards surrendered and vesting is conditional on continued employment and is subject to clawback and malus in certain circumstances.

In addition, and also in part compensation for the value of other awards forfeited at his previous employer, he received an FY25 LPA over shares with a face value of £1,137,500, which is 250% of his base salary of £455,000.

There have been no other changes to the interests shown above between 31 March 2025 and 22 May 2025.

Carol Borg

As part of the package approved by the Remuneration Committee for Carol Borg at recruitment, she was granted a share award in part compensation for share awards which were forfeited on resigning from her former employer. This was granted on 5 January 2022. As part of her termination arrangements, these shares vested in January 2025.

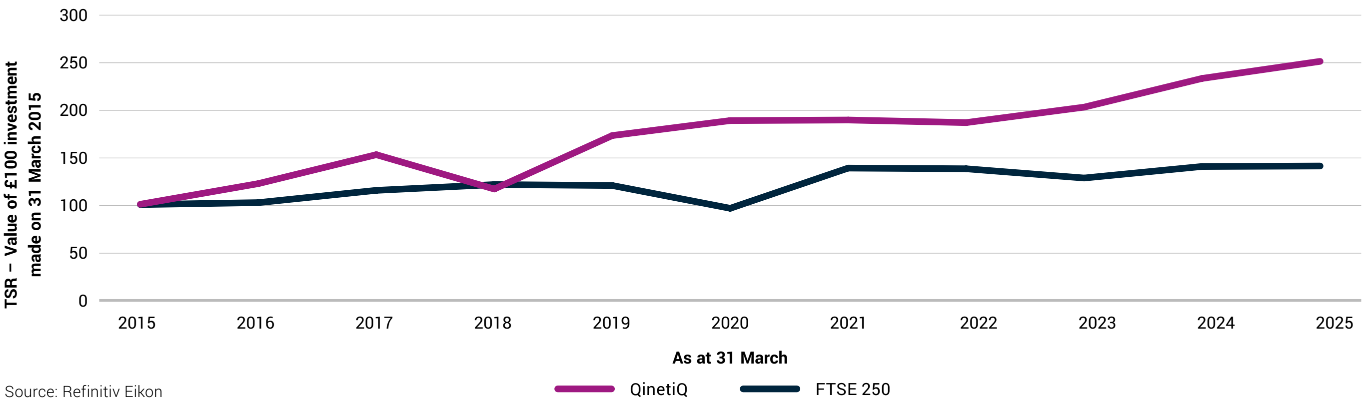
Carol Borg was treated as a good leaver with respect to her FY22 and FY23 DSP awards which have been reduced for time pro-rated and remain subject to the relevant performance underpin being met. Any DSP shares which vest will remain subject to a two-year holding period. Her FY24 LPA award lapsed on leaving on 15 April 2024.

Annual Report on Remuneration continued

Performance review

The 10-year chart shows the Company's Total Shareholder Return (TSR) over the period from 31 March 2015 to 31 March 2025 compared with the FTSE 250 (excluding investment trusts) over the same period based on spot values. The Committee has chosen to demonstrate the Company's performance against this index as it is the index in which the Company is listed.

10-year comparator chart



Source: Refinitiv Eikon

CEO remuneration

The table below shows the CEO's remuneration over the same performance period 31 March 2015 to 31 March 2025 as the TSR chart:

Financial Year ended 31 March	CEO	Salary/fees	Single figure	Annual bonus (% of maximum)	Long-term incentives (% of maximum vesting)
FY25	**Steve Wadey**	**719,147**	**1,567,490**	**–**	**100.0%**
FY24	Steve Wadey	689,160	2,928,669	85.6%	100.0%
FY23	Steve Wadey	664,126	2,164,306	98.2%	–
FY22	Steve Wadey	639,121	2,477,069	71.4%	100.0%
FY21	Steve Wadey	511,550	2,695,414	95.7%	100.0%
FY20	Steve Wadey	610,357	1,978,247	87.5%	38.4%
FY19	Steve Wadey	596,422	2,339,474	94.4%	31.7%
FY18	Steve Wadey	582,167	1,522,460	66.7%	–
FY17 (restated)	Steve Wadey	568,166	1,829,470	86.4%	–
FY16	Steve Wadey	520,219	1,654,546	85.4%	–
FY16	David Mellors	455,885	1,423,382	82.9%	–

CEO pay ratio

The calculation below is based on the FY25 single figure for the CEO of £1,567,490 and similar calculations for the UK workforce (i.e. 'Option A' as defined by the Companies (Miscellaneous Reporting) Regulations 2018). The Remuneration Committee chose Option A as it is the approach generally favoured by investors and GC100. The calculations for the UK workforce were performed as at 31 March 2025.

Total remuneration

Ratio of the CEO's to the pay of UK employees

Year	25th percentile	Median	75th percentile
FY25	**33: 1**	**25: 1**	**20: 1**
FY24	67: 1	50: 1	38: 1
FY23	53: 1	40: 1	31: 1
FY22	67: 1	49: 1	37: 1
FY21	70: 1	52: 1	39: 1
FY20	56: 1	41: 1	31: 1

The CEO pay ratios have decreased between FY24 and FY25 as a result of the lower CEO single figure for FY25 due to zero annual bonus being paid in the year. The Company believes that the median pay ratio for FY25 is consistent with the pay, reward and progression policies for the UK employees as the approach for all QinetiQ employees is monitored and reported to the Remuneration Committee on an annual basis.

Year-on-year movements in the CEO pay ratio are likely to be volatile due to the wide range of incentive outcomes for the CEO single figure, but the Remuneration Committee does note the ratio and will monitor long-term trends.

Total pay of UK employees

	25th percentile	Median	75th percentile
Total pay and benefits	£47,114	£62,423	£77,805
Salary component[1]	£42,189	£55,241	£49,524

1 The base salary data is impacted by the fact that the employee identified at the 75th percentile on a total pay basis had significant overtime and allowances payments.

The Remuneration Committee welcomes the opportunity to provide this information to shareholders. The Company aims to reward all employees fairly for the success and growth they create.

Remuneration policy for all employees

All employees of QinetiQ are entitled to base salary, benefits and pension. UK and Australia-based employees are entitled to participate in the QinetiQ Share Incentive Plan. The maximum incentive opportunity available is based on the seniority and responsibility of the role. Participation in the LPA is available to Executive Directors, senior leaders and selected employees throughout the organisation.

The All Employee Incentive Scheme (AEIS) provides every eligible employee the opportunity to earn a cash bonus based on Company and personal performance. For FY25 the operating profit threshold was not achieved, and therefore the Company performance element of AEIS was not paid. However, in recognition of the strong performance of our people this year, a discretionary 'thank you' payment of £400 to each eligible employee was approved instead. The AEIS will be operated again in FY26 and thereafter.

The Committee reviews (but does not decide) the general reward policy for all employees and any significant changes proposed. Alignment with the workforce is delivered through the Rewarding for Performance framework, including a transparent and consistent approach to the annual salary review, the AEIS to drive Company and personal performance, recognition schemes and market competitive benefits in our countries. For FY25 the Company agreed further investment in the employee offering across the Group including, in the UK, concluding the work to address market relativity, providing an additional base salary increase to employees to ensure they receive a fair market level of pay.

The CEO and the Chief People Officer have held regular discussions with our Global Employee Voice (GEV) representatives on reward matters. Members of the Board also met with the GEV representatives twice in FY25. Amongst other things, these meetings have discussed how executive remuneration is aligned to the broader employee offering in support of Group strategy.

Audited information

Single figure total remuneration for the Chairman and each Non-executive Director

Non-executive Directors' remuneration is shown as a single figure to provide an annual comparison between the remuneration awarded during the financial year ended 31 March 2025 and the preceding year.

	Fees £'000		Benefits £'000		Single figure £'000	
Non-executive Directors	**FY25**	**FY24**	**FY25**	**FY24**	**FY25**	**FY24**
Shonaid Jemmett-Page[1]	**76**	73	**1**	–	**77**	73
Neil Johnson	**281**	270	**2**	–	**283**	270
Dina Knight	**62**	5	**2**	–	**64**	5
Roger Krone[2]	**18**	–	**3**	–	**21**	–
Ross McEwan	**74**	5	**24**	5	**98**	10
General Sir Gordon Messenger[1]	**76**	73	**1**	–	**77**	73
Steve Mogford	**74**	67	**3**	–	**77**	67
Susan Searle[1,3]	**76**	73	**2**	–	**78**	73
Ezinne Uzo-Okoro[4]	**26**	–	**5**	–	**31**	–

1 Fees include Committee Chair fees.

2 Roger Krone – Appointed 8 January 2025.

3 Susan Searle – Resigned 31 March 2025.

4 Ezinne Uzo-Okoro – Appointed 1 November 2024.

The fees for Steve Mogford, Roger Krone and Ross McEwan include £12,000 as Senior Independent Director, Senior US (pro-rated based on start date) and Australia resident Non-executive Director respectively.

Benefits include travel and subsistence expenses (grossed-up for tax) incurred in relation to the execution of their duties with the Company that are considered by HMRC to be taxable. Attendance fees are also included in this number.

Roger Krone and Ezinne Uzo-Okoro as US residents received a $4,000 fee for attending UK meetings; as an Australian resident Ross McEwan receives a UK meeting fee of AU$8,000. UK-based Non-executive Directors are entitled to receive a £2,500 fee for attending US meetings.

Annual Report on Remuneration continued

Percentage change in Directors' remuneration

The following table compares the percentage change in the Director's salary/fees, bonus and benefits to the average percentage change in salary, bonus and benefits for a comparison group (4,811 employees) in the UK business in service between 1 April 2024 and 31 March 2025. The analysis only includes Directors who served for FY25 and includes the temporary salary/fee sacrifice in FY21.

	Fees £'000					Benefits £'000					Annual bonus £'000				
	FY25	FY24	FY23	FY22	FY21	FY25	FY24	FY23	FY22	FY21	FY25	FY24	FY23	FY22	FY21
Executive Directors															
Steve Wadey	**4.4%**	3.8%	3.9%	24.9%	-16.2%	**-1.2%**	9.2%	21.5%	-4.3%	35.9%	**-100.0%**	-10.5%	43.0%	-22.7%	10.3%
Martin Cooper	**–**	–	–	–	–	**–**	–	–	–	–	**–**	–	–	–	–
Carol Borg	**-95.8%**	3.9%	–	–	–	**-95.8%**	1.8%	–	–	–	**-100.0%**	-10.9%	–	–	–
Non-executive Directors															
Shonaid Jemmett-Page	**4.8%**	8.2%	1.5%	–	–	**123.9%**	-62.1%	0%	–	–	**–**	–	–	–	–
Neil Johnson	**4.2%**	4.2%	3.6%	14.3%	17.1%	**103.2%**	-77.2%	33.3%	100%	-100%	**–**	–	–	–	–
Dina Knight	**1140%**	–	–	–	–	**–**	–	–	–	–	**–**	–	–	–	–
Roger Krone	**–**	–	–	–	–	**–**	–	–	–	–	**–**	–	–	–	–
Ross McEwan	**1133%**	–	–	–	–	**422.3%**	–	–	–	–	**–**	–	–	–	–
General Sir Gordon Messenger	**4.8%**	4.3%	–	–	–	**173.6%**	-76.8%	–	–	–	**–**	–	–	–	–
Steve Mogford	**9.6%**	82.4%	–	–	–	**589.5%**	-52.7%	–	–	–	**–**	–	–	–	–
Susan Searle	**4.7%**	8.2%	1.5%	21.2%	-6.8%	**75.5%**	74.8%	0%	100%	-100%	**–**	–	–	–	–
Ezinne Uzo-Okoro	**–**	–	–	–	–	**–**	–	–	–	–	**–**	–	–	–	–
Employees															
Average UK employee[1]	**6.0%**	7.8%	4.4%	2.9%	1.2%	**-1.0%**	-22.2%	5.7%	10.9%	-1.2%	**-76.7%**	3.0%	96.2%	-38.2%	62.2%

1 UK employees were chosen to avoid the impact of exchange rate movements over the year. QinetiQ Group plc has no employees so QinetiQ Group Ltd employees were used.

The reduction in salary and fees which the Board implemented as a waiver for six months in FY21 impacted the analysis above, as did the reduced travel and physical meeting attendance. The benefits paid to Non-executive Directors are largely travel and subsistence expenses incurred in relation to the execution of their duties with the Company that are considered by HMRC to be taxable.

Relative importance of spend on pay

The graph below shows actual spend on all employee remuneration, shareholder dividends and buy-backs and any other significant use of profit and cash within the previous two financial years.

Total employee remuneration

+2.0%

Difference

Share-based profit distribution

Dividend cash payment plus purchase of own shares (see CFO Review page 30).

+26.9%

Difference

Other significant profit distribution

There were no other significant profit distributions in 2024 or 2025.

Gender related pay

QinetiQ is subject to gender pay reporting for UK employees and a copy of our latest report is available on the Company's website.

Service contracts/letters of appointment

The Company's policy is that Executive Directors have rolling contracts which can be terminated by either party giving 12 months' notice.

The Group Chairman and the Non-executive Directors do not have service contracts but are appointed under letters of appointment. All service contracts and letters of appointment are available for viewing at the Company's registered office and at the AGM.

Non-executive Directors typically serve two three-year terms but may be invited by the Board to serve for an additional period (see table in the Nominations Committee report on page 92).

Director	Date appointed	Arrangement	Notice period
Steve Wadey	27 April 2015	Service contract	12 months
Martin Cooper	2 September 2024	Service contract	12 months
Shonaid Jemmett-Page	19 May 2020	Initial term of three years from date of appointment, subject to annual reappointment at the AGM	–
Neil Johnson	2 April 2019	Initial term of three years from date of appointment, subject to annual reappointment at the AGM	–
Dina Knight	1 March 2024	Initial term of three years from date of appointment, subject to annual reappointment at the AGM	–
Roger Krone	8 January 2025	Initial term of three years from date of appointment, subject to annual reappointment at the AGM	–
Ross McEwan	1 March 2024	Initial term of three years from date of appointment, subject to annual reappointment at the AGM	–
General Sir Gordon Messenger	12 October 2020	Initial term of three years from date of appointment, subject to annual reappointment at the AGM	–
Steve Mogford	1 August 2022	Initial term of three years from date of appointment, subject to annual reappointment at the AGM	–
Ezinne Uzo-Okoro	1 November 2024	Initial term of three years from date of appointment, subject to annual reappointment at the AGM	–

Implementation of Policy for the year ended 31 March 2025

The Remuneration Policy operated as intended for the year ended 31 March 2025. Non-executive Directors' fees reviewed effective 1 July 2024 were set as follows:

- Basic fee £62,500 (was £60,000)
- Committee Chair fee £14,000 (no change)
- Senior Independent Director fee £12,000 (no change)

The fee increase was based on a NED fee benchmarking report provided by Mercer, and having considered the workload and contribution of the NEDs, the increase in base fee is 4.2%, less than the increases applied to the UK workforce in FY24.

The Non-executive Group Chair receives a fee of £284,000 per annum which was increased by 4.0% effective 1 July 2024, less than the increases applied to the UK workforce in FY24.

Fees are reviewed in line with Policy.

Executive Directors are permitted to accept one external Non-executive Director position with the Board's approval. Any fees received in respect of these appointments may be retained by the Executive Director. The CEO and CFO do not hold any Non-executive Directorships in other companies.

	Fees effective 1 July 2024 £
Group Chairman	284,000
Basic fee for UK Non-executive Director	62,500
Additional fee for chairing a Committee	14,000
Additional fee to Deputy Chair/Senior Independent Non-executive Director	12,000
Additional fee for attendance at a Board meeting held in US by UK resident Non-executive Director	2,500
Additional fee for attendance at a Board meeting held in UK by US resident Non-executive Director	$4,000
Additional fee for attendance at a Board meeting held in UK by Australia resident Non-executive Director	AU$8,000

Annual Report on Remuneration continued

Implementation of Policy for the year ending 31 March 2026

At the 14 May 2025 meeting of the Remuneration Committee and at the request of the CEO, the review of his salary will be deferred to the end of FY26. The CFO's salary will be increased by 3.3% (to £470,000p.a.) with effect from 1 July 2025, reflecting his performance and development in the role. For FY26, the overall salary review budget for UK employees is 4%; with 3.5% for the July 2025 salary review plus 0.5% for in-year salary progression.

Incentives for Executives

The table below shows the measures and relative weighting for the Annual Bonus Plan for the CEO and CFO:

Annual Bonus Plan	Performance measure	Relative weighting(%)
	Orders	25.0%
Target performance 100% of base salary	Underlying operating profit	25.0%
Stretch performance 200% of base salary	Underlying net cash flow from operations	25.0%
	Personal and strategic goals, including selected ESG metrics	25.0%

For FY26 the Remuneration Committee agreed to maintain the same financial metrics as in FY25 (orders, profit and cash), however, have adjusted the percentage from 70% to 75%, adjusting the weightings on orders and profit to 25% each (from 15% and 30% respectively) having equal weighting across all three financial metrics. To drive consistent cash collection performance, 30% of this element will be based on the achievement of meeting H1 performance targets, with 70% based on performance over the full financial year. The personal and strategic goals will provide greater emphasis on personal leadership, performance standards and ESG metrics (safety, security and environmental leadership).

In-line with the Directors' Remuneration Policy, target performance results in 50% of the maximum being paid. Details of specific performance targets for the ABP have not been provided as they are deemed commercially sensitive. The targets will be disclosed retrospectively in next year's Annual Report on Remuneration.

For FY26 the Committee has maintained the performance measures and weightings for the LPA with a clear link to Company strategy and incentivising growth:

- Earnings: organic underlying operating profit on a three-year cumulative basis (35% weighting)
  - Designed to deliver consistent operational performance over the longer term
  - Understood, relevant and actionable for QinetiQ senior leaders
- Returns: ROCE (35% weighting)
  - Average EBITA for the three-year period divided by average capital employed
  - Designed to drive robust investment selection and delivery
- Total revenue growth (30% weighting)
  - Designed to drive value creation through collaboration and market leverage

For the FY26 LPA the Committee agreed the following targets aligned with our growth ambition (20% of each element vests at Threshold). Cumulative earnings targets are deemed commercially sensitive at this time but are consistent with our growth ambition at 11–12% margin.

ROCE	Threshold 20.0%	Stretch 25.0%
FY28 Total revenue	Threshold £2.2bn	Stretch £2.7bn

The FY26 target level of performance is not calculated on a linear basis and the target is deemed commercially sensitive at this time as it is aligned to confidential Group strategy. Subject to the targets no longer being commercially sensitive they will be disclosed in full at the time of vesting.

Remuneration Committee meetings, activities and decisions FY25

The following table provides a summary of all the key activities during the year. The attendance at each meeting is detailed on page 86.

The membership of the Remuneration Committee for the whole of FY25 was Susan Searle (Chair), Dina Knight (Chair-designate), Neil Johnson, General Sir Gordon Messenger, Shonaid Jemmett-Page, Steve Mogford, Ross McEwan. Ezinne Uzo-Okoro and Roger Krone joined the Committee on 1 November 2024 and 8 January 2025 respectively.

Date	Incentives	Share awards	Governance	Salaries and resourcing
May 2024	Review of FY24 Company performance	Review FY24 LPA performance Confirm FY25 LPA targets	Approve FY25 Directors' Remuneration Report 2023 Directors' Remuneration Policy Review share plan equity dilution	QLT base salary reviews
July 2024			AGM preparation	
November 2024	FY25 half-year forecast		Review of QLT shareholdings Review of all-employee remuneration to ensure, inter alia, alignment of incentives and reward with culture	
March 2025	FY25 provisional results FY26 target setting		Mercer review of independence	

Remuneration Committee effectiveness review

A performance evaluation of the Committee is conducted annually. This process is described further on page 98.

Remuneration consultants

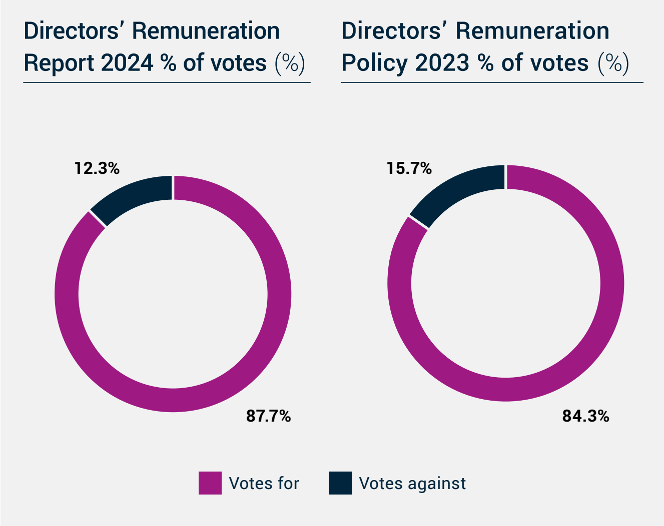
Mercer were appointed as independent adviser to the Committee to provide advice on market practice, corporate governance and investors' views. Mercer were selected by the Committee after providing ad-hoc advice in support of the design of the Directors' Remuneration Policy and prior experience of working with them. Fees paid to Mercer during the year for services provided were £91,000 calculated on a time-spent basis at pre-agreed rates.

Statement of voting

Directors' Remuneration Report – 2024	
Votes for	393,316,096 (87.7%)
Votes against	55,380,160 (12.3%)
Total votes cast	448,696,256 (78.4% of share capital)
Abstained	3,385,130

Directors' Remuneration Policy – 2023	
Votes for	406,828,507 (84.3%)
Votes against	75,547,245 (15.7%)
Total votes cast	482,375,752 (83.4% of share capital)
Abstained	26,105

Details on the voting on all resolutions at the 2025 AGM will be announced via the RNS and posted on the QinetiQ website after the AGM.



Dina Knight

Remuneration Committee Chair

22 May 2025

Directors' report and statutory information

Directors' report

In accordance with Section 415 of the Companies Act 2006 (the 'Act'), the Directors present their report together with the audited consolidated financial statements for the year ended 31 March 2025. Other sections of the Annual Report and Accounts have been deemed to be incorporated into the Directors' report by reference and the table below details where the required disclosures can be found.

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Management report

The Strategic report, Corporate governance statement and Directors' Report together are the management report for the purposes of DTR 4.1.5(2) and DTR 4.1.8R.

Corporate governance statement

The Corporate governance statement, including the Directors' Remuneration Report, fulfils the requirement of a corporate governance statement under DTR 7.2.1.

Disclosures in accordance with Listing Rule 6.6.1

For the purposes of the UK Listing Rules, the information required to be disclosed by UKLR 6.6.1R can be found as follows:

Section	Information	Page
(1)	Interest capitalised	n/a
(2)	Publication of unaudited financial information	n/a
(3)	Details of long-term incentive schemes	116
(4)	Waiver of emoluments by a Director	n/a
(5)	Waiver of future emoluments by a Director	n/a
(6)	Non pre-emptive issues of equity for cash	n/a
(7)	Non pre-emptive issue by major subsidiary undertakings	n/a
(8)	Listed subsidiary	n/a
(9)	Contracts of significance	n/a
(10)	Provision of services by a controlling shareholder	n/a
(11)	Shareholder waivers of dividends	n/a
(12)	Shareholder waivers of future dividends	n/a
(13)	Compliance with controlling shareholder rules	n/a

Research and development

One of the Group's distinct business capabilities is the provision of funded research and development (R&D) to customers. The Group also invests in the commercialisation of promising technologies across all areas of business.

In the financial year, the Group recorded £344.9m (FY24: £328.2m) of total R&D-related expenditure, of which £332.7m (FY24: £315.4m) was customer-funded work and £12.0m (FY24: £12.8m) was internally funded. Additionally, £3.7m (FY24: £4.0m) of late-stage development costs were capitalised and £6.2m (FY24: £3.3m) of capitalised development costs were amortised in the year.

Political donations

QinetiQ's policy is that it does not make what are commonly regarded as donations to any political party. QinetiQ does undertake legitimate interactions with MPs and others in the political world, to make them aware of key industry issues and matters that affect QinetiQ, and to make an important contribution to their understanding of QinetiQ, the markets in which it operates and the work of their constituents.

Branches

The Company and its subsidiaries have established branches in a number of different countries; their results are, however, not material to the Group's financial results.

Share capital

As at 31 March 2025, the Company had an allotted and fully paid up-share capital of 553,530,455 ordinary shares of 1p each with an aggregate nominal value of £5.5m and one Special Share with a nominal value of £1. The ordinary share total includes 1,711,349 shares held by employee share trusts.

Details of the shares in issue during the financial year are shown in note 28 on page 177.

Acquisition of own shares

On 31 January 2025, the Company completed a £100 million share buyback programme, which was originally announced on 16 January 2024. In total 23,860,262 ordinary shares of £0.01 were repurchased and subsequently cancelled as part of this programme.

A further £50 million share buyback programme commenced on 3 February 2025, and is expected to complete by the end of May 2025. As at 21 May 2025, the Company has repurchased 11,174,309 ordinary shares of £0.01 under this programme.

Pursuant to the above-mentioned buyback programmes, in the year ended 31 March 2025, the Company repurchased, and subsequently cancelled 23,865,436 Ordinary Shares of £0.01, which represents approximately 4.3% of the Company's issued share capital.

Further details on the share buyback programme can be found on our website www.qinetiq.com.

Rights of ordinary shareholders

The holders of ordinary shares are entitled to receive the Company's Reports and Accounts, to attend and speak at general meetings of the Company, to exercise voting rights in person or by appointing a proxy, and to receive a dividend where declared or paid out of profits available for that purpose.

Rights of special shareholder

The Special Share is held by HM Government through the Secretary of State for Defence (the Special Shareholder) and it may only be held by and transferred to HM Government. It confers certain rights to protect UK defence and security interests. These include:

- The promotion and reinforcement of the MOD compliance principles which require QinetiQ to be an impartial, ethical and responsible contractor by avoiding conflicts of interest in its dealings with the MOD
- The protection of defined strategic assets of the Group, such as certain testing facilities, by providing the Special Shareholder with an option to purchase those assets in certain circumstances
- The right to require certain persons with a material interest in QinetiQ to dispose of some or all of their ordinary shares on the grounds of national security or conflict of interest
- A provision whereby at least the Non-executive Chairman or Chief Executive Officer must be a British citizen

The Special Share carries no financial and economic value and the Special Shareholder is not entitled to vote at a general meeting of the Company. At any time the Special Shareholder may require QinetiQ to redeem the share at par and, if wound up, the Special Shareholder would be entitled to be repaid at its nominal value before other shareholders. Any variation of the rights attached to the Special Share requires the written approval of the MOD. Further details can be found in note 28 on page 177.

Restrictions on the transfer of shares

As detailed above, the special share requires certain persons with an interest in QinetiQ's shares that exceed certain prescribed thresholds to dispose of some or all of their ordinary shares on the grounds of national security or conflict of interest.

Employee share schemes

The QinetiQ Group plc Employee Benefit Trust (the Trust) holds shares in connection with QinetiQ’s employee share schemes, excluding the Share Incentive Plan. As at 31 March 2025, the Trust held 1,711,349 ordinary shares of 1p each (the Trust Shares). The Trustees of the Trust have agreed to waive their entitlement to dividends payable on the Trust Shares.

Equiniti Share Plan Trustees Limited acts as Trustee in respect of all ordinary shares held by employees under the QinetiQ Group plc Share Incentive Plan (the Plan). Equiniti Share Plan Trustees Limited will vote on all resolutions proposed at general meetings in accordance with voting instructions received from participants in the Plan.

Corporate sponsored nominee

In circumstances where ordinary shares are held by the corporate sponsored nominee service, Equiniti Corporate Nominees Limited will vote on all resolutions proposed at general meetings in accordance with voting instructions received from shareholders using such corporate nominee service.

Major shareholdings

In accordance with DTR 5, the Company has been notified of the following from holders representing 3% or more of the issued ordinary share capital of the Company.

Name of shareholder	As at 31 March 2025 % of issued share capital*	As at 21 May 2025 % of issued share capital*
Klear Kite LLC	12.63%	12.63%
Schroders	9.98%	9.98%
Franklin Mutual Advisers LLC	5.07%	5.07%

* As notified by the shareholder and based on the issued ordinary share capital at the time of the notification.

Employees

The Group is committed to the fair treatment of people with disabilities in relation to applications, training, promotion and career development. If an existing employee becomes disabled, the Company makes every effort to enable them to continue their employment and career development and to arrange appropriate training, wherever practical.

Directors’ interests in contracts

At the date of this report, there is no contract or arrangement with the Company or any of its subsidiaries that is significant in relation to the business of the Group as a whole in which a Director of the Company is materially interested.

Indemnities

The Company has entered into indemnity deeds with all its current Directors containing qualifying indemnity provisions, as defined in Section 234 of the Companies Act 2006, under which the Company has agreed to indemnify each Director in respect of certain liabilities, which may be attached to them as Directors or as former Directors of the Company or any of its subsidiaries. The qualifying third-party indemnity was in force during the financial year and also at the date of approval of the financial statements.

Articles of Association

Changes to the Articles must be submitted to shareholders for approval save in respect of the rights attaching to the Special Share, the Company has not adopted any special rules relating to the appointment and replacement of Directors or the amendment of the Company’s Articles of Association, other than as provided under UK corporate law.

Change of control – significant agreements

The following significant agreements contain provisions entitling the counterparties to require prior approval, exercise termination, alteration or other similar rights in the event of a change of control of the Company, or if the Company ceases to be a UK company:

- The Combined Aerial Target Service contract is a 20-year contract awarded to QinetiQ Target Services Limited by the MOD on 14 December 2006. The terms of this contract require the Company to remain a UK company which is incorporated under the laws of any part of the UK, or an overseas company registered in the UK, and that at least 50% of the Board of Directors are UK nationals. The terms also contain change of control conditions and restricted share transfer conditions which require prior approval from HM Government if there is a material change in the ownership of the Company's share capital, unless the change relates to shares listed on a regulated market; 'material' is defined as being 10% or more of the share capital. In addition, there are restrictions on transfers of shares to persons from countries appearing on the restricted list as issued by HM Government.
- The Long Term Partnering Agreement (LTPA) is a 25-year contract (with an option to extend for a further five year period), which QinetiQ Limited signed on 28 February 2003, to provide test, evaluation and training services to the MOD. This contract contains conditions under which the prior approval of HM Government is required if the contractor, QinetiQ Limited, ceases to be a subsidiary of the QinetiQ Group, except where such change in control is permitted under the Shareholders Agreement to which the MOD is a party.
- The Maritime Strategic Capabilities Agreement Future Arrangement contract is a 10-year contract awarded by the MOD which came into effect on 1 April 2023. The contract terms include a provision requiring that any change of control of QinetiQ Limited requires prior approval from HM Government (with control being defined as the ability to control the Company's affairs by reason of the holding of shares or by means of voting or other powers). If such approval is not obtained, the MOD reserves the right to terminate the agreement.
- The Engineering Delivery Partner Agreement placed with QinetiQ Limited by the MOD came into force on 5 October 2018 and has a 10-year duration. The contract contains a provision under which any change of control of QinetiQ Limited requires prior approval from HM Government (with control being defined as the ability to control the Company's affairs by reason of the holding of shares or by means of voting or other powers). The MOD is entitled to terminate the contract where a change of control has occurred without such approval having been obtained.
- The Group is party to funding agreements, provided by a consortium of banks: a £290m multi-currency revolving credit facility which was due to mature on 22 April 2028; with a one-year option to extend the final maturity to 22 April 2029; a multi-currency floating rate term loan of £335m which matures on 27 September 2027, and interest rate derivative contracts maturing on 27 September 2027 to fix the floating rate bank borrowings in line with Treasury policy. Under the terms of the agreements, in the event of a change of control of the Company, any lender may give notice to cancel its commitment and require all outstanding amounts to be repaid.

The Directors' contracts contain no provisions for compensation for loss of office on a change of control of the Company.

Appointment and replacement of Directors

According to the Articles of Association, all Directors are subject to election by shareholders at the first AGM after their appointment, and must stand for re-election at intervals of no more than three years thereafter. In line with best practice reflected in the UK Corporate Governance Code, however, the Company requires each serving member of the Board to stand for election or re-election on an annual basis at each AGM.

Powers of the Directors: allotment/purchase of own shares

At the Company's AGM held in July 2024, the shareholders passed resolutions which authorised the Directors to allot relevant securities up to an aggregate nominal value of £1,901,553 (£3,803,105 pursuant only to a rights issue) and to disapply pre-emption rights (up to 5% of the issued ordinary share capital). The authorities will remain valid until the 2025 AGM.

Resolutions in respect of the allotment of relevant securities, the disapplication of pre-exemption rights and the purchase of own shares will be laid before the 2025 AGM.

Annual General Meeting

The Company's AGM will be held on Thursday 17 July 2025 at 11:00 at the office of Ashurst LLP, London Fruit and Wool Exchange, Duval Square, London E1 6PW.

Independent auditors

A resolution to confirm the reappointment of PricewaterhouseCoopers ('PwC') as auditor of the Company will be proposed at the 2025 AGM. The reappointment has been recommended to the Board by the Audit Committee and PwC has expressed its willingness to continue in office.

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and Accounts including the Directors' Remuneration Report and the Financial Statements in accordance with applicable law and regulations.

UK company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law). Additionally, the Financial Conduct Authority's Disclosure Guidance and Transparency Rules require the Directors to prepare the Group Financial Statements in accordance with UK-adopted International Accounting Standards.

Under UK company law, 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 Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- Select suitable accounting policies and apply them consistently
- State whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 and UK-adopted International Accounting Standards have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- Make reasonable and prudent judgements and accounting estimates; and
- Prepare the financial statements on the going-concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions, and disclose with reasonable accuracy at any time, the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration report comply with the Companies Act 2006.

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

Directors' confirmations

The Directors of the Company who served during the financial year ending 31 March 2025:

Neil Johnson
Steve Wadey
Carol Borg (resigned 16 April 2024)
Martin Cooper (appointed 2 September 2024)
Steve Mogford
Shonaid Jemmett-Page
Dina Knight
Roger Krone (appointed 8 January 2025)
Ross McEwan
General Sir Gordon Messenger
Susan Searle (resigned 31 March 2025)
Ezinne Uzo-Okoro (appointed 1 November 2024)

Each of the Directors confirm that, to the best of their knowledge:

- The Group financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards, adopted pursuant to UK-adopted International Accounting Standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group
- The Company Financial Statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities, financial position and profit of the Company
- The going-concern statement on page 69 includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces

In the case of each Director in office at the date the Directors' report is approved.

Scope of the reporting in this Annual Report

The Board has prepared a Strategic report which provides an overview of the development and performance of the Group's business in the year ended 31 March 2025.

For the purposes of DTR 4.1.5R(2) and DTR 4.1.8 the Directors confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware, and that they have taken all steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the Board.

James Field
Company Secretary

22 May 2025

Independent auditors' report to the members of QinetiQ Group plc

Report on the audit of the financial statements

Opinion

In our opinion:

- QinetiQ Group plc's group financial statements and company financial statements (the 'financial statements') give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2025 and of the group's loss and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework', and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report & Accounts 2025 (the 'Annual Report'), which comprise: the Consolidated and Company balance sheets as at 31 March 2025; the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated and Company statements of changes in equity and Consolidated cash flow statement for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in Note 8, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- We conducted full scope audit work in the United Kingdom over QinetiQ Limited, in the United States over QinetiQ US, and in Australia over QinetiQ Pty Ltd based on their size. This provides significant coverage over all financial statement balances, except inventory and intangible assets;
- We performed a full scope financial statement line item audit over inventory and intangible assets balances at QinetiQ Target Systems Limited to provide sufficient overall group coverage;
- We performed procedures over goodwill, acquired intangible assets, share-based payments, the defined benefit pension scheme, IFRS 16 lease accounting, taxation, borrowings and the consolidation at a group level.

Key audit matters

- Long-term contract accounting (group)
- Impairment of goodwill related to the US CGU (group)
- Impairment of investments in subsidiary undertakings (parent)

Report on the audit of the financial statements continued

Our audit approach continued

Overview continued

Materiality

— Overall group materiality: £10,000,000 (2024: £11,300,000) based on 5% of underlying profit before tax.

— Overall company materiality: £5,400,000 (2024: £5,300,000) based on 1% of total assets.

— Performance materiality: £7,500,000 (2024: £8,475,000) (group) and £4,050,000 (2024: £3,975,000) (company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Long-term contract accounting (group)	

Refer to page 102 (Audit Committee report) and page 184 (note 35, Basis of preparation and material accounting policies - Revenue from contracts with customers) and page 148 (note 2, Revenue from contracts with customers and other income).
 	
QinetiQ Group plc has a large number of contracts which span multiple periods and are accounted for on a percentage of completion (POC) basis in accordance with IFRS 15. Long term contract accounting requires a number of judgements and management estimates to be made, particularly in calculating the forecast costs to complete the contract. These judgements drive revenue and profit recognition, and together with cash paid by the customer, impact the balance sheet position at the year end.
	We evaluated the contract governance policies and controls in place within the business and tested the design and operating effectiveness of certain key controls over long-term contracts.
	
	For long term contracts within the UK, the Group team performed risk assessment procedures over the portfolio of contracts to identify contracts to subject to detailed audit procedures. These detailed contract audits involved meeting with key financial and non-financial personnel throughout the year and at year end to discuss contract performance, as well as challenging management to provide evidence to support the estimates taken on each contract in the financial statements.
	
	Specifically, our procedures included the following (across the full population of contracts):
	— We assessed the basis of revenue recognition to ensure it is in line with applicable accounting standards.
	— We agreed overall anticipated revenue to the underlying contract and validated a sample of customer invoices through to cash receipt.
	— We recalculated revenue recognised and agreed revenue, costs and associated balance sheet positions to the underlying general ledger.
	— We obtained evidence to corroborate management estimates and judgements, particularly around forecast costs to complete and risk contingencies, including:
	  — Performing risk assessment sensitivity to identify those cost categories that are most sensitive and require further review;
	  — Comparing forecasts to established run rate obtaining evidence for movements outside of our expectation, where applicable; and
	  — Obtaining contract risk registers and obtaining support for significant movements.
	— We validated costs incurred allocated to contracts (across the full population of contracts) during the year to supporting documentation.
	
	For the remaining population of contracts, we selected a sample and performed testing over revenue and costs, agreeing to supporting documentation including customer contracts and validating a sample of customer invoices to cash receipts. Additional testing was performed, where not sufficiently covered by the above, over the contract asset and liability balance sheet positions to gain assurance over the accuracy of these balances. These have been sample tested and agreed to supporting documentation.
	
	Component teams in the US and Australia, stratify their contracts into risk categories and perform the above procedures as relevant. No material exceptions were found.

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill related to the US CGU (group)	
Refer to page 102 (Audit Committee report), page 188 (note 35, Basis of preparation and material accounting policies – Impairment of goodwill and tangible, intangible and held for sale assets) and page 155 (note 13, Goodwill). The group has a material amount of goodwill (£249.8m at 31 March 2025) with £181.1m of this relating to the US cash- generating unit ('CGU'). As required by IAS 36, management performed an impairment assessment, determining the recoverable amount of each CGU as the higher of the value in use or fair value less cost to sell. This assessment is underpinned by the Board-approved five-year strategic plan. This annual impairment review was performed as at 31 March 2025. During the year there was a material impairment recorded of £143.9m wholly relating to the US CGU. After this impairment, the remaining carrying value of the US CGU is material and hence there is a significant estimate as to the value of the impairment recorded, as well as the remaining value held on the balance sheet.	Our audit focused on the risk that the impairment recorded and the consequent carrying value of goodwill in the US CGU could be materially misstated. We assessed the design and implementation of the goodwill impairment processes and related controls; however, we concluded that we would not rely on the controls over financial reporting and therefore we performed only substantive procedures in this area. We reviewed management's assessment of value in use and fair value less cost to sell for the US CGU to verify that the recoverable amount reflected the higher of the two measures. We tested the principles and mathematical integrity of the group's discounted cash flow model. With the assistance of our valuation specialists, we assessed the long-term growth rates and discount rate used in the impairment calculation, by comparing the group's assumptions to external data. We confirmed that cash flows for the next 5 years were consistent with internal budgeting and strategic planning processes and the long term viability assessment and that the underlying budgets and strategic plans have been approved by the Board. Within the US CGU, we challenged the cash flow projections of future revenue growth used within the model by reference to future market growth and contract opportunities, obtaining third party evidence where possible. We held discussions with financial and non-financial personnel, corroborating explanations to supporting evidence. We challenged assumptions regarding forecast margin with reference to historical performance and evidence of strategic plans supported by external advisors. We concluded that the group's assumptions were reasonable and supportable, and we did not identify any indication of management bias. We assessed the related disclosures in the annual report, including sensitivity of the impairment calculations to changes in the underlying assumptions, and consider them to be appropriate.
Impairment of investments in subsidiary undertakings (parent)	
Refer to page 196 (Accounting policies – Investments and note 2, Investments in subsidiary undertakings). The company has investments of £540.1m in its subsidiary undertakings. Annually, the Directors consider whether any events or circumstances have occurred that could indicate that the carrying amount of the investment in subsidiaries may not be recoverable. If such circumstances are identified, an impairment review is undertaken to establish whether the carrying amount of the investments exceeds its recoverable amount, being the higher of fair value less costs to sell or value in use. Impairment assessments of this nature require significant judgement and there is a risk that a potential impairment trigger may not be identified by management and in the event that there is an impairment trigger identified, there is a risk that the calculation of the recoverable amount of the investment is incorrect and therefore the value of the investment may be misstated. No such indicators of impairment have been identified.	We have evaluated management's consideration of impairment triggers through performing our own independent assessment, which has included: – Considering the market capitalisation of the group at year end and comparing this to the carrying value of the investment. – Assessing the overall financial performance of the group to identify any indicators of impairment as a result of poor financial performance. – Considering other information gathered during the course of our audits of components and assessing whether there are any other indicators of impairment. – Comparing the carrying value of the investment to the carrying value of the underlying net assets. We found that management's conclusion, that there are no impairment triggers in the investments in subsidiaries carrying value, was reasonable.

Report on the audit of the financial statements continued

Our audit approach continued

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

We conducted full scope audit work over QinetiQ Limited, QinetiQ US and QinetiQ Pty Ltd, with QinetiQ Limited being the only component considered significant to the group. The audit of QinetiQ Limited is performed in the United Kingdom and the audits of QinetiQ US and QinetiQ Pty Ltd are performed by our local PwC component teams based in the United States and Australia, respectively. This provides sufficient coverage over all financial statement balances, except inventory, intangible assets and central balances audited by the group team.

We performed additional procedures over inventory and intangible assets balances at QinetiQ Target Systems Limited to ensure sufficient coverage over that financial statement line item. QinetiQ Target Systems Limited is located within the UK and work was performed by the group audit team.

In addition to the above, we performed risk assessment analytical procedures on the remaining entities, other than those considered inconsequential, to understand key balances and transactions in the year. This was performed by the group audit team and did not result in any further balances being brought into scope.

The audit procedures performed over the financial information of full scope components, QinetiQ Limited, QinetiQ US and QinetiQ Pty Ltd, accounted for 91% of consolidated group revenue and 77% of underlying profit before taxation (on an absolute basis, excluding holding companies and consolidation entities).

The full scope audits plus the additional audit procedures over inventory and intangible assets in QinetiQ Target Systems, resulted in coverage of 84% of total group assets.

The combination of the work referred to above, together with additional procedures performed at a group level, including testing of significant journals posted within the consolidation, significant adjustments made to the financial statements, goodwill, acquired intangible assets, share-based payments, pensions, IFRS 16 lease accounting, taxation and borrowings gave us the evidence required for our opinion on the financial statements as a whole.

The group engagement leader discussed and agreed the audit plan with our component audit teams, in addition to agreeing the format and content of communications. We determined that the level of involvement we were able to have in the audit work at our reporting entities was sufficient, and appropriate audit evidence had been obtained, to enable us to form our opinion on the financial statements as a whole. The group engagement leader visited our local PwC component team and the local management team in the United States as part of our planning procedures. We maintained regular dialogue throughout the audit process with our component audit teams through the use of video conferencing. We also supervised the work performed by all component teams through the review of component team working papers and we concluded that sufficient and appropriate procedures have been performed.

The company audit was performed by the group audit team. The parent company is principally a holding company and there are no branches or other locations to be considered when scoping the audit. There are no financial statement line items in scope for the group audit. The company is audited on a stand-alone basis and hence testing has been performed on all material financial statement line items.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the group's and company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. In particular, when carrying out our work over long term contracts we challenged management over the impact of climate change (e.g. flooding at exposed areas) on the forecasted costs to complete as well as any potential risks arising from physical and environmental issues. Our procedures did not identify any material impact as a result of climate risk on the group's and company's financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – group	Financial statements – company
Overall materiality	£10,000,000 (2024: £11,300,000).	£5,400,000 (2024: £5,300,000).
How we determined it	5% of underlying profit before tax	1% of total assets
Rationale for benchmark applied	Underlying profit before tax is one of the primary measures used by the shareholders in assessing the performance of the group, and is a generally accepted auditing benchmark. It is considered appropriate to exclude specific adjusting items due to the nature of these balances as disclosed in note 4 of the financial statements.	We believe that total assets is the primary measure used by shareholders in assessing the performance of this entity, and is a generally accepted auditing benchmark for a holding company. This materiality relates to the audit of the parent company only, as the parent company was not in scope for the group audit.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £6,000,000 and £9,500,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2024: 75%) of overall materiality, amounting to £7,500,000 (2024: £8,475,000) for the group financial statements and £4,050,000 (2024: £3,975,000) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £500,000 (group audit) (2024: £525,000) and £270,000 (company audit) (2024: £265,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining the board-approved strategic plan. We held discussions with management to understand the budgeting process and the key assumptions made over management's going concern assessment period
- Performing a comparison of the cash flow forecasts used in the going concern assessment to those in the strategic plan and, where applicable, compared these forecasts for consistency to those used elsewhere in the business, including for long term contract accounting and impairment assessments
- Assessing whether the stress testing performed by management appropriately considered the principal risks facing the business, and were adequate
- Using our own knowledge from the audit and assessment of previous forecasting accuracy we have assessed management's sensitivities applied to cash flow forecasts. These procedures confirmed liquidity and covenant headroom in management's forecasts when performing severe but plausible sensitivities
- Evaluating the feasibility of management's mitigating actions in response to the severe stress testing scenarios; and
- We assessed the adequacy of disclosures in the Going Concern statement on page 69, the Audit Committee report on page 103 and statements in Note 35 of the Financial Statements and found these appropriately reflect our understanding of the process undertaken and the conclusion reached.

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

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Report on the audit of the financial statements continued

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 March 2025 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the group's and company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group and company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to Single Source Contracting Regulations, the Health and Safety Executive and anti-bribery and corruption legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and relevant tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue as well as considering management bias in accounting estimates. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Discussions with management at multiple levels across the business, internal audit and the group's legal counsel throughout the year, as well as at year end. These discussions have included consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Evaluation of management's controls designed to prevent and detect irregularities, in particular their anti-bribery controls;
- Assessment of matters reported on the group's whistleblowing helpline and the results of management's investigation of such matters;
- Reviewing correspondence with and reporting to relevant regulatory authorities;
- Challenging assumptions and judgements made by management in their significant accounting estimates and judgements, particularly in relation to the key audit matters above;
- Designing risk filters to search for journal entries, such as those posted with unusual account combinations, and testing those journals highlighted (if any); and
- Incorporating elements of unpredictability into the audit procedures performed.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Report on the audit of the financial statements continued

Responsibilities for the financial statements and the audit continued

Responsibilities of the directors for the financial statements continued

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 22 June 2017 to audit the financial statements for the year ended 31 March 2018 and subsequent financial periods. The period of total uninterrupted engagement is 8 years, covering the years ended 31 March 2018 to 31 March 2025.

Other matter

The company is required by the Financial Conduct Authority Disclosure Guidance and Transparency Rules to include these financial statements in an annual financial report prepared under the structured digital format required by DTR 4.1.15R – 4.1.18R and filed on the National Storage Mechanism of the Financial Conduct Authority. This auditors' report provides no assurance over whether the structured digital format annual financial report has been prepared in accordance with those requirements.

John Ellis (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Southampton

22 May 2025

Financial Statements

Additional Information

Consolidated income statement

For the year ended 31 March

All figures in £ million	Note	FY25 Underlying*	FY25 Specific adjusting Items*	FY25 Total	FY24 Underlying*	FY24 Specific adjusting Items*	FY24 Total
Revenue	2, 3	**1,931.6**	**-**	**1,931.6**	**1,912.1**	**-**	**1,912.1**
Operating costs excluding depreciation and amortisation		(1,669.1)	(136.8)	(1,805.9)	(1,644.3)	(26.1)	(1,670.4)
Other income	2	39.2	-	39.2	40.1	2.1	42.2
EBITDA (earnings before interest, tax, depreciation and amortisation)		**301.7**	**(136.8)**	**164.9**	**307.9**	**(24.0)**	**283.9**
Depreciation and impairment of property, plant and equipment	3, 15	(70.6)	(1.0)	(71.6)	(58.1)	(0.7)	(58.8)
Impairment of goodwill	13	-	(143.9)	(143.9)	-	-	-
Amortisation and impairment of intangible assets	3, 4, 14	(15.7)	(24.2)	(39.9)	(7.4)	(25.2)	(32.6)
Operating profit/(loss)	3	**215.4**	**(305.9)**	**(90.5)**	**242.4**	**(49.9)**	**192.5**
Finance income	7	6.6	1.0	7.6	5.3	5.6	10.9
Finance expense	7	(23.4)	-	(23.4)	(20.7)	-	(20.7)
Profit/(loss) before tax	8	**198.6**	**(304.9)**	**(106.3)**	**227.0**	**(44.3)**	**182.7**
Taxation (expense)/income	9	(51.6)	(27.8)	(79.4)	(57.4)	14.3	(43.1)
Profit/(loss) for the year		**147.0**	**(332.7)**	**(185.7)**	**169.6**	**(30.0)**	**139.6**

Earnings/(loss) per share for profit/(loss) attributable to the owners of the parent company

All figures in pence	Note	FY25 Underlying*	FY25 Total	FY24 Underlying*	FY24 Total
Basic	10	26.1	(33.0)	29.4	24.2
Diluted	10	25.8	(33.0)	29.0	23.8

* Alternative performance measures are used to supplement the statutory figures. These are additional financial indicators used by management internally to assess the underlying performance of the Group. Definitions can be found on page 202. Also refer to note 4 for details of 'specific adjusting items'.

Consolidated statement of comprehensive income

For the year ended 31 March

All figures in £ million	Note	FY25	FY24
(Loss)/profit for the year		**(185.7)**	**139.6**
Items that will not be reclassified to profit or loss:			
Actuarial gain/(loss) recognised in defined benefit pension schemes	27	17.7	(108.9)
Tax on items that will not be reclassified to profit and loss	17	(4.4)	27.2
Total items that will not be reclassified to profit or loss		**13.3**	**(81.7)**
Items that may be reclassified to profit or loss:			
Foreign currency translation losses on foreign operations		(11.6)	(12.6)
Movement in deferred tax on foreign currency translation		0.7	0.1
(Decrease)/increase in the fair value of hedging derivatives		(4.3)	0.1
Movement in deferred tax on hedging derivatives		1.1	-
Total items that may be reclassified to profit or loss		**(14.1)**	**(12.4)**
Other comprehensive expense for the year, net of tax		**(0.8)**	**(94.1)**
Total comprehensive (expense)/income for the year		**(186.5)**	**45.5**

Consolidated statement of changes in equity

For the year ended 31 March

All figures in £ million	Share capital	Capital redemption reserve	Share premium	Hedge reserve	Translation reserve	Retained earnings	Total
Note	28						
At 1 April 2024	5.7	40.8	147.6	6.4	(16.7)	742.3	926.1
Total comprehensive expense							
Loss for the year	-	-	-	-	-	(185.7)	**(185.7)**
Other comprehensive (expense)/income for the year, net of tax	-	-	-	(3.2)	(10.9)	13.3	**(0.8)**
Total comprehensive expense for the year	**-**	**-**	**-**	**(3.2)**	**(10.9)**	**(172.4)**	**(186.5)**
Purchase of own shares	(0.2)	0.2	-	-	-	(74.9)	**(74.9)**
Share-based payment	-	-	-	-	-	8.9	**8.9**
Tax on share-based payments (note 9)	-	-	-	-	-	0.8	**0.8**
Dividends	-	-	-	-	-	(47.9)	**(47.9)**
At 31 March 2025	5.5	41.0	147.6	3.2	(27.6)	456.8	626.5
At 1 April 2023	5.8	40.8	147.6	6.3	(4.2)	772.0	968.3
Total comprehensive income/(expense)							
Profit for the year	-	-	-	-	-	139.6	**139.6**
Other comprehensive income/(expense) for the year, net of tax	-	-	-	0.1	(12.5)	(81.7)	**(94.1)**
Total comprehensive income/(expense) for the year	**-**	**-**	**-**	**0.1**	**(12.5)**	**57.9**	**45.5**
Purchase of own shares	(0.1)	-	-	-	-	(51.0)	**(51.1)**
Share-based payments	-	-	-	-	-	8.8	**8.8**
Tax on share-based payments (note 9)	-	-	-	-	-	0.2	**0.2**
Dividends	-	-	-	-	-	(45.6)	**(45.6)**
At 31 March 2024	5.7	40.8	147.6	6.4	(16.7)	742.3	**926.1**

Consolidated balance sheet

As at 31 March

All figures in £ million	Note	31 March 2025	31 March 2024
Non-current assets			
Goodwill	13	249.8	401.4
Intangible assets	14	293.9	321.8
Property, plant and equipment	15	473.3	531.8
Other financial assets	23	3.0	4.9
Equity accounted investments	16	2.1	2.2
Net pension asset	27	39.4	18.4
Deferred tax asset	17	10.7	36.7
		1,072.2	**1,317.2**
Current assets			
Inventories	19	70.7	89.2
Other financial assets	23	4.9	6.2
Trade and other receivables	20	388.4	456.8
Current tax asset	18	1.6	5.8
Cash and cash equivalents	23	290.6	231.0
		756.2	**789.0**
Total assets		**1,828.4**	**2,106.2**
Current liabilities			
Trade and other payables	21	(597.5)	(654.7)
Current tax payable	18	(3.6)	(6.6)
Provisions	22	(56.2)	(15.3)
Other financial liabilities	23	(15.1)	(9.2)
		(672.4)	**(685.8)**
Non-current liabilities			
Deferred tax liability	17	(101.0)	(94.4)
Provisions	22	(3.5)	(4.2)
Borrowings and other financial liabilities	23	(416.6)	(384.1)
Other payables	21	(8.4)	(11.6)
		(529.5)	**(494.3)**
Total liabilities		**(1,201.9)**	**(1,180.1)**
Net assets		**626.5**	**926.1**
Equity			
Ordinary shares	28	5.5	5.7
Capital redemption reserve		41.0	40.8
Share premium account		147.6	147.6
Hedging reserve		3.2	6.4
Translation reserve		(27.6)	(16.7)
Retained earnings		456.8	742.3
Total equity		**626.5**	**926.1**

The financial statements on pages 144 to 196 were approved by the Board of Directors and authorised for issue on 22 May 2025 and were signed on its behalf by:

Steve Wadey
Group Chief Executive Officer

Martin Cooper
Group Chief Financial Officer

Consolidated cash flow statement

For the year ended 31 March

All figures in £ million	Note	FY25	FY24
Underlying net cash inflow from operations	24	**316.2**	**320.2**
Less: specific adjusting items	24	(29.5)	(26.1)
Net cash inflow from operations	24	**286.7**	**294.1**
Tax paid		(48.6)	(36.9)
Interest received		6.6	5.3
Interest paid		(23.4)	(19.4)
Net cash inflow from operating activities		**221.3**	**243.1**
Purchases of intangible assets	14	(12.7)	(10.9)
Purchases of property, plant and equipment	15	(96.1)	(85.4)
Proceeds from sale of property		108.5	2.1
Proceeds from sale of plant and equipment		0.4	0.2
Dividends from joint ventures and associates		0.3	-
Acquisition of businesses	12	-	(5.1)
Net cash inflow/(outflow) from investing activities		**0.4**	**(99.1)**
Purchase of own shares		(108.9)	(17.1)
Dividends paid to shareholders	11	(47.9)	(45.6)
Capital element of lease payments		(10.8)	(6.8)
Cash flow relating to intercompany loan hedges		9.2	6.3
Net cash outflow from financing activities		**(158.4)**	**(63.2)**
Increase in cash and cash equivalents		**63.3**	**80.8**
Effect of foreign exchange changes on cash and cash equivalents		(3.7)	(1.0)
Cash and cash equivalents at beginning of the year		231.0	151.2
Cash and cash equivalents at end of the year	23	**290.6**	**231.0**

Reconciliation of movements in net debt

for the year ended 31 March

All figures in £ million	Note	FY25	FY24
Increase in cash and cash equivalents in the year		**63.3**	**80.8**
Add back net cash flows not impacting net debt		12.4	7.3
Movement in net debt resulting from cash flows		75.7	88.1
Net increase in lease obligations		(50.8)	(31.2)
Net movement in derivative financial instruments		(4.7)	(0.5)
Other movements including foreign exchange		(2.2)	(0.7)
Movement in net debt as defined by the Group		18.0	55.7
Net debt as defined by Group at the beginning of the year		(151.2)	(206.9)
Net debt as defined by the Group at the end of the year	23	**(133.2)**	**(151.2)**
Less: borrowings	23	335.0	336.3
Less: total net derivative financial instruments, capitalised borrowing costs and lease liabilities	23	88.8	45.9
Total cash and cash equivalents	23	**290.6**	**231.0**

Notes to the Consolidated Financial Statements

For the year ended 31 March

1. Significant changes in the current reporting period

The financial position and performance of the Group was particularly affected by the following events and transactions during the reporting period:

1) A £151.6m decrease in Goodwill predominantly due to an impairment charge against the US Sector CGU (note 13)
2) A £74.9m reduction in equity due to the ongoing purchase to acquire own shares as part of the share buy back programme
3) The sale and leaseback transaction of Cody Technology park which generated net proceeds of £108.5m, created new lease liabilities of £39.1m and had a net impact on the net book value of property, plant and equipment of £85.1m
4) A £59.7m increase in the balance of cash and cash equivalents following strong operating cash performance and the sale and leaseback transaction, offset by capex, tax, dividends and share buy back.

For a detailed discussion of the Group's performance and financial position refer to the Strategic Report on pages 1 to 73.

2. Revenue from contracts with customers and other income

Revenue and other income is analysed as follows:

Revenue by category

For the year ended 31 March

All figures in £ million	FY25	FY24
Services contracts with customers	1,810.9	1,811.2
Sale of goods contracts with customers	110.6	95.7
Royalties and licences	10.1	5.2
Total revenue	**1,931.6**	**1,912.1**
Adjust to constant prior year exchange rates	10.9	-
Total revenue on an organic, constant currency basis*	**1,942.5**	**1,912.1**
Organic revenue growth at constant currency*	***2%***	***14%***

* Alternative performance measures are used to supplement the statutory figures. These are additional financial indicators used by management internally to assess the underlying performance of the Group. Definitions can be found on page 202.

Other income

All figures in £ million	FY25	FY24
Share of joint ventures' profit after tax	0.3	0.8
Research and development expenditure credits (RDEC)	30.0	27.2
Other income	8.9	12.1
Underlying other income	**39.2**	**40.1**
Specific adjusting item: gain on sale of property (note 4)	-	2.1
Total other income	**39.2**	**42.2**

Revenue and profit after tax of associates and joint ventures was £5.9m and £0.3m respectively (FY24: revenue of £5.9m and profit after tax of £1.0m). The figures in the table above represent the Group share of this profit after tax.

Other income is in respect of property rentals and the recovery of other related property costs.

Revenue by customer geographic location

All figures in £ million	FY25	FY24
United Kingdom (UK)	1,311.0	1,265.8
United States of America (US)	348.4	401.9
Australia	147.9	130.6
Home countries	**1,807.3**	**1,798.3**
Europe	64.7	52.8
Rest of world	59.6	61.0
Total revenue	**1,931.6**	**1,912.1**
Home countries revenue %	***94%***	***94%***
International (non-UK) revenue %	***32%***	***34%***

Revenue by major customer type

All figures in £ million	FY25	FY24
UK government	1,205.3	1,184.9
US government	338.1	389.3
Other	388.2	337.9
Total revenue	**1,931.6**	**1,912.1**

'Other' does not contain any customers with revenue in excess of 10% of total Group revenue.

The following table shows the aggregate amount of revenue allocated to performance obligations that are unsatisfied (or partially satisfied) as at the end of the reporting period:

All figures in £ million	FY26	FY27	FY28	FY29+	Total
Total forecast revenue allocated to unsatisfied performance obligations	**1,393.3**	**645.8**	**453.0**	**353.0**	**2,845.1**

Management expects that 49% (£1,393.3m) of revenue allocated to un-satisfied contracts as of 31 March 2025 will be recognised as revenue during the next reporting period.

The following table shows the aggregate amount of revenue allocated to performance obligations that were unsatisfied (or partially satisfied) as at the end of the prior reporting period:

All figures in £ million	FY25	FY26	FY27	FY28+	Total
Total forecast revenue allocated to unsatisfied performance obligations	**1,304.6**	**621.0**	**401.9**	**545.5**	**2,873.0**

Revenue of £212.6m was recognised during the year that was previously unrecognised as at the previous year end and reported as a contract liability.

3. Segmental analysis

The analysis by business segment is presented in accordance with IFRS 8 Operating Segments, on the basis of those reportable segments whose operating results are regularly reviewed by the Board (the Chief Operating Decision Maker as defined by IFRS 8) and are aligned with the Group's strategic direction, determined with reference to the products and services they provide, as follows:

EMEA Services provides technical assurance, test and evaluation and training services, underpinned by long-term contracts. EMEA Services comprises the following business units which are not considered reportable segments as defined by IFRS 8: UK Defence, UK Intelligence and the Australia sector.

Global Solutions combines all other business units not aggregated within EMEA Services, including the QinetiQ US Sector and Other Products (which includes QinetiQ Target Systems). Generally these business units (which are not considered reportable segments as defined by IFRS 8) deliver innovative solutions and products which includes contract-funded research and development and developing intellectual property in partnership with key customers and through internal funding with potential for new revenue streams.

Operating segments

	FY25		FY24	
All figures in £ million	Revenue from external customers	Underlying operating profit[1,2]	Revenue from external customers	Underlying operating profit[1,2]
EMEA Services	1,477.7	169.0	1,417.4	163.4
Global Solutions	453.9	16.4	494.7	51.8
Revenue/Operating profit from segments[1,2]	**1,931.6**	**185.4**	**1,912.1**	**215.2**
Research and development expenditure credits (RDEC)		30.0		27.2
Underlying operating profit[2]		**215.4**		**242.4**
Operating profit margin from segments [2]		**9.6%**		**11.3%**

1 The measure of profit presented to the Chief Operating Decision Maker is Operating profit from segments, stated before specific adjusting items and research and development expenditure credits. The specific adjusting items are detailed in note 4.
2 Definitions of the Group's 'Alternative performance measures' can be found on page 202.

Notes to the Consolidated Financial Statements continued

For the year ended 31 March

3. Segmental analysis (continued)

No measure of segmental assets and liabilities is reported as this information is not regularly provided to the Chief Operating Decision Maker. Transactions between segments are included within the operating profit and revenue of each segment as appropriate.

Reconciliation of segmental results to total (loss)/profit

All figures in £ million	Note	FY25	FY24
Operating profit from segments[1,2]		185.4	215.2
Research and development expenditure credits (RDEC)		30.0	27.2
Underlying operating profit[2]		**215.4**	**242.4**
Specific adjusting items operating loss	4	(305.9)	(49.9)
Operating (loss)/profit		**(90.5)**	**192.5**
Net finance expense	7	(15.8)	(9.8)
(Loss)/profit before tax		**(106.3)**	**182.7**
Taxation expense	9	(79.4)	(43.1)
(Loss)/profit for the year		**(185.7)**	**139.6**

1 The measure of profit presented to the Chief Operating Decision Maker is Operating profit from segments, stated before specific adjusting items and research and development expenditure credits. The specific adjusting items are detailed in note 4.
2 Definitions of the Group's 'Alternative performance measures' can be found on page 202.

Non-current assets* by geographic location

All figures in £ million	UK	US	Australia	Germany	Rest of world	Total
As at year ended 31 March 2025	**508.3**	**392.1**	**39.8**	**65.8**	**11.0**	**1,017.0**
As at year ended 31 March 2024	576.1	572.8	46.5	46.3	13.3	1,255.0

* Excluding deferred tax, financial instruments, equity accounted investments and net pension asset.

Depreciation and amortisation by business segment – excluding specific adjusting items

For the year ended 31 March 2025

All figures in £ million	EMEA Services	Global Solutions	Total
Underlying depreciation and impairment of property, plant and equipment	63.1	7.5	70.6
Underlying amortisation and impairment of purchased or internally developed intangible assets	7.5	8.2	15.7
	70.6	**15.7**	**86.3**

For the year ended 31 March 2024

All figures in £ million	EMEA Services	Global Solutions	Total
Underlying depreciation and impairment of property, plant and equipment	50.8	7.3	58.1
Underlying amortisation and impairment of purchased or internally developed intangible assets	4.2	3.2	7.4
	55.0	**10.5**	**65.5**

4. Specific adjusting items

In the income statement, the Group presents specific adjusting items separately. In the judgement of the Directors, for the reader to obtain a proper understanding of the financial information, specific adjusting items need to be disclosed separately because of their size and nature. Further explanation of this rationale is provided in note 35 (Accounting Policies). Underlying measures of performance exclude specific adjusting items. The following specific adjusting items have been (charged)/credited in the consolidated income statement:

All figures in £ million	Note	FY25	FY24
Acquisition and disposal costs		(10.7)	(2.7)
Acquisition integration costs		(4.0)	(5.3)
Acquisition related remuneration costs		(0.2)	(1.2)
One-off period of digital investment		(20.8)	(16.9)
Restructuring costs and associated impacts		(64.5)	-
(Loss)/gain on sale of property		(36.6)	2.1
Specific adjusting items loss before interest, tax, depreciation and amortisation		**(136.8)**	**(24.0)**
Impairment of property		(1.0)	(0.7)
Impairment of goodwill	13	(143.9)	-
Amortisation of intangible assets arising from acquisitions		(24.2)	(25.2)
Specific adjusting items operating loss		**(305.9)**	**(49.9)**
Defined benefit pension scheme net finance income	27	1.0	5.6
Specific adjusting items loss before tax		**(304.9)**	**(44.3)**
Tax impact of the above specific adjusting items	9	17.2	14.3
De-recognition of US deferred tax asset	9	(45.0)	-
Total specific adjusting items loss after tax		**(332.7)**	**(30.0)**

Reconciliation of underlying profit for the year to total (loss)/profit for the year

All figures in £ million	FY25	FY24
Underlying profit after tax	**147.0**	**169.6**
Total specific adjusting items loss after tax	(332.7)	(30.0)
Total (loss)/profit for the year	**(185.7)**	**139.6**

The total impact of specific adjusting items (which are excluded from underlying performance due to their distorting nature) on operating profit was a £305.9m cost (FY24: cost of £49.9m).

Our US operations performed below expectations for orders, revenue, profit and cash flow in the year with some key contract losses. The goodwill impairment charge of £143.9m relates to the US Sector and is driven by a combination of an increase in the discount rate and a reduction in the forecast cash flows used to calculate the recoverable amount predominately in our legacy US operations. During the second half of the financial year the change in administration, together with the new US Sector CEO's perspective on the US business performance and outlook led to a material impact on the future projections of the business and an associated restructuring plan. These factors, together with the impact of the discount rate which increased significantly in H2, has a knock-on impact for future years' profitability and cash flow and hence an impairment.

Restructuring costs and other impacts of £64.5m includes approximately £20m of costs relating to restructuring to create efficiency and competitiveness in our functions and sectors. The remaining £45m relates to a number of one-off, largely non-cash charges and provisions primarily relating to inventory and cost recovery in our legacy US operations. These items are predominantly a consequence of the developments referred to above which happened in the second half of the financial year, including the restructuring of our US sector against the backdrop of challenging US market conditions.

Acquisition, disposal and integration costs of £14.9m (FY24: £9.2m) primarily comprise residual costs associated with integrating the Avantus and Air Affairs acquisitions into their respective sectors and specific post-deal retention arrangements relating to Avantus employees.

In FY25 the non-recurring cost of the discrete digital investment programme is £20.8m (FY24: £16.9m). We continue to roll out this project to modernise the IT infrastructure to support our future growth ambitions which will continue over the next two to three years. The non-recurring costs are reported as specific adjusting items in the P&L, with ongoing recurring operating costs (such as licence costs and overheads) remaining within underlying operating costs.

The loss on sale of property of £36.6m relates to the sale and leaseback of Cody Technology Park which was announced in September 2024. A gross cash receipt of £112m was received and a new 15 year lease was entered into. The sale and leaseback accounting under IFRS16, results in a one-off, non-cash, accounting loss, which is calculated based on the varying values of assets which were sold and those which are being leased back.

Also included within specific adjusting items are net finance income from pensions of £1.0m (FY24: £5.6m), impairment of right of use lease assets in the US following space relocation of £1.0m, and amortisation of acquisition intangibles of £24.2m (FY24: £25.2m).

Notes to the Consolidated Financial Statements continued

For the year ended 31 March

5. Analysis of employee costs and numbers

The largest component of operating expenses is employee costs. The year-end and average monthly number of persons employed by the Group, including Executive Directors, analysed by business segment, were:

	As at 31 March		Monthly average	
	2025 Number	2024 Number	FY25 Number	FY24 Number
EMEA Services	6,903	6,936	6,955	6,735
Global Solutions	1,500	1,652	1,575	1,724
Total employees	**8,403**	**8,588**	**8,530**	**8,459**

The aggregate payroll costs of these persons were as follows:

All figures in £ million	Note	FY25	FY24
Wages and salaries		569.4	562.1
Social security costs		54.5	55.7
Other pension costs		73.4	65.0
Share-based payments costs	29	9.8	10.2
Total employee costs		**707.1**	**693.0**

6. Key management personnel

The Key management personnel of the Group during the year to 31 March 2025 comprise the Board of Directors and the QinetiQ Leadership Team. Their remuneration and benefits are summarised below:

All figures in £ million	FY25	FY24
Short-term employee remuneration including benefits	6.9	9.1
Post-employment benefits	0.1	0.1
Share-based payments costs	3.3	2.1
Total	**10.3**	**11.3**

Short-term employee remuneration and benefits include salary, bonus and benefits. Post-employment benefits relate to pension amounts.

The highest paid director is the Group Chief Executive Officer, details of whose remuneration is provided on page 113 of the Directors' Remuneration Report.

Payments to past Directors and payment for loss of office are set out on pages 117 and 122 of the Directors' Remuneration Report.

7. Finance income and expense

All figures in £ million	FY25	FY24
Bank interest receivable	6.6	5.3
Finance income before specific adjusting items	**6.6**	**5.3**
Amortisation of deferred financing costs	(1.4)	(1.2)
Bank interest and commitment fees	(17.8)	(16.6)
Lease expense	(4.2)	(2.8)
Unwinding of discount on financial liabilities	-	(0.1)
Finance expense	**(23.4)**	**(20.7)**
Underlying net finance expense	**(16.8)**	**(15.4)**
Specific adjusting item: defined benefit pension scheme net finance income	1.0	5.6
Net finance expense	**(15.8)**	**(9.8)**

8. Profit/(loss) before tax

The following auditors' remuneration has been charged in arriving at profit/(loss) before tax:

All figures in £ million	FY25	FY24
Fees payable to the auditors and its associates:		
Audit of the Group's annual accounts	1.0	1.0
Audit of the accounts of subsidiaries of the Company	0.9	0.8
Total audit fees	**1.9**	**1.8**
Audit-related assurance services (Interim financial statements)	0.1	0.1
Other assurance services	0.1	0.1
Total non-audit fees	**0.2**	**0.2**
Total auditors' remuneration	**2.1**	**2.0**

The following items have also been charged in arriving at profit/(loss) before tax:

All figures in £ million	FY25	FY24
Cost of inventories expensed - underlying	53.8	59.4
Cost of inventories written down - specific adjusting item (restructuring costs and associated impacts)	18.5	-
Owned assets: depreciation	57.2	49.3
Leased assets: depreciation	10.9	8.8
Foreign exchange loss	0.4	0.6
Research and development expenditure – customer funded contracts	332.9	315.4
Research and development expenditure – Group funded	12.0	12.8

9. Taxation charge

	FY25			FY24		
All figures in £ million	Underlying	Specific adjusting items	Total	Underlying	Specific adjusting Items	Total
Analysis of charge						
Current UK tax expense/(income)	51.0	(6.2)	44.8	41.9	(4.1)	37.8
Current UK tax in respect of prior years	2.2	-	2.2	(0.8)	(0.7)	(1.5)
Overseas corporation tax						
Current year	3.5	(0.9)	2.6	1.7	-	1.7
In respect of prior years	1.0	-	1.0	0.6	(0.6)	-
Current tax expense/(income)	**57.7**	**(7.1)**	**50.6**	**43.4**	**(5.4)**	**38.0**
Deferred tax (income)/expense	(5.0)	5.3	0.3	17.2	(7.6)	9.6
Deferred tax impact of change in rates	-	-	-	0.1	0.2	0.3
Deferred tax impact of de-recognition of prior year US deferred tax asset	-	29.6	29.6	-	-	-
Deferred tax in respect of prior years	(1.1)	-	(1.1)	(3.3)	(1.5)	(4.8)
Deferred tax (income)/expense	**(6.1)**	**34.9**	**28.8**	**14.0**	**(8.9)**	**5.1**
Taxation expense/(income)	**51.6**	**27.8**	**79.4**	**57.4**	**(14.3)**	**43.1**
Factors affecting tax expense in the year						
Principal factors reducing the Group's current year tax charge below the UK statutory rate are explained below:						
Profit/(loss) before tax	198.6	(304.9)	(106.3)	227.0	(44.3)	182.7
Tax on profit/(loss) before tax at 25% (FY24: 25%)	**49.7**	**(76.2)**	**(26.5)**	**56.8**	**(11.1)**	**45.7**
Effect of:						
Expenses not deductible for tax purposes and non-taxable items	0.8	1.2	2.0	3.5	0.1	3.6
De-recognition of US deferred tax asset	-	45.0	45.0	-	-	-
Non-deductible US goodwill impairment	-	36.0	36.0	-	-	-
Non-recognition of deductible restructuring impacts	-	13.1	13.1	-	-	-
Non-deductible loss on sale of property	-	9.1	9.1	-	-	-
Tax in respect of prior years	2.0	-	2.0	(3.5)	(2.8)	(6.3)
Deferred tax impact of change in rates	-	-	-	0.1	0.2	0.3
Different tax rates in overseas jurisdictions	(0.9)	(0.4)	(1.3)	0.5	(0.7)	(0.2)
Taxation expense/(income)	**51.6**	**27.8**	**79.4**	**57.4**	**(14.3)**	**43.1**
Effective tax rate	**26.0%**		**(74.7)%**	**25.3%**		**23.6%**

The total tax charge was £79.4m (FY24: £43.1m). The underlying tax charge was £51.6m (FY24: £57.4m), on a lower underlying profit before tax, with an underlying effective tax rate of 26.0% for the year ending 31 March 2025 (FY24: 25.3%). The underlying effective tax rate is slightly above the UK statutory rate of 25% (FY24: 25%) primarily as a result of prior year adjustments to returns.

Notes to the Consolidated Financial Statements continued

For the year ended 31 March

9. Taxation charge (continued)

Tax on specific adjusting items

The total specific adjusting items tax charge was £27.8m (FY24 credit: £14.3m). The tax charge primarily arises on the de-recognition of the brought forward US deferred tax asset (£29.6m). It is a charge rather than a credit primarily due to the de-recognition of US deferred tax assets (£45.0m, being £29.6m brought forward and £15.4m current year), the significant non-tax deductible impairment of goodwill (£36.0m), the non-recognition of deferred tax assets created by deductible restructuring costs (£13.1m) and the non-deductible loss on sale of Cody Technology Park (£9.1m).

Amounts recognised directly in equity

Current and deferred tax not recognised in net profit or loss or other comprehensive income but directly credited to equity was £0.8m (FY24: £0.2m).

Factors affecting future tax charges

The underlying effective tax rate is expected to remain marginally above the UK statutory rate, subject to the impact of any tax legislation changes and the geographic mix of profits. The Group has engaged with advisers to assess any potential impact on the tax charge by the UK's enactment of the OECD's Global Anti-Base Erosion Model Rules (Pillar Two). The Group performed an assessment of the potential exposure to Pillar Two income taxes based on current period data. The Group believes it qualifies for one of the transitional safe harbours provided in the rules in all territories in which it operates. The Group has not accrued a Pillar Two top up tax for FY25. The Group has applied the temporary exemption issued by the International Accounting Standards Board from the accounting for deferred taxes under IAS12 and neither recognises nor discloses information about deferred taxes related to Pillar Two income taxes. The Group does not anticipate a material quantitative impact from Pillar Two legislation, however, there are expected to be significant compliance obligations.

Tax risk management and tax cash

For details of the Group's approach to tax risk management and discussion of tax cash-flows in the year see 'Additional Financial Information'.

10. Earnings/(loss) per share

Basic earnings/(loss) per share (EPS) is calculated by dividing the profit attributable to equity shareholders by the weighted average number of ordinary shares in issue during the year. The weighted average number of shares used excludes those shares bought by the Group and held as own shares (see note 28). For diluted earnings (but not losses) per share the weighted average number of shares in issue is adjusted to assume conversion of all potentially dilutive ordinary shares arising from unvested share-based awards including share options.

Weighted average and diluted number of shares

		FY25	FY24
Weighted average number of shares	**Million**	**563.4**	**577.0**
Effect of dilutive securities	Million	7.4	8.7
Diluted number of shares	**Million**	**570.8**	**585.7**

Underlying basic earnings per share figures are presented below, in addition to the basic and diluted earnings per share, because the Directors consider this gives a more relevant indication of underlying business performance and reflects the adjustments to basic earnings per share for the impact of specific adjusting items (see note 4) and tax thereon.

Underlying EPS

		FY25	FY24
(Loss)/profit attributable to the owners of the Company	£ million	(185.7)	139.6
Remove loss after tax in respect of specific adjusting items	£ million	332.7	30.0
Underlying profit after taxation	**£ million**	**147.0**	**169.6**
Weighted average number of shares	Million	563.4	577.0
Underlying basic EPS	**Pence**	**26.1**	**29.4**
Diluted number of shares	Million	570.8	585.7
Underlying diluted EPS	**Pence**	**25.8**	**29.0**

Basic and diluted EPS

		FY25	FY24
(Loss)/profit attributable to the owners of the Company	£ million	(185.7)	139.6
Weighted average number of shares	Million	563.4	577.0
Basic EPS	**Pence**	**(33.0)**	**24.2**
Diluted number of shares	Million	563.4	585.7
Diluted EPS	**Pence**	**(33.0)**	**23.8**

11. Dividends

An analysis of the dividends paid and proposed in respect of the years ended 31 March 2025 and 31 March 2024 is provided below:

	Pence per share	£m	Date paid/ payable
Interim 2025	2.80	15.7	Feb 2025*
Final 2025 (proposed)	6.05	33.4	Aug 2025
Total for the year ended 31 March 2025	**8.85**	**49.1**	
Interim 2024	2.60	15.0	Feb 2024
Final 2024	5.65	32.2	Aug 2024*
Total for the year ended 31 March 2024	**8.25**	**47.2**	

* Total cash paid in the year to 31 March 2025 was £47.9m (FY24: £45.6m).

The proposed final dividend in respect of the year ending 31 March 2025 will be paid on 21 August 2025. The ex-dividend date is 24 July 2025 and the record date is 25 July 2025.

12. Business combinations

There were no acquisitions in the year ended 31 March 2025. In the year ended 31 March 2024, £5.1m of deferred consideration payments were made in respect of the Air Affairs acquisition and legacy acquisitions within Avantus. The specific adjusting items operating result for the year includes various acquisition related items as set out in note 4.

13. Goodwill

All figures in £ million	31 March 2025	31 March 2024
Cost		
At 1 April	551.7	562.7
Foreign exchange	(10.7)	(11.0)
At 31 March	**541.0**	**551.7**
Accumulated impairment		
At 1 April	(150.3)	(153.7)
Impairment charge	(143.9)	-
Foreign exchange	3.0	3.4
At 31 March	**(291.2)**	**(150.3)**
Net book value at 31 March	**249.8**	**401.4**

Goodwill analysed by cash-generating unit (CGU)

Goodwill is allocated across six cash-generating units within the EMEA Services segment and two CGUs within the Global Solutions segment. During the year, the Group determined that the US CGU is more appropriately defined at the Sector level. This avoids the need to allocate goodwill on an increasingly arbitrary basis and represents the lowest level at which business performance is now monitored by management. This followed the completion of post-acquisition integration activities, a market-led strategic review and new restructuring programme. Increasing numbers of new customer contracts and opportunities deliver capabilities and use resources which span the three legacy CGUs (Avantus, C5ISR and Technology Solutions).

The full list of CGUs that have goodwill allocated to them is as follows:

All figures in £ million	Primary reporting segments	31 March 2025	31 March 2024
US Sector (previously Avantus, C5ISR and Technology Solutions)	Global Solutions	181.1	331.6
Target Systems	Global Solutions	24.0	24.4
Germany	EMEA Services	2.6	2.7
Naimuri	EMEA Services	14.8	14.8
Inzpire	EMEA Services	11.7	11.7
QinetiQ Training & Simulation	EMEA Services	7.8	7.8
QinetiQ Australia PTY	EMEA Services	5.2	5.6
Air Affairs Australia	EMEA Services	2.6	2.8
Net book value at 31 March		**249.8**	**401.4**

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For the year ended 31 March

13. Goodwill (continued)

Goodwill is attributable to the excess of consideration over the fair value of net assets acquired and includes expected synergies, future growth prospects and employee knowledge, expertise and security clearances. The Group tests each CGU for impairment annually, or more frequently if there are indications that goodwill might be impaired. Impairment testing is dependent on management's estimates and judgements, particularly as they relate to the forecasting of future cash flows, the discount rates selected and expected long-term growth rates.

During the year an impairment charge has been recognised in respect of the combined US Sector CGU. Given that this resets the amount of headroom to nil, any downward revision to the key assumptions (which would be reasonably possible) would result in a further impairment. There are no likely variations in the key assumptions used for any of the other CGUs which would lead to an impairment being recognised.

Key assumptions

Cash flows

The value-in-use and fair value less costs to dispose calculations generally use discounted future cash flows based on financial plans approved by the Board covering a five-year period (aligned with the Group's Integrated Strategic Plan process and the longer-term viability assessment period). These are generally 'bottom-up' forecasts based on detailed analysis by contract for the revenue under contract and by opportunity for the pipeline, or with growth rates assumed based on market benchmarks. Pipeline opportunities are categorised as 'base case' and 'high case' by management and only 'base case' opportunities are included in the financial plans used for the value-in-use calculations.

Cash flows beyond these periods are extrapolated based on the last year of the plans, with a terminal growth-rate assumption applied. Whilst the Group will likely be impacted by climate change in the future to an extent, the impacts on future cash flows used in the value-in-use calculations are not considered to be material.

Terminal growth rates and discount rates

The specific plans for each of the CGUs have been extrapolated using the terminal growth rates as detailed in the following table. Growth rates are based on management's estimates which take into consideration the long-term nature of the industry in which the CGUs operate and external forecasts as to the likely growth of the industry in the longer term. The discount rates used are calculated based on the weighted average cost of capital of a portfolio of comparable companies, adjusted for risks specific to the market characteristics of each CGU, and converted to a pre-tax basis where relevant. This is considered an appropriate estimate of a market participant discount rate.

All figures % 31 March 2025: (2024)	US Sector*	Target Systems	Inzpire	QinetiQ Australia PTY	Air Affairs Australia	QinetiQ Germany	QinetiQ Training & Simulation	Naimuri
Terminal growth rate	2.3 (2.3)	2.3 (2.2)	2.3 (2.2)	2.3 (2.4)	2.3 (2.4)	2.4 (2.2)	2.3 (2.2)	2.3 (2.2)
Discount rate*	9.4 (9.0)	12.2 (11.1)	12.1 (11.1)	13.8 (13.0)	13.6 (12.8)	9.4 (8.8)	12.2 (11.1)	12.1 (11.0)

*All discount rates stated are on a pre-tax basis, except for the US which is on a post-tax basis per the fair value less costs to dispose calculation. To aid comparability the prior year discount rate has been re-presented on a consistent post tax basis. The pre-tax discount rate used in the calculation as at 31 March 2024 was 10.7%.

Sensitivity analysis shows that the value of the terminal year cash flow, the discount rate and the terminal growth rates have a significant impact on the value of the discounted cash flows. Sensitivities are provided below for each of the CGUs.

Results of impairment testing by CGU

US Sector

The carrying value of the goodwill for the US Sector CGU as at 31 March 2025 was £325.0m (2024: £331.6m) prior to the impairment charge. The recoverable amount of this CGU as at 31 March 2025 is based on a fair value less costs to dispose calculation which is derived from the latest cash flow projections. This better reflects the transaction structure and tax treatment of the historical acquisitions and hence gives a higher value than the equivalent value in use calculation. The calculation uses the assumptions noted above and is lower than the carrying value of the net operating assets (of £581.4m), and hence an impairment of £143.9m has been recognised. Our US operations performed below expectations for orders, revenue, profit and cash flow in the year with some key contract losses. During the second half of the financial year the change in US administration, together with the change in US Sector CEO and resultant change in strategy and start of required restructuring, has had a material impact on the future projections of the business. These factors, together with the impact of the discount rate which increased significantly in H2, has a knock-on impact for future years' profitability and cash flow and hence an impairment.

The key sensitivity impacting on the recoverable amount calculations is the terminal year cash flows. The key assumptions impacting those terminal year cash flows are the revenue growth rate applied over the period of the calculation, which is based on market growth rates for the high growth segments in which the business operates in, and the operating profit margin applied. A 400 basis point reduction in the compound annual revenue growth rate, or a 100 basis point reduction in operating margins, over the plan period which are considered reasonably possible changes, would further reduce the recoverable amount and result in an additional impairment of £48.9m and £45.9m respectively. An increase in the discount rate of 1% or a decrease in the terminal growth rate of 0.5%, both of which are also reasonably possible changes, would cause a further impairment of £53.3m and £22.1m respectively.

Target Systems

The carrying value of the goodwill for the Target Systems CGU as at 31 March 2025 was £24.0m (2024: £24.4m). The recoverable amount of this CGU as at 31 March 2025, based on value in use and calculated using the assumptions noted above, is higher than the carrying value of net operating assets (of £76.4m). The key sensitivity impacting on the value in use calculations is the terminal year cash flows. An increase in the discount rate of 1%, a decrease in the terminal growth rate of 0.5% or a decrease in the terminal year cash flows of £2.0m, all of which are reasonably possible changes, would not cause the net operating assets to exceed their recoverable amount.

Germany

The carrying value of the goodwill for the Germany CGU as at 31 March 2025 was £2.6m (2024: £2.7m). The recoverable amount of this CGU as at 31 March 2025, based on value in use and calculated using the assumptions noted above, is higher than the carrying value of net operating assets (of £64.5m). The key sensitivity impacting on the value in use calculations is the terminal year cash flows. An increase in the discount rate of 1%, a decrease in the terminal growth rate of 0.5% or a decrease in the terminal year cash flows of €2.0m, all of which are reasonably possible changes, would not cause the net operating assets to exceed their recoverable amount.

Naimuri

The carrying value of the goodwill for the Naimuri CGU as at 31 March 2025 was £14.8m (2024: £14.8m). The recoverable amount of this CGU as at 31 March 2025, based on value in use and calculated using the assumptions noted above, is higher than the carrying value of net operating assets (of £20.8m). The key sensitivity affecting on the value in use calculations is the terminal year cash flows. An increase in the discount rate of 1%, a decrease in the terminal growth rate of 0.5% or a decrease in the terminal year cash flows of £1.0m, all of which are reasonably possible changes, would not cause the net operating assets to exceed their recoverable amount.

Inzpire

The carrying value of the goodwill for the Inzpire CGU as at 31 March 2025 was £11.7m (2024: £11.7m). The recoverable amount of this CGU as at 31 March 2025, based on value in use and calculated using the assumptions noted above, is higher than the carrying value of net operating assets (of £20.5m). The key sensitivity impacting on the value in use calculations is the terminal year cash flows. An increase in the discount rate of 1%, a decrease in the terminal growth rate of 0.5% or a decrease in the terminal year cash flows of £1.0m, all of which are reasonably possible changes, would not cause the net operating assets to exceed their recoverable amount.

QinetiQ Training & Simulation

The carrying value of the goodwill for the QinetiQ Training and Simulation CGU as at 31 March 2025 was £7.8m (2024: £7.8m). The recoverable amount of this CGU as at 31 March 2025, based on value in use and calculated using the assumptions noted above, is higher than the carrying value of net operating assets (of £11.8m). The key sensitivity impacting on the value in use calculations is the terminal year cash flows. An increase in the discount rate of 1%, a decrease in the terminal growth rate of 1% or a decrease in the terminal year cash flows of £1.0m, all of which are reasonably possible changes, would not cause the net operating assets to exceed their recoverable amount.

QinetiQ Australia PTY

The carrying value of the goodwill for the QinetiQ Australia PTY CGU, as at 31 March 2025 was £5.2m (2024: £5.6m). The recoverable amount of this CGU as at 31 March 2025, based on value in use and calculated using the assumptions noted above, is higher than the carrying value of net operating assets (of £7.2m). The key sensitivity impacting on the value in use calculations is the terminal year cash flows. An increase in the discount rate of 1%, a decrease in the terminal growth rate of 0.5% or a decrease in the terminal year cash flows of A$2.0m, all of which are reasonably possible changes, would not cause the net operating assets to exceed their recoverable amount.

Air Affairs Australia

The carrying value of the goodwill for the Air Affairs Australia CGU as at 31 March 2025 was £2.6m (2024: £2.8m). The recoverable amount of this CGU as at 31 March 2025, based on value in use and calculated using the assumptions noted above, is higher than the carrying value of net operating assets (of £29.2m). The key sensitivity impacting on the value in use calculations is the terminal year cash flows. An increase in the discount rate of 1% or a decrease in the terminal growth rate of 0.5% or a decrease in the terminal year cash flows of A$1.0m, all of which are reasonably possible changes, would not cause the net operating assets to exceed their recoverable amount.

Notes to the Consolidated Financial Statements continued

For the year ended 31 March

14. Intangible assets

For the year ended 31 March 2025

All figures in £ million	Acquired intangibles: Customer relationships	Acquired intangibles: Other acquired	Development costs	Other internally generated[1]	Total
Cost					
At 1 April 2024	303.8	92.6	51.1	80.4	527.9
Reclassifications from PPE	-	-	8.1	0.6	8.7
Reclassifications between categories	-	-	0.1	(0.1)	-
Additions – internally developed[2]	-	-	2.5	9.0	11.5
Additions – purchased[2]	-	-	1.2	0.4	1.6
Disposals	-	-	(0.7)	(14.3)	(15.0)
Foreign exchange	(5.9)	(1.7)	(0.4)	(0.7)	(8.7)
At 31 March 2025	**297.9**	**90.9**	**61.9**	**75.3**	**526.0**
Accumulated amortisation and impairment					
At 1 April 2024	(79.6)	(65.6)	(24.1)	(36.8)	(206.1)
Amortisation charge for year	(18.6)	(5.6)	(6.2)	(5.5)	(35.9)
Disposals	-	-	0.6	10.2	10.8
Impairment	-	-	(4.0)	-	(4.0)
Foreign exchange	1.6	1.4	0.1	-	3.1
At 31 March 2025	**(96.6)**	**(69.8)**	**(33.6)**	**(32.1)**	**(232.1)**
Net book value at 31 March 2025	**201.3**	**21.1**	**28.3**	**43.2**	**293.9**

[1] Includes Assets In Course Of Construction of closing net book value of £31.7m as at 31 March 2025 (2024: £22.6m).
[2] Additions per the table above are different to the capital expenditure included in the cash flow statement due to the relative timing of cash payments compared to the recognition of balance sheet assets.

'Other acquired' consists primarily of intellectual property and existing technology arising on past acquisition of businesses. Significant individual assets from past acquisitions include: customer relationships associated with US Avantus, US C5ISR, Germany and QinetiQ Training & Simulation Limited (NBV: £157.7m; £9.6m; £16.2m; £2.2m respectively) with remaining amortisation periods of approximately 14 years, 5 years, 8 years and 6 years respectively, and acquired technology associated with US Avantus, US C5ISR, Germany, and QinetiQ Training & Simulation Limited (£1.1m; £8.2m; £2.8m; £1.3m respectively) all with remaining amortisation periods of approximately 6 years.

For the year ended 31 March 2024

All figures in £ million	Acquired intangibles: Customer relationships	Acquired intangibles: Other acquired	Development costs	Other internally generated	Total
Cost					
At 1 April 2023	308.5	96.0	37.3	82.5	524.3
Reclassifications from PPE	-	-	7.4	(0.2)	7.2
Reclassifications between categories	-	-	1.5	(1.5)	-
Additions – internally developed*	-	-	6.1	1.1	7.2
Additions – purchased*	-	-	0.8	3.3	4.1
Disposals	-	-	(2.0)	(4.1)	(6.1)
Foreign exchange	(4.7)	(3.4)	-	(0.7)	(8.8)
At 31 March 2024	**303.8**	**92.6**	**51.1**	**80.4**	**527.9**
Accumulated amortisation and impairment					
At 1 April 2023	(59.4)	(63.1)	(22.3)	(36.5)	(181.3)
Amortisation charge for year	(19.0)	(6.2)	(3.5)	(3.9)	(32.6)
Reclassifications between categories	-	-	-	-	-
Disposals	-	-	1.7	3.5	5.2
Foreign exchange	(1.2)	3.7	-	0.1	2.6
At 31 March 2024	**(79.6)**	**(65.6)**	**(24.1)**	**(36.8)**	**(206.1)**
Net book value at 31 March 2024	**224.2**	**27.0**	**27.0**	**43.6**	**321.8**

* Additions per the table above are different to the capital expenditure included in the cash flow statement due to the relative timing of cash payments compared to the recognition of balance sheet assets.

15. Property, plant and equipment

For the year ended 31 March 2025

All figures in £ million	Owned assets: Land and buildings	Owned assets: Plant, machinery and vehicles	Owned assets: Computers and office equipment	Owned assets: Assets under construction	Right of use assets: Land and buildings	Right of use assets: Plant, machinery and vehicles	Right of use assets: Computers and office equipment	Total
Cost								
At 1 April 2024	375.7	324.4	140.9	142.3	92.4	3.4	0.4	1,079.5
Reclassifications to intangibles	-	-	(0.9)	(7.8)	-	-	-	(8.7)
Reclassifications/transfers	29.7	23.7	15.4	(68.8)	-	-	-	-
Additions – purchased*	5.9	24.8	5.6	67.5	23.9	2.3	-	130.0
Disposals	(240.6)	(25.0)	(4.7)	(3.6)	(14.5)	-	-	(288.4)
Foreign exchange	(0.8)	(2.7)	(0.6)	(0.2)	(1.9)	-	-	(6.2)
At 31 March 2025	**169.9**	**345.2**	**155.7**	**129.4**	**99.9**	**5.7**	**0.4**	**906.2**
Accumulated depreciation and impairment								
At 1 April 2024	(227.0)	(194.3)	(78.4)	-	(44.4)	(3.2)	(0.4)	(547.7)
Charge	(13.7)	(22.7)	(20.8)	-	(10.6)	(0.3)	-	(68.1)
Disposals	149.3	16.5	4.0	-	14.5	-	-	184.3
Impairment	-	(2.5)	-	-	(1.0)	-	-	(3.5)
Foreign exchange	0.1	0.9	0.3	-	0.8	-	-	2.1
At 31 March 2025	**(91.3)**	**(202.1)**	**(94.9)**	-	**(40.7)**	**(3.5)**	**(0.4)**	**(432.9)**
Opening Net Book Value	**148.7**	**130.1**	**62.5**	**142.3**	**48.0**	**0.2**	**-**	**531.8**
Closing Net Book Value	**78.6**	**143.1**	**60.8**	**129.4**	**59.2**	**2.2**	**-**	**473.3**

* Additions per the table above are different to the capital expenditure included in the cash flow statement due to the relative timing of cash payments compared to the recognition of balance sheet assets.

During the year a £36.6m loss (£2.1m gain) was recognised on the sale and leaseback of Cody Technology Park, this is included within operating costs as a specific adjusting item (see note 4). Whilst the Group will likely be impacted by climate change in the future to an extent, the impact on the carrying value of property, plant and equipment is not considered to be material.

For the year ended 31 March 2024

All figures in £ million	Owned assets: Land and buildings	Owned assets: Plant, machinery and vehicles	Owned assets: Computers and office equipment	Owned assets: Assets under construction	Right of use assets: Land and buildings	Right of use assets: Plant, machinery and vehicles	Right of use assets: Computers and office equipment	Total
Cost								
At 1 April 2023	365.7	309.3	124.3	115.5	68.7	6.5	0.4	990.4
Reclassifications to intangibles	-	-	0.2	(7.4)	-	-	-	(7.2)
Reclassifications/transfers	7.3	14.6	20.6	(42.5)	-	-	-	-
Additions – purchased*	4.2	3.8	6.5	79.5	31.4	-	-	125.4
Disposals	(1.3)	(1.2)	(10.4)	(2.4)	(5.6)	(3.1)	-	(24.0)
Foreign exchange	(0.2)	(2.1)	(0.3)	(0.4)	(2.1)	-	-	(5.1)
At 31 March 2024	**375.7**	**324.4**	**140.9**	**142.3**	**92.4**	**3.4**	**0.4**	**1,079.5**
Accumulated depreciation and impairment								
At 1 April 2023	(215.6)	(177.7)	(70.8)	-	(41.9)	(6.2)	(0.4)	(512.6)
Charge	(12.9)	(18.3)	(18.1)	-	(8.7)	(0.1)	-	(58.1)
Disposals	1.3	1.1	10.4	-	5.6	3.1	-	21.5
Impairment	-	-	-	-	(0.7)	-	-	(0.7)
Foreign exchange	0.2	0.6	0.1	-	1.3	-	-	2.2
At 31 March 2024	**(227.0)**	**(194.3)**	**(78.4)**	-	**(44.4)**	**(3.2)**	**(0.4)**	**(547.7)**
Net book value at 31 March 2024	**148.7**	**130.1**	**62.5**	**142.3**	**48.0**	**0.2**	**-**	**531.8**

* Additions per the table above are different to the capital expenditure included in the cash flow statement due to the relative timing of cash payments compared to the recognition of balance sheet assets.

Notes to the Consolidated Financial Statements continued

For the year ended 31 March

16. Equity accounted investments

As at 31 March

	31 March 2025		31 March 2024	
All figures in £ million	Joint Ventures' financial results	Group net share of Joint Ventures	Joint Ventures' financial results	Group net share of Joint Ventures
Non-current assets	0.9	0.5	1.1	0.6
Current assets	3.4	2.4	5.9	3.7
	4.3	**2.9**	**7.0**	**4.3**
Current liabilities	(0.3)	(0.1)	(0.3)	(0.1)
Non-current liabilities	(1.5)	(0.7)	(4.1)	(2.0)
	(1.8)	**(0.8)**	**(4.4)**	**(2.1)**
Net assets of joint ventures	**2.5**	**2.1**	**2.6**	**2.2**

The profit from the Group's share of joint ventures for the year ended 31 March 2025 was £0.3m (FY24: £0.8m).

17. Deferred tax

For the year ended 31 March 2025

Deferred tax asset

All figures in £ million	Short-term timing differences	Carried forward interest expense	Lease liabilities	Tax losses	Total
At 1 April 2024	20.1	1.0	8.9	35.9	65.9
Charged to income statement	(8.8)	1.1	-	(30.7)	(38.4)
Credited to other comprehensive income	1.8	-	-	-	1.8
Foreign exchange	(1.0)	-	(0.1)	(0.4)	(1.5)
Gross deferred tax asset at 31 March 2025	**12.1**	**2.1**	**8.8**	**4.8**	**27.8**
Less: liability available for offset					(17.1)
Net deferred tax asset at 31 March 2025					**10.7**

Deferred tax liability

All figures in £ million	Pension surplus	Owned property, plant & equipment	Right of use assets	Acquisition intangibles	Total
At 1 April 2024	(9.6)	(80.4)	(7.6)	(26.0)	(123.6)
Credited to income statement	(0.6)	(2.4)	-	12.6	9.6
Charged to other comprehensive income	(4.4)	-	-	-	(4.4)
Foreign exchange	-	-	(0.2)	0.5	0.3
Gross deferred tax liability at 31 March 2025	**(14.6)**	**(82.8)**	**(7.8)**	**(12.9)**	**(118.1)**
Less: asset available for offset					17.1
Net deferred tax liability at 31 March 2025					**101.0**

Deferred tax has been calculated at the rate at which the timing difference is expected to reverse using enacted future statutory rates. Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority.

At 31 March 2025 the Group had unused tax losses and carried forward interest expense of £305.3m (2024: £212.3m) which are available for offset against future taxable profits.

With our US operations performing below-expectations in the year, the change in the administration and the change in US Sector CEO, re-alignment of strategy and required restructuring, there has been a material impact on the future projections of the business. As a result, the Group de-recognised the deferred tax assets previously recognised in respect of net operating losses. No deferred tax asset is recognised in respect of £183.8m (2024: £109.8m) of US net operating losses and £85.9m (2024: £71.5m) of US interest deductions. There is also no deferred tax asset recognised in respect of £8.8m (2024: nil) of UK capital losses due to uncertainty over the timing and extent of their utilisation. Full recognition of the US and UK losses would increase the deferred tax asset by £72.7m. Of the £183.8m (2024:109.8m) of US net operating losses, £31.1m (2024: £32.4m) are time-limited of which £22.0m will expire in 2035 and £9.1m in 2036.

Deferred tax assets are recognised on the balance sheet of £6.9m (2024: £29.0m), being £4.1m in respect of £17.8m of Canadian net operating losses and excess interest, and £2.8m in respect of £9.0m of German trade losses and excess interest.

The Group made overseas losses in the period ended 31 March 2025 and recognition of deferred tax assets is dependent on future forecast taxable profits. The Group has reviewed the latest forecasts for these businesses which incorporate the unsystematic risks of operating in the defence business. In the period beyond the 5 year forecast we have reviewed the terminal period profits and based on these and our expectations for these businesses. We believe it is probable the losses, with the exception of the US and UK, will be fully utilised.

Based on the current forecasts the losses will be fully utilised over the next 2-5 years. A 10% change in the forecast profits would alter the utilisation period by 2 years.

There are no material temporary differences associated with investments in subsidiaries or interests in joint ventures for which deferred tax liabilities have not been recognised.

For the year ended 31 March 2024

Deferred tax asset

All figures in £ million	Short-term timing differences	Carried forward interest expense	Lease liabilities	Tax losses	Total
At 1 April 2023	17.5	-	7.4	30.6	55.5
Credited to income statement	6.4	1.0	1.5	6.0	14.9
Charged to other comprehensive income	0.1	-	-	-	0.1
Reclassification to right of use assets	(3.2)	-	-	-	(3.2)
Foreign exchange	(0.7)	-	-	(0.7)	(1.4)
Gross deferred tax asset at 31 March 2024	**20.1**	**1.0**	**8.9**	**35.9**	**65.9**
Less: liability available for offset					(29.2)
Net deferred tax asset at 31 March 2024					**36.7**

Deferred tax liability

All figures in £ million	Pension surplus	Owned property, plant & equipment	Right of use assets	Acquisition intangibles	Total
At 1 April 2023	(35.4)	(65.7)	(9.7)	(24.1)	(134.9)
Charged to income statement	(1.4)	(14.8)	(1.4)	(2.4)	(20.0)
Credited to other comprehensive income	27.2	-	-	-	27.2
Reclassification from short-term timing differences	-	-	3.2	-	3.2
Foreign exchange	-	0.1	0.3	0.5	0.9
Gross deferred tax liability at 31 March 2024	**(9.6)**	**(80.4)**	**(7.6)**	**(26.0)**	**(123.6)**
Less: asset available for offset					29.2
Net deferred tax liability at 31 March 2024					**(94.4)**

18. Current tax

As at 31 March

All figures in £ million	31 March 2025	31 March 2024
Current tax receivable	1.6	5.8
Current tax payable	(3.6)	(6.6)
Net current tax payable	**(2.0)**	**(0.8)**

19. Inventories

As at 31 March

All figures in £ million	31 March 2025	31 March 2024
Raw materials	28.7	46.2
Work in progress	8.7	6.5
Finished goods	33.3	36.5
Total inventories	**70.7**	**89.2**

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20. Trade and other receivables

As at 31 March

All figures in £ million	31 March 2025	31 March 2024
Trade receivables	148.9	179.5
Contract assets	154.5	171.6
Other receivables	48.1	58.1
Prepayments	36.9	47.6
Total trade and other receivables	**388.4**	**456.8**

Trade and other receivables includes assets that are realised as part of the business's normal operating cycle, including amounts of £nil (2024: £0.8m) that are not expected to be realised within 12 months of the year end. Credit risk is limited as a result of the high percentage of revenue derived from UK and US government agencies. Accordingly, the Directors believe that no credit provision in excess of the allowance for doubtful debts is required. As at 31 March 2025 the Group carried a loss allowance in respect of expected credit risk of £1.4m (2024: £1.7m).

Contract assets decreased during the year due to the timing of invoicing. Contract assets represents unbilled amounts recoverable under customer contracts (refer to accounting policies note 35).

Ageing of receivables and associated loss allowance for expected credit risk

As at 31 March 2025

	Current	Up to 30 days past due	30-120 days past due	>120 days past due	Total
Gross carrying amount - trade receivables (£m)	120.1	23.1	2.4	4.7	150.3
Gross carrying amount - contract assets (£m)	154.5	-	-	-	154.5
Expected loss rate (%)	0.0%	0.0%	0.0%	29.8%	0.5%
Loss allowance (£m)	-	-	-	1.4	1.4

As at 31 March 2024

	Current	Up to 30 days past due	30-120 days past due	>120 days past due	Total
Gross carrying amount - trade receivables (£m)	141.9	24.8	9.6	4.9	181.2
Gross carrying amount - contract assets (£m)	171.6	-	-	-	171.6
Expected loss rate (%)	-	-	-	34.7%	0.5%
Loss allowance (£m)	-	-	-	1.7	1.7

Movements in the provision for expected credit loss

	FY25		FY24	
All figures in £ million	Trade receivables	Contract assets	Trade receivables	Contract assets
At 1 April	1.7	-	1.6	-
Increase in loss allowance recognised in income statement	0.2	-	0.1	-
Unutilised amount reversed through income statement	(0.1)	-	-	-
Utilised (receivables written off)	(0.4)	-	-	-
At 31 March	**1.4**	**-**	**1.7**	**-**

The maximum exposure to credit risk in relation to trade and other receivables at the reporting date is the fair value of trade and other receivables. The Group does not hold any collateral as security.

21. Trade and other payables

As at 31 March

All figures in £ million	31 March 2025	31 March 2024
Trade payables	152.1	175.9
Other tax and social security	56.7	50.4
Contract liabilities	207.0	212.6
Accrued expenses and other payables	181.7	215.8
Total current trade and other payables	**597.5**	**654.7**
Contract liabilities	6.4	10.2
Other payables	2.0	1.4
Total non-current trade and other payables	**8.4**	**11.6**
Total trade and other payables	**605.9**	**666.3**

Accrued expenses and other payables includes £nil at 31 March 2025 (31 March 2024: £34.0m) relating to an irrevocable contract to purchase shares as part of the ongoing share buyback programme. This liability related to financing activities and was settled via a financing cash flow during FY25.

Contract liabilities, which are influenced by the timing of revenue recognition and invoicing on contracts, were broadly consistent with the prior year.

22. Provisions

For the year ended 31 March 2025

All figures in £ million	Property	Other	Total
At 1 April 2024	2.5	17.0	19.5
Created in year	24.3	21.7	46.0
Released in year	-	(1.2)	(1.2)
Utilised in year	(2.0)	(2.5)	(4.5)
Foreign exchange	-	(0.1)	(0.1)
At 31 March 2025	**24.8**	**34.9**	**59.7**
Current liability	23.0	33.2	56.2
Non-current liability	1.8	1.7	3.5
At 31 March 2025	**24.8**	**34.9**	**59.7**

Property provisions relate to obligations relating to the sale and leaseback transaction, dilapidations and under-utilised properties. The under-utilised property provision is affected by the timing of when properties can be sub-let and the proportion of space that can be sub-let. Other provisions includes £12.1m (2024: £12.8m) in respect of a civil liability for the Pendine incident. There is an equivalent balance in Other Receivables for an insurance recoverable. There is uncertainty around the timing of the utilisation of this balance although this will not impact cash or the P&L. Other provisions also includes £14.3m relating to the group-wide restructuring programme, the cost of which is included as a specific adjusting item. The remaining balance relates to environmental and other liabilities, the magnitude and timing of utilisation of which are determined by a variety of factors.

For the year ended 31 March 2024

All figures in £ million	Property	Other	Total
At 1 April 2023	6.6	20.2	26.8
Created in year	0.4	0.8	1.2
Released in year	(3.2)	(0.2)	(3.4)
Unwinding of discount	0.1	-	0.1
Reclassified	(0.9)	-	(0.9)
Utilised in year	(0.5)	(3.7)	(4.2)
Foreign exchange	-	(0.1)	(0.1)
At 31 March 2024	**2.5**	**17.0**	**19.5**
Current liability	-	15.3	15.3
Non-current liability	2.5	1.7	4.2
At 31 March 2024	**2.5**	**17.0**	**19.5**

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For the year ended 31 March

23. Net debt

As at 31 March

All figures in £ million	31 March 2025 Assets	Liabilities	Net	31 March 2024 Assets	Liabilities	Net
Current financial assets/(liabilities)						
Deferred financing costs	1.3	-	1.3	1.0	-	1.0
Lease liabilities	-	(13.3)	(13.3)	-	(8.1)	(8.1)
Derivative financial instruments	3.6	(1.8)	1.8	5.2	(1.1)	4.1
Total current financial assets/(liabilities)	**4.9**	**(15.1)**	**(10.2)**	**6.2**	**(9.2)**	**(3.0)**
Non-current assets/(liabilities)						
Deferred financing costs	1.0	-	1.0	1.1	-	1.1
Borrowings – Term loan	-	(335.0)	(335.0)	-	(336.3)	(336.3)
Lease liabilities	-	(80.6)	(80.6)	-	(47.4)	(47.4)
Derivative financial instruments	2.0	(1.0)	1.0	3.8	(0.4)	3.4
Total non-current financial assets/(liabilities)	**3.0**	**(416.6)**	**(413.6)**	**4.9**	**(384.1)**	**(379.2)**
Total financial assets/(liabilities)	**7.9**	**(431.7)**	**(423.8)**	**11.1**	**(393.3)**	**(382.2)**
Cash	120.2	-	120.2	109.5	-	109.5
Cash equivalents	170.4	-	170.4	121.5	-	121.5
Total cash and cash equivalents	**290.6**	**-**	**290.6**	**231.0**	**-**	**231.0**
Total net debt as defined by the Group			**(133.2)**			**(151.2)**

At 31 March 2025 the Group held £0.7m (2024: £1.5m) of cash which is restricted in its use. The term loan was issued at floating rates as Tranche A £273.3m and Tranche B USD 79.6m. A proportion of Tranche A has been converted to fixed rate using interest rate swaps. Further analysis of the terms and maturity dates for financial liabilities are set out in note 26.

24. Cash flows from operations

All figures in £ million	FY25	FY24
(Loss)/profit after tax for the year	**(185.7)**	**139.6**
Adjustments for:		
Taxation expense	79.4	43.1
Net finance expense	15.8	9.8
Impairment of Goodwill	143.9	-
Loss/(gain) on sale of property	36.6	(2.1)
Loss on disposal of plant and equipment	4.6	-
Loss on disposal of intangibles	4.2	0.9
Impairment of property	1.0	0.7
Amortisation of purchased or internally developed intangible assets	15.7	7.4
Amortisation of intangible assets arising from acquisitions	24.2	25.2
Depreciation of property, plant and equipment	70.6	58.1
Share of post-tax profit of equity accounted entities	(0.3)	(0.8)
Share-based payments charge	9.8	9.4
Retirement benefit contributions in excess of income statement expense	(2.3)	(1.9)
Net movement in provisions	19.4	(5.1)
	236.9	**284.3**
Decrease/(increase) in inventories	16.5	(21.4)
Decrease/(increase) in receivables	56.3	(10.0)
(Decrease)/increase in payables	(23.0)	41.2
Changes in working capital	**49.8**	**9.8**
Net cash inflow from operations	**286.7**	**294.1**

The working capital movements in the cash flow statement do not agree directly to the balance sheet due to impact of foreign exchange movements, deferred consideration, accrued interest, share buyback liability and the timing of capex payments.

Reconciliation of net cash flow from operations to underlying net cash flow from operations to free cash flow

All figures in £ million	FY25	FY24
Net cash flow from operations	**286.7**	**294.1**
Specific adjusting items:		
Add back specific adjusting item: digital investment	20.8	16.9
Add back specific adjusting item: restructuring costs	3.4	-
Add back specific adjusting item: acquisition integration and remuneration costs	4.2	6.5
Add back specific adjusting item: acquisition and disposal costs	1.1	2.7
Total specific adjusting items	29.5	26.1
Underlying net cash flow from operations	**316.2**	**320.2**
Less: tax and net interest payments	(65.4)	(51.0)
Less: net purchases of intangible assets and property plant and equipment	(108.4)	(96.1)
Free cash flow	**142.4**	**173.1**

Underlying cash conversion ratio

	FY25	FY24
Underlying EBITDA – £ million	301.7	307.9
Underlying net cash flow from operations – £ million	316.2	320.2
Underlying cash conversion ratio – %	**105%**	**104%**

25. Leases

Group as a lessor

The Group receives rental income on certain properties. Primarily these are properties partially occupied by Group companies, with vacant space sub-let to third-party tenants. There was £0.7m (FY24: £nil) of sublease income which related to right of use assets, following the sale and leaseback transaction of Cody Technology Park. The Group had contracted with tenants for the following future minimum lease payments:

All figures in £ million	31 March 2025	31 March 2024
Within one year	1.0	5.2
In the second to fifth years inclusive	2.3	6.6
Greater than five years	0.4	1.7
Total future minimum lease payments	**3.7**	**13.5**

Group as a lessee

Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

Right-of-use assets (included within Property, Plant & Equipment – see note 15)

All figures in £ million	31 March 2025	31 March 2024
Land and buildings	59.2	48.0
Plant, machinery and vehicles	2.2	0.2
Total right of use assets net book value	**61.4**	**48.2**

Lease liabilities (included within Net debt – see note 23)

All figures in £ million	31 March 2025	31 March 2024
Current	13.3	8.1
Non-current	80.6	47.4
Total lease liabilities	**93.9**	**55.5**

Additions to the right-of-use assets during FY25 were £26.2m (FY24: £31.4m). The total cash outflow for leases in FY25 was £15.0m (FY24: £9.6m). The Group had no expense relating to variable lease payments not included in the measurement of lease liabilities.

Notes to the Consolidated Financial Statements continued

For the year ended 31 March

25. Leases (continued)

Amounts recognised in the consolidated income statement

The consolidated income statement includes the following amounts relating to leases:

All figures in £ million	FY25	FY24
Depreciation charge		
Land and buildings	10.6	8.7
Plant, machinery and vehicles	0.3	0.1
Total depreciation charge (see note 15)	**10.9**	**8.8**
Interest expense (included in finance cost - see note 7)	4.2	2.8
Expense relating to short-term leases (included in operating costs)	0.8	0.6
Expense relating to low value leases (included in operating costs)	0.4	0.3
Total lease expense charged to profit before tax	**16.3**	**12.5**

Minimum lease payment commitments

The Group has the following total future minimum lease payment commitments:

All figures in £ million	31 March 2025	31 March 2024
Within one year	13.3	8.1
In the second to fifth years inclusive	54.8	25.4
Greater than five years	25.8	22.0
Total future minimum lease payment commitments	**93.9**	**55.5**

Lease payments represent capital and interest payable by the Group on certain property, plant and equipment. Principal leases are negotiated for a term of approximately 10 years.

26. Financial risk management

The Group's international operations expose it to financial risks that include the effects of changes in foreign exchange rates, interest rates, credit risks and liquidity risks.

Treasury and risk management policies, which are set by the Board, specify guidelines on financial risks and the use of financial instruments to manage risk. The instruments and techniques used to manage exposures include foreign currency and interest rate swap derivatives. Group treasury monitors financial risks and compliance with risk management policies during the year. There have been no changes in any risk management policies during the year or since the year end. For details of the Group's Treasury policy and management of financial instruments see 'Additional Financial Information' on page 199.

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity. The Group has a revolving credit facility and floating rate term loan with its relationship banks with a requirement for the half yearly testing period that the ratio of Net Debt to EBITDA will not exceed 3.5:1 and the ratio of EBITDA to net finance charges will not be less than 4:1. The Group complied with both covenants during the year. As at 31 March 2025, the ratio of Net Debt to EBITDA was 0.4:1 and the ratio of EBITDA to net finance charges was 20:1. The revolving credit facility is undrawn at the year end and matures in 2028. The floating rate term loan is repayable in 2027.

A) Fair values of financial instruments

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 – measured using quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – measured using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Level 2 derivatives comprise forward foreign exchange contracts which have been fair valued using forward exchange rates that are quoted in an active market; and interest rate swaps which have been fair valued using interest rates that are quoted in an active market

Level 3 – measured using inputs for the assets or liability that are not based on observable market data (i.e. unobservable inputs).

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 March 2025:

All figures in £ million	Note	Level 1	Level 2	Level 3	Total
Assets					
Current derivative financial instruments	23	-	3.6	-	3.6
Non-current derivative financial instruments	23	-	2.0	-	2.0
Liabilities					
Current derivative financial instruments	23	-	(1.8)	-	(1.8)
Non-current derivative financial instruments	23	-	(1.0)	-	(1.0)
Total		**-**	**2.8**	**-**	**2.8**

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 March 2024:

All figures in £ million	Note	Level 1	Level 2	Level 3	Total
Assets					
Current derivative financial instruments	23	-	5.2	-	5.2
Non-current derivative financial instruments	23	-	3.8	-	3.8
Liabilities					
Current derivative financial instruments	23	-	(1.1)	-	(1.1)
Non-current derivative financial instruments	23	-	(0.4)	-	(0.4)
Total		**-**	**7.5**	**-**	**7.5**

For cash and cash equivalents, trade and other receivables and bank and current borrowings, the fair value of the financial instruments approximate to their carrying value as a result of the short maturity periods of these financial instruments. For trade and other receivables, allowances are made within the carrying value for credit risk. For other financial instruments, the fair value is based on market value, where available. Where market values are not available, the fair values have been calculated by discounting cash flows to net present value using prevailing market-based interest rates translated at the year-end rates. There have been no transfers between levels.

All financial assets and liabilities had a fair value that is identical to book value at 31 March 2025 and 31 March 2024, other than lease liabilities where the book value is not reflective of changes in interest rates. Detailed analysis is provided in the following tables:

As at 31 March 2025

All figures in £ million	Note	Financial assets at fair value profit and loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Derivatives used as hedges	Other	Total carrying value and fair value
Financial assets							
Non-current							
Derivative financial instruments	23	-	-	-	2.0	-	2.0
Deferred financing costs	23	-	1.0	-	-	-	1.0
Current							
Trade receivables and similar items		-	161.0	-	-	-	161.0
Derivative financial instruments	23	-	-	-	3.6	-	3.6
Deferred financing costs	23	-	1.3	-	-	-	1.3
Cash and cash equivalents	23	290.6	-	-	-	-	290.6
Total financial assets		**290.6**	**163.3**	**-**	**5.6**	**-**	**459.5**
Financial liabilities							
Non-current							
Bank borrowings	23	-	-	(335.0)	-	-	(335.0)
Derivative financial instruments	23	-	-	-	(1.0)	-	(1.0)
Lease liabilities	23	-	-	-	-	(80.6)	(80.6)
Current							
Trade payables and similar items		-	-	(302.5)	-	-	(302.5)
Derivative financial instruments	23	-	-	-	(1.8)	-	(1.8)
Lease liabilities	23	-	-	-	-	(13.3)	(13.3)
Total financial liabilities		-	-	**(637.5)**	**(2.8)**	**(93.9)**	**(734.2)**
Total		**290.6**	**163.3**	**(637.5)**	**2.8**	**(93.9)**	**(274.7)**

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For the year ended 31 March

26. Financial risk management (continued)

As at 31 March 2024

All figures in £ million	Note	Financial assets at fair value profit and loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Derivatives used as hedges	Other	Total carrying value and fair value
Financial assets							
Non-current							
Derivative financial instruments	23	-	-	-	3.8	-	3.8
Deferred financing costs	23	-	1.1	-	-	-	1.1
Current							
Trade receivables and similar items		-	192.3	-	-	-	192.3
Derivative financial instruments	23	-	-	-	5.2	-	5.2
Deferred financing costs	23	-	1.0	-	-	-	1.0
Cash and cash equivalents	23	231.0	-	-	-	-	231.0
Total financial assets		**231.0**	**194.4**	**-**	**9.0**	**-**	**434.4**
Financial liabilities							
Non-current							
Bank borrowings	23	-	-	(336.3)	-	-	(336.3)
Derivative financial instruments	23	-	-	-	(0.4)	-	(0.4)
Lease liabilities	23	-	-	-	-	(47.4)	(47.4)
Current							
Trade payables and similar items		-	-	(322.5)	-	-	(322.5)
Irrevocable share buyback		-	-	(34.0)	-	-	(34.0)
Derivative financial instruments	23	-	-	-	(1.1)	-	(1.1)
Lease liabilities	23	-	-	-	-	(8.1)	(8.1)
Total financial liabilities		**-**	**-**	**(692.8)**	**(1.5)**	**(55.5)**	**(749.8)**
Total		**231.0**	**194.4**	**(692.8)**	**7.5**	**(55.5)**	**(315.4)**

B) Interest rate risk

The Group's objective is to manage its exposure to interest rate fluctuations on borrowings through varying the proportion of fixed rate debt relative to floating rate debt with debt-related derivative financial instruments, including interest rate and cross-currency swaps.

The Group operates an interest rate policy designed to optimise interest costs and to reduce volatility in reported earnings. The Group's current policy is to require rates to be fixed for 30%–80% of the level of borrowings, which is achieved primarily through fixed-rate borrowings or debt-related derivative financial instruments. Where there are significant changes in the level and/or structure of debt, the policy permits borrowings to be 100% fixed, with regular Board reviews of the appropriateness of this fixed percentage.

At 31 March 2025, the Group had 80% (2024: 80%) of fixed rate debt and 20% (2024: 20%) of floating rate debt based on gross debt of £335.0m (2024: £336.3m) after including the impact of debt-related derivative financial assets (interest rate swaps).

Financial assets/(liabilities)

As at 31 March 2025

	Financial assets			Financial liabilities		
All figures in £ million	Fixed or capped	Floating	Non-interest bearing	Fixed or capped	Floating	Non-interest bearing
Sterling	4.2	226.9	1.4	(63.8)	(273.3)	(2.6)
US dollar	-	45.2	-	(19.5)	(61.7)	-
Euro	-	3.0	-	(1.8)	-	-
Australian dollar	-	13.2	-	(8.8)	-	-
Other	-	2.3	-	(0.2)	-	-
Total	**4.2**	**290.6**	**1.4**	**(94.1)**	**(335.0)**	**(2.6)**

As at 31 March 2024

	Financial assets			Financial liabilities		
All figures in £ million	Fixed or capped	Floating	Non-interest bearing	Fixed or capped	Floating	Non-interest bearing
Sterling	8.5	173.6	0.5	(24.0)	(273.3)	(35.5)
US dollar	-	37.4	-	(19.5)	(63.0)	-
Euro	-	1.3	-	-	-	-
Australian dollar	-	14.9	-	(11.6)	-	-
Other	-	3.8	-	(0.4)	-	-
Total	**8.5**	**231.0**	**0.5**	**(55.5)**	**(336.3)**	**(35.5)**

Floating rate financial assets attract interest based on the relevant reference rate. Floating rate financial liabilities bear interest at the relevant reference rate. Trade and other receivables/payables and deferred finance costs are excluded from this analysis.

For the fixed or capped rate financial assets and liabilities, the average interest rates (including the relevant marginal cost of borrowing) and the average period for which the rates are fixed are:

	31 March 2025			31 March 2024		
	Fixed or capped £m	Weighted average interest rate %	Weighted average years to maturity	Fixed or capped £m	Weighted average interest rate %	Weighted average years to maturity
Financial assets:						
Sterling	4.2	3.5	2.4	8.5	3.1	2.2
Financial liabilities:						
Sterling	(63.8)	7.0	8.0	(24.0)	5.4	2.0
US dollar	(19.5)	5.1	5.1	(19.5)	5.9	11.4
Euro	(1.8)	2.6	4.7	-	-	-
Australian dollar	(8.8)	4.7	4.4	(11.6)	4.7	5.2
Other	(0.2)	4.6	1.9	(0.4)	4.8	2.8
Total financial liabilities	**(94.1)**	**6.3**	**7.0**	**(55.5)**	**4.9**	**6.2**

Sterling assets consist of debt-related derivative financial instruments. Sterling liabilities consist primarily of finance leases with the weighted average interest rate reflecting the internal rate of return of those leases.

Interest rate risk management

The revolving credit facility (note 26E) is floating-rate and undrawn as at 31 March 2025.

As at 31 March 2025, the majority of the Group's floating rate bank borrowings were fixed through interest rate swaps which swap the Sterling floating rate interest payable into fixed rate Sterling. The notional principal amount of the outstanding interest rate swap contracts as at 31 March 2025 is £310m (2024: £270m), of which £40m (2024: nil) is effective from September 2025 replacing two £20m maturing contracts. The swaps have the economic effect of converting floating rate borrowings into fixed rate borrowings and are accounted for as cash flow hedges.

C) Currency risk

Transactional currency exposure

The Group is exposed to foreign currency risks arising from sales or purchases by businesses in currencies other than their functional currency. It is Group policy that when such a sale or purchase is certain, the net foreign exchange exposure is hedged using forward foreign exchange contracts. Hedge accounting documentation and effectiveness testing are undertaken for all the Group's transactional hedge contracts.

The currency and notional amount of the designated hedging instruments match the currency and principal amounts of the transactions being hedged, therefore the hedging instruments and hedged items have values which will generally move in opposite directions because of the same hedged risk. As the critical terms of the hedging instruments match those of the hedged items, an economic relationship can be demonstrated on an ongoing basis.

The hedge ratio is 1:1 on the basis that the notional amount of the designated hedging instruments matches the principal amount of the foreign currency sales/purchases designated as the hedged items. The Group does not designate groups of items with offsetting risk positions as hedged items.

The Group considers the potential sources of hedge ineffectiveness to be:

- valuation adjustments for credit risk made to derivative hedging instruments at each hedge effectiveness measurement date;
- changes to the timing and amount of transactions; and
- non-occurrence of the designated hedged items.

Ineffectiveness due to foreign currency basis was highly immaterial.

The table below shows the Group's currency exposures (based on functional currency of the operating company), being exposures on currency transactions that give rise to net currency gains and losses recognised in the income statement. Such exposures comprise the monetary assets and liabilities of the Group that are not denominated in the functional currency of the operating company involved.

	Net foreign currency monetary assets/(liabilities)				
All figures in £ millions	US$	Euro	A$	Other	Total
31 March 2025 – Sterling	**14.4**	**(2.3)**	**2.8**	**7.6**	**22.5**
31 March 2024– Sterling	0.6	(0.3)	1.1	(0.5)	0.9

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26. Financial risk management (continued)

The amounts shown in the table take into account the effect of the forward contracts entered into to manage these currency exposures. The Group enters into forward foreign currency contracts to hedge the currency exposures that arise on sales and purchases denominated in foreign currencies, as the transaction occurs. The principal contract amounts of the outstanding forward currency contracts as at 31 March 2025 against Sterling are net US dollars sold of £105.7m (USD 136.1m), net Euros sold £32.5m (EUR 40.5m), net Canadian dollars sold £5.4m (CAD 12.2m), net Swiss Francs bought of £3.6m (CHF 3.6m), net Swedish Krona sold of £0.1m (SEK 0.8m), and net Australian dollars sold £33.7m (AUD 68.7m).

Translational currency exposure

The Group has significant investments in overseas operations, particularly in the US. As a result, the Sterling value of the Group's balance sheet can be affected by movement in exchange rates. The Group does not hedge against translational currency exposure to overseas net assets.

D) Financial credit risk

The Group is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments, but does not currently expect any counterparties to fail to meet their obligations. Credit risk is mitigated by a Board-approved policy of only selecting counterparties with a strong investment grade long-term credit rating for cash deposits and setting a utilisation credit limit based on the credit rating. The cash and cash equivalents of the Group are invested in non-speculative financial instruments which are usually highly liquid, such as short-term deposits. Therefore, the Group believes it has reduced its exposure to counterparty credit risk through this process.

The cash and cash equivalents balance is subject to review for impairment, and due to the high credit ratings of the counterparties set out below, no impairment has been recognised within the year:

Counterparty credit rating	31 March 2025	31 March 2024
AAA to AA-	78%	69%
A+ to A-	22%	30%
BBB+ to BBB-	-	1%

The Group uses 3 year cumulative default rate metrics to determine the estimated credit-rated losses on our financial instruments. Based on the expected default rates, the financial instruments have an immaterial risk of credit impairment.

In the normal course of business the Group operates notional cash pooling systems and master netting agreements for derivatives, where a legal right of set-off applies.

The maximum credit-risk exposure in the event of other parties failing to perform their obligations under financial assets, excluding trade and other receivables, totals £296.2m (2024: £240.0m). This balance includes cash and cash equivalents and derivative financial assets. The cash and cash equivalents of £290.6m at 31 March 2025 (2024: £231.0m) represents the maximum credit exposure on these assets. The cash and cash equivalents were held with different financial institutions which were rated single A or better. Cash equivalents comprise £170.4m (2024: £121.5m) invested in AAA-rated money market funds. The Group's assessment is that credit risk is limited as a result of the high percentage of revenue derived from UK and US government agencies. Therefore the provision for expected credit losses is immaterial in respect of receivables from these customers.

E) Liquidity risk

Borrowing facilities

As at 31 March 2025 the Group had a revolving credit facility (RCF) of £290.0m (2024: £275.0m) and a floating rate term loan of £335.0m (2024: £336.3m). The RCF, which is unutilised, was refinanced in April 2024 and will mature on 22 April 2028. The term loan will mature on 27 September 2027. Total available funds, comprising the RCF, term loan and the Group's freely available cash and cash equivalents, are shown in the table below:

	Interest rate: Reference rate* plus	Total £m	Drawn £m	Undrawn £m
As at 31 March 2025				
Committed facilities – RCF	0.60%	290.0	-	290.0
Committed facilities – term loan	1.00%	335.0	335.0	-
Freely available cash and cash equivalents				289.9
Available funds 31 March 2025				**579.9**
As at 31 March 2024				
Committed facilities – RCF	0.53%	275.0	-	275.0
Committed facilities – term loan	1.00%	336.3	336.3	-
Freely available cash and cash equivalents				229.5
Available funds 31 March 2024				**504.5**

* Reference rate refers to SONIA for GBP and SOFR for USD.

Gross contractual cash flows for borrowings and other financial liabilities

The following are the undiscounted contractual maturities of financial liabilities, including interest payments. The cash flows associated with derivatives that are cash flow hedges are expected to have an impact on profit or loss in the periods shown.

The £335.0m term loan is repayable on 27 September 2027, with interest periods set to three months. The loan bears interest at a variable margin over the relevant reference rate of between 1.00% and 2.50% dependent on the ratio of Net Debt to EBITDA.

As at 31 March 2025

All figures in £ million	Book value	Contractual cash flows	1 year or less	1–2 years	2–5 years	More than 5 years
Non-derivative financial liabilities						
Term loan	(335.0)	(375.8)	(15.7)	(15.7)	(344.4)	-
Revolving credit facility	-	-	-	-	-	-
Trade payables and similar items	(302.5)	(302.5)	(302.5)	-	-	-
Leases	(93.9)	(120.0)	(18.7)	(18.1)	(39.6)	(43.6)
Derivative financial liabilities						
Forward foreign currency contracts – cash flow hedges	(2.6)	(2.6)	(1.8)	(0.6)	(0.2)	-
Interest rate swaps	(0.2)	(0.2)	-	(0.1)	(0.1)	-
Total	**(734.2)**	**(801.1)**	**(338.7)**	**(34.5)**	**(384.3)**	**(43.6)**

As at 31 March 2024

All figures in £ million	Book value	Contractual cash flows	1 year or less	1–2 years	2–5 years	More than 5 years
Non-derivative financial liabilities						
Term loan	(336.3)	(356.8)	(7.4)	(8.8)	(340.6)	-
Revolving credit facility	-	-	-	-	-	-
Trade payables and similar items	(322.5)	(322.5)	(322.5)	-	-	-
Irrevocable share buyback	(34.0)	(34.0)	(34.0)	-	-	-
Leases	(55.5)	(70.4)	(10.8)	(9.7)	(23.0)	(26.9)
Derivative financial liabilities						
Forward foreign currency contracts – cash flow hedges	(1.5)	(1.5)	(1.1)	(0.1)	(0.3)	-
Interest rate swaps	-	-	-	-	-	-
Total	**(749.8)**	**(785.2)**	**(375.8)**	**(18.6)**	**(363.9)**	**(26.9)**

F) Derivative financial instruments

The Group has the following derivative financial instruments on the balance sheet, reported within the 'Other financial assets' line items.

	31 March 2025			31 March 2024		
All figures in £ million	Asset gains	Liability losses	Net	Asset gains	Liability losses	Net
Forward foreign currency contracts – cash flow hedges	1.4	(2.6)	(1.2)	0.5	(1.5)	(1.0)
Interest rate swaps	4.2	(0.2)	4.0	8.5	-	8.5
Derivative assets/(liabilities) at the end of the year	**5.6**	**(2.8)**	**2.8**	**9.0**	**(1.5)**	**7.5**

The maturity of these derivative financial instruments is as follows:

	31 March 2025			31 March 2024		
All figures in £ million	Asset gains	Liability losses	Net	Asset gains	Liability losses	Net
Expected to be recognised:						
In one year or less	3.6	(1.8)	1.8	5.2	(1.1)	4.1
Between one and two years	1.3	(0.7)	0.6	2.7	(0.1)	2.6
More than two years	0.7	(0.3)	0.4	1.1	(0.3)	0.8
Derivative assets/(liabilities) at the end of the year	**5.6**	**(2.8)**	**2.8**	**9.0**	**(1.5)**	**7.5**

Notes to the Consolidated Financial Statements continued

For the year ended 31 March

26. Financial risk management (continued)

The effects of these derivatives on the Group's financial position and performance are as follows:

All figures in £ million	31 March 2025 Cash flow hedges	Interest rate swaps	Total	31 March 2024 Cash flow hedges	Interest rate swaps	Total
Notional amount (gross)	515.8	310.0	825.8	410.3	270.0	680.3
Carrying value (current and non-current assets and (liabilities))	(1.2)	4.0	2.8	(1.0)	8.5	7.5
Maturity date	2025-2028	2025-2027	2025-2028	2024-2027	2025-2027	2024-2027
Hedge ratio	1:1	1:1	1:1	1:1	1:1	1:1
Change in fair value of outstanding hedging instruments in the year	(0.2)	(4.5)	(4.7)	(1.1)	0.6	(0.5)
Change in value of hedged item used to determine hedge effectiveness	(0.2)	(4.5)	(4.7)	(1.1)	0.6	(0.5)
Weighted average hedged rate for the year*	1.29%	3.5%		1.26%	3.1%	

* The weighted average hedged rate for the year for cash flow hedges is based on GBP:USD, being the most significant currency pair. The Group also has cash flow hedges relating to a number of other currency pairs aligned to its global operations.

G) Maturity of financial liabilities

The contractual maturity of the Group's financial liabilities is shown below:

As at 31 March 2025

All figures in £ million	Trade payables and similar items payables	Bank borrowings and loan notes	Derivative financial instruments	Lease liabilities	Total
Due in one year or less	302.5	-	1.8	13.3	317.6
Due in more than one year but not more than two years	-	-	0.7	13.5	14.2
Due in more than two years but not more than five years	-	335.0	0.3	41.3	376.6
Due in five years or more	-	-	-	25.8	25.8
Total	**302.5**	**335.0**	**2.8**	**93.9**	**734.2**

As at 31 March 2024

All figures in £ million	Trade payables and similar items payables*	Bank borrowings and loan notes	Derivative financial instruments	Lease liabilities	Total
Due in one year or less	356.5	-	1.1	8.1	365.7
Due in more than one year but not more than two years	-	-	0.1	7.4	7.5
Due in more than two years but not more than five years	-	336.3	0.3	18.0	354.6
Due in five years or more	-	-	-	22.0	22.0
Total	**356.5**	**336.3**	**1.5**	**55.5**	**749.8**

* Trade payables and other similar items includes £nil (FY24: £34.0m) irrevocable share buyback liability

H) Sensitivity analysis

The Group's sensitivity to changes in foreign exchange rates and interest rates on financial assets and liabilities as at 31 March 2025 is set out in the following table. The impact of a weakening in Sterling on the Group's financial assets and liabilities would be more than offset in equity and income by its impact on the Group's overseas net assets and earnings respectively. Sensitivity on Group's assets other than financial assets and liabilities is not included in this analysis.

As at 31 March 2025

	1% decrease in interest rates		10% weakening in Sterling	
All figures in £ million	Equity*	Profit before tax	Equity	Profit before tax
Sterling	-	0.5	-	-
US dollar	-	0.2	(4.0)	0.9
Other	-	(0.2)	0.7	-

	1% increase in interest rates		10% strengthening in Sterling	
All figures in £ million	Equity*	Profit before tax	Equity	Profit before tax
Sterling	-	(0.5)	-	-
US dollar	-	(0.2)	3.2	0.1
Other	-	0.2	(0.4)	-

* This relates to the impact on items charged directly to equity and excludes the impact on profit/loss for the year flowing into equity.

As at 31 March 2024

All figures in £ million	1% decrease in interest rates		10% weakening in Sterling	
	Equity*	Profit before tax	Equity	Profit before tax
Sterling	(0.1)	1.0	-	-
US dollar	-	0.3	1.6	0.4
Other	-	(0.2)	1.1	-

All figures in £ million	1% increase in interest rates		10% strengthening in Sterling	
	Equity*	Profit before tax	Equity	Profit before tax
Sterling	0.1	(1.0)	-	-
US dollar	-	(0.3)	(1.2)	(0.4)
Other	-	0.2	(1.0)	-

* This relates to the impact on items charged directly to equity and excludes the impact on profit/loss for the year flowing into equity.

The amounts generated from the sensitivity analysis are forward-looking estimates of market risk assuming that certain market conditions occur. Actual results in the future may differ materially from those projected as a result of developments in global financial markets that may cause fluctuations in interest and exchange rates to vary from the hypothetical amounts disclosed in the previous tables, which should not, therefore, be considered to be a projection of likely future events and losses.

The estimated changes for interest rate movements are based on an instantaneous decrease or increase of 1% (100 basis points) in the specific rate of interest applicable to each class of financial instruments from the levels effective at 31 March 2025, with all other variables remaining constant. The estimated changes for foreign exchange rates are based on an instantaneous 10% weakening or strengthening in Sterling against all other currencies from the levels applicable at 31 March 2025, with all other variables remaining constant. Such analysis is for illustrative purposes only – in practice market rates rarely change in isolation. The impact of transactional risk on the Group's monetary assets/liabilities that are not held in the functional currency of the entity holding those assets/liabilities is minimal.

27. Post-retirement benefits

Defined contribution plans

The Group operates a number of defined contribution pension arrangements, the largest of which is in the UK and provided by the Mercer Master Trust. A defined contribution plan is a pension plan under which the Group and employees pay fixed contributions to a third-party financial provider. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as an employee benefit expense when they are due. The expense incurred during the year was £73.4m (FY24: £65.0m). Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Defined benefit pension plan

In the UK the Group operates the QinetiQ Pension Scheme ('the Scheme') for approximately 15% of its UK employees. The Scheme closed to future accrual on 31 October 2013 and there is no on-going service cost. After this date, defined active benefit members transferred to a defined contribution section of the Scheme. The Scheme is a final salary plan, which provides benefits to members in the form of a guaranteed level of pension payable for life.

The level of benefits provided depends on the members' length of service and their final pensionable earnings at closure to future accrual. In the Scheme, pensions in payment are generally updated in line with the Consumer Price Index (CPI). The benefit payments are made from Trustee-administered funds.

Plan assets held in trusts are governed by UK regulations as is the nature of the relationship between the Group and the Trustees and their composition. Responsibility for the governance of the Scheme – including investment decisions and contribution schedules – lies with the Scheme Trustee with consultation with the Company as needed. Dalriada, one of the largest professional trustee firms in the UK, act as Professional Corporate Sole Trustee (PCST) for the Scheme. Being governed by a PCST is well suited to an ever-changing and highly regulated pension landscape.

The asset recognised in the balance sheet in respect of the defined benefit pension plan is the fair value of plan assets less the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated bi-annually by independent actuaries using the projected unit credit method. Future cash flows of the Scheme which are subject to inflation are calculated using a CPI inflation assumption for the majority of the cash flows, with a small proportion of cash flows linked to RPI. IAS 19 requires the inflation assumptions to be market-based assumptions, as opposed to being based on economic forecasts.

Notes to the Consolidated Financial Statements continued

For the year ended 31 March

27. Post-retirement benefits (continued)

The present value of the defined benefit obligation is determined by discounting the estimated, inflated future cash outflows using interest rates of high quality corporate bonds and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Triennial funding valuation

The most recent completed full actuarial valuation of the Scheme was undertaken as at 30 June 2023 and resulted in an actuarially assessed surplus of £11.4m (relative to the technical provisions i.e. the level of assets agreed by the Trustee and the Company as being appropriate to meet member benefits, assuming the Scheme continues as a going concern). The next triennial valuation will be performed as at 30 June 2026. Under the new schedule of contributions agreed at the conclusion of the recent triennial valuation, and reflecting the Scheme being in surplus, there are no employer contributions required. Separately to the schedule of contributions the Company does have a cash commitment to the Scheme in respect of an asset-backed funding arrangement established in 2012, see QinetiQ Pension Funding Partnership below.

QinetiQ's Pension Funding Partnership (PFP) structure

On 26 March 2012 QinetiQ established the QinetiQ PFP Limited Partnership (the 'Partnership') with the Scheme. Under this arrangement, properties to the capitalised value of £32.3m were transferred to the Partnership. The transfers were effected through a 20-year sale and leaseback agreement. The Scheme's interest in the Partnership entitles it to annual distributions from 2012. The annual distribution in the year to 31 March 2026 will be £3.6m, which will increase thereafter, indexed by reference to CPI, until 2032.

The Partnership is controlled by QinetiQ and its results are consolidated by the Group. Under IAS 19, the interest held by the Scheme in the Partnership does not qualify as a plan asset for the purposes of the Group's consolidated financial statements and is, therefore, not included within the fair value of plan assets. As a result, the Group's consolidated financial statements are unchanged by the Partnership. In addition, the value of the property transferred to the Partnership and leased back to QinetiQ remains on the balance sheet. QinetiQ retains the operational flexibility to substitute properties of equivalent value within the Partnership and has the option to settle outstanding amounts due under the interest before 2032 if it so chooses.

Other UK schemes

In the UK the Group has a small number of employees for whom benefits are secured through the Prudential Platinum Scheme ('PPS'). The PPS scheme is always fully funded and has a very small surplus at year end. QinetiQ also offers employees access to a Group Self Invested Personal Pension Plan, but no Company contributions are paid to this arrangement.

Defined benefit pension plan ('Scheme') net pension asset

The Scheme is in a net asset position with the market value of assets in excess of the present value of Scheme liabilities. These have the values set out below as at 31 March of each year end.

All figures in £ million	31 March 2025	31 March 2024
Total market value of assets – see table below for analysis by category of asset	1,176.7	1,316.2
Present value of Scheme liabilities	(1,137.3)	(1,297.8)
Net pension asset before deferred tax	**39.4**	**18.4**
Deferred tax liability	(14.6)	(9.6)
Net pension asset after deferred tax	**24.8**	**8.8**

The balance sheet net pension asset is a snapshot view which can be significantly influenced by short-term market factors. The calculation of the net asset depends on factors which are beyond the control of the Group – principally the value of the various categories of assets in which the Scheme has invested and long-term interest rates and inflation rates used to value the Scheme's liabilities. This is particularly pertinent at times when markets are volatile. Sensitivities and risks are described on page 176.

The key driver for the increase in the net pension asset since the March 2024 year end was a net actuarial gain on the net pension asset.

Total expense recognised in the income statement

All figures in £ million	FY25	FY24
Net finance income	1.0	5.6
Administrative expenses	(1.2)	(1.5)
Total net (expense)/income recognised in the income statement (excluding tax)	**(0.2)**	**4.1**

Movement in the net pension asset

The movement in the net pension asset (before deferred tax) is set out below:

All figures in £ million	FY25	FY24
Opening net pension asset	18.4	119.8
Net finance income	1.0	5.6
Net actuarial gain/loss & asset re-measurement gain/loss	17.7	(108.9)
Administrative expenses	(1.2)	(1.5)
Contributions by the employer	3.5	3.4
Closing net pension asset	**39.4**	**18.4**

Fair value of Scheme assets by type of asset

The fair value of the Scheme's assets, which are not intended to be realised in the short term and may be subject to significant changes before they are realised, were:

	31 March 2025			31 March 2024		
All figures in £ million	Quoted	Not quoted in an active market	Total	Quoted	Not quoted in an active market	Total
Equities	-	11.2	11.2	-	21.8	21.8
Liability Driven Investment	351.1	-	351.1	414.9	-	414.9
Asset backed security investments	75.0	-	75.0	35.5	-	35.5
Alternative bonds[1]	-	228.1	228.1	-	253.8	253.8
Corporate bonds[2]	-	98.6	98.6	31.1	120.6	151.7
Cash and cash equivalents	-	46.1	46.1	-	36.5	36.5
Equity derivative financial instruments[3]	(0.9)	-	(0.9)	15.8	-	15.8
Corporate credit derivative financial instruments[4]	1.8	-	1.8	2.2	-	2.2
Other derivatives (forward FX contracts)[5]	10.0	-	10.0	1.6	-	1.6
Insurance buy-in policies	-	450.7	450.7	-	507.4	507.4
Borrowings[6]	-	(95.0)	(95.0)	-	(125.0)	(125.0)
Total market value of assets	**437.0**	**739.7**	**1,176.7**	**501.1**	**815.1**	**1,316.2**

[1] Primarily private market debt investments.
[2] Includes unlisted corporate bonds with commercial property held as security.
[3] The fair value of equity derivative financial instruments is -£0.9m. This reflects the marked to market valuation of all equity derivatives held by the Scheme. Therefore, the Scheme has a significantly larger exposure to equities through the use of equity derivative contracts. The notional value of the quoted equity exposure was £180.0m as at 31 March 2025. The economic exposure (notional exposure + MTM) was £179.1m as at 31 March 2025.
[4] The fair value of corporate credit derivative financial instruments is £1.8m. This is in respect of various credit default swap financial instruments held by the Scheme. These instruments provide the Scheme with significantly greater exposure to corporate bonds. The notional value of the credit default swap contracts was £97.9m as at 31 March 2025. The economic exposure (notional exposure +MTM) was £99.7m as a 31 March 2025.
[5] The fair value of other derivative financial instruments is £10.0m. This is in respect of various foreign exchange contracts held by the Scheme. The exposure to foreign exchange risk is significantly greater than the £10.0m marked to market value of the forward contracts. The notional value of these financial instruments was £311.1m as at 31 March 2025, with a total economic exposure value of £321.1m.
[6] The £125m loan (arranged in September 2023 to facilitate an increase in liquidity to support increased levels of hedging) was partly repaid in the year. A further £25m is due to be repaid by 30 September 2025 with the final £70m due by 30 September 2026.

The Scheme's assets do not include any of the Group's own transferable financial instruments, property occupied by, or other assets used by the Group.

The insurance policies obtained by the pension scheme can only be used to pay or fund employee benefits under the Company's defined benefit plan. They are not available to the Company's own creditors and cannot be paid to another entity. These are the requirements of IAS 19 paragraph 7 and hence the Company's determination is that the insurance policies are qualifying insurance policies and require classification as a plan asset. The policies were issued by insurers that are not a related party.

Per the Scheme rules the Company has an unconditional right to a refund of any surplus, assuming gradual settlement of all liabilities over time. Such surplus may arise on cessation of the Scheme in the context of IFRIC 14 paragraphs 11(b) and 12 and therefore the full net pension asset can be recognised on the Group's balance sheet and the Group's minimum funding commitments to the Scheme do not give rise to an additional balance sheet liability.

Changes to the fair value of Scheme assets

All figures in £ million	FY25	FY24
Opening fair value of Scheme assets	1,316.2	1,355.2
Interest income on Scheme assets	62.0	62.6
Re-measurement loss on Scheme assets	(149.0)	(49.6)
Contributions by the employer	3.5	3.4
Net benefits paid out and transfers	(54.8)	(53.9)
Administrative expenses	(1.2)	(1.5)
Closing fair value of Scheme assets	**1,176.7**	**1,316.2**

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27. Post-retirement benefits (continued)

Changes to the present value of Scheme liabilities

The present value of the Scheme's liabilities, which are derived from cash flow projections over long periods, and thus inherently uncertain, were:

All figures in £ million	FY25	FY24
Opening present value of Scheme liabilities	(1,297.8)	(1,235.4)
Interest cost	(61.0)	(57.0)
Actuarial gain/(loss) on Scheme liabilities based on:		
Change in demographic assumptions	17.4	(9.5)
Change in financial assumptions	149.6	28.1
Experience losses	(0.3)	(77.9)
Net benefits paid out and transfers	54.8	53.9
Closing present value of Scheme liabilities	**(1,137.3)**	**(1,297.8)**

Assumptions

The major assumptions used in the IAS 19 valuation of the Scheme's liabilities were:

	31 March 2025		31 March 2024	
All figures in £ million	Insured members	Uninsured members	Insured members	Uninsured members
Discount rate applied to Scheme liabilities	5.70%	5.75%	4.80%	4.80%
CPI inflation assumption	2.45%	2.50%	2.55%	2.60%
Net rate (discount rate less inflation)	3.25%	3.25%	2.25%	2.20%
Assumed life expectancies in years:				
At 60 for males currently aged 40	n/a	27.8	n/a	28.3
At 60 for females currently aged 40	n/a	30.3	n/a	30.7
At 60 for males currently aged 60	n/a	26.5	n/a	26.7
At 60 for females currently aged 60	n/a	28.9	n/a	29.1
At 65 for males currently aged 65	22.1	n/a	22.3	n/a
At 65 for females currently aged 65	24.6	n/a	24.8	n/a

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, because of the timescale covered, may not necessarily be borne out in practice. It is important to note that these assumptions are long term and, in the case of the discount rate and the inflation rate, are measured by reference to external market indicators.

The discount rate is based on observable yields on corporate bonds but there is no direct, observable market rate for CPI. A 'market approach' to deriving CPI involves adjusting a market-based RPI rate downward by an 'inflation risk premium' and an RPI-CPI adjustment factor (determined from relevant market yield curves). This market-based approach is required by IAS 19 and results in a CPI inflation rate in excess of the Bank of England long term target and also in excess of a consensus view of CPI (based on surveys of economists). However, adopting an economic consensus approach to setting CPI inflation is not acceptable under accounting standards.

The mortality assumptions for both the current and prior year were based on the S3 Normal Lives base tables, with various scaling factors based on sex and status. Allowance was made for improvements in mortality in line with CMI_2023 core projections (31 March 2024: CMI_2022 projections) and a long-term rate of improvement of 1.0% per annum (31 March 2024: 1.25%).

The funding of the Scheme is based on long-term trends and assumptions relating to market growth, as advised by qualified actuaries and investment advisors. The Scheme 'duration', calculated using discounted future cash flows, is an indicator of the weighted-average time until benefits are paid and is approximately 13 years for non-insured liabilities and 10 years for insured liabilities.

The sensitivity of the Scheme liabilities to each of the key assumptions is shown in the following table.

Sensitivity analysis of the principal assumptions

Assumption	Indicative impact on Scheme assets	Indicative impact on Scheme liabilities	Indicative impact on net pension asset
Decrease discount rate by 0.25%	Increase by £10.2m	Increase by £33.1m	Decrease by £22.9m
Increase rate of inflation by 0.25%	Increase by £9.9m	Increase by £32.6m	Decrease by £22.7m
Increase life expectancy by one year	Increase by £10.9m	Increase by £26.8m	Decrease by £15.9m

The impact of movements in Scheme liabilities will, to an extent, be offset by movements in the value of Scheme assets as the Scheme has assets invested in a Liability Driven Investment Portfolio. As at 31 March 2025 this portfolio hedged against approximately 100% of the interest rate risk and also approximately 100% of the inflation rate risk, as measured on the actuarial funding valuation basis.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (projected unit credit method) has been applied as when calculating the pension liability recognised within the statement of financial position. The methods and types of assumption did not change.

In addition to the sensitivity of the liability side of the net pension asset (which will impact the value of the net pension asset) the net pension asset is also exposed to significant variation due to changes in the fair value of Scheme assets. A specific sensitivity on assets has not been included in the above table but any change in valuation of assets flows straight through to the value of the net pension asset e.g. if equities fall by £10m then the net pension asset reduces by £10m. The values of unquoted assets assume that an available buyer is willing to purchase those assets at that value. For the Group's portfolio of assets, the unquoted alternative bonds of £228.1m; the unquoted corporate bonds of £98.6 and the unquoted equities of £11.2m are the assets with most uncertainty as to valuation as at 31 March 2025.

The accounting assumptions noted are used to calculate the year end net pension asset in accordance with the relevant accounting standard, IAS 19 (revised) 'Employee Benefits'. Changes in these assumptions have no impact on the Group's cash payments into the Scheme. The payments into the Scheme are reassessed after every triennial valuation. The triennial valuations are calculated on a funding basis and use a different set of assumptions, as agreed with the pension Trustees. The key assumption that varies between the two methods of valuation is the discount rate. The funding basis valuation uses the risk-free rate from UK gilts as the base for calculating the discount rate, whilst the IAS 19 accounting basis valuation uses corporate bond yields as the base.

Risks

Through its defined benefit pension plan, the Group is exposed to a number of risks, the most significant of which are detailed below:

Volatility in market conditions	Results under IAS 19 can change dramatically depending on market conditions. The present value of Scheme liabilities is linked to yields on corporate bonds, while many of the assets of the Scheme are invested in various forms of assets subject to fluctuating valuations. Changing markets in conjunction with discount rate volatility will lead to volatility in the net pension asset on the Group's balance sheet and in other comprehensive income. To a lesser extent this will also lead to volatility in the IAS 19 pension net finance income in the Group's income statement.
Choice of accounting assumptions	The calculation of the present value of Scheme liabilities involves projecting future cash flows from the Scheme many years into the future. This means that the assumptions used can have a material impact on the balance sheet position and profit and loss charge. In practice future experience within the Scheme may not be in line with the assumptions adopted. For example, members could live longer than foreseen or inflation could be higher or lower than allowed for in the calculation of the liabilities.

In June 2023, in Virgin Media Limited v NTL Pension Trustees II Limited, the UK High Court ruled that specific historical amendments to contracted-out defined benefit schemes in the period from 6 April 1997 to 5 April 2016 were invalid as they lacked a confirmation under section 37 of the Pension Schemes Act 1993 from the scheme's actuary. Following a review of the equivalent documentation by the Scheme's lawyers, we consider that there is no need for any further investigation at this stage and that the probability of a significant financial impact is remote.

28. Share capital and other reserves

Shares allotted, called up and fully paid:

	Ordinary shares of 1p each (equity)		Special Share of £1 (non-equity)		Total	
	£	Number	£	Number	£	Number
As at 1 April 2024	5,743,959	574,395,891	1	1	5,743,960	574,395,892
Cancellation of shares	(208,654)	(20,865,436)	-	-	(208,654)	(20,865,436)
At 31 March 2025	**5,535,305**	**553,530,455**	**1**	**1**	**5,535,306**	**553,530,456**

During the year, the Group continued its share buyback programme. £102.9m was completed in cash in FY25 (FY24: £16.0m), which is shown in the table above as the 20,865,436 cancelled shares (FY24: 4,361,230). As at 31 March 2024 a further £34m (31 March 2025: £nil) had been committed to and was recognised as a liability.

	Ordinary shares of 1p each (equity)		Special Share of £1 (non-equity)		Total	
	£	Number	£	Number	£	Number
As at 1 April 2023	5,787,571	578,757,121	1	1	5,787,572	578,757,122
Cancellation of shares	(43,612)	(4,361,230)	-	-	(43,612)	(4,361,230)
At 31 March 2024	**5,743,959**	**574,395,891**	**1**	**1**	**5,743,960**	**574,395,892**

Except as noted below all shares in issue at 31 March 2025 rank pari-passu in all respects.

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28. Share capital and other reserves (continued)

Rights attaching to the Special Share

QinetiQ carries out activities which are important to UK defence and security interests. To protect these interests in the context of the ongoing commercial relationship between the MOD and QinetiQ, and to promote and reinforce the Compliance Principles, the MOD holds a Special Share in QinetiQ. QinetiQ obtained MOD consent to changes in its Special Shareholder rights, which were approved by shareholders at the 2012 AGM. The changes to the Special Share were disclosed in the 2012 Annual Report. Subsequent to the changes approved at the 2012 AGM the Special Share confers certain rights on the holder:

a) to require the Group to implement and maintain the Compliance System (as defined in the Articles of Association) so as to make at all times effective its and each member of QinetiQ Controlled Group's application of the Compliance Principles, in a manner acceptable to the Special Shareholder
b) to refer matters to the Board for its consideration in relation to the application of the Compliance Principles
c) to require the Board to obtain Special Shareholder's consent:
   i) if at any time when the chairman is not a British citizen, it is proposed to appoint any person to the office of chief executive, who is not a British citizen
   ii) if at any time when the chief executive is not a British citizen, it is proposed to appoint any person to the office of chairman, who is not a British citizen
d) to require the Board to take action to rectify any omission in the application of the Compliance Principles, if the Special Shareholder is of the opinion that such steps are necessary to protect the defence or security interests of the United Kingdom
e) to demand a poll at any of QinetiQ's meetings (even though it may have no voting rights except those specifically set out in the Articles).

The Special Shareholder has an option to purchase defined Strategic Assets of the Group in certain circumstances. The Special Shareholder has, inter alia, the right to purchase any Strategic Assets which the Group wishes to sell. Strategic Assets are normally testing and research facilities (see note 30 for further details).

The Special Share may only be issued to, held by and transferred to HM Government (or as it directs). At any time the Special Shareholder may require QinetiQ to redeem the Special Share at par. If QinetiQ is wound up the Special Shareholder will be entitled to be repaid the capital paid up on the Special Share before other shareholders receive any payment. The Special Shareholder has no other right to share in the capital or profits of QinetiQ and the Special Shareholder must give consent to a general meeting held on short notice.

The Special Share entitles the Special Shareholder to require certain persons who hold (together with any person acting in concert with them) a material interest in QinetiQ to dispose of some or all of their ordinary shares in certain prescribed circumstances on the grounds of national security or conflict of interest. The Directors must register any transfer of the Special Share within seven days.

Other reserves

The translation reserve includes the cumulative foreign exchange difference arising on translation. Movements on hedging instruments, where the hedge is effective, are recorded in the hedge reserve until the hedge ceases.

The capital redemption reserve, which was created following the redemption of preference share capital and the bonus issue of shares, cannot be distributed.

Own shares

Own shares represent shares in the Company that are held by independent trusts and include treasury shares and shares held by the employee share ownership plan. Included in retained earnings at 31 March 2025 are 3,442,435 shares (2024: 2,767,125 shares).

29. Share-based payments

The Group operates a number of share-based payment plans for employees. The total share-based payment expense in the year was £9.8m, all relating to equity-settled schemes (FY24: £10.2m, all relating to equity-settled schemes). The share-based payment charged to equity is £8.9m consisting of the £9.8m charge to the income statement offset by a £0.9m charge to equity in respect of dividends accruing on unvested awards.

Valuation of share-based awards

Share-based awards that vest based on non-market performance conditions have been valued at the share price at grant date and are equity-settled.

Group Share Incentive Plan (SIP)

Under the QinetiQ SIP the Group offers UK employees the opportunity of purchasing up to £150 worth of shares a month at the prevailing market rate. The Group will make a matching share award of a third of the employee's payment. The Group's matching shares may be forfeited if the employee ceases to be employed by QinetiQ within three years of the award of the shares. There is no exercise price for these SIP awards.

	FY25 Number of matching shares	FY24 Number of matching shares
Outstanding at start of the year	753,447	745,986
Awarded during the year	256,966	295,731
Exercised during the year	(262,526)	(243,681)
Forfeited during the year	(40,053)	(44,589)
Outstanding at end of the year	**707,834**	**753,447**

SIP matching shares are equity-settled awards; those outstanding at 31 March 2025 had an average remaining life of 1.5 years (2024: 1.5 years). There is no exercise price for these SIP awards. Of the shares outstanding at the end of the year nil were exercisable (2024: nil).

Bonus Banking Plan (BBP)

During previous years the Group granted BBP awards to certain senior executives in the UK and US.

	FY25 Number of awards	FY24 Number of awards
Outstanding at start of the year	892,416	892,416
Granted during the year	-	-
Exercised during the year	(833,623)	-
Forfeited during the year	(58,793)	-
Outstanding at end of the year	**-**	**892,416**

The BBP is a remuneration scheme that runs in three-year performance cycles, with each cycle vesting over a four-year period. Under the BBP a contribution will be made by the Company into the participant's Plan account following the end of each Plan year. 50% of the value of a participant's Plan account will be paid out annually for three years with 100% of the residual value paid out at the end of year four. 50% of the unpaid balance of a participant's bonus account will be at risk of forfeiture. Refer to the Directors' Remuneration Report for further details.

At 31 March 2025 the awards had an average remaining life of nil year (2024: 0.7 years). There is no exercise price for these awards. The fair value of the awards at 31 March 2025 was £nil (2024: £3.67) being the Group's 30 day average on 31 March. The weighted average share price at date of exercise was nil (2024: £nil). Of the awards outstanding at the end of the year nil were exercisable.

Deferred Share Plan (DSP)

During the year, the Group did not provisionally award any DSP awards as this share scheme has been replaced by the LTIP share scheme.

	FY25 Number of awards	FY24 Number of awards
Outstanding at start of the year	6,274,618	6,968,721
Granted during the year	9,795	-
Lapsed during the year	(502,662)	(142,194)
Exercised during the year	(2,021,364)	(551,909)
Outstanding at end of the year	**3,760,387**	**6,274,618**

The number of awards is dependent on the Group's performance during the year (specifically with respect to the Group revenue growth). This is provisionally quantified at year end based on Group performance and also the number of eligible employees in employment as at 31 March. Actual awards are made in the following June and the final number awarded will be slightly different to the number provisionally calculated.

Awards are then subject to a three-year vesting period and a further two-year holding period. Vesting of the awards is contingent upon Group operating profit in the year prior to vesting being maintained at the level reported during the year prior to award. Refer to the Directors' Remuneration Report for further details.

At 31 March 2025 the awards had an average remaining life of 0.6 years (2024: 1.3 years). There is no exercise price for these awards. The weighted average share price at date of exercise was £4.47 (2024: nil). Of the awards outstanding at the end of the year nil were exercisable.

Notes to the Consolidated Financial Statements continued

For the year ended 31 March

29. Share-based payments (continued)

Long Term Incentive Plan (LTIP)

During the year the Group granted LTIP awards to replace the DSP awards.

	FY25 Number of awards	FY24 Number of awards
Outstanding at start of the year	7,306,172	-
Granted during the year	6,519,447	7,556,268
Exercised during the year	-	-
Lapsed during the year	(1,693,863)	(250,096)
Outstanding at end of the year	**12,131,756**	**7,306,172**

At 31 March 2025 the awards had an average remaining life of 2.0 years (2024: 2.5 years). There is no exercise price for these awards. The weighted average fair value of grants made during the year was £4.44 (2024: £3.22). The weighted average share price at date of exercise was nil. Of the options outstanding at the end of the year nil were exercisable.

Restricted share plan (RSP)

RSP is a share award made to senior executives on a discretionary basis. For example, to offset a new senior executive joiner on a loss of stock options from their previous employer and it is a fixed number of shares. During the year the Group granted RSP awards to certain senior executives in the UK and US.

	FY25 Number of awards	FY24 Number of awards
Outstanding at start of the year	797,371	941,348
Granted during the year	263,186	213,277
Exercised during the year	(488,374)	(135,292)
Lapsed during the year	(98,127)	(221,962)
Outstanding at end of the year	**474,056**	**797,371**

At 31 March 2025 the awards had an average remaining life of 0.7 years (2024: 1.3 years). There is no exercise price for these awards. The weighted average fair value of grants made during the year was £4.11 (2024: £3.28). The weighted average share price at date of exercise was £4.02 (2024: £3.12). Of the options outstanding at the end of the year nil were exercisable (2024: nil).

Value Creation Plan (VCP)

VCP is a share award made on a discretionary basis with unique performance conditions. In FY23, the Group granted awards under a Value Creation Plan to certain senior executives in the US. During the current year, all the awards were forfeited as the performance conditions were not met.

	FY25 Number of awards	FY24 Number of awards
Outstanding at start of the year	-	175,099
Forfeited during the year	-	(175,099)
Outstanding at end of the year	**-**	**-**

At 31 March 2025 the awards had an average remaining life of nil year (2024: nil). There is no exercise price for these awards. The weighted average fair value of grants made during the year was £nil (2024: nil).

High Performance Share Award (HPSA)

In a prior year, as one of eight initial measures in response to the COVID-19 pandemic, the senior leaders agreed to, on average, a temporary base salary reduction of 15%. To both recognise the senior leaders for their sacrifice and to incentivise them to lead the Group through the crisis as quickly and effectively as possible, the Group adopted a new award called High Performance Share Award (HPSA). The HPSA was awarded in November 2020 as a 'Thank Q' to senior leaders for their sacrifice and enormous efforts to lead their teams out of unprecedented crisis. The fair value of QinetiQ shares on grant date was £2.70 and the awards vest in June 2023. At 31 March 2025 the awards had an average remaining life of nil year (2024: nil year). The weighted average share price at date of exercise was £nil (2024: £3.54).

	FY25 Number of awards	FY24 Number of awards
Outstanding at start of the year	-	1,323,331
Granted during the year	-	13,041
Exercised during the year	-	(1,336,372)
Lapsed during the year	-	-
Outstanding at end of the year	**-**	**-**

Annual Bonus Plan (ABP)

ABP is a share award made to senior executives. This award replaced the BBP.

	FY25 Number of awards	FY24 Number of awards
Outstanding at start of the year	292,067	-
Difference between actual awards in year and amount provisionally awarded in prior year	(64,891)	-
Lapsed during the year	-	-
Exercised during the year	-	-
Provisionally awarded during the year	-	292,067
Outstanding at end of the year	**227,176**	**292,067**

At 31 March 2025 the awards had an average remaining life of 1.3 years (2024: nil years). There is no exercise price for these awards. The weighted average fair value of grants made during the year was £4.49 (2024: £nil). The weighted average share price at date of exercise was £nil (2024: £nil). Of the options outstanding at the end of the year nil were exercisable (2024: nil).

30. Transactions with the Ministry of Defence (MOD)

The MOD continues to own its Special Share in QinetiQ which conveys certain rights as set out in note 28. Transactions between the Group and the MOD are disclosed as follows:

Freehold land and buildings and surplus properties

Under the terms of the Group's acquisition of part of the business and certain assets of DERA from the MOD on 1 July 2001, the MOD retained certain rights in respect of the freehold land and buildings transferred.

Restrictions on transfer of title

The title deeds of those properties with strategic assets (see below) include a clause that prevents their transfer without the approval of the MOD. The MOD also has the right to purchase any strategic assets in certain circumstances.

MOD's generic compliance regime

Adherence to the generic compliance system is monitored by the Risk & Security Committee. Refer to the Committee's report within the Corporate Governance Statement on page 108.

Strategic assets

Under the Principal Agreement with the MOD, the QinetiQ controlled Group is not permitted without the written consent of the MOD, to:

i) dispose of or destroy all or any part of a strategic asset; or
ii) voluntarily undertake any closure of, or cease to provide a strategic capability by means of, all or any part of a strategic asset.

The net book value of assets identified as being strategic assets as at 31 March 2025 was £1.3m (2024: £2.1m).

Long Term Partnering Agreement

On 27 February 2003 QinetiQ Limited entered into a Long Term Partnering Agreement (LTPA) to provide test and evaluation (T&E) facilities and training support services to the MOD. This is a 25-year contract with a total revenue value of up to £5.6bn, dependent on the level of usage by the MOD, under which QinetiQ Limited is committed to providing T&E services with increasing efficiencies through cost saving and innovative service delivery. Following an amendment to the LTPA contract on 5 April 2019 this contract is no longer subject to re-pricing every five years and is now contracted at a fixed price to 31 March 2028.

Other contracts with MOD

The LTPA is the most significant contract QinetiQ has with the MOD. In total approximately 57% (FY24: 57%) of the Group's revenue comes directly from contracts with the MOD.

31. Contingent liabilities and assets

Subsidiary undertakings within the Group have given unsecured guarantees of £49.7m at 31 March 2025 (2024: £56.7m) in the ordinary course of business, typically in respect of performance bonds and rental guarantees. The Company has on occasion been required to take legal action to protect its intellectual property rights, to enforce commercial contracts or otherwise and similarly to defend itself against proceedings brought by other parties, including in respect of environmental and regulatory issues. Provisions are made for the expected costs associated with such matters, based on past experience of similar items and other known factors, taking into account professional advice received, and represent management's best estimate of the likely outcome. The timing of utilisation of these provisions is uncertain pending the outcome of various court proceedings, ongoing investigations and negotiations. However, no provision is made for proceedings which have been or might be brought by other parties unless management, taking into account professional advice received, assesses that it is more likely than not that such proceedings may be successful. Contingent liabilities associated with such proceedings have been identified but the Directors are of the opinion that any associated claims that might be brought can be resisted successfully and therefore the possibility of any outflow in settlement is assessed as remote.

Notes to the Consolidated Financial Statements continued

For the year ended 31 March

32. Capital commitments

The Group had the following capital commitments for which no provision has been made:

All figures in £ million	31 March 2025	31 March 2024
Total contracted	51.3	57.8

Capital commitments at 31 March 2025 include £47.2m (2024: £49.7m) in relation to property, plant and equipment that will be wholly funded by a third-party customer under long-term contract arrangements. These primarily relate to investments under the LTPA contract.

33. Related parties

During the year ended 31 March 2025 there were sales to joint ventures of £0.2m (FY24: £3.1m). At the year-end there were outstanding receivables from joint ventures of £0.2m (FY24: £2.8m).

34. Subsidiaries and other related undertakings

In accordance with section 409 of the Companies Act 2006, a full list of subsidiaries and other related undertakings as at 31 March 2025 is detailed below. Unless stated otherwise, the Group's holding comprises ordinary shares which are held indirectly by QinetiQ Group plc, with the exception of QinetiQ Group Holdings Limited which is held directly by QinetiQ Group plc.

Name of company	Country of incorporation	Registered office
Subsidiaries[1,6]		
Aerospace Training Services Pty Ltd*	Australia	Tower 4, Level 10, 727 Collins Street, Melbourne, VIC 3008 Australia
Air Affairs (Australia) Pty Ltd	Australia	Tower 4, Level 10, 727 Collins Street, Melbourne, VIC 3008 Australia
Air Affairs Aviation Pty Ltd.	Australia	Tower 4, Level 10, 727 Collins Street, Melbourne, VIC 3008 Australia
Air Target Services Pty Ltd.	Australia	Tower 4, Level 10, 727 Collins Street, Melbourne, VIC 3008 Australia
Astra Aerospace Pty Ltd.	Australia	Tower 4, Level 10, 727 Collins Street, Melbourne, VIC 3008 Australia
Avantus Federal LLC	USA	1800 Tysons Blvd, Ste 750, McLean, VA 22102, USA
Avantus Federal Services LLC	USA	1800 Tysons Blvd, Ste 750, McLean, VA 22102, USA
Avantus National Security Solutions LLC	USA	1800 Tysons Blvd, Ste 750, McLean, VA 22102, USA
cueSim Limited	England & Wales	C/O FRP Advisory Trading Limited Kings Orchard, 1 Queen Street, Bristol, BS2 0HQ
E3 Federal Solutions PR LLC	USA	1800 Tysons Blvd, Ste 750, McLean, VA 22102, USA
Far Ridgeline Engagements LLC	USA	1800 Tysons Blvd, Ste 750, McLean, VA 22102, USA
Foster-Miller Inc[2]	USA	350 2nd Avenue, Waltham, Massachusetts, MA 02451, USA
Hirose Holdings Pty Ltd.	Australia	Tower 4, Level 10, 727 Collins Street, Melbourne, VIC 3008 Australia
Inzpire Group Limited	England & Wales	C/O FRP Advisory Trading Limited Kings Orchard, 1 Queen Street, Bristol, BS2 0HQ
Inzpire Holdings Limited	England & Wales	C/O FRP Advisory Trading Limited Kings Orchard, 1 Queen Street, Bristol, BS2 0HQ
Inzpire Limited	England & Wales	C/O FRP Advisory Trading Limited Kings Orchard, 1 Queen Street, Bristol, BS2 0HQ
Lucid Perspectives LLC	USA	1800 Tysons Blvd, Ste 750, McLean, VA 22102, USA
Metrix UK Limited	England & Wales	C/O FRP Advisory Trading Limited Kings Orchard, 1 Queen Street, Bristol, BS2 0HQ
Naimuri Limited	England & Wales	Farnborough[3]
Occam's Razor Technologies LLC	USA	1800 Tysons Blvd, Ste 750, McLean, VA 22102, USA
Operational Intelligence LLC	USA	1800 Tysons Blvd, Ste 750, McLean, VA 22102, USA
Precis (2187) Limited	England & Wales	C/O FRP Advisory Trading Limited Kings Orchard, 1 Queen Street, Bristol, BS2 0HQ
Qinetic Limited	England & Wales	Farnborough[3]
QinetiQ Aerostructures Pty Ltd	Australia	Tower 4, Level 10, 727 Collins Street, Melbourne, VIC 3008 Australia
QinetiQ Australia Pty Ltd	Australia	Tower 4, Level 10, 727 Collins Street, Melbourne, VIC 3008 Australia
QinetiQ Consulting Pty Ltd	Australia	Tower 4, Level 10, 727 Collins Street, Melbourne, VIC 3008 Australia
QinetiQ Estates Limited	England & Wales	Farnborough[3]
QinetiQ GmbH	Germany	Flughafenstraße 65, 41066, Mönchengladbach, Germany
QinetiQ GP Limited	Scotland	50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ, Scotland
QinetiQ Group Canada Inc.[2]	Canada	5300 Commerce Court West, 199 Bay Street, Toronto ON M5L 1A9, Canada
QinetiQ Group Holdings Limited	England & Wales	Farnborough[3]
QinetiQ Holdings Limited	England & Wales	Farnborough[3]
QinetiQ Inc[2,]	USA	1800 Tysons Blvd, Ste 750, McLean, VA 22102, USA
QinetiQ Insurance PCC Limited	Guernsey	Mill Court, La Charroterie, St Peter Port, GY1 4ET Guernsey
QinetiQ Limited	England & Wales	Farnborough[3]
QinetiQ Novare Pty Ltd	Australia	Tower 4, Level 10, 727 Collins Street, Melbourne, VIC 3008 Australia
QinetiQ Overseas Holdings Limited	England & Wales	Farnborough[3]
QinetiQ Overseas Trading Limited	England & Wales	Farnborough[3]

Name of company	Country of incorporation	Registered office
QinetiQ Pension Scheme Trustee Limited	England & Wales	Farnborough[3]
QinetiQ PFP Limited Partnership[4]	Scotland	50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ, Scotland
QinetiQ Philippines Company, Inc	Philippines	22nd Floor Corporate Centre, 139 Valero Street, Salcedo Village, Makati City, Philippines
QinetiQ Pty Ltd	Australia	Tower 4, Level 10, 727 Collins Street, Melbourne, VIC 3008 Australia
QinetiQ Services Holdings Pty Ltd	Australia	Tower 4, Level 10, 727 Collins Street, Melbourne, VIC 3008 Australia
QinetiQ Solutions Sdn. Bhd.	Malaysia	Suite 6.01, 6th Floor, Plaza See Hoy Chan, Jalan Raja Chulan 50200, Kuala Lumpur, W.P. Kuala Lumpur, Malaysia
QinetiQ Sweden AB	Sweden	c/o MAQS Advokatbyra, Stureplan 19, 111 45 Stockholm Sweden
QinetiQ Target Services Limited	England & Wales	Farnborough[3]
QinetiQ Target Systems Limited	England & Wales	Farnborough[3]
QinetiQ Training and Simulation Limited	England & Wales	Farnborough[3]
QinetiQ US Holdings, Inc.	USA	5885 Trinity Parkway, Suite 130, Centreville, Virginia 20120-1969, USA
RubiKon Group Pty Limited	Australia	Level 33, 101 Collins Street, Melbourne, Victoria 3000, Australia
TSG International LLC	USA	350 2nd Avenue, Waltham, Massachusetts 02451, USA

Name of company	Country of incorporation	Registered office
Joint ventures[6]		
Avantus CTA, LLC[5]	USA	1800 Tysons Blvd, Ste 750, McLean, VA 22102, USA
Federal Mission Solutions, LLC[5]	USA	58 W Main Street, Suite B, Luray, VA 22835 USA
Houbara Defence & Security LLC[5,6]	United Arab Emirates	Unit 3, Zone 4, Tawazun Industrial Park, Abu Dhabi, United Arab Emirates, PO Box 128220
QinetiQ Dar Massader QDM Limited[5,6]	Saudi Arabia	Al Nakhla Tower, 3026-Prince Saud Bin Mohamed Bin Muqin Road, PO Box 2985, Riyadh 13321, Kingdom of Saudi Arabia
Quick Services LLC[5]	USA	409 Chicago Drive Suite 103 in Fayetteville, NC 28306

* Aerospace Training Services Pty Ltd was renamed QinetiQ Training Australia Pty Ltd on 30 April 2025.
1 As at 31 March 2025 the Group owned 100% of the ordinary shares of all subsidiary undertakings.
2 The class of shares is 'common share'.
3 Cody Technology Park, Ively Road, Farnborough, Hampshire, GU14 OLX.
4 Limited partnership. The partners are all wholly-owned Group companies.
5 As at 31 March 2025 the Group owned 90% of Avantus CTA, LLC, 49% of Federal Mission Solutions, LLC, LLC, 49% of Houbara Defence & Security LLC, 49% of QinetiQ Dar Massader QDM Limited, and 49% of Quick Services LLC.
6 The financial year end of each undertaking is 31 March other than Houbara Defence & Security LLC (31 December) and QinetiQ Dar Massader QDM Limited (31 December).

35. Basis of preparation and material accounting policies

QinetiQ Group plc ('the Company') is a public limited company, which is listed on the London Stock Exchange and is incorporated and domiciled in England, United Kingdom. The consolidated financial statements of the Group comprise statements for the Company and its subsidiaries, together referred to as 'the Group'.

Accounting policies

The following accounting policies have been applied consistently to all periods presented in dealing with items that are considered material in relation to the Group's financial statements. In the income statement, the Group presents 'specific adjusting items' separately. In the judgement of the Directors, for the reader to obtain a proper understanding of business performance, specific adjusting items need to be disclosed separately. Underlying measures of performance exclude specific adjusting items.

Specific adjusting items

Specific adjusting items include the following:

Item	Distorting due to irregular nature year on year	Distorting due to fluctuating nature (size and sign)	Does not reflect in-year operational performance of continuing business
Amortisation of intangible assets arising from acquisitions			✓
Pension net finance income		✓	✓
Gains/losses on disposal of businesses, property and investments	✓	✓	✓
Transaction, integration and on-off remuneration costs in respect of business acquisitions and disposals	✓		✓
Impairment of property and goodwill	✓		
One-off period of digital investment	✓	✓	✓
Costs and other impacts of group-wide restructuring programmes	✓	✓	
The tax impact of the above	✓	✓	✓
Other significant non-recurring tax and RDEC movements	✓	✓	✓

The financial impact of each item is reported in note 4 to these financial statements.

Notes to the Consolidated Financial Statements continued

For the year ended 31 March

35. Basis of preparation and material accounting policies (continued)

Basis of preparation

The Group's financial statements, approved by the Directors, have been prepared on a going concern basis as discussed in the Strategic Report on page 69 in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The Company has elected to prepare its parent company financial statements in accordance with UK GAAP (FRS 101); these are presented on page 194. The financial statements have been prepared under the historical cost convention, except for certain financial assets and liabilities (such as derivative financial instruments) measures at fair value. The Group's reporting currency is Sterling and unless otherwise stated the financial statements are rounded to the nearest £100,000.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary undertakings to 31 March 2025. The purchase method of accounting has been adopted. Those subsidiary undertakings acquired or disposed of in the period are included in the consolidated income statement from the date control is obtained to the date that control is lost (usually on acquisition and disposal respectively). An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. This is the IFRS 10 definition of 'control'.

The Group comprises certain entities that are operated within the terms of a Special Security Arrangement ('SSA'). Details of the SSA and QinetiQ's management of US subsidiaries are set out in the Corporate Governance section of this Annual Report (on page 90). IFRS 10 is the accounting standard applicable in respect of consolidation of entities. This does not specifically deal with SSA's. However, having considered the terms of the SSA, the Directors consider that the Group meets the requirements of IFRS 10 in respect of control over such affected entities and, therefore, consolidates these entities in the consolidated accounts. The impact of this specific judgement is full consolidation as opposed to treatment as a 100% associated undertaking.

An associate is an undertaking over which the Group exercises significant influence, usually from 20%–50% of the equity voting rights, in respect of financial and operating policy. A joint venture is an undertaking over which the Group exercises joint control. Joint ventures are accounted for using the equity method from the date of acquisition to the date of disposal. The Group's investments in Joint ventures are held at cost including goodwill on acquisition and any post-acquisition changes in the Group's share of the net assets of the joint venture less any impairment to the recoverable amount. Where a joint venture has net liabilities, full provision is made for the Group's share of liabilities where there is a constructive or legal obligation to provide additional funding to the joint venture.

The financial statements of subsidiaries, joint ventures and associates are adjusted where necessary to ensure compliance with Group accounting policies.

Consideration of climate change

In preparing the financial statements, the Board have considered the impact to the organisation and its activities of climate change, particularly those risks highlighted on page 61 in line with the recommendations by the Task Force for Climate-related Disclosures (TCFD). The Board recognises its responsibilities for oversight of climate-related risks and opportunities. The QinetiQ Leadership Team support the Board through the implementation of a strategic led approach to monitor, assess and address climate transition risks and opportunities, which includes refining our capability to quantify, forecast and model financial statement impacts due to climate change.

Specific aspects of the financial statements that could potentially be impacted by climate change are the carrying value and useful economic lives of tangible assets and goodwill, future capability development and the financial performance of customer contracts.

Whilst the Group will likely be impacted by climate change in the future, the impacts on the financial statements as at 31 March 2025 are not considered to be material.

Recent accounting developments

Developments adopted by the Group for the year ended 31 March 2025 with no material impact on the Group's financial statements

The following standards, interpretations and amendments to existing standards became effective on 1 January 2024 and have not had a material impact on the Group:

- Amendments to IAS 1 Presentation of Financial Statements – Non-current Liabilities with Covenants and Deferral of Effective Date of the Amendment Classification of Liabilities as Current, effective from 1 January 2024;
- Amendments to IFRS 16 Lessee Lease – Liability in a Sale and Leaseback, effective from 1 January 2024; and
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements, effective from 1 January 2024

Developments expected in future periods of which are not expected to have a material impact on the Group's financial statements

The following other standards, interpretations and amendments to existing standards have been issued but were not mandatory for accounting periods beginning on 1 April 2024. These either have been, or are expected to be endorsed by the UK Endorsement Board and are not expected to have a material impact on the Group:

- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability, effective from 1 January 2025.

Material accounting policies

Revenue from contracts with customers

The Group recognises revenue primarily from the following major sources:

- Through combining world-leading expertise with unique facilities to provide technical assurance, test and evaluation and training services underpinned by long-term contracts;
- Through delivering innovative solutions and products to meet customer requirements by undertaking contract-funded research and development, developing intellectual property and by internal funding with potential for new revenue streams.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer. The Group's revenue contracts are accounted for under IFRS 15 'Revenue from Contracts with Customers' taking into account the requirement to distinguish between the various performance obligations within a contract and treating these separately. The Group's methodology applies IFRS 15 on a contract-by-contract basis which includes considerations for contract modifications, variable consideration, the determination of distinct performance obligations, determination of agency and principal relationships and licences.

Service contracts

The Group's long-term service contracts are generally 'test and evaluation' or advice-based contracts where control of the service is transferred over a period of time as the Group performs. At contract inception the Group undertakes an assessment to determine how many distinct performance obligations exists within a contract. As part of the assessment the Group obtains an understanding of the overall deliverable to the customer through discussions with business units and project leads. Each individual deliverable in the contract is then assessed to determine if it is an input into the overall deliverable, and therefore part of a single performance obligation, or if it is a stand-alone separable deliverable with its own transaction price and therefore a distinct performance obligation in its own right. Each distinct performance obligation identified within a contract is accounted for separately.

Certain service contracts have a similar pattern of transfer of control to the customer where each year is effectively the same from a performance obligation perspective. The Group has applied the series guidance as permitted within the Standard to these contracts and accounts for these as a series of distinct service performance obligations satisfied annually over the contract term.

The transaction price for a contract is determined at contract inception based on a fixed-margin applied to the total forecast costs to complete the deliverable. Some long-term contracts include an excess profit clause which is a variable consideration factor that could impact the transaction price. Excess profits are estimated at contract inception and at the end of each reporting period to ensure that the transaction price is not under or over stated. Any required adjustment will be made against the transaction price in the period in which it occurred. The Group does not offer any right of return or refunds which could impact transaction price at inception.

Certain contracts attract bonuses and/or penalties which are variable and will have an impact on transaction price at contract inception. The Group assesses variable consideration in relation to bonuses and penalties at contract inception using the most-likely method and this forms part of the transaction price and recognised over time as costs are incurred. The Group only includes bonuses and penalties into the transaction price to the extent that it is highly probable that a significant reversal of revenue will not occur in future periods. Historical evidence and experience shows that even where a reduction has been required, that reduction has been immaterial to the Group.

The transaction price is allocated between each distinct performance obligation identified in a contract based on the stand-alone selling price of each performance obligation. Each performance obligation will be costed and the transaction price will be cost plus margin. This amount would be the stand-alone selling price of each performance obligation if contracted with a customer separately.

Long-term service contracts allow for modifications to the original order. If a contract modification is determined to be distinct and the price of the contract increases by an amount of consideration that reflects the entity's stand-alone selling prices for the additional promised goods or services, the Group accounts for this as a separate contract. If a contract modification is not distinct, the Group accounts for this as if it were part of the existing contract. A cumulative catch-up adjustment to revenue is then recognised to disclose the effect that the contract modification has on the transaction price and the Group's measure of progress towards complete satisfaction of the performance obligation.

Long-term service contracts also sometimes allow for extensions to the original order. A contract extension is determined to include either additional goods or services or no additional goods or service. If a contract extension with additional goods or services is determined to be distinct and the price of the contract increases by an amount of consideration that reflects the entity's stand-alone selling prices for the additional promised goods or services, the Group accounts for this as a separate performance obligation.

If a contract extension with additional goods or services is not distinct, the Group accounts for this as if it were part of the existing contract. A cumulative catch-up adjustment to revenue is then recognised to disclose the effect that the contract extension has on the transaction price and the Group's measure of progress towards complete satisfaction of the performance obligation.

When the outcome of a distinct performance obligation in delivering services can be reliably estimated, revenue associated with the performance obligation is recognised over time using the input method. The input method recognises revenue over time on the basis of costs incurred to date to the satisfaction of a performance obligation relative to the total forecast costs to complete the performance obligation.

Notes to the Consolidated Financial Statements continued

For the year ended 31 March

35. Basis of preparation and material accounting policies (continued)

The Group has determined the input method to be appropriate as it best depicts the Group's performance in transferring control of the service to the customer as it incurs costs on a particular contract.

No profit is recognised on contracts until the outcome of the contract can be reliably estimated. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately as an expense.

Goods sold

The Group recognises revenue on the sale of products at a point in time once control has been transferred to the customer. Control is generally transferred to customers on delivery of products or when the customer has the significant risks and rewards of ownership of the product. Payment is typically due within 30 days of invoice (within the UK) and customers typically do not have a right of return or refund. The transaction price for sale of products is agreed at contract inception. When the Group develops a bespoke product for a customer with no alternative use to the Group, revenue is recognised over time using the input method.

Licence revenue

Licence revenue is attributed to either 'right to use' or 'right to access' licences. 'Right to use' licence revenue is recognised at a point in time when the Group sells a licence to a customer and does not undertake significant further activities or involvement in developing the licence after the sale. 'Right to access' licence revenue is recognised over time when the Group maintains a significant level of involvement in developing and enhancing the licence after the sale. The level of involvement goes beyond general support, bug-fixing and upgrades which generally only maintain the current operating level. The transaction price for intellectual property is agreed at contract inception. The Group does not offer any right of return or refunds which could impact transaction price at inception.

The Group recognises licence revenue through the supply of a range of security, messaging and connectivity software products. A licence fee is paid for each computer that uses the software and the customer can also purchase a support service contract for a fixed period. The sale of these types of licences is recognised at a point in time as a distinct performance obligation because the Group does not undertake any further activities in developing the licence after the sale. The support service contract is recognised over time as a separate performance obligation as this is an optional extra and is not integral into the functionality of the licence. The support service contract offers general support and maintenance of the licence to the customer over a fixed period.

Contract assets

Contract assets represent revenue recognised in excess of amounts invoiced. Revenue is recognised on service contracts by using a 'percentage complete' method, applying the proportion of contract costs incurred for work performed to date relative to the estimated total contract cost, after making suitable allowances for technical and other risks related to performance milestones yet to be achieved, and applying that proportion to total contract price. Payment for service contracts are not always due from the customer until certain milestones have been reached and, therefore, a contract asset is recognised over the period in which the services are performed representing the Group's right to consideration for services performed to date, to the extent that the customer has not yet been invoiced for those services.

Contract liabilities

The Group, on occasion, bills customers in advance of performing certain types of work which results in the Group recognising contract liabilities. Once the work has been performed these amounts will be reduced and recognised as revenue. For sale of goods, revenue is recognised in the income statement when control of the goods has been transferred to the customer; being at the point when the goods are delivered. Any transaction price received by the Group prior to that point is recognised as a contract liability.

Principal-agent arrangements

The Group enters into certain arrangements which involve a consortium of service providers. The Group acts as a 'Prime' contractor in certain contracts with customers and utilises sub-contractors to undertake the work. Under these contracts the Group is considered to be primarily responsible for fulfilling the service to the customer. The Group performs a technical assessment of the work before it is delivered to the customer and is responsible for quality and performance of the sub-contractor. As such the Group is considered to be the principal to the arrangement with the customer and includes sub-contractor costs within revenue. However, where the Group is merely acting as an agent of a sub-contractor then no revenue is recognised in respect of sub-contractor costs.

All consortium arrangements are assessed by the Group to determine if it is the principal or agent.

Contract bidding costs

The Group recognises the 'incremental costs of obtaining a contract' with a customer as an asset if the Group expects to recover those costs. The 'incremental costs of obtaining a contract' are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been won. Costs to obtain a contract that would have been incurred regardless of whether the contract was won or lost shall be recognised as an expense when incurred, unless those costs are explicitly chargeable to the customer.

Segmental information

Segmental information is presented according to the Group's internal management reporting structure and the markets in which it operates. Segmental results represent the contribution of the different segments to the profit of the Group. Corporate expenses are allocated to the corresponding segments. Unallocated items mainly comprise Research and Development Expenditure Credits (RDEC) and specific adjusting items. Specific adjusting items are referred to in note 4. Segmental assets and liabilities information is not regularly provided to the Chief Operating Decision Maker.

Research and development expenditure

Research and development (R&D) costs incurred in respect of specific contracts placed by customers are recognised within operating costs and revenue is recognised in respect of the R&D services performed. Internally funded development expenditure is capitalised in the balance sheet where there is a clearly defined project, the expenditures are separately identifiable, the project is technically and commercially feasible, all costs are recoverable by future revenue and the resources are committed to complete the project. Such capitalised costs are amortised over the forecast period of sales resulting from the development. All other R&D costs are expensed to the income statement in the period in which they are incurred. If the research phase cannot be clearly distinguished from the development phase, the respective project-related costs are treated as if they were incurred in the research phase only and expensed.

Borrowings and financing

The Group has a term loan and access to a revolving credit facility with its relationship banks. Borrowings are initially recognised at fair value. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as non-current liabilities where the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. The Group pays in advance finance costs in relation to the multi-currency facility which are recognised as a deferred finance cost asset and amortised over the period of the facility, where it is probable that some or all of the facility will be drawn down. Costs of letters of credit are also charged to finance expense.

Exchange differences on financial assets and liabilities and the income or expense from interest hedging instruments that are recognised in the income statement are included within finance income and finance expense. Financing also includes the net finance income or expense in respect of defined benefit pension schemes.

Taxation

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets are derecognised when that probability assessment changes. Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Notes to the Consolidated Financial Statements continued

For the year ended 31 March

35. Basis of preparation and material accounting policies (continued)

The Group has applied the temporary exemption issued by the International Accounting Standards Board from the accounting for deferred taxes under IAS12 and neither recognises nor discloses information about deferred taxes related to OECD's Global Anti-Base Erosion Model Rules (Pillar Two) income taxes.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Research and Development Expenditure Credits (RDEC) are recognised within other operating income.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered primarily through a sales transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and expected to be completed within a year of the balance sheet date. The assets should be available for immediate sale in their present condition and actively marketed at a price that is reasonable in relation to their current fair value.

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Any write-down to fair value less costs to sell shall be recognised directly through profit and loss as an impairment loss. No further depreciation is charged in respect of assets classified as held for sale.

Goodwill

Goodwill on acquisitions of subsidiaries is included in non-current assets. Goodwill on acquisitions of joint ventures is included in the carrying value of equity accounted investments. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

Intangible assets

Intangible assets arising from business combinations are recognised at fair value and are amortised over their expected useful lives, typically between 1 and 16 years. Internally generated intangible assets are recorded at cost, including labour, directly attributable costs and any third-party expenses.

The 'multi-period excess earnings' method and the 'relief-from-royalty' method are both used for fair valuing intangible assets arising from acquisitions. The multi-period excess earnings method considers the present value of net cash flows expected to be generated by customer relationships, by excluding any cash flows related to contributory assets. The relief-from-royalty method considers the discounted estimated royalty payments that are expected to be avoided as a result of the patents or trademarks being owned. Purchased intangible assets are recognised at cost less amortisation. Intangible assets are amortised over their respective useful lives on a straight-line basis as follows:

Intellectual property rights	2–10 years
Customer relationships	1–16 years
Development costs	1–5 years
Other	1–14 years

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation. Freehold land is not depreciated. Other tangible non-current assets are depreciated on a straight-line basis over their useful economic lives to their estimated residual value as follows:

Freehold buildings	20–25 years
Leasehold land and buildings	Shorter of useful economic life and the period of the lease
Plant and machinery	3–15 years
Motor vehicles	3–5 years
Aircraft	10–20 years
Computers	3–5 years
Office equipment	5–10 years

Assets under construction are included in property, plant and equipment on the basis of expenditure incurred at the balance sheet date. In the case of assets constructed by the Group, the value includes the cost of own work completed, including directly attributable costs and interest. The useful lives, depreciation methods and residual values applied to property, plant and equipment are reviewed annually and, if appropriate, adjusted accordingly.

Impairment of goodwill and tangible, intangible and held for sale assets

At each reporting date the Group assesses whether there is an indication that an asset may be impaired. If the carrying amount of any asset exceeds its recoverable amount an impairment loss is recognised immediately in the income statement. In addition, goodwill is tested for impairment annually irrespective of any indication of impairment. If the carrying amount exceeds the recoverable amount, the respective asset or the assets in the cash-generating unit (CGU) are written down to their recoverable amounts. The recoverable amount of an asset or CGU is the higher of its fair value less costs to sell and its value in use. The value in use is the present value of the future cash flows expected to be derived from an asset or CGU calculated using an appropriate pre-tax discount rate. Impairment losses are expensed to the income statement.

Leases

Leases – as a lessor

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (note 25). Initial direct costs incurred in obtaining an operating leases are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature.

Leases – as a lessee

The Group leases various offices, aircraft, equipment and vehicles. Rental contracts are typically made for fixed periods of 6 months to 25 years, but may have extension options as described below.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone process. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leases assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If the rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by QinetiQ Plc, which does not have recent third party financing, and
- makes adjustments specific to the lease, for example to term, country, currency and security.

The exposure by the Group to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect is not considered material. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs.

Notes to the Consolidated Financial Statements continued

For the year ended 31 March

35. Basis of preparation and material accounting policies (continued)

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The Group does not revalue its land and buildings that are presented within property, plant and equipment and has chosen to do the same for right-of-use buildings by the Group. Payments associated with short-term leases of offices, equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise lease assets under £5,000.

Lease extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

Judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of offices and equipment, the following factors are normally the most relevant:

- if there are significant penalties to terminate (or extend), the group is typically reasonably certain to end (or not to terminate);
- if any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate);
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruptions required to replace the leased asset.

Most extension options in office and vehicles leases have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption.

As at 31 March 2025 no (undiscounted) potential future cash outflows have been included in the lease liability for extension or termination.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event of significant change in circumstance occurs, which affects this assessment, and that is within the control of the lessee. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension or termination options was nil (FY24: nil) in recognised lease liabilities and right-of-use assets.

Sale and leaseback transactions

The Group accounts for sale and leaseback transactions according to IFRS 16 "Leases", only recognising a sale if the criteria under IFRS 15 "Revenue from Contracts with Customers" are met. Upon meeting these criteria, the asset is derecognised from the balance sheet, and any resultant gain or loss is recognised immediately in the profit or loss statement, adjusted for any off-market terms present in the transaction.

For the leaseback component, the Group recognises a lease liability based on the present value of future lease payments, typically using the lessee's incremental borrowing rate unless the rate implicit in the lease is readily determinable. Concurrently, a right-of-use asset is recognised, reflecting the portion of the asset's value retained through control or benefit. This asset is initially measured using the proceeds from the sale relative to the asset's fair value.

Subsequently, the lease liability is adjusted to account for payments and finance charges, applying the effective interest method. The right-of-use asset is depreciated over the lesser of the asset's useful life or the lease term.

Investments in debt and equity securities

Investments held by the Group are classified as either a current asset or as a non-current asset. These are investments in debt and equity instruments that are classified as at fair value through other comprehensive income. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in the income statement.

The fair value of quoted financial instruments is their bid price at the balance sheet date. The fair value of unquoted equity investments is based on the price of the most recent investment by the Group or a third party, if available, or derived from the present value of forecast future cash flows.

Inventories

Inventory and work-in-progress are stated at the lower of cost and net realisable value, using the first-in-first-out cost formula. Work-in-progress and manufactured finished goods are valued at production cost. Production cost includes direct production costs and an appropriate proportion of production overheads. A provision is established when the net realisable value of any inventory item is lower than its cost. A 'market comparison' technique is used to fair value inventories acquired through a business combination. The fair value is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

Trade and other receivables
Trade and other receivables are measured at amortised cost less any impairment losses. Amounts recoverable on contracts are included in trade and other receivables and represent revenue recognised in excess of amounts invoiced. Other receivables will also include insurance recoveries where we are virtually certain of recovery.

Impairment of trade and other receivables
The Group applies the simplified approach when using the expected credit loss (ECL) impairment model for trade and other receivables. Under the simplified approach the Group always measures the loss allowance at an amount equal to the lifetime expected credit losses for trade receivables. The Group measures the expected credit losses of trade and other receivables in a way that reflects a probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and supportable information that is readily available at each reporting date about past events, current condition and forecasts of future economic conditions. The ECL's are updated each reporting period to reflect changes in credit risk since initial recognition.

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and short-term, highly liquid investments that are readily convertible into a known amount of cash and which are subject to an insignificant risk of changes in value. The Group holds various short-maturity money market funds (see note 23) across numerous financial institutions which meet the IAS 7 criteria to be classified as cash equivalents. In the cash flow statement overdraft balances are included in cash and equivalents. Cash and cash equivalents includes an element that is restricted in use (note 23).

Current and non-current liabilities
Current liabilities include amounts due within the normal operating cycle of the Group. Deferred income, or 'contract liabilities', is included in trade and other payables and represents amounts invoiced in excess of revenue recognised. Interest-bearing current and non-current liabilities are initially recognised at fair value and then stated at amortised cost with any difference between the cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest rate basis. Costs associated with the arrangement of bank facilities or the issue of loans are held net of the associated liability presented in the balance sheet. Capitalised issue costs are released over the estimated life of the facility or instrument to which they relate using the effective interest rate method. If it becomes clear that the facility or instrument will be redeemed early, the amortisation of the issue costs will be accelerated.

Provisions
A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event which can be reliably estimated, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where appropriate, provisions are determined by discounting the expected cash flows at an appropriate discount rate reflecting the level of risk and the time value of money. Where an exposure is highly likely to be covered by insurance an offsetting receivable is recorded.

Financial instruments
Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument at the trade date. The de-recognition of a financial instrument takes place when the Group no longer controls the contractual right that comprise the financial instrument, when the instrument expires, or when the instrument is sold, terminated or exercised.

Financial assets and liabilities
Financial assets are classified on the Group's balance sheet as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss. This classification is made on the basis of both the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Financial liabilities are classified on the Group's balance sheet as subsequently measured at amortised cost except for financial liabilities at fair value through profit and loss. The Group may at initial recognition irrevocably designate a financial liability as measured at fair value through profit or loss if a contract contains one or more embedded derivatives and the host is not an asset within the scope of IFRS 9, or when doing so results in more relevant information.

Derivative financial instruments
Derivative financial instruments are initially recognised and thereafter held at fair value, being the market value for quoted instruments or valuation based on models and discounted cash flow calculations for unlisted instruments.

Fair value hedging
The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group uses foreign exchange contracts and interest rate swap contracts to hedge these exposures. The use of financial derivatives is governed by the Group's Treasury Policies as approved by the Board of Directors, which provides written principles on the use of derivatives. The Group does not use derivative instruments for speculative purposes.

Certain derivative instruments do not qualify for hedge accounting. These are categorised as "fair value through profit or loss" and are stated at fair value, with any resultant gain or loss recognised in the income statement.

Notes to the Consolidated Financial Statements continued

For the year ended 31 March

35. Basis of preparation and material accounting policies (continued)

The Group designates certain hedging instruments in respect of foreign currency risk as cash flow hedges. At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents, both at hedge inception and on an ongoing basis, whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

For the Group's cash flow hedges of highly probable forecast transactions in foreign currencies, the hedge ratio is 100%, subject to a £100k de Minimis threshold. If the underlying exposure changes over time, either due to commercial factors or timing differences, the hedging instruments will be rebalanced to ensure that the hedge ratio of 100% is maintained.

Cash flow hedging

Changes in the fair value of derivatives designated as a cash flow hedge that are regarded as highly effective are recognised in equity. The ineffective portion is recognised immediately in the income statement. Where a hedged item results in an asset or a liability, gains and losses previously recognised in equity are included in the cost of the asset or liability. Gains and losses previously recognised in equity are removed and recognised in the income statement at the same time as the hedged transaction.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at period-end rates. Any resulting exchange differences are taken to the income statement. Gains and losses on designated forward foreign exchange hedging contracts are matched against the foreign exchange movements on the underlying transaction.

The individual financial statements of each Group company are presented in its functional currency. On consolidation, assets and liabilities of overseas subsidiaries, associated undertakings and joint ventures, including any related goodwill, are translated to Sterling at the rate of exchange at the balance sheet date. The results and cash flows of overseas subsidiaries, associated undertakings and joint ventures are translated to Sterling using the average rates of exchange during the period. Exchange adjustments arising from the re-translation of the opening net investment and the results for the period to the period-end rate are taken directly to equity and reported in the statement of comprehensive income.

Post-retirement benefits

The Group provides both defined contribution and defined benefit pension arrangements. The liabilities of the Group arising from defined benefit obligations are determined using the projected unit credit method. Valuations for accounting purposes are carried out bi-annually. Actuarial advice is provided by external consultants. For the funded defined benefit plans, the excess or deficit of the fair value of plan assets less the present value of the defined benefit obligation are recognised as an asset or a liability respectively.

Per the Scheme rules the Company has an unconditional right to a refund of any surplus that may arise on cessation of the Scheme in the context of IFRIC 14 paragraphs 11(b) and 12 and, therefore, the full net pension asset can be recognised on the Group's balance sheet and the Group's minimum funding commitments to the Scheme do not give rise to an additional balance sheet liability.

For defined benefit plans the cost charged to the income statement consists of administrative expenses and the net interest income. There is no service cost due to the fact the plans are closed to future accrual. The net interest income is reported within finance income and the administration cost element is charged as a component of operating costs in the income statement. Actuarial gains and losses and re-measurement gains and losses are recognised immediately in full through the statement of comprehensive income. Contributions to defined contribution plans are charged to the income statement as incurred.

Share-based payments

The Group operates share-based payment arrangements with employees. The fair value of equity-settled awards for share-based payments is determined on grant and expensed straight line over the period from grant to end of the service period. The charges for equity settled share-based payments are updated annually for non-market-based vesting conditions.

Share capital

Ordinary share capital of the Company is recorded as the proceeds received. Company shares held by the employee benefit trusts are held at the consideration paid. They are classified as own shares within equity. Any gain or loss on the purchase, sale or issue of Company shares is recorded in equity.

Non-controlling interests

The Group recognises non-controlling interest in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. For non-controlling interests that the Group holds, the Group elected to recognise the non-controlling interests at its proportionate share of the acquired net identifiable assets.

36. Critical accounting estimates and judgments in applying accounting policies

Critical accounting estimates

The following commentary is intended to highlight key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the financial statements in the next financial year.

Estimated goodwill impairment

The Group tests annually whether goodwill has suffered any impairment. This process relies on the use of estimates of the future profitability and cash flows of its cash generating units which may differ from the actual results delivered. In addition, the Group reviews whether identified intangible assets have suffered any impairment. Further details on the sensitivity of the carrying value of goodwill to changes in the key assumptions are set out in note 13.

Estimation of the Group's defined benefit pension net surplus

The Group's defined benefit pension obligations (and hence the net surplus) are based on key assumptions, including discount rates, mortality and inflation. Management exercises its best judgement, in consultation with actuarial advisors, in selecting the values for these assumptions that are the most appropriate to the Group. Small changes in these assumptions at the balance sheet date, individually or collectively, may result in significant changes in the size of the net surplus/deficit. Further details of these assumptions and the sensitivity of the net pension surplus to changes in these assumptions are set out in note 27.

In addition to the sensitivity of the liability side of the net pension surplus (which will impact the value of the net pension surplus) the net pension surplus is also exposed to significant variation due to changes in the fair value of Scheme assets. A specific sensitivity on assets has not been included in note 27 but any change in valuation of assets flows straight through to the value of the net pension surplus e.g. if equities fall by £10m then the net pension surplus reduces by £10m. The values of unquoted assets assume that an available buyer is willing to purchase those assets at that value. For the Group's portfolio of assets, the unquoted alternative bonds of £228.1m; the unquoted corporate bonds of £98.6m and the unquoted equities of £11.2m are the assets with most uncertainty as to valuation as at 31 March 2025.

Estimates of costs to complete on long-term contracts

The Group has a large number of contracts which span multiple years and are accounted for on a percentage of completion basis in accordance with IFRS 15. Long-term contract accounting requires a number of estimates to be made, particularly in calculating the forecast costs to complete the contract. These forecast costs will be impacted by various factors including numerous risks that could crystallise in the future (with a range of cost outcomes), particularly on contracts of a developmental nature. Across the Group's portfolio of long-term contracts there is a risk that the actual out-turn of these contracts could be different than assumed in the year end contract forecasts, impacting both revenue and operating profit.

For firm price contracts the impact of actual costs being above or below estimated costs would generally impact the contract profitability and the timing of revenue recognition. Costs could increase or decrease based on the level of inflation and the outcome of assumed risk and identified savings positions. As an example, an increase in total forecast costs to complete of 1% in one of the Group's most significant contracts, would reduce profit by approximately £1m to £2m per annum, on average over the remaining contract duration. Depending on the timing of such cost increases there would be an adjustment to the timing of revenue recognition, which would have no impact on total contract revenue but could impact an individual years revenue by £2m to £3m. In many cases fixed price contracts include inflation uplift clauses, such that inflation of costs would create additional contract value and revenue, thus resulting in increased profit.

Critical accounting judgements

Specific, material judgements made by the Directors in applying the Group's accounting policies are set out below:

Basis of consolidation

The Group comprises certain entities that are operated within the terms of a Special Security Arrangement ('SSA'). Details of the SSA and QinetiQ's management of US subsidiaries are set out in the Corporate Governance section of this Annual Report. IFRS 10 is the accounting standard applicable in respect of consolidation of entities.

This does not specifically deal with SSA's. However, having considered the terms of the SSA, the Directors consider that the Group meets the requirements of IFRS 10 in respect of control over such affected entities and, therefore, consolidates these entities in the consolidated accounts. The impact of this specific judgement is full consolidation as opposed to treatment as a 100% associated undertaking. Treatment as a 100% associated undertaking would reduce Group revenue by a material amount (c.£350m per annum) but would have no impact on reported profit, which would include an equivalent amount of profit reported within Other Income as 'Share of profits of joint ventures'.

Company balance sheet
As at 31 March

All figures in £ million	Note	31 March 2025	31 March 2024
Non-current assets			
Investments in subsidiary undertakings	2	540.1	530.6
		540.1	**530.6**
Current liabilities			
Creditors: amounts falling due within one year	3	(107.8)	(131.3)
Net current liabilities		**(107.8)**	**(131.3)**
Total assets less current liabilities		**432.3**	**399.3**
Net assets		**432.3**	**399.3**
Equity			
Share capital	4	5.5	5.7
Capital redemption reserve		41.0	40.8
Share premium		147.6	147.6
Retained earnings		238.2	205.2
Total equity		**432.3**	**399.3**

The profit for the year ended 31 March 2025 was £146.9m (FY24: profit of £44.0m).

The financial statements of QinetiQ Group plc (company number 4586941) on pages 194 to 197 were approved by the Board of Directors and authorised for issue on 22 May 2025 and signed on its behalf by:

Steve Wadey
Group Chief Executive Officer

Martin Cooper
Group Chief Financial Officer

Company statement of changes in equity

For the year ended 31 March

All figures in £ million	Share capital	Capital redemption reserve	Share premium	Retained earnings	Total equity
At 1 April 2024	5.7	40.8	147.6	205.2	399.3
Profit for the year	-	-	-	146.9	146.9
Purchase of own shares	(0.2)	0.2	-	(74.9)	(74.9)
Dividend paid	-	-	-	(47.9)	(47.9)
Share-based payments	-	-	-	8.9	8.9
At 31 March 2025	**5.5**	**41.0**	**147.6**	**238.2**	**432.3**
At 1 April 2023	5.8	40.8	147.6	249.0	443.2
Profit for the year	-	-	-	44.0	44.0
Purchase of own shares	(0.1)	-	-	(51.0)	(51.1)
Dividend paid	-	-	-	(45.6)	(45.6)
Share-based payments	-	-	-	8.8	8.8
At 31 March 2024	**5.7**	**40.8**	**147.6**	**205.2**	**399.3**

The capital redemption reserve is not distributable and was created following redemption of preference share capital.

Notes to the Company Financial Statements

1. Accounting policies

The Company is a public limited company and is incorporated and domiciled in Farnborough, United Kingdom.

The accounting policies below have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation

The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with applicable UK Accounting Standards. As permitted by section 408 of the Companies Act 2006, a separate profit and loss account dealing with the results of the Company has not been presented.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. In preparing these financial statements, the Company is in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and the International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the EU but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

- A cash flow statement and related notes
- Disclosures in respect of capital management
- The effects of new but not yet effective IFRSs
- Disclosures in respect of the compensation of key management personnel
- IAS 24 in respect of related party transactions entered into between two or more members of a group
- IFRS 2 Share Based Payments in respect of Group-settled share-based payments
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7.

Investments

In the Company's financial statements, investments in subsidiary undertakings are stated at cost less any impairment in value.

Share-based payments

The cost of share-based payments in respect of employees of Group subsidiaries is charged to those subsidiary undertakings. In the Company financial statements the recoverable from subsidiaries is credited directly to equity as a capital contribution. The fair value of equity-settled awards for share-based payments is determined on grant and expensed in subsidiary undertakings (and credited to equity in the Company) on a straight line basis over the period from grant to the date of earliest unconditional exercise. The charges for equity-settled share-based payments are updated annually for non-market-based vesting conditions. Further details of the Group's share-based payment charge are disclosed in note 29 to the Group financial statements.

Current liabilities

Current liabilities include amounts due within the normal operating cycle of the Company. Costs associated with the arrangement of bank facilities or the issue of loans are held net of the associated liability presented in the balance sheet.

Share capital

Ordinary share capital of the Company is recorded as the proceeds received. Company shares held by the employee benefit trusts are held at the consideration paid. They are classified as own shares within equity. Any gain or loss on the purchase, sale or issue of Company shares is recorded in equity.

2. Investments in subsidiary undertakings

All figures in £ million	31 March 2025	31 March 2024
Subsidiary undertaking – 100% of ordinary share capital of QinetiQ Group Holdings Limited	424.3	424.3
Capital contributions arising from share-based payments to employees of subsidiaries	102.2	92.7
Capital contributions arising from share-settled liabilities	13.6	13.6
Total investment in subsidiary undertakings	**540.1**	**530.6**

The increase in investments in subsidiary undertakings in FY25 mainly relates to equity-settled schemes during the year.

A list of all subsidiary undertakings of QinetiQ Group plc is disclosed in note 34 to the Group financial statements.

3. Creditors: amounts falling due within one year

All figures in £ million	31 March 2025	31 March 2024
Amounts owed to Group undertakings	107.8	97.3
Irrevocable share buyback liability	-	34.0
Creditors: amounts falling due within one year	**107.8**	**131.3**

Amounts owed to Group undertakings are unsecured, repayable on demand and bear no interest, with the exception of a £23.3m intercompany loan which bears interest at a margin of 1.39% over SONIA.

4. Share capital

The Company's share capital is disclosed in note 28 to the Group financial statements.

5. Share-based payments

The Company's share-based payment arrangements are set out in note 29 to the Group financial statements.

6. Parent company guarantees

The Company has provided guarantees to various customers of subsidiaries to the value of £21.0m as at 31 March 2025 (2024: £21.0m) in the ordinary course of business. The company has also provided a guarantee of £332.7m as at 31 March 2025 (2024: £336.3m) in respect of the term loan.

7. Other information

Directors' emoluments, excluding Company pension contributions for the year to 31 March 2025 were £4.1m (FY24: £4.4m). These emoluments were all in relation to services provided on behalf of the QinetiQ Group with no amount specifically relating to their work for the Company. Details of the Directors' emoluments, share schemes and entitlements under money purchase pension schemes are disclosed on page 112 in the Directors' Remuneration Report.

The remuneration of the Company's auditors for the year to 31 March 2025 was £0.6m (FY24: £0.6m), which was for audit of the Group financial statements and Company financial statements and audit related assurance services. No other services were provided by the auditors to the Company.

The monthly average number of employees for the year to 31 March 2025 was nil (FY24: nil).

Five-year financial summary

For the years ended 31 March (unaudited)		FY25	FY24	FY23	FY22[2]	FY21[3]
EMEA Services	£m	1,477.7	1,417.4	1,179.3	1,059.2	939.9
Global Solutions	£m	453.9	494.7	401.4	261.2	338.3
Revenue	**£m**	**1,931.6**	**1,912.1**	**1,580.7**	**1,320.4**	**1,278.2**
EMEA Services	£m	169.0	163.4	137.1	135.6	118.6
Global Solutions	£m	16.4	51.8	41.8	1.8	33.2
Operating profit from segments[1]	**£m**	**185.4**	**215.2**	**178.9**	**137.4**	**151.8**
Operating profit margin from segments[1]	*%*	*9.6*	*11.3*	*11.3*	*10.4*	*11.9*
Statutory operating (loss)/profit	£m	(90.5)	192.5	172.8	123.7	108.7
Underlying operating profit[1]	£m	215.4	242.4	196.3	143.6	151.8
Underlying profit before tax[1]	£m	198.6	227.0	189.7	142.2	149.9
(Loss)/profit before tax	£m	(106.3)	182.7	192.0	125.9	142.6
(Loss)/profit attributable to owners of the Company	£m	(185.7)	139.6	154.4	90.0	121.9
Underlying basic EPS[1]	Pence	26.1	29.4	26.5	20.6	22.1
Basic EPS	Pence	(33.0)	24.2	26.8	15.7	21.4
Diluted EPS	Pence	(33.0)	23.8	26.5	15.5	21.1
Dividend per share	Pence	8.85	8.25	7.7	7.3	6.9
Underlying net cash flow from operations[1]	£m	316.2	320.2	270.1	220.7	199.0
Net (debt)/cash[1]	£m	(133.2)	(151.2)	(206.9)	225.1	164.1
Average number of employees		8,502	8,459	7,443	6,911	6,874
Orders excluding LTPA amendments	£m	1,954.8	1,740.4	1,724.1	1,226.6	1,149.4

1 Underlying measures are stated before specific adjusting items. Definitions of underlying measures of performance are provided on page 202. Underlying financial measures are presented because the Board believes these provide a better representation of the Group's long-term performance trend. For details of specific adjusting items refer to note 4 and note 35 of the financial statements.
2 FY22 was restated in FY23 due to a change in accounting policy for Research and Development Expenditure Credits (RDEC).
3 FY21 was restated in FY22 due to a change in accounting policy in respect of software implementation costs.

Additional financial information

Foreign exchange

The principal exchange rates affecting the Group were the Sterling to US Dollar exchange rate and the Sterling to Australian Dollar rate.

	12 months to 31 March 2025	12 months to 31 March 2024
£/US$ – opening	**1.26**	1.24
£/US$ – average	**1.28**	1.26
£/US$ – closing	**1.29**	1.26
£/A$ – opening	**1.94**	1.85
£/A$ – average	**1.96**	1.91
£/A$ – closing	**2.07**	1.94

Treasury policy

The Treasury policy is approved by the Audit Committee. There is a structured approach to financial risk management, mitigating exposures to currency, liquidity, counterparty and credit risks as outlined in note 26. The policy allows the use of financial instruments to manage and hedge business operational risks that arise on movements in financial, credit or money markets. There is strict control on the use of financial instruments. Speculative trading in financial instruments is not permitted.

- Currency risk – The Group's income and expenditure is largely settled in the functional currency of the relevant entity. Where cash flows are denominated in currencies other than the functional currency of the relevant trading entity, the policy is to hedge all material transaction exposure at the point of commitment to the underlying transaction. Uncommitted future transactions are not routinely hedged. Where the timing of cash flows differ from the original expectation, currency swaps will be used to realign the hedge maturity. The maximum permitted hedge period is five years. Translation exposures arising from the consolidation of overseas subsidiaries in foreign currencies are not hedged.
- Interest rate risk – The Group's funding is largely in floating rate debt and subject to the adverse effects of changes in interest rates. The Group has a policy to fix no less than 30% and no more than 80% of the debt and spread the risk of fluctuations in interest rates. Options and similar open-ended instruments are not permitted to manage interest rate exposures.
- Financial credit and liquidity risk – Liquidity risk is managed to ensure funds are available to meet business needs and maximise return subject to counterparty and credit risks. Investments are permitted with institutions on an Approved Counterparty list and must not exceed the counterparty credit limit. Investments must be held in the currency of the reporting entity except currency deposits or borrowings specifically placed to hedge assets or liabilities with related hedge documentation. Group funding is established to meet the Group's medium and long-term financing requirements. Facilities are agreed with a number of financial institutions such that no single institution exerts undue influence on the Group. At the year end the Group had an undrawn revolving credit facility of £290m,with an with an accordion option to increase the facility size to £400m, maturing on 22 April 2028 and a term loan of £335m maturing on 27 September 2027. The revolving credit facility has a one-year extension option exercisable in 2026 to extend the maturity to 22 April 2029.
- The policies manage and control treasury risk in alignment with the Group strategy.

Tax risk management

QinetiQ's tax strategy, as published on its corporate website, is to ensure compliance with all relevant tax legislation, wherever we do business, while managing our effective tax rates and tax cash flows. Tax is managed in alignment with our corporate responsibility strategy in that we strive to be responsible in all our business dealings with a zero-tolerance of tax evasion. These principles are applied in a consistent and transparent manner in pursuing the tax strategy and in all dealings with tax authorities around the world.

- Tax planning – QinetiQ manages both effective tax rate (ETR) and cash tax impacts in line with the Board-endorsed tax strategy. External advice and consultation are sought on potential changes in tax legislation in the UK, the US and elsewhere as necessary, enabling the Group to plan for and mitigate potential changes. QinetiQ does not make use of 'off-shore' entities or tax structures to focus taxable profits in jurisdictions that legislate for low tax rates. QinetiQ has a low risk appetite for tax planning.
- Relationships with tax authorities – QinetiQ is committed to building constructive working relationships with tax authorities based on a policy of full disclosure in order to remove uncertainty in its business transactions and allow the authorities to review possible risks. In the UK, QinetiQ seeks to be open and transparent in its engagement with the tax authorities by sharing with HMRC the methodologies adopted in its tax returns.
- Transfer pricing – QinetiQ does not have a significant level of cross-border activity but this will increase as it pursues its policy of expanding around the globe. Where there is cross-border activity, controls are in place to ensure pricing reflects 'arm's length' principles in compliance with the OECD Transfer Pricing Guidelines and the laws of the relevant jurisdictions. The Group does not, therefore, have a significant exposure to transfer pricing legislation. QinetiQ submits its 'Country by Country' report to the UK tax authorities in line with the OECD rules providing insight for tax authorities into its global tax affairs.
- Governance – The Board has approved this approach. The Audit Committee oversees the tax affairs and risks through periodic reviews. The governance framework is used to manage tax risks, establish controls and monitor their effectiveness. The Group Director of Tax is responsible for ensuring that appropriate policies, processes and systems are in place and that the tax team has the required skills and support to implement this approach.

QinetiQ's corporate tax contribution – QinetiQ is liable to pay tax in its home countries. Changes in tax legislation in these countries would impact the level of tax paid on profits generated by the Group. A significant majority of the Group's profit before tax is generated in the UK where the majority of the Group's business is undertaken and employees are based. Total corporation tax payments in the year to 31 March 2025 were £48.6m (2024: £36.9m).

The differential between the taxation expense and the tax paid in the year relates primarily to the impact of deferred tax movements, whereby the income statement bears tax charges and credits (e.g. on fixed assets or losses) but for which there is no corporation tax paid or recovered in the year. Together, these result in the cash paid being £30.8m less than the total expense charged to the income statement.

Glossary

AAG	Advanced Arresting Gear
ABP	Annual Bonus Plan
ACE	Accelerated Capability Environment
ADPG	Aerospace and Defence Procurement Group
ADS	Aerospace, Defence and Security
AEIS	All Employee Incentive Scheme
AGM	Annual General Meeting
AUKUS	A tri-lateral security agreement between Australia, United Kingdom and the United States
BATCIS	Battlefield and Tactical Communications & Information Systems
BBP	Bonus Banking Plan
C5ISTAR	Command, Control, Computers, Communications, Cyber, Intelligence, Surveillance and Reconnaissance
CAGR	Compound Annual Growth Rate
CBP	Customs and Border Protection
CCSG	Climate Change Steering Group
CDDC	Combat Capabilities Development Command's
CDP	Carbon Disclosure Project
CGU	Cash Generating Unit
CHACR	Centre for Historical Analysis and Conflict Research
CMI	Continuous Mortality Investigation
CPI	Consumer Price Index
CR	Corporate Responsibility
CRS-I	Common Robotic system – Individual
DE&S	MOD's Defence, Equipment and Support organisation
DHS	U.S. Department of Homeland Security
DIDS	Defence Industry Development Strategy
DSEI	Defence and Security Equipment International
DSF	Defence Suppliers Forum
DSP	Deferred Share Plan
DoD	US Department of Defense
DRDC	Defence Research and Development Canada
Dstl	UK Defence Science and Technology Laboratories
EAP	Employee Assistance Programmes
EBITDA	Earnings before interest, tax, depreciation and amortisation
ECL	Expected credit loss
ED&I	Equality, diversity and inclusion
EDP	Engineering Delivery Partner
EMALS	Electromagnetic Aircraft Launch System
EMEA	Europe, Middle East and Australasia
EPCC	Electromechanical Actuator Power Conditioner and Controller
EPS	Earnings per share
ERG	Employee Resource Groups
ESG	Environmental, Social, Governance
FCA	Financial Conduct Authority
FCAS	Future Combat Air system
FRC	Financial Reporting Council
FY	Financial year (ending 31 March)
GEV	Global Employee Voice
GHG	Greenhouse gas
GII	Global Interoperable Infrastructure
GVSC	Ground Vehicle Systems Centre
HPSA	High Performance Share Award
HVO	Hydrotreated Vegetable Oil
IAS	International Accounting Standards
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IRAD	Internal research and development
ISP	Integrated Strategy-to-perform Plan
JATTS	Joint Adversarial Training and Testing Services
JOSCAR	Joint Supply Chain Accreditation Register
KPI	Key Performance Indicator
LDEW	Laser Directed Energy Weapons
LPA	Long-term Performance Award
LTI	Lost time incident
LTPA	Long Term Partnering Agreement – 25-year contract established in 2003 to manage the UK MOD's Test and Evaluation ranges
M&A	Mergers and acquisitions
MOD	UK Ministry of Defence
MSCA	Maritime Strategic Capability Agreement
NGABS	Next Generation Advanced Bomb Suits
NGCV CFT	Next Generation Combat Vehicle Cross Functional Team
NGERS	National Greenhouse and Energy Reporting Scheme
O&M	Operations & Maintenance
OMFV	Optionally Manned Fighting Vehicle
PBT	Profit before tax
PV	Photovoltaic
PPE	Property, plant and equipment
PPS	Prudential Platinum Scheme
QAA	QinetiQ Air Affairs
QLT	QinetiQ Leadership Team
QTEC	QinetiQ Technology and Engineering Centre
QTS	QinetiQ Target Systems
R&D	Research and development
RCV	Robotic Combat Vehicle

RDEC	Research and development expenditure credit
RDT&E	Research, Development, Test & Evaluation
REPMUS	Robotic Experimentation Prototyping Augmented by Maritime Unmanned Systems
ROCE	Return on Capital Employed
RPI	Retail price Index
RSP	Restricted Share Plan
SAF	Sustainable Aviation Fuel
SBTi	Science Based Targets initiative
SECR	Streamlined Energy and Carbon Reporting
SIP	Share Incentive Plan
SME	Small to medium sized enterprises
SONIA	Sterling Overnight Index Average
SOFR	Secured Overnight Financing Rate
SSA	Special Security Arrangement
SSRO	Single Source Regulations Office
SSSI	Site of Special Scientific Interest
STEM	Science, Technology, Engineering and Maths
T&E	Test and Evaluation
T3E	Test, Trials, Training & Evaluation
TARS	Tethered Aerostat Radar System
TECSA	Test and Evaluation, Certification and Systems Assurance
TCFD	Taskforce on Climate-related Financial Disclosures
TMR	Training, Mission and Rehearsal
TRIR	Total Recordable Incident Rate
TSR	Total shareholder return
VCP	Value Creation Plan
UK Corporate Governance Code	Guidelines of the Financial Reporting Council to address the principal aspects of corporate governance in the UK
UK GAAP	UK Generally Accepted Accounting Practice

Alternative performance measures (APMs)

The Group uses various non-statutory measures of performance, or APMs. Such APMs are used by management internally to monitor and manage the Group's performance and also allow the reader to obtain a proper understanding of performance (in conjunction with statutory financial measures of performance). The APMs used by QinetiQ are set out below:

Measure	Explanation	Note
Organic growth	The level of year-on-year growth, expressed as a percentage, calculated at constant prior year foreign exchange rates, adjusting for business acquisitions and disposals to reflect equivalent composition of the Group	Note 2
Underlying operating profit	Operating profit as adjusted to exclude 'specific adjusting items'	Note 3
Underlying operating margin	Underlying operating profit expressed as a percentage of revenue	Note 3
Underlying operating profit from operating segments	Total operating profit from segments which excludes 'specific adjusting items' and research and development expenditure credits ('RDEC')	Note 3
Underlying operating margin from operating segments	Operating profit from segments expressed as a percentage of revenue	Note 3
Underlying net finance income/expense	Net finance income/expense as adjusted to exclude 'specific adjusting items'	Note 7
Underlying profit before/ after tax	Profit before/after tax as adjusted to exclude 'specific adjusting items'	Note 4
Underlying effective tax rate	The tax charge for the year excluding the tax impact of 'specific adjusting items' expressed as a percentage of underlying profit before tax	Note 9
Underlying basic and diluted EPS	Basic and diluted earnings per share as adjusted to exclude 'specific adjusting items'	Note 10
Orders	The level of new orders (and amendments to existing orders) booked in the year	N/A
Backlog, funded backlog or order book	The expected future value of revenue from contractually committed and funded customer orders	N/A
Book-to-bill ratio	Ratio of funded orders received in the year to revenue for the year, adjusted to exclude revenue from the 25-year LTPA contract due to significant size and timing differences of LTPA order and revenue recognition which distort the ratio calculation	N/A
Underlying net cash flow from operations	Net cash flow from operations before cash flows of specific adjusting items	Note 24
Underlying operating cash conversion or cash conversion ratio	The ratio of underlying net cash from operations to underlying EBITDA.	Note 24
Free cash flow	Underlying net cash flow from operations less net tax and interest payments less purchases of intangible assets and property, plant and equipment plus proceeds from disposals of plant and equipment	Note 24
Net debt	Net debt as defined by the Group combines cash and cash equivalents with borrowings, deferred financing costs, derivative financial instruments and lease liabilities. Net debt does not include liabilities relating to irrevocable share buyback obligations.	Note 23
Return on capital employed	Calculated as: Underlying EBITA/(average capital employed less net pension asset), where average capital employed is defined as shareholders equity plus net debt	CFO Review
Specific adjusting items	Amortisation of intangible assets arising from acquisitions; impairment of property and goodwill; gains/losses on disposal of property, investments and businesses; net pension finance income; transaction, integration and acquisition-related remuneration costs in respect of business acquisitions and disposals; digital investment; costs and associated impacts of group-wide restructuring programmes; tax impact of the preceding items and significant non-recurring tax and RDEC movements	Note 4

Shareholder information

Registrar: Equiniti Limited

www.shareview.co.uk
Tel: 0371 384 2021

Shareholding enquiries

The Company's registrar is Equiniti. Enquiries regarding your shareholding, including the following administrative matters, should be addressed to Equiniti:

- Change of personal details such as change of name or address
- Lost share certificates
- Dividend payment enquiries
- Direct dividend payments. You can have your dividends paid directly into a UK bank or building society account by completing a dividend mandate form. The associated dividend confirmation will still be sent to your registered address. If you live outside the UK, Equiniti offers a global payments service which is available in certain countries and could enable you to receive your dividends direct into your bank account in your local currency

Contact details for registrar

By post:

Equiniti Limited, Aspect House, Spencer Road Lancing,
West Sussex BN99 6DA

By telephone:

+44 0371 384 2021*

* Lines are open 8.30am to 5.30pm (UK time), Monday to Friday (excluding public holidays in England and Wales).

By email:

You can send an email enquiry securely from Equiniti's website, at help.shareview.co.uk

Online:

Equiniti's website at help.shareview.co.uk (Shareview) includes answers to frequently asked questions and provides key forms for download. Shareview also offers online access to your shareholding where you can manage your account, register for electronic communications, see details of balance movements and complete certain amendments online, such as changes to dividend mandate instructions. You can register at www.shareview.co.uk, click on 'Register' and follow the steps.

Electronic communications

The Company will now only make documentation and communication available electronically via the Company's website, unless direct requests have been made otherwise. In addition, communications electronically, via the wider use of electronic communications enables fast receipt of documents, reduces the Company's printing, paper and postal costs and reduces the Company's environmental impact. Shareholders can register for electronic communications at www.shareview.co.uk and may also cast their vote for the 2024 Annual General Meeting online quickly and easily using the Shareview service by visiting www.shareview.co.uk

Donating shares to charity – ShareGift

Small parcels of shares, which may be uneconomic to sell on their own, can be donated to ShareGift, the share donation charity (registered charity no. 1052686). ShareGift transfers these holdings into their name, aggregates them, and uses the proceeds to support a wide range of UK charities based on donor suggestion. If you would like further details about ShareGift, please visit www.sharegift.org, email help@sharegift.org or telephone them on 020 7930 3737.

Shareholder information continued

Share price

Details of current and historical share prices can be found on the Company's website at www.qinetiq.com/investors

Analysis of share register at 31 March 2025

By type of holder	Total number of holdings	Percentage of holders	Total number of shares	Percentage issued Capital
Individual	5,106	88.29%	4,603,901	0.83%
Institutions and others	677	11.71%	548,926,554	99.17%
Total	5,783	100%	553,530,455	100%

By size of holding				
1–500	3,860	66.75%	714,260	0.13%
501–1,000	442	7.64%	351,774	0.06%
1,001–2,500	524	9.06%	917,087	0.17%
2,501–5,000	290	5.01%	1,041,033	0.19%
5,001–10,000	162	2.80%	1,182,415	0.21%
10,001–100,000	241	4.17%	8,539,715	1.54%
Over 100,000	264	4.57%	540,784,171	97.7%
Total	5,783	100%	553,530,455	100%

Share fraud reporting: www.fca.org.uk/scams
FCA Consumer Helpline: 0800 111 6768

Beware of share fraud

Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment. While high profits are promised, if you buy or sell shares in this way you will probably lose your money.

How to avoid share fraud

1. Keep in mind that firms authorised by the FCA are unlikely to contact you out of the blue with an offer to buy or sell shares.
2. Do not get into a conversation, note the name of the person and firm contacting you and then end the call.
3. Check the Financial Services Register from www.fca.org.uk to see if the person and firm contacting you is authorised by the FCA.
4. Beware of fraudsters claiming to be from an authorised firm, copying its website or giving you false contact details.
5. Use the firm's contact details listed on the Register if you want to call it back.
6. Call the FCA on 0800 111 6768 if the firm does not have contact details on the Register or you are told they are out of date.
7. Search the list of unauthorised firms to avoid at www.fca.org.uk/scams.
8. Consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme.
9. Think about getting independent financial and professional advice before you hand over any money.
10. Remember: if it sounds too good to be true, it probably is.

Report a scam

If you are approached by fraudsters please tell the FCA using the share fraud reporting form at www.fca.org.uk/scams, where you can find out more about investment scams. You can also call the FCA Consumer Helpline on 0800 111 6768.

If you have already paid money to share fraudsters you should contact Action Fraud on 0300 123 2040.

Key dates

17 July 2025	Trading update
17 July 2025	Annual General Meeting
30 September 2025	Half-year financial period-end
13 November 2025	Half-year results announcement
20 January 2026	Trading update
31 March 2026	Financial year-end
May 2026	Preliminary results announcement

Cautionary statement

All statements other than statements of historical fact included in this Annual Report, including, without limitation, those regarding the financial condition, results, operations and businesses of QinetiQ and its strategy, plans and objectives and the markets and economies in which it operates, are forward-looking statements. Such forward-looking statements, which reflect management's assumptions made on the basis of information available to it at this time, involve known and unknown risks, uncertainties and other important factors which could cause the actual results, performance or achievements of QinetiQ or the markets and economies in which QinetiQ operates to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Nothing in this Annual Report should be regarded as a profit forecast.

This Annual Report is intended to provide information to shareholders and is not designed to be relied upon by any other party. The Company and its Directors accept no liability to any other person other than under English law.

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Company Registration
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