

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.

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)	
<p>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).</p> <p>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.</p>	<p>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.</p> <p>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.</p> <p>Specifically, our procedures included the following (across the full population of contracts):</p> <ul style="list-style-type: none">– 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:<ul style="list-style-type: none">– 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. <p>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.</p> <p>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.</p>

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 the 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