Preliminary Results

QINETIQ

22 May 2025

FY25 Group Performance

Results for the year ended 31 March 2025

Long Term Partnering Agreement (LTPA) extension worth £1.54 billion announced today

Steve Wadey, Group Chief Executive Officer, said: *"Tougher near-term trading conditions impacted performance in our UK Intelligence and US Sectors in the fourth quarter. In response, 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.*

"We finished the year with record order intake and continue to see strong demand for our mission-critical capabilities. Today we announced a five-year extension to the LTPA increasing total order backlog[3] to c.£5bn. The fundamentals of our business are strong, our priority remains on delivering value accretive organic growth. Our strong cashflow enables investment in our people, technology and capability, and the delivery of attractive shareholder returns."

Financial highlights

	Underlying* results		Statutory results	
	FY25	FY24	**FY25**	FY24
Revenue	£1,931.6m	£1,912.1m	£1,931.6m	£1,912.1m
Operating profit/(loss)[1]	£185.4m	£215.2m	£(90.5)m	£192.5m
Profit/(loss) after tax	£147.0m	£169.6m	£(185.7)m	£139.6m
Earnings per share	26.1p	29.4p	(33.0)p	24.2p
Full year dividend per share	8.85p	8.25p	8.85p	8.25p
Order intake	£1,954.8m	£1,740.4m		
Funded order backlog	£2,845.1m	£2,873.0m		
Net cash inflow from operations	£316.2m	£320.2m	£286.7m	£294.1m
Net debt	£133.2m	£151.2m		

Group performance impacted by geopolitical uncertainty and delays to short cycle work

- Revenue up 2% on an organic basis and 1% on a reported basis
- Statutory operating loss includes specific adjusting items of £305.9m primarily comprising impairment of goodwill, restructuring costs, and other impacts predominately related to our legacy US operations and the non-cash loss on the sale and lease back transaction
- Cash performance remains strong with high conversion at 105%, reducing leverage to 0.4x
- Record order intake up 12% at £1.95bn, with a book-to-bill[2] of 1.2x and order backlog of £2.8bn
- Underlying EPS reduced 11.2% to 26.1p
- Dividend growth of 7%, with proposed full year dividend of 6.05p, total dividend for year 8.85p
- £103m of our £150m existing share buyback programmes completed in year

Focused on operational execution and return to sustainable growth

- Increasing strategic focus to leverage UK base to better serve NATO and its allies
- Launched restructuring to drive improved effectiveness and cost efficiency, including refining the US strategy to align with current national security and defence priorities
- Capital allocation focused on organic investment to drive growth and shareholder returns

* 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 2 for details.
[2] B2B ratio is orders won divided by revenue recognised, excluding LTPA revenue of £270m (FY24: £266m)
[3] Funded and Unfunded

FY26 Outlook

- Revenue growth expected to be c.3% for FY26, with 75% revenue cover[3]
- Margin expected to be c.11% due to phasing of restructuring
- EPS growth expected to be 15-20%
- Additional £200m share buyback over 2 years announced in March, to commence in June

Preliminary results presentation:

Management will host a presentation at 09:30 hours BST on Thursday 22 May 2025 at Deutsche Numis, 45 Gresham Street, London, EC2V 7BF. The presentation will also be shared as a live webcast. To register to join this event, please see details on our website here: FY25 Preliminary Results presentation

You are warmly invited to join, either in person or virtually.

About QinetiQ:

QinetiQ is an integrated global defence and security company focused on mission-led innovation. QinetiQ employs c.8,500 highly-skilled people, committed to creating new ways of protecting what matters most; testing technologies, systems, and processes to make sure they meet operational needs; and enabling customers to deploy new and enhanced capabilities with the assurance they will deliver the performance required.

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Basis of preparation:

Throughout this document, certain measures are used to describe the Group's financial performance, which are not recognised under IFRS or other generally accepted accounting principles (GAAP). The Group's Directors and management assess financial performance based on underlying measures of performance, which are adjusted to exclude certain 'specific adjusting items'. In the judgment of the Directors, the use of alternative performance measures (APMs) such as underlying operating profit and underlying earnings per share are more representative of ongoing trading, facilitate meaningful year-to-year comparison and, therefore, allow the reader to obtain a fuller understanding of the financial information. The adjusted measures used by QinetiQ may differ from adjusted measures used by other companies. Details of QinetiQ's APMs are set out in the glossary to the document.

Year references (FY25, FY24, FY23, 2024, 2023) refer to the year ended 31 March.

Disclaimer

This document contains certain forward-looking statements relating to the business, strategy, financial performance and results of the Company and/or the industry in which it operates. Actual results, levels of activity, performance, achievements and events are most likely to vary materially from those implied by the forward-looking statements. The forward-looking statements concern future circumstances and results and other statements that are not historical facts, sometimes identified by the words 'believes',' expects', 'predicts', 'intends', 'projects', 'plans', 'estimates', 'aims', 'foresees', 'anticipates', 'targets', 'goals', 'due', 'could', 'may', 'should', 'potential', 'likely' and similar expressions, although these words are not the exclusive means of doing so. These forward-looking statements include, without limitation, statements regarding the Company's future financial position, income growth, impairment charges, business strategy, projected levels of growth in the relevant markets, projected costs, estimates of capital expenditures, and plans and objectives for future operations. Forward-looking statements contained in this announcement regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Nothing in this document should be regarded as a profit forecast.

The forward-looking statements, including assumptions, opinions and views of the Company or cited from third party sources, contained in this announcement are solely opinions and forecasts which are uncertain and subject to risks. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to be correct. Actual results may differ materially from those expressed or implied by these forward-looking statements. A number of factors could cause actual events to differ significantly and these are set out in the principal risks and uncertainties section of this document.

Most of these factors are difficult to predict accurately and are generally beyond the control of the Company. Any forward-looking statements made by, or on behalf of, the Company speak only as of the date they are made. Save as required by applicable law, the Company will not publicly release the results of any revisions to any forward-looking statements in this document that may occur due to any change in the Directors' expectations or to reflect events or circumstances after the date of this document. All subsequent written and oral forward-looking statements attributable to either QinetiQ Group plc or to persons acting on its behalf are expressly qualified in their entirety by the cautionary statements referred to in this disclaimer and contained elsewhere in this document.

QinetiQ Group plc and its directors accept no liability to third parties in respect of this document save as would arise under English law. Accordingly, any liability to a person who has demonstrated reliance on any untrue or misleading statement or omission shall be determined in accordance with Schedule 10A of the Financial Services and Markets Act 2000. It should be noted that Schedule 10A and Section 463 of the Companies Act 2006 contain limits on the liability of the directors of QinetiQ Group plc so that their liability is solely to QinetiQ Group plc.

Group Chief Executive Officer's Review

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 of the Annual Report and Accounts.

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, 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.

<u>Group Chief Financial Officer's Review</u>

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.

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.

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.

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 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.

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.

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 14.

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.

Operating Review

EMEA Services

	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]	**1.2x**	1.0x
Total funded order backlog	**2,470.6**	2,551.7

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

Overview

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.

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) broadly 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.

Global Solutions

	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]	**1.1x**	1.1x
Total funded order backlog	**374.6**	321.3
Total US unfunded order backlog[2]	**529.0**	773.2

[1] Book-to-bill (B2B) ratio is orders won divided by revenue recognised
[2] Unfunded orders represents the value of contract awards for which funding has not yet been appropriated or authorised

Overview

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.

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 Chief Executive, re-alignment of strategy and the start of a required restructuring plan along with a number of one-off charges.

Sector review

Australia Sector

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 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.

Training opportunities are currently being pursued in the Indo-Pacific, North America and Europe/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 campaigns. Concurrently we are pursuing opportunities to bid and win discrete T&E programmes with a focus on the Maritime Domain.

<u>UK Defence</u>

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 of 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 in year.
- **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 Partner (EDP) programme:** The Aurora Engineering 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 Forces.

- **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 Royal Navy's participation in the 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 Royal 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 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.

<u>UK Intelligence</u>

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 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 5 years and secured another 12 months of support for FY26. It is 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 the right time with the first partner products already launched and 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.

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

- **Enhanced US Border Security Operations:** Building on our Tethered Aerostat Radar System (TARS) contract, we expanded surveillance coverage and increased mission-critical support personnel for US Customs and Border Protection, leading to expanded mission scope and 10% on-contract growth.
- **Expanded Support for SDA and SCO:** We increased support for the Space Development Agency's (SDA) Proliferated Warfighter Space Architecture 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.
- **US Navy Submarine Programme Deliveries:** We delivered three Electromechanical Actuator Power Conditioner and Controller shipsets for the Virginia-Class submarine programme and began delivering Electronic Grounding Unit shipsets for the Columbia-Class programme.
- **US 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 US. Army DEVCOM Sensor Development:** Supporting the development of embedded intelligent sensor processing and optics technologies to improve targeting capabilities.
- **$41.2M US 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 US Army Research Laboratory (ARL):** Enhancing and integrating AL/ML to improve sighting capabilities on combat vehicles for Project Linchpin
- **$31.5M US Army PEO IEW&S:** Advancing the Integrated Sensor Architecture 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 US. Army's Future Long Range Assault Aircraft (FLRAA).
- **US. Army PD Aerostats:** Awardee on a $4bn multiple award task order contract to support persistent surveillance systems globally**.**

Outlook

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

- **Border Security and Persistent Surveillance:** We are operating and developing persistent surveillance systems for US 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 Defence, and Intelligence Mission Support:** 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 US Navy's shipbuilding plan.

Principal risks

There are a number of risks which management continue to identify, assess and mitigate to minimise their potential impact on performance. An explanation of risks and their mitigations, together with details of our risk management framework can be found in the 2025 Annual Report and Accounts (on pages 62 to 66) which will be available for download at: https://www.qinetiq.com/investors.

Having considered recent geopolitical and macroeconomic events, the Group believes the principal risks for FY26 are included in the 2025 Annual Report and Accounts. The Group's principal risks at 31 March 2025 related to the following areas: Acquisition and business integration, business platform, business winning, capability, competition, culture, delivery, environment, markets, safety and security.

Consolidated income statement for the year ended 31 March

		FY25			FY24		
All figures in £ million	Note	**Underlying***	**Specific adjusting items***	**Total**	Underlying*	Specific adjusting items*	Total
Revenue	1,2	**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		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		(70.6)	(1.0)	(71.6)	(58.1)	(0.7)	(58.8)
Impairment of goodwill		-	(143.9)	(143.9)	-	-	-
Amortisation and impairment of intangible assets		(15.7)	(24.2)	(39.9)	(7.4)	(25.2)	(32.6)
Operating profit/(loss)	2	**215.4**	**(305.9)**	**(90.5)**	**242.4**	**(49.9)**	**192.5**
Finance income	4	6.6	1.0	7.6	5.3	5.6	10.9
Finance expense	4	(23.4)	-	(23.4)	(20.7)	-	(20.7)
Profit/(loss) before tax		**198.6**	**(304.9)**	**(106.3)**	**227.0**	**(44.3)**	**182.7**
Taxation (expense)/income	6	(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 attributable to the owners of the parent company		FY25		FY24	
All figures in pence	Note	**Underlying***	**Total**	Underlying*	Total
Basic	7	26.1	(33.0)	29.4	24.2
Diluted	7	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 in the glossary. Also refer to note 3 for details of 'specific adjusting items'.

Consolidated statement of comprehensive income for the year ended 31 March

All figures in £ million	**FY25**	FY24
(Loss)/profit for the year	**(185.7)**	**139.6**
Items that will not be reclassified to profit and loss:		
Actuarial gain/(loss) recognised in defined benefit pension schemes	17.7	(108.9)
Tax on items that will not be reclassified to profit and loss	(4.4)	27.2
Total items that will not be reclassified to profit and loss	**13.3**	**(81.7)**
Items that may be reclassified to profit and 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 and 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
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	-	-	-	(3.2)	(10.9)	(172.4)	(186.5)
Purchase of own shares	(0.2)	0.2	-	-	-	(74.9)	(74.9)
Share-based payments	-	-	-	-	-	8.9	8.9
Deferred tax on share-based payments	-	-	-	-	-	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)	-	-	-	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
Deferred tax on share-based payments	-	-	-	-	-	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	10	249.8	401.4
Intangible assets		293.9	321.8
Property, plant and equipment		473.3	531.8
Other financial assets	12	3.0	4.9
Equity accounted investments		2.1	2.2
Net pension asset	14	39.4	18.4
Deferred tax asset		10.7	36.7
		1,072.2	**1,317.2**
Current assets			
Inventories		70.7	89.2
Other financial assets	12	4.9	6.2
Trade and other receivables		388.4	456.8
Current tax asset		1.6	5.8
Cash and cash equivalents	12	290.6	231.0
		756.2	**789.0**
Total assets		**1,828.4**	**2,106.2**
Current liabilities			
Trade and other payables		(597.5)	(654.7)
Current tax payable		(3.6)	(6.6)
Provisions		(56.2)	(15.3)
Other financial liabilities	12	(15.1)	(9.2)
		(672.4)	**(685.8)**
Non-current liabilities			
Deferred tax liability		(101.0)	(94.4)
Provisions		(3.5)	(4.2)
Borrowings and other financial liabilities	12	(416.6)	(384.1)
Other payables		(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		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**

Consolidated cash flow statement for year ended 31 March

All figures in £ million	Note	FY25	FY24
Underlying net cash inflow from operations	11	**316.2**	**320.2**
Less: specific adjusting items	11	(29.5)	(26.1)
Net cash inflow from operations	11	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		(12.7)	(10.9)
Purchases of property, plant and equipment		(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	9	-	(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		(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 year		231.0	151.2
Cash and cash equivalents at end of year		**290.6**	**231.0**

Reconciliation of movement 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 the Group at beginning of the year		(151.2)	(206.9)
Net debt as defined by the Group at end of the year	12	**(133.2)**	**(151.2)**
Less: borrowings	12	335.0	336.3
Less: total net derivative financial instruments, capitalised borrowing costs and lease liabilities		88.8	45.9
Total cash and cash equivalents	12	**290.6**	**231.0**

Notes to the financial statements

1. Revenue from contracts with customers and other income

Revenue by category

All figures in £ million	**FY25**	FY24
Service 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. See Glossary.

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 3)	-	2.1
Total other income	**39.2**	**42.2**

Revenue by customer geographical 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.

2. Segmental analysis

Operating segments

All figures in £ million	FY25		FY24	
	Revenue from external customers	**Underlying operating profit***	Revenue from external customers	Underlying operating profit*
EMEA Services	1,477.7	169.0	1,417.4	163.4
Global Solutions	453.9	16.4	494.7	51.8
Operating profit from segments	**1,931.6**	**185.4**	**1,912.1**	**215.2**
Research and development expenditure credits (RDEC)		30.0		27.2
Underlying operating profit		**215.4**		**242.4**
*Operating profit margin from segments**		*9.6%*		*11.3%*

Reconciliation of segmental results to total profit

All figures in £ million	Note	**FY25**	FY24
Operating profit from segments*		185.4	215.2
Research and development expenditure credits (RDEC)		30.0	27.2
Underlying operating profit*		**215.4**	**242.4**
Specific adjusting items loss	3	(305.9)	(49.9)
Operating (loss)/profit		**(90.5)**	**192.5**
Net finance income	4	(15.8)	(9.8)
(Loss)/profit before tax		**(106.3)**	**182.7**
Taxation expense	6	(79.4)	(43.1)
Profit for the year		**(185.7)**	**139.6**

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

3. 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. 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	10	(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	14	1.0	5.6
Specific adjusting items loss before tax		**(304.9)**	**(44.3)**
Tax impact of the above specific adjusting items	6	17.2	14.3
De-recognition of US deferred tax asset	6	(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 tohave continued the roll out deliver on 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).

4. 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 items – defined benefit pension scheme net finance income	1.0	5.6
Net finance expense	**(15.8)**	**(9.8)**

5. Profit before tax

The following items have been charged in arriving at profit/(loss) before tax for continuing operations:

All figures in £ million	**FY25**	FY24
Cost of inventories expensed	53.8	59.4
Owned assets: depreciation	57.2	49.3
Leases 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

6. Taxation

All figures in £ million	FY25			FY24		
	Underlying	**Specific adjusting items**	**Total**	Underlying	Specific adjusting items	Total
Profit/(loss) before tax	**198.6**	**(304.9)**	**(106.3)**	**227.0**	**(44.3)**	**182.7**
Taxation (expense)/income	(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**
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.

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).

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 losses
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.

7. 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. 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.

		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 3) 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**

8. 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.

9. 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 3.

10. 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. The full list of CGUs that have goodwill allocated to them is as follows:

All figures in £ million	**Primary reporting segment**	**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**

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).

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	Australia	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.

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.

11. 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 flow from operations	**286.7**	**294.1**

Reconciliation of net cash flow from operations to underlying net cash flow from operations and to free cash flow

All figures in £ million	**FY25**	FY24
Net cash flow from operations	286.7	294.1
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 transaction 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%**

12. Net debt

All figures in £ million	**31 March 2025**	31 March 2024
Current financial assets/(liabilities)		
Deferred financing costs	1.3	1.0
Derivative financial assets	3.6	5.2
Lease liabilities	(13.3)	(8.1)
Derivative financial liabilities	(1.8)	(1.1)
Total current net financial liabilities	**(10.2)**	**(3.0)**
Non-current financial assets/(liabilities)		
Deferred financing costs	1.0	1.1
Derivative financial assets	2.0	3.8
Lease liabilities	(80.6)	(47.4)
Borrowings – Term loan	(335.0)	(336.3)
Derivative financial liabilities	(1.0)	(0.4)
Total non-current net financial liabilities	**(413.6)**	**(379.2)**
Total net financial liabilities	**(423.8)**	**(382.2)**
Total cash and cash equivalents	290.6	231.0
Total net debt as defined by the Group	**(133.2)**	**(151.2)**

13. Financial risk management

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	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:				
Current derivative financial instruments	-	3.6	-	3.6
Non-current derivative financial instruments	-	2.0	-	2.0
Liabilities:				
Current derivative financial instruments	-	(1.8)	-	(1.8)
Non-current derivative financial instruments	-	(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 at 31 March 2024:

All figures in £ million	Level 1	Level 2	Level 3	Total
Assets:				
Current derivative financial instruments	-	5.2	-	5.2
Non-current derivative financial instruments	-	3.8	-	3.8
Liabilities:				
Current derivative financial instruments	-	(1.1)	-	(1.1)
Non-current derivative financial instruments	-	(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.

14. Post-retirement benefits

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 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	**FY25**	FY24
Total market value of assets – see following table 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 at the balance sheet date 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 liabilities.

The key driver for the decrease 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)
Administration expenses	(1.2)	(1.5)
Contributions by the employer	3.5	3.4
Closing net pension asset	**39.4**	**18.4**

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 change before they are realised, were:

All figures in £ million	**31 March 2025**			31 March 2024		
	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 securities	75.0	-	75.0	35.5	-	35.5
Alternative bonds	-	228.1	228.1	-	253.8	253.8
Corporate bonds	-	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	(0.9)	-	(0.9)	15.8	-	15.8
Corporate credit derivative financial instruments	1.8	-	1.8	2.2	-	2.2
Other derivatives (forward FX contracts)	10.0	-	10.0	1.6	-	1.6
Insurance buy-in policies	-	450.7	450.7	-	507.4	507.4
Borrowings	-	(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**

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.

Assumptions

The major assumptions used in the IAS 19 valuations of the Scheme were:

	31 March 2025		**31 March 2024**	
	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 sensitivity of the gross Scheme liabilities to each of the key assumptions is shown in the following table:

Key assumptions	**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 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 surplus) 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 £98.6m 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.

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. 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.

Risks

Through its defined benefit pension plan, the Group is exposed to a number of risks in respect to the valuation of the Scheme, 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.

15. Own shares and share-based awards

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 are 3,442,435 shares (FY24: 2,767,125 shares). In the year ended 31 March 2025 the Group granted/awarded 7.0m new share-based awards to employees (FY24: 8.1m).

16. Contingent liabilities and assets

Subsidiary undertakings within the Group have given unsecured guarantees of £49.7m at 31 March 2025 (31 March 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.

17. Related parties

During the year ended 31 March 2025 there were sales to associates and joint ventures of £0.2m (FY24: £3.1m). At the year end there were outstanding receivables from associates and joint ventures of £0.2m (FY24: £2.8m).

18. 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.

19. Significant accounting policies

Basis of preparation

QinetiQ Group plc is a public limited company, which is listed on the London Stock Exchange and is incorporated and domiciled in the United Kingdom.

Statutory Consolidated Financial Statements for the Group for the year ended 31 March 2024, prepared in accordance with adopted IFRS, have been delivered to the Registrar of Companies. The auditors have reported on those accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of any emphasis without qualifying their opinion and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006. This preliminary announcement does not constitute the Group's full financial statements for the year ended 31 March 2024. This report is based on the accounts which are approved by the Board and will subsequently be filed with the Registrar of Companies in the United Kingdom.

The financial information included within the preliminary announcement has been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006. The accounting policies followed are the same, subject to the changes noted below under 'change in accounting policies', as those published by the Group within its Annual Report for the year ended 31 March 2024 which is available on the Group's website, www.QinetiQ.com.

The preliminary announcement was approved by the Board of Directors on 22 May 2025. The financial information in this preliminary announcement does not constitute the statutory accounts of QinetiQ Group plc ('the Company') within the meaning of section 435 of the Act.

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. Underlying measures of performance exclude specific adjusting items. Specific adjusting items include:

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	✓	✓	✓

All items treated as a specific adjusting item in the current and prior year are detailed in note 3. These ‘specific adjusting items’ are of a ‘non-operational’ nature and do not include all significant, irregular items that are of an operational nature, for example contract risk provisions, cost of redundancy exercises and gains/losses on disposal of plant and equipment. Such ‘non-recurring trading items’ are referred to in the business performance narrative to aid readers from a ‘quality of earnings perspective’. They are considered by the Directors to be irregular but still part of our businesses’ normal ‘operating’ performance and are included within the KPIs used to measure those business units (and total Group performance for remuneration purposes).

Going concern basis

The Group meets its day-to-day working capital requirements through its available cash funds and its bank facilities. The Group enters the year with a strong balance sheet and a healthy order book. After making enquiries, the Directors have a reasonable expectation that the Group is well-positioned to manage its overall business risks successfully and has 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. 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 at least the next 12 months.

Glossary

CPI	Consumer Price Index
EBITDA	Earnings before interest, tax, depreciation and amortisation
EBITA	Earnings before interest, tax and amortisation
EPS	Earnings per share
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
LTPA	Long Term Partnering Agreement: 25 year contract established in 2003 to manage the MOD's test and evaluation ranges
MOD	UK Ministry of Defence
SSRO	Single Source Regulations Office

Alternative performance measures ('APM's)

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 reference to calculation or reconciliation to statutory measure**
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
Operating profit from segments	Total operating profit from segments which excludes 'specific adjusting items' and research and development expenditure credits ('RDEC')	Note 2
Operating profit margin from segments	Operating profit from segments expressed as a percentage of revenue	Note 2
Underlying operating profit	Operating profit as adjusted to exclude 'specific adjusting items'	Note 2
Underlying operating margin	Underlying operating profit expressed as a percentage of revenue	Note 2
Underlying net finance income/expense	Net finance income/expense as adjusted to exclude 'specific adjusting items'	Note 4
Underlying profit before/after tax	Profit before/after tax as adjusted to exclude 'specific adjusting items'	Note 3
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 6
Underlying basic and diluted EPS	Basic and diluted earnings per share as adjusted to exclude 'specific adjusting items'	Note 7
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 11
Underlying operating cash conversion or cash conversion ratio	The ratio of underlying net cash from operations to underlying EBITDA.	Note 11
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 11
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)/cash does not include liabilities relating to irrevocable share buyback obligations.	Note 12
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 (or minus net cash)	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 3