

Annual Report and Accounts 2025




Our Purpose is to impact a better future.

We bring together the right people, the right technology and the right partners to create innovative solutions that deliver positive impact and address some of the most urgent and complex challenges facing governments.

With a primary focus on serving governments globally, our services are powered by more than 54,000 colleagues working across multiple sectors including Defence, Justice & Immigration, Citizen Services, Health & Other Facilities Management and Transport.

We operate across four regions: North America; UK & Europe; Asia Pacific; and the Middle East.

 For a digital copy of this report and the latest investor information, please visit our corporate website at serco.com.



Contents

Strategic Report

01	Highlights
02	At a Glance
04	Chair's Statement
06	Group Chief Executive's Review
10	Our Market
12	Our Strategy
14	Our Strategy in action
18	Key Performance Indicators
20	Group Review
25	Divisional Review
34	Impact report
60	Task Force on Climate-related Financial Disclosures
66	Risk Management
69	Principal Risks and Uncertainties
76	Viability Statement
78	Non-Financial and Sustainability Information Statement

Corporate Governance

80	Chair's Corporate Governance Overview
82	Our Governance Framework
83	Board of Directors
86	Group Executive Committee
87	Board leadership and Company Purpose
89	Stakeholder engagement
90	Section 172 (1) Statement
93	Composition, succession and evaluation
94	Nomination Committee Report
97	Audit Committee Report
103	Risk Committee Report
104	Corporate Responsibility Committee Report
105	Directors' Remuneration Report
127	Directors' Report: Other Information
134	Directors' Responsibility Statement

Financial Statements

136	Independent Auditor's Report
150	Consolidated Income Statement
151	Consolidated Statement of Comprehensive Income
152	Consolidated Statement of Changes in Equity
153	Consolidated Balance Sheet
155	Consolidated Cash Flow Statement
156	Notes to the Consolidated Financial Statements
222	Company Balance Sheet
223	Company Statement of Changes in Equity
224	Notes to the Company Financial Statements
Other Information	
232	Alternative Performance Measures
235	Debt covenants
236	Glossary
238	Our Impact - Data Tables
244	Shareholder information

Highlights

Financial highlights

Revenue

£4.9bn

2024: £4.8bn

Underlying operating profit (UOP)

£272m

2024: £274m

Reported operating profit

£246m

2024: £130m

Order book

£14.5bn

2024: £13.3bn

Underlying EPS, diluted

16.93p

2024: 16.67p

Reported EPS, diluted

14.07p

2024: 4.10p

Full-year dividend per share

4.50p

2024: 4.16p

Underlying return on invested capital (ROIC)

25.9%

2024: 26.2%

Free cash flow (FCF)

£219m

2024: £228m

Non-financial highlights

Employee engagement

71 points

2024: 72 points

Lost time incident frequency rate (LTIFR)

3.6 per 1m hours

2024: 4.9 per 1m hours



Read our **KPIs** on **pages 18 and 19**. Definitions for KPIs can be found in the **Glossary** on **pages 236 and 237**.



Read our **Group Chief Executive's Review** on **pages 6 to 9**.



Read our **Impact report** on **pages 34 to 65**.

At a Glance

Our Purpose, Vision and Mission...

Purpose

Impact
a better
future


Vision


The **partner of choice**
to **governments**
globally

Mission

Bring together
the right **people**
the right **technology** and
the right **partners**
to deliver positive impact

...sit at the core of our **Strategy** - which is executed through three interconnected priorities we use to continually refine our portfolio and how we operate.

 Read more on **pages 12 to 17.**

G
Growth

C
Competitiveness

O
Operational Excellence

Working in partnership with our **stakeholders** to meet and exceed their expectations

Colleagues

Customers

Suppliers and partners

Shareholders

Communities and society

We monitor progress through our **KPIs**, ensuring we have visibility of our financial and non-financial performance

 Read more on **pages 18 and 19.**

Everything we do is underpinned by our **Values** - the principles that define our culture and behaviours

Trust

Care

Innovation

Pride

 Read more on **pages 37 to 44.**

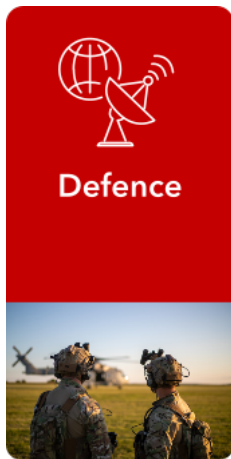
At a Glance continued

25+
countries

650+
contracts

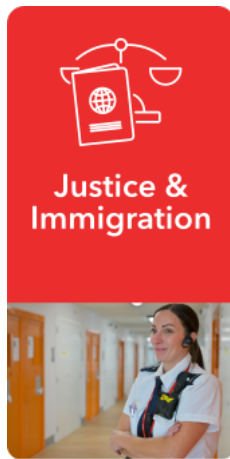
54k+
colleagues

Our sectors



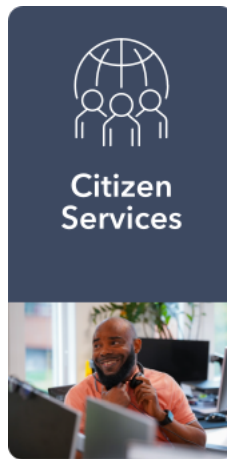
Protecting national and international security interests.

£2,097m
Adjusted revenue
39%



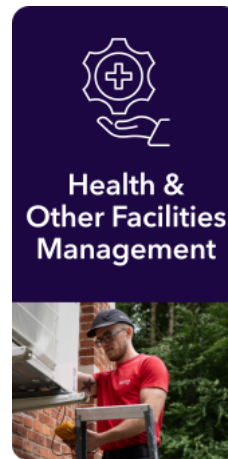
Safeguarding the communities in which we operate.

£1,589m
Adjusted revenue
29%



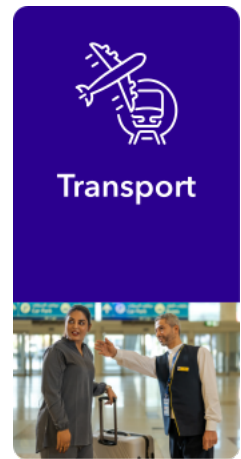
Impacting the lives of citizens and communities.

£849m
Adjusted revenue
16%



Enhancing public sector infrastructure, patient experience and care quality.

£462m
Adjusted revenue
9%



Facilitating safe and efficient movement of people and goods.

£395m
Adjusted revenue
7%

All revenue numbers above include our reported revenue plus our share of revenue from joint ventures.

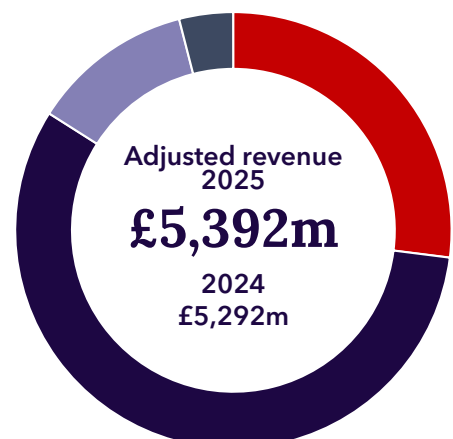
Where we operate

Serco's operations are across four geographical Divisions: North America; UK & Europe; Asia Pacific; and Middle East.

Adjusted revenue including our share of joint ventures by Division

● North America	£1,463m	27%
● UK & Europe	£3,069m	57%
● Asia Pacific	£655m	12%
● Middle East	£205m	4%

Read our **Divisional Reviews** on pages 25 to 29.



Chair's Statement

Well positioned with significant long-term opportunities



The Board's role is to ensure that our strategy remains focused on the areas where Serco can deliver the greatest impact and sustainable growth.

Keith Williams
Chair



Read our **Corporate Governance Report** on pages 79 to 134.

As I write my first statement as Chair of Serco, I am delighted to have joined a company that plays a vital role in supporting governments and citizens across the world.

Having worked with businesses serving both consumers and the Government for many years, I see Serco as well placed to deliver expertise where it is most needed, particularly in our Defence, Justice & Immigration, and Citizen Services sectors. The combination of expanding markets and the deep skills of our colleagues, positions Serco well to help governments provide crucial services while driving greater productivity and innovation. These strengths are a major reason why I am excited to be leading the Board at this stage in the Company's development and at a time when our role in supporting governments as they respond to changing demands remains critically important.

I joined the Board in August 2025 and became Chair on 1 January this year. On behalf of the Board, I would like to express our sincere thanks to John Rishton for his outstanding contribution over the past nine years. During his tenure, Serco made enormous progress and is well set for the future.

Since joining, I have spent time visiting our operations across the UK and meeting many frontline colleagues. Their dedication, professionalism, and ability to deliver in challenging environments have been hugely impressive. I have also taken part in a colleague forum to hear views from across the business, held discussions with major shareholders, and participated in Board and Committee meetings focused on strategy and performance. While my initial months have been UK-based, I look forward to meeting international colleagues in the year ahead.

Chair's Statement continued



The environment for governments is changing significantly and at pace. We are entering a period in which governments around the world must navigate budget pressures, growing global instability and a shift toward digitally delivered services. These forces are reshaping how governments operate and the outcomes they seek from partners like Serco. Our ability to design, deliver, and continuously improve critical services through integrated operational and digital expertise closely aligns with these emerging needs. As these pressures grow, the markets in which we operate are expanding. This creates significant long-term opportunities for Serco to grow our role in delivering mission-critical public services.

With this context in mind, and looking ahead to 2026, three priorities stand out: pursuing future growth opportunities, refreshing the Board to support that growth and helping our management team come together to best serve colleagues, customers and partners, communities and shareholders. With new leadership in place, the Board's role is to ensure their successful integration and that our strategy remains focused on the areas where Serco can deliver the greatest impact and sustainable growth, while continuing to act with integrity and in line with our values.

It is clear there is a significant opportunity to grow the business. We are well-positioned in large, growing markets, and by focusing our efforts and further developing our capabilities, we can take advantage of our strengths to grow safely, sustainably and profitably. The current Board has done a terrific job preparing Serco for its next phase, and given the longer tenures of some of our Non-Executive Directors (NEDs), now is the right moment to refresh and support the business while maintaining the discipline that has strengthened our foundations. Success will require us not only to deliver great service today, but also to innovate and develop new capabilities for the future. The world is more uncertain than it has been for many years, and we must remain sensitive to the challenges this creates, acting with integrity and purpose in all that we do.

I look forward to sharing our progress in the year ahead, and to supporting the Company as we continue to deliver for our customers, colleagues, and shareholders.

Keith Williams
Chair

4 March 2026

Group Chief Executive's Review

Enabling critical government missions globally



With a focus on sustainable growth, operational excellence and competitiveness, we have delivered another year of good outcomes. Across our growth markets, we have reinforced our position with expanded capabilities that are well-aligned to customer priorities in Defence, Justice & Immigration and Citizen Services.

Anthony Kirby

Group Chief Executive



To watch Anthony Kirby present our full-year 2025 results, visit serco.com/investors.

In 2025, the Group demonstrated significant strategic and operational progress. Our strong performance, as a trusted and mission-critical partner to governments globally, reflects the hard work and dedication of my global team of over 50,000 colleagues, for which I am grateful.

Strong performance in 2025

- Revenue: £4.9bn, up 3% at constant currency including 1% organic growth; good progress with contract wins and growth more than offsetting immigration reductions in UK and Australia.
- Underlying operating profit: £272m, up 1% at constant currency; reported operating profit of £246m, up 89%.
- Underlying earnings per share: increased 2% to 16.93p.
- Underlying operating margin: 5.6%, in line with medium-term target of 5-6%.
- Cash flow: strong free cash flow of £219m, ahead of guidance of ~£170m following strong collections, 112% trading cash conversion. Average cash conversion over 100% for last seven years.
- Order intake: £5.5bn, increased 13%; book-to-bill of 114%. Around two thirds of awards in defence. Increased order book of £14.5bn, 9% higher than end of 2024.
- Strong financial position: adjusted net debt £206m, leverage of 0.7x net debt to EBITDA including funding £245m acquisition of MT&S and £50m share buyback. Significantly below target range of 1-2x.
- Shareholder returns: £50m share buyback completed in 2025, new £75m buyback announced, to be completed by half year results bringing total buybacks since 2021 to £465m. The Board will further review capital position at half year. Recommended final dividend of 3.05 pence per share, +8% year-on-year.

Group Chief Executive's Review continued

In 2025, the Group made significant strategic progress as we continue to be a mission-critical partner to customers during a period of heightened geopolitical tensions and increasing fiscal constraints for governments around the world.

Against a backdrop of rising government expenditure and elevated deficits, customers continue to prioritise the delivery of critical and efficient services - where we have a proven track record. This is seen across all our priority markets; justice and immigration, citizen services and particularly in defence. Governments around the world are committing to increased spending in the face of global security challenges; from the UK prioritising the development of sovereign capabilities, to the US' focus on defending the homeland, defence investment is set to be a priority for years to come. Our £5.5bn order intake, of which around two-thirds was in defence, book-to-bill of 114%, and the highest pipeline in over a decade, demonstrate the strength of demand for Serco's critical services.

Across our markets, the ongoing pressure on governments to deliver more and better for less continues to ground our strategy. We are a leader in helping governments navigate these pressures by bringing together the right people, right technology and right partners to address some of their most complex challenges. The continuing relevance of our expanding capabilities, and our ability to deliver efficient services at scale, underpins the confidence we have in our chosen and diverse markets.

It is through our key strategic priority areas of Growth, Competitiveness, and Operational Excellence that the management team will continue to develop and lead our business in the medium term.

Growth - robust awards & pipeline across our most attractive markets

We have sharpened our focus on the sectors with the greatest opportunity - Defence, Justice & Immigration and Citizen Services.

The strategic strengthening of our Defence platform over recent years through investment in talent, skills and technology, alongside acquisitions, has allowed us to deepen our role supporting governments with national security and critical infrastructure. Our selection to deliver the UK Armed Forces' next-generation recruiting solution is a product of our enhanced defence capabilities. We have led the overall design and delivery of this complex service, including the integration of technology platforms and subject matter experts through a strong team of international partners. The mobilisation of this service, the first-of-its kind to cover all three forces is well underway. We were also proud to

commence the next generation contract to provide defence maritime services for the Royal Navy and extend our relationship with the Royal Canadian Air Force at several of their training facilities.

Our ability to leverage global best practice was evident in Justice & Immigration, having utilised our experience and capabilities from the UK to secure the Victoria Prisoner Transport contract in Australia in the year. We also retained our contract to manage HMP Dovegate, a Category B adult male prison, which includes one of the few Therapeutic Community provisions in the UK. In immigration, we continue to see demand for our broad range of services and expertise into the medium term as policy, conflict and climate change influences cross-border movements. Having integrated our two EU-based acquisitions, our ability to manage fluctuating migration demand through safe, secure and humane operations was again relied upon by governments across Europe.

In Citizen Services, reform of public services continued to be in focus as governments looked to integrate new technology, innovation and efficiency. Our track record of strong execution helped us extend some long-standing partnerships, including an initial £110m five-year contract with Transport for London to continue to deliver the London Cycle Hire scheme, and in the Middle East we won a £100m extension with Dubai Airports to deliver customer services. We also added new customers to our Citizen Services sector including the BBC.

Competitiveness - focusing our portfolio, investing to deliver organic growth

During the year we concentrated on the competitiveness of the entire portfolio. This included a focus on efficiency and productivity through process improvements, better use of resources and increased automation which all contribute towards our increased 2026 margin guidance of c.6%.

In Asia Pacific, our dedicated programme to improve productivity and right-size the platform has made good progress throughout the year, following the ending of the Australian Immigration contract. This has been supported by the disposal of our small Hong Kong business, which completed in September, allowing us to focus our efforts on Australia and New Zealand, where we have begun to see some new business wins.

In the Middle East, our new partnership with Mubadala, one of Abu Dhabi's sovereign wealth funds, has created a leading infrastructure and asset management operation. Through our operational expertise and Mubadala's extensive market presence we see increased opportunity in this growing market.

Group Chief Executive's Review continued

Operational Excellence - strong customer retention rates a recognition of superb delivery

During 2025, we expanded our defence mission readiness capability through the acquisition of MT&S, which completed in May. Integration into our back-office platforms was completed inside six months, with around 900 new colleagues joining the organisation. So far, MT&S has delivered £180m of contract wins in addition to the retention of the significant virtual training contract, known as DMON, which was secured just prior to completion. We have also exported MT&S capabilities into existing Serco operations, including to support our retention of the Australian Defence Force naval training contract at HMAS Watsons Bay.

Central to delivering operational excellence is the way in which we motivate, manage and retain our people. During the year, we streamlined HR systems and processes, introduced leading-edge technology and AI to empower our people, and further embedded a culture of operational excellence across the Group. These actions resulted in the retention of approximately 3,400 additional colleagues on an annualised basis and an eight-percentage-point reduction in attrition since 2023. Colleague engagement remains high at over 70 points and has been at or above 70 points in all of the last five years.

In parallel, we deployed new technology-enabled risk management systems and our programme of safety initiatives contributed to a 22% reduction in safety incidents and over 2,500 fewer lost working days. We were also proud to retain our top tier position in the CCLA corporate mental health benchmark and to have acquired an ISO45003 for colleague psychological safety within our UK immigration business.

Our relentless focus on operational execution is reflected in how our customers measure our quality. Our Contractor Performance Assessment Report (CPAR) scores - the US Government's mechanism for evaluating suppliers - have consistently exceeded 95% at satisfactory or better. This has supported a contract retention rate of over 90% across the Group. Our strong retention rate and average contract length of around seven years contribute to our increased £14.5bn order book at full year.

We also enter 2026 with a management team to drive Serco ahead in the next phase of our journey. Mark Reid will become Group CFO when Nigel Crossley retires in March this year, as previously announced. I look forward to working with Mark to build on our strong foundations through the execution of our strategic priorities.

I'd like to reiterate my thanks to Nigel for his significant contribution to the Group's progress over the last 11 years and the support he has been to me. He leaves the Group in an excellent financial position, having contributed to strong cash generation, good capital deployment and excellent profitable growth. On behalf of everyone at Serco, I would like to wish him all the very best for a safe and enjoyable retirement.

Outlook - strategic progress and strong order book underpins 2026 guidance


Following a year of strong contract wins, we enter 2026 with an increased order book and pipeline, reflecting our position as a trusted, mission-critical partner to governments.

Events such as the US Government shutdown and the lag between spending commitments being announced and opportunities being realised are a feature of the market. We expect this to continue in the near term and note the emerging situation in the Middle East. Fundamentally, the structural drivers of demand in all our chosen sectors will continue as governments prioritise national and international security, resilience and efficiency as pressure increases on them to do more, and better, for less. Increased defence spending, public service reform and strain on justice and immigration systems will remain features of our markets in the medium term. We are well positioned to deliver strong operational outcomes, increased organic revenue growth and underlying operating profit, good cash generation and continued strong returns on invested capital.

Looking forward, our strong financial performance enables us to continue to deliver all aspects of our capital allocation strategy: investing in the business to drive growth and efficiency; increasing returns to shareholders through dividends; maintaining adequate headroom to fund strategic acquisitions; and returning surplus capital to shareholders. In this context, we are pleased to announce a new £75m share buyback to be completed by the half year results and a dividend increase of 8%. We will again review the capital position at half year in line with our capital allocation priorities.

Anthony Kirby
Group Chief Executive

4 March 2026

 Read more in our **Strategy in Action** section on **pages 14 to 17**.

Group Chief Executive's Review continued

Acknowledgements

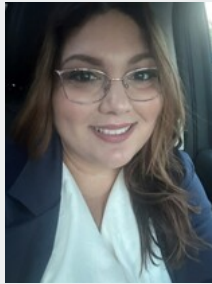


As we look back on a year of strong delivery and set our direction for 2026 and beyond, I want to pause to recognise the colleagues whose dedication has gone above and beyond.

Jessica Perez

Human Resources Business Partner, People, Culture & Communications

Jessica played a critical role in integrating around 900 colleagues following the MT&S acquisition - a strategically important step in strengthening Serco's defence capability. Through her professionalism, empathy and clear communication, she preserved trust, engagement and operational continuity during a period of significant change.



The Nuyina Crew

Australian Research/Supply Vessel (ASRV)*

The Nuyina crew pulled off two of the longest and toughest Antarctic voyages in Serco's history, resupplying every Antarctic station in one deployment before pivoting straight into a glacier science mission. Their precision, discipline and grit delivered exceptional safety, service, and scientific support in one of the harshest environments on Earth.



Jakobus Fourie

Contract Manager, Sharjah ANS

Jakobus and the Sharjah Air Navigation Services (ANS) management team accelerated the development of the UAE national workforce by training the first female Emirati air traffic controllers and increasing national representation across operational staff to 50%, setting a powerful example for capability building and inclusion.



Gordon Smith
EUMETSAT Data Access System Operations, Engineering, Europe



When severe storms struck India's coast, Gordon stepped in to coordinate the urgent delivery of critical satellite data, ensuring authorities could support evacuations and protect lives. His swift action and clear communication exemplify Serco's value of Trust, showing how individual dedication can make a real difference when it matters most.



NOMARS Defiant Team, US Maritime Engineering, Technology & Sustainment

The NOMARS Defiant Team delivered USX-1 Defiant - the first autonomous vessel designed to run crewless for a year - resetting the bar for endurance, innovation, and cost-effective naval power.



John Hewitson
Contract Director, HMP & YOI Doncaster

John's leadership at His Majesty's Prison & Young Offenders Institute (HMP & YOI) Doncaster, UK, was recognised by HM Inspectorate of Prisons, which noted committed leadership, a well-ordered establishment, and a positive overall direction. The inspection also highlighted strong outcomes in preparation for release, including outstanding support for family ties.

* Image top right: RSV Nuyina in Antarctica breaking ice supplied by AAD. Photographer Pete Harmsen.

Our Market

Helping governments navigate global change

In 2025, governments faced new geopolitical tensions, evolving fiscal priorities, and continuing conflicts, alongside dramatic technological shifts. This has created positive dynamics in some of our key markets – particularly defence.

The global government services market remains large, resilient and growing. As such we remain well-positioned to capture emerging opportunities through trusted partnerships and technology-enabled solutions. The sector, however, has not been entirely insulated from some of the challenges created by these macroeconomic developments – from changing migration patterns to the US Government shutdown.

The Four Forces, which we have long identified as drivers of demand (see following page), continue to be present and, in some cases, intensifying. This underpins our confidence in our market, both in the near and longer term. Our diverse portfolio and technology agnostic model will enable us to adapt and thrive as the market evolves as a result of these forces.

Growing government spending, with an acute acceleration in defence investment

Estimates put our addressable market around £900bn and growing at ~3% annually. That said, the precise boundaries of our market are complex to define – i.e. the inclusion or exclusion of non-departmental bodies such as quangos. Nonetheless, the scale and structural characteristics of our market are clear.

Proxy metrics for our market further evidence these characteristics, including its size and growth. For example, UK Government procurement spending outside the public sector reached £434bn in 2024/25, growing by 5%¹; US Federal Government spending

reached \$7trn, up 4% year-on-year²; and the European Union delivered a 6% increase in its spending to €200bn³. Regardless of the exact figure, the significant scale, robust growth rate and high barriers to entry that are features of our market are evident.

In 2025, these qualities of our market were most stark when it came to defence. NATO allies reaffirmed commitments to significantly increase defence spending, with targets reaching a minimum of 5% of GDP by 2035⁴. In the near term, across our markets, we have seen increases as well. The UK, for example, in 2024/25 spent £60bn on defence, which will rise to £62bn in 2025/26, increasing further to £74bn by 2028/29⁵. This equates to a real-terms growth rate of around 4% over the five-year period. The world's biggest defence spender, the US, saw its military expenditure hit USD\$917bn (up around 5%), accounting for 13% of Federal spending in 2025^{6,7}. Significant further increases are being mooted, with the President calling for defence budgets to rise to USD\$1.5trn in 2027⁸.

Although much of this investment is directed toward equipment and manufacturing, significant allocations remain in non-discretionary areas aligned with our capabilities – such as recruitment, training and operational support. Similarly, in civilian markets, governments continue to prioritise essential services, including justice and critical infrastructure. These dynamics give us confidence in Serco's position as a trusted partner to governments, able to capture growth opportunities in a market defined by reliability, scale, and mission-critical delivery.

Policy changes delay customer decisions

While aggregate demand remains strong and growing, policy changes and macroeconomic uncertainty have created delays in decision-making regarding the award of contracts in some markets.

At the start of the year, the potential impacts of the US Department of Government Efficiency (DOGE) dominated headlines in our sector. As we noted at our half-year results, our pipeline of bids and portfolio of existing contracts was largely resistant to the effects of DOGE.

1. House of Commons Library – Procurement statistics: a short guide.
2. US Treasury – Fiscal Data: Spending.
3. EU Parliament – Budget 2025.
4. NATO – 5% Defence Expenditure Commitments.

5. UK defence spending – House of Commons Library.
6. US Treasury – Monthly Treasury Estimates: September 2025.
7. US Treasury – Monthly Treasury Estimates: September 2024.
8. Politico – Trump calls for record \$1.5 trillion defense budget, a 50% jump.

Our Market continued

We have seen reduced demand in only a small number of contracts, alongside some delays to decisions around awards. This is primarily a product of the essential nature of the services that we deliver. The delays are, in part at least, driven by uncertainty as government-side officials and operators look to interpret the evolving intent of policymakers, rather than a fundamental shift in the structural drivers of demand.

Equally, despite our robust Order intake (£5.5bn), a slow-down in awards has also been created by the US Government shutdown in the latter part of 2025. Our pipeline has again remained largely insulated from any cancellations resulting from the Federal budget negotiations. Delays have nonetheless materialised, as evidenced by the £5.0bn (up 138% on 2024) of the North American pipeline recorded at the end of 2025 – an increase partially driven by adjudications slipping.

Similarly, in the UK & Europe, shifting migration policy has created new dynamics, but the underlying need for our essential services persists. Increased border security on the periphery of Europe and changing domestic policies around asylum have seen volumes of people movements reduce slightly from record highs on the continent. Equally, in the UK, the Government remains focused on reforming asylum accommodation, particularly regarding the use of hotels – an aim we are committed to supporting. Across all geographies in which we operate, however, there has been a sustained need to house and support people as they move between countries.

More broadly in the UK, increased people costs as a result of new legislation – such as the National Insurance contributions increase – has further reduced the attractiveness of lower-margin, commoditised services. This reaffirms our focus on higher complexity opportunities, where there are greater opportunities for innovation and we have expertise.

The Four Forces continue to drive demand across the market

Policy developments, geopolitics and economic events will continue to shape our market in ways we can clearly predict, but also in ways we cannot. Critically, what remains consistent is the structural drivers of change. Even if we are not able to forecast precisely ‘how’ requirements will evolve, by understanding ‘why’ our customers choose to procure services, we are able to create a platform that is able to adapt to meet these changing demands.

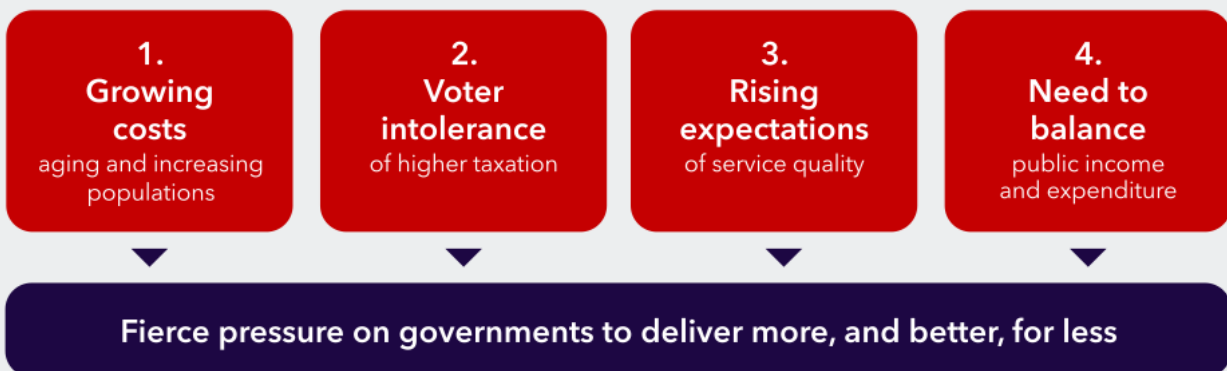
The Four Forces, developed over a decade ago by Serco, has been our theory of government demand. Recent evidence suggests that this framework remains accurate:

- costs increase as demographics change and populations grow and age, creating more complex demands (force 1);
- but voters remain sceptical of repeated tax rises (force 2);
- however, the electorate continues to have high expectations of services they use (force 3); and
- governments must meet them while managing ever tighter public purses (force 4).

The private sector’s expertise, efficiency and ability to deploy resources and capital, alongside its capacity to innovate means our government customers will continue to turn to us to deliver services.

The shape and type of demands may evolve, but we continue to be confident that the foundations of our market demand – the Four Forces – remain strong.

The Four Forces driving demand



Our Strategy

Delivering our mission

The guardrails of our strategy continue to guide us as our organisation and market evolves.

A platform that continues to deliver

In the past decade the core tenets of our strategy have provided a strong foundation for sustainable progress. We continue to be a trusted business-to-government services partner, with a broad platform of capabilities across our sectors and geographical divisions, giving us access to large, growing markets, while spreading and mitigating risk. Our capital-light and technologically agnostic operating model enables innovation and agility, ensuring that we deliver for customers, colleagues and shareholders alike.

This blend of broad international reach and targeted business-to-government focus continues to give us a competitive edge in an attractive market. Decades of working across public services means we understand the specific challenges of governments; we bring international best practice and cross-pollinate expertise across sectors and geographies; our scale and expertise allows us to innovate and create value for money; and our highly skilled workforce, enabled by technology, has a deep commitment to public service. We will continue to leverage these sources of competitive strength as we deliver against our strategy.

Our strategy has been distilled into our Purpose, Vision, and Mission, and our three key priorities of Growth, Competitiveness and Operational Excellence. We continually seek to refine our platform across these three areas, in turn supporting delivery of our medium-term targets (see opposite page).

From a collection of contracts to a platform of capabilities

In 2025, we demonstrated how our platform approach to our capabilities creates value beyond individual contracts – through bringing together the right people, partners and technology across sectors and geographies. The following pages set out some key examples of where we have done so across our key priorities: Growth, Competitiveness, and Operational Excellence.

What all of these examples demonstrate is how, by maturing our systems and expanding our capabilities, we are embedding our platform for growth, rather than simply managing a portfolio of individual contracts. This approach is well illustrated by recent efforts in our two largest geographies – the UK & Europe and North America – and sectors – Defence and Justice & Immigration.

- Defence - an end-to-end personnel services offering:** our capabilities now cover every aspect of servicemen and women's career journeys. This has been developed through organic expansion (for example, via our solution for the UK's first tri-service recruitment system), as well as inorganic bolt-ons (most recently, our acquisition and integration of Northrop Grumman's defence training business, known as MT&S (see the Acquisition section in the Group Review on page 23), and partnerships including our joint venture with Equans, VIVO, supporting the UK's defence estate. We can now offer a full life cycle solution for supporting defence personnel, using our experience and references with two of the world's most respected armed forces – the UK and US.

Purpose

Impact
a better
future

Vision


The **partner of choice**
to **governments**
globally

Mission

Bring together
the right **people**
the right **technology** and
the right **partners**
to deliver positive impact

Our Strategy continued

- **Immigration - building pan-European expertise:** in immigration support services, we hold a market-leading position across multiple European geographies and the UK. Again, this has been built through organic, inorganic and partnership means. Most recently, we have significantly bolstered our platform through the integration of two acquisitions - European Homecare Group (EHC) and ORS. We have successfully exported their expertise - in areas such as community integration - both across the continent and into the UK. As such, we have been able to bring innovation and new thinking to governments seeking to manage one of the most prominent and complex issues of today.

Accelerating through acquisitions

Delivering sustainable, profitable organic growth is our priority, however, leveraging our strong balance sheet to support this through acquisitions remains an important part of our strategy. Our long-standing criteria for acquisitions continue to guide us in our search for suitable targets:

1. **Capability:** an acquisition should enhance or add to our offering.
2. **Market access:** a target should allow reach into new geographies, sectors or customers.
3. **Scale:** inorganic growth should create economies of scale.

Recently, our focus has been in two sectors - Defence and Justice & Immigration - where we have accelerated our growth, increased our market share and enhanced our capabilities through bolt-on acquisitions.

Excellent progress has been made with the integration of our latest acquisition, MT&S (see the Acquisition section in the Group Review on page 23), which we completed in 2025. Again, building on our existing capabilities in defence training and people services, the strategic fit of MT&S is clear. This technology-enabled US defence asset has opened up new high-growth, high-margin markets. As we increasingly integrate our people and technology, the value-add the acquisition has brought to Serco, beyond the financial case, is increasingly evident. The highly skilled workforce that has transitioned over has brought new insights to existing operations and opportunities. As such, new business wins have already been delivered and cross-divisional opportunities are emerging.

The acquisition of MT&S comes on the back of the previously noted successful integration of ORS (2022) and EHC (2024). These two acquisitions not only consolidated our position as market leaders in immigration services across multiple European geographies, but brought new capabilities that have become an important part of our offering to customers.

Aligning to our M&A criteria, we will continue to look for opportunities to bolster our growth through targeted, bolt-on acquisitions.

Our strategic priorities

Our strategy consists of three interconnected priorities that help drive delivery.

G Growth

Winning and protecting high-quality business that drives value for our customers and our Company.

C Competitiveness

Empowering productivity through simplification, smarter ways of working and technology-enabled innovation.

O Operational Excellence

Consistently exceeding expectations through service delivery and growing on contract through a deep understanding of customer needs.

Our medium-term goals

We remain confident that focusing on the growing B2G market within our existing geographies and sectors remains the key to delivering our medium-term goals.



Customers

Deliver market-leading positive impact on government outcomes.



Growth

Drive revenue growth through deliberate and sustainable portfolio choices.



Profit

Optimise profitability through world-class operations and a focus on efficiencies.



Cash

Maintain a rigorous approach to working capital management and conversion of profit into cash.

Target



Customer Satisfaction

4-6%
Revenue growth

5-6%
UOP margin

>80%
Cash conversion

Our Strategy in action

Growth

UK Armed Forces Recruitment: a ground-breaking solution driving defence growth

The ground-breaking UK Armed Forces Recruitment (AFR) contract, won in February 2025, will see Serco and a team of world-leading partners develop and deliver the first-ever unified recruitment system for the British military.

The initial £1.1bn, seven-year deal began mobilising in April 2025 with the new service expected to go live in 2027. When fully operational, the service is expected to recruit more than 20,000 people annually across the Royal Navy, Royal Air Force, and British Army, as well as Cyber & Specialist Operations Command, the reserves and the Commonwealth.

As the prime contractor, we play the central role of designer and integrator. By bringing together a range of world-class partners, AFR will deliver an end-to-end service from candidate attraction, to assessment, enlistment, and onboarding into initial training.

The new recruitment service will operate with a blended workforce that incorporates military and civilian personnel. It is underpinned by best-in-class integrated technology, designed to improve the overall candidate experience at the same time as modernising and accelerating the current recruitment process.

AFR's complex requirements - spanning a public and private sector workforce and transformation of physical and digital assets, alongside major process changes - demonstrates our ability to integrate the right people, partners and technology to create innovative, customer-focused solutions. This is a capability we consistently deploy not only in defence, but across our portfolio.

AFR is a central tenet of our end-to-end defence personnel services offering - allowing us to support those serving at every point in their military career. It builds on our extensive international experience supporting servicemen and women, including through our work developing the next generation of Australian Navy sailors at HMAS Watsons Bay in Sydney; our leading training capability gained through the acquisition of MT&S in the US; and housing military families through our VIVO joint venture with Equans in the UK.

£1.1bn

Seven-year deal

Our Strategy in action continued



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Our Strategy in action continued

Competitiveness

Renewing our competitive platform in Asia Pacific

In our 2024 Annual Report, we highlighted a 'turnaround plan' for our Asia Pacific Division. Although still in progress, we are beginning to see positive results from its execution. For example, despite the ending of the Australian Immigration contract, due to targeted measures to manage costs and improve productivity, we have been able to maintain a robust divisional UOP margin at 3.7%. Simplification has been a key principle underpinning our plans for the region. Our divestment of our Hong Kong operations through the sale of our small legacy transport and facilities management business in the region is a clear example of this strategy in action.

Equally, significant progress has been made in right-sizing our cost base. Through a disciplined and targeted programme, we have been able to remove waste, optimise processes and improve productivity, while maintaining quality in our contracts and operations.

Although there remains more work to be done to ensure a return to sustainable growth within the Division, this year saw material new business and retention wins. Our improved competitiveness and digital innovation was central to the successful bid of a significant new contract - Justice Transport Services in Victoria, Australia.

Leveraging capabilities and expertise from our UK Prisoner Escorting contract alongside local fleet, logistics, and welfare innovations, this six-year deal will see us deliver secure escort and court transfer services across the state of Victoria. Equally, our retention of key operations, such as the £41m defence training operation at HMAS Watsons Bay in Sydney and HMAS Stirling in Western Australia, demonstrates that we continue to have strong value propositions and customer relations in the region.

Although the market remains relatively challenging and our turnaround continues, we can see how our initial reforms are leading to positive results. Robust returns, the retention of key contracts and new business wins demonstrate the increasing competitiveness of our operations in the region.

Six-year deal

to deliver Justice Transport Services in Victoria, Australia

Our Strategy in action continued

Operational Excellence

USX-1 Defiant – ‘future-defining’ ship enters sea trials

The Serco-developed USX-1 Defiant began its first at sea trials in 2025, in what the US Defense Advanced Research Projects Agency (DARPA) described as “the kind of experimentation that could define a future hybrid maritime fleet”.


The 55-metre, 240-metric ton ship, conceived by Serco to “never accommodate a human aboard” is a radical innovation in naval design. In 2025, it moved from concept to reality, completing its first open-ocean transit, including a five-day 1,100-mile autonomous sail to Port Hueneme, California from Port Angeles, Washington.

Serco has led on design, engineering and integration – bringing the USX-1 Defiant from concept to at-sea reality. Through cutting-edge autonomy engineering, clean-sheet vessel design and meticulous programme execution, we have delivered a world-first Medium Unmanned Surface Vessel (MUSV) that is reshaping how navies think about fleet composition, survivability and cost.

During recent trials at Naval Base Ventura County Port Hueneme, Defiant successfully demonstrated autonomous at-sea refuelling with no crew onboard. The team conducted high-speed manoeuvring tests, driving the vessel’s straight-line speed to nearly 20 knots. Using its autonomy system, Defiant also completed multiple dockings and undockings, as well as harbour entries and exits, with consistent success.

The vessel is designed to operate for up to 12 months at sea without humans, can carry up to 60 metric tons, and transit over 7,000 nautical miles without replenishment. These capabilities will be demonstrated and further developed over future sea trials.

The potentially revolutionary platform, developed, designed and operated by Serco, gives militaries greater flexibility at reduced cost. As the ship’s abilities are tested and refined, we will continue to bring the operational excellence that underpins our work with DARPA on this project to our global portfolio.

 To watch the **USX-1 Defiant in action** visit www.darpa.mil/research/programs/no-manning-required-ship



Key Performance Indicators

Monitoring our performance

We use key performance indicators (KPIs) to monitor our performance, ensuring that we have a balanced and an appropriate emphasis on both financial and non-financial aspects.

For each KPI, we explain the relevance to our strategy and the performance in 2025.

Key priorities for strategic delivery:

- G** Growth
- C** Competitiveness
- O** Operational Excellence

Underlying operating profit (UOP)



Relevance to strategy

The level of absolute UOP and the relationship of UOP with revenue – i.e. the margin we earn on what our customers pay – is at the heart of our aspiration of profitable and sustainable growth. We believe the delivery of strategic success has potential to support annual revenue growth of 4-6%, in the medium term, and UOP margins of 5-6%.

Performance

UOP decreased slightly by 1% to £272m. Improvements in the productivity and efficiency of the business and the positive contribution from acquisitions largely offset the impact from higher UK National Insurance contributions and the end of a material contract in Australia.



Order book



Relevance to strategy

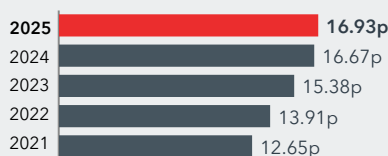
The order book reflects progress with winning and retaining good business and, as a store of future value, it is a key measure to ensure that the Group is profitable and sustainable. The value of how much is added to the order book compared to how much revenue we are billing our customers – the book-to-bill ratio – is important to achieving long-term growth.

Performance

The order book remains strong and grew 9% to £14.5bn. This excludes unsigned extension periods, and the order book would be £2.6bn (2024: £3.0bn) higher if option periods in our US business, which typically tend to be exercised, were included.



Underlying earnings per share (EPS), diluted



Relevance to strategy

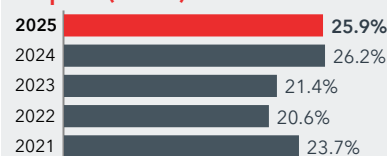
EPS builds on the relevance of UOP and further reflects the strength and costs of our financial funding and tax arrangements. EPS is, therefore, a measure of financial return for our shareholders.

Performance

Diluted underlying EPS increased by 2% to 16.93p. Underlying profit after net finance costs and tax decreased by 3% but was supported at the EPS level by a reduction in the weighted average number of shares, due to our share buybacks.



Underlying return on invested capital (ROIC)



Relevance to strategy

ROIC measures how efficiently the Group uses its capital to generate returns from its assets. To be a sufficiently profitable and sustainable business, a return must be achieved that is appropriately above a cost of capital hurdle reflective of the typical returns required by our weighting of equity and debt capital.

Performance

ROIC decreased by 30 basis points to 25.9%. This followed the acquisition of MT&S that increased our capital base. The return remains significantly above our cost of capital.



Key Performance Indicators continued

Free cash flow (FCF)



Relevance to strategy

FCF is a reflection of the sustainability of the organisation, by showing how much of our effort turns into cash to reinvest for future growth or to deploy in other ways. Our philosophy is that we should only win business that generates appropriate cash returns and we apply disciplined management of our working capital cash flow cycles.

Performance

FCF was very strong at £219m with trading cash conversion of 112%. Strong cash generation has been achieved by continued focus on the timeliness and accuracy of issuing sales invoices, which enables our customers to pay us on time.



Pipeline of large new bid opportunities



Relevance to strategy

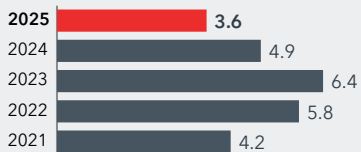
The pipeline provides a measure of potential for winning new business. The size of the pipeline and our win rate on the bids within it are at the heart of our strategy to grow the business.

Performance

Our pipeline of potential new work was £12.1bn at the end of December, 8% higher than the £11.2bn at the end of 2024. This is the highest level seen in more than a decade.



Lost time incident frequency rate (LTIFR)



Relevance to strategy

Focusing on reducing lost time incidents gives clear direction towards our Zero Harm vision, strengthening our safety culture and ensuring our people remain safe, healthy and able to thrive. This supports an open culture of continuous safety improvement and incident reduction.

Performance

Continuing focus on reducing lost time incidents, supported by specific Group-wide initiatives, particularly within contracts with the most incidents, saw a 26% reduction during the year in our LTIFR to 3.6.



Employee engagement



Relevance to strategy

Employee engagement reflects our aspiration to create "a place people are proud to work". This is crucial to delivering outstanding customer service and achieving our strategic aims including our growth targets.

Performance

Our good engagement levels continued to be stable with a small decline from 72 to 71 points, while leadership engagement was maintained at above average levels. These results reflect the long-term stability of engagement at Serco and provide a foundation for further improvement.



Definitions for each KPI can be found in the **Glossary** on **pages 236 and 237**.

The **Other Information** section from **page 232** provides further detailed definitions and reconciliations of our Alternative Performance Measures (APMs).

ESG performance and disclosure data can also be found in the **Our Impact - Data Tables** on **pages 238 to 243** as well as the **Impact** section of our **website**.

Group Review

Strong 2025 performance, continued momentum, new £75m share buyback



We are pleased to see the strong performance across financial and non-financial metrics, reflecting the hard work and dedication of all our colleagues around the world.

Anthony Kirby
Group Chief
Executive

Nigel Crossley
Group Chief
Financial Officer

Serco's operations are reported through four geographic Divisions: North America; UK & Europe; Asia Pacific; and the Middle East across five sectors.



Defence



Justice & Immigration



Citizen Services



**Health & Other Facilities
Management**



Transport

2025 Highlights

Reported
revenue

£4,877m

2024: £4,787m

Reported
operating profit

£246m

2024: £130m

Reported
EPS, diluted

14.07p

2024: 4.10p

 Definitions for each of the **Alternative Performance Measures** can be found in the **Glossary** on **pages 236 and 237**. A **reconciliation of each measure to the relevant statutory measure** can be found on **pages 232 to 234**.

Group Review continued

Year ended 31 December	2025	2024	Change at reported currency	Change at constant currency
Reported revenue	£4,877m	£4,787m	2%	3%
Underlying operating profit	£272m	£274m	(1)%	1%
Reported operating profit	£246m	£130m	89%	
Underlying earnings per share (EPS), diluted	16.93p	16.67p	2%	
Reported EPS, diluted	14.07p	4.10p	243%	
Dividend per share (recommended)	4.50p	4.16p	8%	
Free cash flow	£219m	£228m	(4)%	
Net cash inflow from operating activities	£447m	£419m	7%	
Adjusted net debt	£206m	£100m	106%	
Reported net debt	£710m	£630m	13%	

Revenue, underlying operating profit and underlying earnings per share

Revenue was £4,877m, an increase of 2% compared to the £4,787m reported in 2024, or up 3% on a constant currency basis. Organic growth contributed 1%, with net acquisitions and disposals adding a further 2%. This was partially offset by a 1% currency drag. We saw strong growth in Defence and Citizen Services, driven by the successful integration of the Mission Training and Satellite Ground Network Communications Software (MT&S) business acquired in May from Northrop Grumman and by expanded contracts in both the UK and North America. In Justice & Immigration, revenue was lower following the ending of our immigration contract in Australia as well as reduced demand for temporary accommodation in the UK.

Group underlying operating profit decreased slightly to £272m (2024: £274m), with an increase of 1% on a constant currency basis. There was a £5m adverse impact from currency. Profit in the year was supported by the contribution from MT&S and a number of contracts either starting or moving to their operational phase. This largely offset the impact from higher National Insurance contributions in the UK, increased corporate costs and the reduced activity levels in Justice & Immigration. In Asia Pacific, we continued to make progress, managing costs and achieving some successful commercial outcomes. The resulting margin for the Group of 5.6% is well within our medium-term target of 5-6%.

Reported operating profit increased by 89% to £246m (2024: £130m). This follows the one-off £115m impairment charge in Asia Pacific in 2024. Underlying profit after net finance costs and tax was £175.2m, compared with £180.0m in 2024.

Diluted underlying earnings per share increased by 2% to 16.93p (2024: 16.67p).

Cash flow and net debt

Free cash flow of £219m (2024: £228m) was better than expected and represented a strong cash conversion of 112%. It follows stronger cash collection across the business and some cash benefit of higher levels of mobilisation activity and the associated deferred revenue. This performance continues our strong track record of cash generation and cash conversion, where we have delivered over 100% conversion on average over the last seven years. We continue to expect the business to convert at least 80% of profit into cash on an ongoing basis.

Average working capital days remained robust, with debtor days of 16 (2024: 17 days) and creditor days of 20 (2024: 19 days). Including accrued income and other unbilled receivables, days sales outstanding were 38 days (2024: 39 days). Of all UK supplier invoices, 96% were paid in under 30 days (2024: 92%) and 99% were paid in under 60 days (2024: 97%). No working capital financing facilities were utilised in this or the prior year.

Adjusted net debt was £206m (2024 £100m) at the end of the year. This was an increase of only £106m from the prior year, despite outflows of £245m for the acquisition of MT&S; £50m for our share buyback programme; and £43m for dividend payments.

The year-end adjusted net debt compares to a daily average of £232m (2024: £146m) and a peak of £465m (2024: £212m). The difference between average and peak figures reflects the timing of the outflow for the MT&S acquisition. Working capital outflows that occur in a short timeframe such as payroll, supplier payments, and VAT payments on account also cause variability between peak and average figures. Variances such as these are normal for the Group.

Group Review continued

Cash flow and net debt continued

Our measure of adjusted net debt excludes lease liabilities, which aligns closely with the covenants on our financing facilities. Lease liabilities totalled £504m at the end of December (2024: £530m), the majority relating to leases on housing for asylum seekers under our Asylum Accommodation and Support Services Contract. These leases are serviced with contracted revenue from the customer and their terms do not extend beyond the expected life of the contract.

At the end of the period, our leverage for debt covenant purposes was 0.7x EBITDA (2024: 0.3x), below our target range of 1–2x and significantly below the covenant requirements for net debt to be less than 3.5x EBITDA.

In April 2025, the Group issued US\$250m (£193m) of US private placement loan notes to support the funding of the MT&S acquisition. The notes were split into three series of US\$100m, US\$75m and US\$75m with maturities of six, eight and ten years, respectively. The weighted average interest rate on the new loan notes was fixed at 6.23%. In October 2025, the Group repaid US\$50m (£37m) of the maturing US private placement loan notes, which had an interest rate of 3.27%. The total amount of US private placement loan notes in issue at the end of December 2025 was US\$550m (£409m), which had a blended interest rate of 5.64% (December 2024: 4.88%).

Capital allocation and returns to shareholders

We aim to have a strong balance sheet with our target financial leverage at 1–2x net debt to EBITDA.

Consistent with this, the Board's capital allocation priorities are to:

- invest in the business to support organic growth;
- increase ordinary dividends to reward shareholders with a growing and sustainable income stream;
- selectively invest in strategic bolt-on acquisitions that add capability, market access, scale and enhance the Group's future potential organic growth and have attractive returns; and
- return any surplus cash to shareholders through share buybacks or other means.

Our capital allocation framework was actively applied in 2025:

- **Invest to support organic growth:** we have strengthened our business development capabilities in multiple ways in 2025, including through expanding specialist sales teams, enhanced training programmes, and refreshed government relations efforts. Deploying new technology platforms and recruitment systems will improve efficiency and competitiveness, while new and expanded partnerships, such as with Mubadala in the Middle East, will enhance future growth opportunities.
- **Increase ordinary dividends:** the Board is recommending a final dividend of 3.05 pence per share. Following the interim dividend of 1.45 pence per share, this results in a dividend of 4.50 pence per share, an increase of 8% compared to 2024.
- **Invest in acquisitions:** in May, we acquired MT&S from Northrop Grumman. MT&S is a leading provider of services to the US military. We continue to assess other opportunities that are aligned to our strategy and provide potential to enhance future organic growth.
- **Return surplus cash to shareholders:** our £50m share buyback completed in the second half of the year. This brings the total shareholder returns via buybacks since 2021 to around £390m.

Contract awards, order book, rebids and pipeline

Contract awards

Order intake was £5.5bn, up from £4.9bn in 2024, representing a book-to-bill rate of 114%. This included over 48 contract awards valued at £10m or more. UK & Europe delivered an order intake of £3.7bn, or approximately 70% of the Group's total, while North America contributed £1.4bn or around 25%. Asia Pacific and the Middle East secured a combined £0.5bn.

There was a relatively even split of awards, with new business accounting for 45% and retentions 55% of wins. The win rate by value for new work was 32%, and 92% for retaining existing work.

UK & Europe's book-to-bill rate of 145% was the highest in the Group, with significant awards in the Defence sector. In North America, order intake of £1.4bn and a book-to-bill of 92% was robust despite the US Government shutdown which delayed some new business awards and contract protest resolutions.

Group Review continued

In Defence, notable awards included agreements with the UK Ministry of Defence to deliver maritime services for the Royal Navy under the Defence Maritime Services Next Generation programme, valued at £1bn, and a £1.1bn seven-year contract to deliver recruitment services for the combined armed forces in the UK. There were also significant awards in the Defence sector in our North America Division, including a CAD\$490m 25-year contract to support the Future Aircrew Training programme for the Royal Canadian Air Force, and a five-year contract to continue providing support to the US Navy's amphibious warfare ships and systems with an estimated value of US\$105m. In Asia Pacific, the maritime synthetic warfare training operations contract for the Royal Australian Navy was also secured, valued at AUD\$80m for the initial five-year period.

In Justice & Immigration we successfully rebid our contract to manage HMP Dovegate in the UK valued at over £500m and secured a new six-year contract in Australia to operate Justice Transport Services in the state of Victoria. Elsewhere, we retained or extended contracts for guest experience at multiple airports in Dubai (AED495m over five years) and cycle hire services in London (£110m for the initial five years).

Order book

The order book increased to £14.5bn at the end of December 2025 (2024: £13.3bn). Our order book definition gives our assessment of the future revenue expected to be recognised from the remaining performance obligations on existing contractual arrangements. This excludes unsigned extension periods. The order book would be £2.6bn (2024: £3.0bn) higher if option periods in our US business, which typically tend to be exercised, were included. If joint venture work was included, it would add a further £1.4bn (2024: £1.9bn).

Rebids

In our portfolio of existing work, we have around 85 contracts with annual revenue of £5m or more where an extension or rebid will be required before the end of 2028, with an aggregate annual revenue of £1.8bn. Contracts that will either need to be rebid or extended in 2026 have an annual contract value of around £0.5bn. The annual value of rebids is approximately £0.7bn in 2027 and £0.6bn in 2028.

At around 40% of the Group's 2025 revenue, this is in line with our normal historical ranges and includes two rebids worth over £100m, or 2% of the Group's 2025 revenue.

New business pipeline

Our measure of pipeline includes only opportunities for new business that have an estimated annual contract value (ACV) of at least £10m and which we expect to bid and to be adjudicated within a rolling 24-month timeframe. We cap the total contract value (TCV) of individual opportunities at £1bn, to lessen the impact of single large opportunities. The definition does not include rebids and extension opportunities, and in the case of framework, or call-off, contracts such as indefinite delivery/indefinite quantity contracts (ID/IQ), which are common in the US, we only take the value of individual task orders into our pipeline as the customer confirms them. Our published pipeline is therefore a small proportion of the total universe of opportunities, as many opportunities exist that have annual revenues less than £10m, are likely to be decided beyond the next 24 months, or are rebids and extensions.

Our pipeline was £12.1bn at the end of December 2025, 8% higher than the £11.2bn level at the end of December 2024 and the highest level in over a decade. The pipeline consists of over 70 bids, with an average ACV of £30m and an average contract length of around five years. The pipeline of opportunities for new business with an estimated ACV of less than £10m totalled £3.3bn at the end of the year (2024: £2.0bn).

To enhance future growth opportunities in the Middle East, we expanded our strategic partnership with Mubadala, where we will bring experience in delivering world-class public services along with innovation and sustainability credentials to complement their deep regional experience, building a national champion in facilities management in the UAE.

Acquisitions

In May, we acquired MT&S from Northrop Grumman, for an enterprise value of £242m. MT&S generates annual revenues of approximately US\$300m, increasing the annual revenue of our North America Division to US\$2bn. This strategic acquisition significantly enhances Serco's defence and space capabilities, adding advanced mission training services and satellite ground network software to our portfolio. It also deepens our engagement with the US Department of War, supporting programmes across the US Army, Space Force, Air Force, Navy and Combatant Commands, with a team of around 900 skilled professionals. The acquisition supports Serco's growth ambitions within the international space sector, reinforcing our efforts to expand our global footprint in regions such as the UK, Australia and the Middle East.

Group Review continued

Disposals

As part of our disciplined portfolio development, in September we sold our Hong Kong operations. The business accounted for around 1% of Group revenue and mainly provided tunnel support services in the Transport sector with limited alignment to our international portfolio.

Corporate costs

Corporate costs relate to typical central function costs of running the Group, including executive, governance and support functions such as HR, Legal, Finance and IT. Where appropriate, these costs are stated after allocation of recharges to operating Divisions. The costs of Group-wide programmes and initiatives are also incurred centrally.

Corporate costs increased by £6.3m to £57.4m (2024: £51.1m) and include targeted short-term investments and one-off costs in the year.

Guidance for 2026

Further to the Pre-Close Trading Statement on 17 December, guidance has been updated to reflect the impact of the new £75m share buyback. This will increase net debt and reduce the number of shares in issue.

Revenue: We anticipate revenues of around £5.0bn. Organic revenue growth is expected to rise to c.3%, which excludes the annualisation of the MT&S acquisition, the disposal of our Hong Kong operations and transfer of certain contracts to our Mubadala strategic partnership in the Middle East. Growth is forecast to be strongest in North America and UK & Europe, driven mainly by new and mobilising contracts in Defence, Justice & Immigration and Citizen Services. These are expected to more than offset the anticipated reduction in Immigration revenues in UK & Europe and Asia Pacific.

Underlying operating profit: Underlying operating profit is anticipated to be around £300m, 10% higher than 2025. The increase includes the full-year contribution from the acquisition of MT&S, contract ramp-ups, and our initiatives to improve productivity and efficiencies across the portfolio, partially offset by anticipated lower immigration activities. This supports margin guidance of c.6.0%, which is at the top of our medium-term target range of 5-6%.

Net finance costs and tax: Net finance costs are expected to be around £52m, slightly higher than 2025 due to the full-year effect of funding the acquisition of MT&S and the new share buyback. The underlying effective tax rate is expected to be around 25%, which is in line with our medium-term expectations.

Financial position: Good free cash flow is expected at around £160m in the year, in line with our medium-term target of converting more than 80% of profit into cash. We expect adjusted net debt to end the year at approximately £165m following the new share buyback.

Surplus capital: Consistent with our capital allocation priorities, we have a preferred financial leverage range of 1-2x net debt to EBITDA. If we are below 1.0x leverage, we consider the business to be in a position of having surplus capital, which will be returned to shareholders through share buybacks or other means. As leverage finished the year at 0.72x net debt to EBITDA, placing the business in a position of surplus capital, a £75m share buyback has been announced and is expected to complete by the half-year results. We will review the capital position again at the half year.

Summary of guidance for 2026

	2025 Actual	2026 Initial guidance	2026 New guidance
Revenue	£4.9bn	~£5.0bn	~£5.0bn
Organic sales growth	1%	~3%	~3%
Underlying operating profit	£272m	~£300m	~£300m
Net finance costs	£45m	~£50m	~£52m
Underlying effective tax rate	23%	~25%	~25%
Free cash flow	£219m	~£160m	~£160m
Adjusted Net Debt	£206m	~£150m	~£165m

NB: The guidance uses an average GBP:USD exchange rate of 1.33 in 2026, GBP:EUR of 1.15 and GBP:AUD of 1.90. We expect a weighted average number of shares in 2026 of 980m for basic EPS and 1,000m for diluted EPS.

Outlook for growth in the medium-term

Our medium-term targets are:

- Revenues to grow at ~4-6% per year over the medium-term
- Profits to grow faster than revenue with margins of 5-6%
- At least 80% of profit converted into cash
- Returns to shareholders will grow faster than profits

Divisional Review

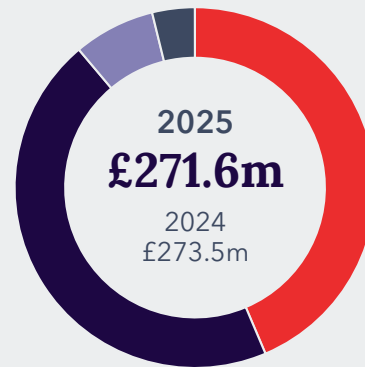
Reporting through our four geographic divisions

Revenue



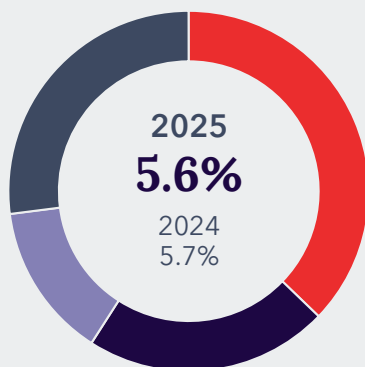
£m	2025	2024
● North America	1,463.2	1,326.1
● UK & Europe	2,582.1	2,445.9
● Asia Pacific	654.6	799.4
● Middle East	176.9	215.9

Underlying operating profit



£m	2025	2024
● North America	143.5	136.1
● UK & Europe	148.9	147.9
● Asia Pacific	24.0	24.6
● Middle East	12.6	16.0
Corporate costs	(57.4)	(51.1)

Underlying operating profit margin



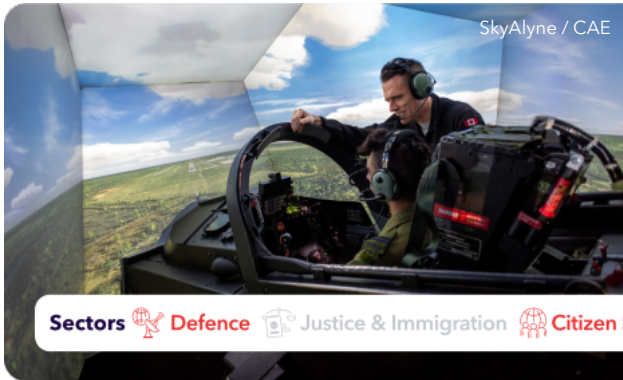
	2025	2024
● North America	9.8%	10.3%
● UK & Europe	5.8%	6.0%
● Asia Pacific	3.7%	3.1%
● Middle East	7.1%	7.4%
Corporate costs	(1.1)%	(1.1)%



Reflecting statutory reporting requirements, Serco's share of revenue from its joint ventures and associates is not included in revenue, while Serco's share of joint ventures and associates' profit after interest and tax is included in underlying operating profit.

Divisional Review continued

North America



Share of Group revenue

30%

2024: 28%

Share of underlying operating profit

44%

2024: 42%

Sectors Defence Justice & Immigration Citizen Services Health & Other Facilities Management Transport

Year ended 31 December £m	2025	2024	Growth
Revenue	1,463.2	1,326.1	10%
Organic change	4%	1%	
Acquisitions	9%	–%	
Currency	(3)%	(4)%	
Underlying operating profit	143.5	136.1	5%
Organic change	1%	2%	
Acquisitions	7%	–%	
Currency	(3)%	(4)%	
Margin	9.8%	10.3%	(46)bp

Revenue increased by 10% to £1,463m (2024: £1,326m), delivering a good organic growth performance of 4% in addition to the 9% contribution from the acquisition of MT&S. There was a 3% adverse translational effect of currency. Organic growth was underpinned by the Defence sector, following a significant order intake achieved in 2024 with the mobilisation of new contracts, including defence personnel services, as well as increased demand and volumes for IT network and infrastructure services for the US Navy.

Underlying operating profit increased by 5% to £144m (2024: £136m). Organic growth was 1% with the acquisition of MT&S contributing 7%, and a 3% drag from currency. There was progress in the Defence sector including the mobilisation of new contracts, expansion and higher volumes on existing business, as well as efficiencies in our case management portfolio. Margins decreased from 10.3% to 9.8%, with some contracts in the early mobilisation phase as well as the acquisition and integration costs related to the MT&S transaction.

Order intake of £1.4bn was robust, with a book-to-bill rate of 92%. This followed the very high level of contract awards in 2024, resulting in fewer bids concluding in the first half of 2025 as the pipeline was replenished. In the second half, the US Government shutdown caused some delays to new business awards and contract protest

resolutions, although our win rates by value remained healthy at 37% for new business and 75% for retentions. Our largest new win was a CAD\$490m, 25-year contract, to provide critical training enablers, including air navigation services, air traffic control and other site services for the Future Aircrew Training programme in Canada. We also secured a US\$105m, five-year contract, to continue providing support to the US Navy's amphibious warfare ships and systems with services including engineering, ship design management and integrated logistics support.

There has been an efficient transition and integration of the MT&S acquisition into the business, which contributed £9m in the seven months of ownership after £6m of transaction and integration costs.

The pipeline of new bid opportunities due for decision within the next 24 months has more than doubled from £2.1bn at the end of 2024 to £5.0bn. The pipeline was replenished after the high level of contract awards in the prior year and fewer award decisions following the US Government shutdown, which prompted a short term lag between spending commitments and opportunities being realised. Defence continues to represent the majority of the North American pipeline and remains our priority sector in the region, supported by the world's largest defence budget, strong bipartisan commitment to enhanced readiness, and a clear strategic focus on strengthening military capabilities. Serco is well positioned to compete and succeed in this highly liquid market, and we have confidence in the long-term growth potential of the sector.

Divisional Review continued

UK & Europe



Share of Group revenue

53%

2024: 51%

Share of underlying operating profit

45%

2024: 46%

Sectors Defence Justice & Immigration Citizen Services Health & Other Facilities Management Transport

Year ended 31 December £m	2025	2024	Growth
Revenue	2,582.1	2,445.9	6%
Organic change	5%	(5)%	
Acquisitions	1%	5%	
Currency	–%	–%	
Underlying operating profit	148.9	147.9	1%
Organic change	(2)%	7%	
Acquisitions	2%	16%	
Currency	1%	(1)%	
Margin	5.8%	6.0%	(28)bp

Revenue rose by 6% to £2,582m (2024: £2,446m), driven by good organic growth of 5% and a further 1% uplift from the acquisition of EHC, our German immigration services business. Organic growth was supported by the mobilisation and ramp-up of several major Defence and Citizen Services contracts. As expected, Justice & Immigration revenue reduced within our UK immigration contract, although the contract remains the largest in the Group.

Underlying operating profit increased by £1m to £149m (2024: £148m) reflecting a resilient performance in the face of higher UK National Insurance contributions. Margins remained healthy at 5.8% (2024: 6.0%) supported by the mobilisation of early delivery phases from new contracts within complex case management and marine services. As expected, Justice & Immigration profitability reduced due to lower demand in the immigration portfolio. After an extended period of mobilisation and higher costs, our Electronic Monitoring Services contract delivered productivity improvements in the second half. We expect these to continue and to contribute to a better financial performance in 2026. Demand for our European space business remained strong.

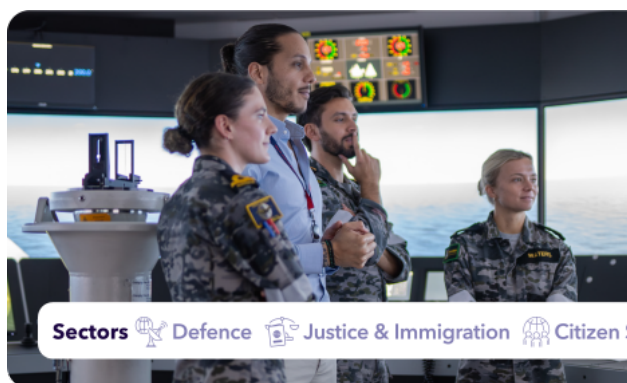
Underlying operating profit includes the profit contribution of joint ventures, from which interest and tax have already been deducted. If the proportional share of revenue from joint ventures was included and the share of interest and tax cost was excluded, the overall Divisional margin would have been 5.1% (2024: 5.3%).

Order intake was very strong at £3.7bn, around two-thirds of the Group total, with a book-to-bill of 145%. In 2025, new work accounted for approximately 42% of order intake, with a high win rate by value of around 60%. We have also maintained our momentum on securing rebids and extensions, with a win rate over 97%. Awards included three agreements with the UK Ministry of Defence to deliver maritime services for the Royal Navy, with an estimated value of £1.0bn over a term of up to 10 years. This is in addition to the new £1.1bn seven-year Armed Forces Recruitment (AFR) contract which is in the early stages of mobilisation. We successfully rebid or extended contracts for cycle hire services in London and environmental waste, as well as retaining the contract to manage HMP Dovegate with an estimated value of over £500m.

The pipeline remains healthy at £5.8bn (2024: £6.4bn) despite the high level of awards and conversion rate in the year. Our opportunities are broad, covering the key sectors we operate in, including Defence, Justice & Immigration and Citizen Services.

Divisional Review continued

Asia Pacific



Share of Group revenue

13%

2024: 17%

Share of underlying operating profit

7%

2024: 8%

Sectors Defence Justice & Immigration Citizen Services Health & Other Facilities Management Transport

Year ended 31 December £m	2025	2024	Growth
Revenue	654.6	799.4	(18)%
Organic change	(12)%	(2)%	
Disposals	(1)%	–%	
Currency	(5)%	(3)%	
Underlying operating profit	24.0	24.6	(2)%
Organic change	5%	8%	
Disposals	(2)%	–%	
Currency	(5)%	(4)%	
Margin	3.7%	3.1%	59bp

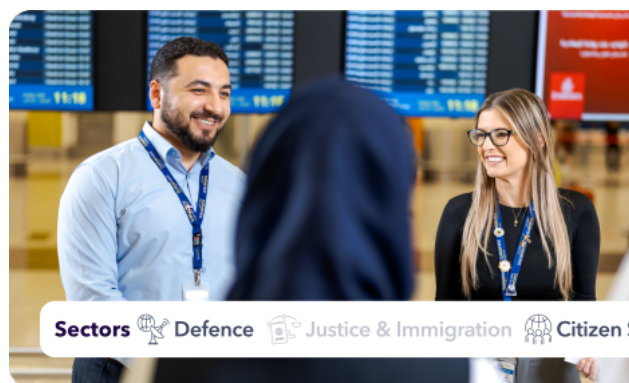
Our Asia Pacific business continued its turnaround following progress made in 2024 and the successful transition out from providing onshore immigration services in Australia, historically the largest contract for the Division. Revenue fell 18% to £655m (2024: £799m), driven by a 12% organic decline following the exit of the immigration contract, though Defence and Justice delivered good contract growth. As part of our disciplined portfolio development, we sold our Hong Kong operations in September. The business mainly provided tunnel support services to the Transport sector with limited alignment to our international portfolio. Adverse currency movements had a 5% impact overall.

Operational excellence remained a core focus throughout the year, and improvements across our contract portfolio and cost base helped mitigate most of the impact from lower revenue. This supported the margin improvement to 3.7% (2024: 3.1%) even with underlying operating profit reducing 2% to £24m (2024: £25m). Actions to streamline the business included reducing overhead and operating costs, enhancing workforce efficiency and some improved commercial outcomes. This now better positions the region for a return to growth in the medium-term.

Rebuilding the business development pipeline continues to be our priority, supported by increased investment in growth-focused resourcing during the year. Order intake of £0.3bn was mostly secured in the second half, including a new six-year contract to operate Justice Transport Services in the state of Victoria. A number of important extensions and rebids were secured, including an initial five-year contract to continue providing maritime warfare training services at HMAS Watsons Bay, Sydney and HMAS Stirling, Western Australia - the country's naval warfare training establishments. In Citizen Services we successfully rebid a AUD\$40m two-year contract to provide services for the Victorian Police Assistance Line, as well as a four-year extension to the road safety services contract for the Victorian Department of Justice and Community Safety, valued at over AUD\$190m in Justice. The pipeline closed at £0.7bn (2024: £1.7bn), reflecting the impact of the unsuccessful facilities management services bid for the Australian Defence Force in the first half.

Divisional Review continued

Middle East



Share of Group revenue

4%

2024: 4%

Share of underlying operating profit

4%

2024: 4%

Sectors Defence Justice & Immigration Citizen Services Health & Other Facilities Management Transport

Year ended 31 December £m	2025	2024	Growth
Revenue	176.9	215.9	(18)%
Organic change	(12)%	(3)%	
Net (disposals)/acquisitions	(4)%	1%	
Currency	(2)%	(3)%	
Underlying operating profit	12.6	16.0	(21)%
Organic change	(18)%	–%	
Net (disposals)/acquisitions	–%	9%	
Currency	(3)%	(4)%	
Margin	7.1%	7.4%	(29)bp

Revenue reduced by 18% to £177m (2024: £216m) largely driven by an organic decline of 12%, and 2% adverse currency movement. The conclusion of our air navigation contract in Dubai reduced revenue during the year. This was partially offset by continued growth in our fire and rescue services in Saudi Arabia and demand for our defence support services. Following the strategic partnership with Mubadala, certain contracts have novated to a new joint arrangement, resulting in a revenue reduction of approximately 4% with no impact on underlying operating profit.

Underlying operating profit decreased by 21% to £13m (2024: £16m). Operating margin decreased by 29bps to 7.1% (2024: 7.4%) due to completion of higher margin project works in 2024. We have adopted a disciplined approach to bidding, improving the underlying performance of our portfolio over the longer term and other operational efficiencies.

Order intake was approximately £0.1bn and includes a strategically significant contract extension with Dubai Airports, valued at AED495m, which will run until December 2030. This five-year extension reinforces our long-standing role in enhancing the guest experience at Dubai Airports and follows the successful delivery of its initial five-year term.

Our pipeline of new bid opportunities in the Middle East sits at approximately £0.5bn (2024: £1.0bn), lower than the prior year following the adjudication of several large bids and removal of some delayed and cancelled opportunities. We continue to see robust demand across our markets, particularly within the Defence sector and also in Saudi Arabia. To accelerate growth and strengthen our regional market position, our strategic partnership with Mubadala will provide us with greater access to new commercial opportunities, enhancing our long-term prospects in the region.

Divisional Review continued

Other financial information

	Underlying 2025 £m	Non- underlying items 2025 £m	Reported 2025 £m	Underlying 2024 £m	Non- underlying items 2024 £m	Reported 2024 £m
For the year ended 31 December						
Revenue	4,876.8	–	4,876.8	4,787.3	–	4,787.3
Operating profit/(loss)	271.6	(25.3)	246.3	273.5	(143.4)	130.1
Margin	5.6%		5.1%	5.7%		2.7%
Net finance costs	(44.8)	–	(44.8)	(33.1)	–	(33.1)
Profit/(loss) before tax	226.8	(25.3)	201.5	240.4	(143.4)	97.0
Total tax (charge)/credit	(51.6)	(4.3)	(55.9)	(60.4)	7.9	(52.5)
Effective tax rate	22.8%		27.7%	25.1%		54.1%
Profit/(loss) for the year	175.2	(29.6)	145.6	180.0	(135.5)	44.5
Basic EPS	17.31p		14.38p	16.97p		4.17p
Diluted EPS	16.93p		14.07p	16.67p		4.10p

Non-underlying items

Non-underlying items in the year were a charge net of tax of £29.6m (2024: £135.5m). This comprises amortisation and impairment of intangible assets arising on acquisitions of £30.0m (2024: £28.9m), profit on disposal of a subsidiary in Hong Kong of £4.7m (2024: £nil) and non-underlying tax for the year being a charge of £4.3m (2024: credit £7.9m). The non-underlying tax charge includes £17.3m relating to the derecognition of part of the deferred tax asset in Asia Pacific. For more details see page 171.

In 2024, a non-cash, non-underlying impairment charge of £114.5m was recognised against Asia Pacific goodwill, following the loss of the Immigration rebid in November 2024.

Finance costs and investment revenue

Net finance costs recognised in the income statement were £44.8m (2024: £33.1m), consisting of investment revenue of £6.8m, less finance costs of £51.6m.

Investment revenue of £6.8m (2024: £7.7m) includes interest accruing on net retirement benefit assets of £0.8m (2024: £1.9m), and interest income of £5.7m (2024: £5.3m).

Finance costs of £51.6m (2024: £40.8m) include interest incurred on loans, primarily the US private placement loan notes and the revolving credit facility of £23.9m (2024: £14.7m), and lease interest expense of £22.9m (2024: £19.9m), as well as other financing related costs including the impact of foreign exchange on financing activities. The increase in loans year-on-year is due to the issue of further US private placement loan notes in the year.

The increase in lease interest expense year-on-year is primarily due to the continuing increase in the number of leases for dispersed properties required for our UK asylum accommodation contract.

Net interest paid recognised in the cash flow statement was £40.3m (2024: £28.5m), consisting of interest received of £5.7m (2024: £5.3m) less interest paid of £46.0m (2024: £33.8m).

Joint ventures and associates - share of results

During the year, the most significant joint ventures and associates in terms of scale of operations were Merseyrail Services Holding Company Limited (Merseyrail) and VIVO Defence Services Limited (VIVO). Both are incorporated and operated in the UK.

Merseyrail generated revenue of £227.9m (2024: £215.0m), with the Group's share of profits net of interest and tax for the year being £11.5m (2024: £10.9m). The increase in Merseyrail revenue and profits is primarily due to improved performance in 2025. The Group received dividends of £8.5m (2024: £14.1m).

VIVO revenue for the year was £822.8m (2024: £917.8m) with the Group's share of profits net of interest and tax for the year being £15.0m (2024: £11.9m). The decline in VIVO's revenue is largely due to lower variable work volumes within VIVO's accommodation contract for which the Group receives a smaller share of profits. The increase in profit is due to the mix of margins within different contracts. The Group received dividends of £14.2m (2024: £16.7m).

Divisional Review continued

While the revenues and individual line items are not consolidated in the Group Consolidated Income Statement, summary financial performance measures for the Group's proportion of the aggregate of all joint ventures and associates are set out below for information purposes.

For the year ended 31 December	2025 £m	2024 £m
Revenue	514.7	504.5
Operating profit	37.5	30.6
Net finance income/(cost)	0.5	(0.1)
Income tax charge	(9.2)	(7.7)
Profit after tax	28.8	22.8
Dividends received from joint ventures	22.9	30.8

Tax

Underlying tax

The underlying tax charge recognised in the year was £51.6m (2024: £60.4m). The effective tax rate of 22.8% is lower than in 2024 (25.1%). The decrease compared with 2024 is primarily due to one-time credits for the release of tax provisions following finalisation of overseas tax authority audits, and a credit on securing other tax repayments previously too uncertain to recognise. In contrast, 2024 included increases in provisions reflecting tax authority audit outcomes.

The underlying tax rate of 22.8% is lower than the UK statutory rate of 25%. This is due to the impact of profits of joint ventures and associates whose post-tax profits are included in the Group's profit before tax (decreasing the rate by 3.2%), and prior year adjustments, primarily arising from the decrease in provisions held for uncertain tax positions (decreasing the rate by 2.1%). These are partially offset by current year movements of uncertain tax positions (increasing the rate by 0.9%); the movement in unprovided deferred tax (increasing the rate by 0.9%); withholding taxes suffered to the extent no tax benefit is expected (increasing the rate by 0.4%); together with the impact of higher statutory rates of tax on overseas profits (increasing the rate by 0.5%). Other smaller items result in a net increase to the rate of 0.4%.

Non-underlying tax

A tax credit of £8.1m (2024: £7.9m) arises from the amortisation and impairment of intangibles arising on acquisition.

The accounting profit on disposal of £4.7m did not give rise to a taxable profit and therefore does not result in a tax cost.

The partial derecognition of the deferred tax asset in Asia Pacific resulted in a tax charge of £17.3m. For more details see page 171. Netting against this is a £4.9m prior year credit arising on the recalculation of a deferred tax liability connected with a historic acquisition in the US.

Deferred tax assets

As at 31 December 2025, the Group has recognised a net deferred tax asset of £167.1m (2024: £177.7m). This consists of a deferred tax asset of £208.2m (2024: £229.8m) and a deferred tax liability of £41.1m (2024: £52.1m). A £175.7m UK deferred tax asset (2024: £177.5m) has been recognised on the Group's balance sheet at 31 December 2025 on the basis that the performance in the underlying business indicates sustained profitability which will enable the accumulated tax losses to be utilised.

As detailed on page 171, a £27.7m Australian deferred tax asset (2024: £50.5m) has been recognised on the basis of forecast profits capped - during its turnaround phase - to the ordinary five-year planning cycle of the business. As the turnaround of the Australian business progresses, management will continue to reassess this judgement.

Taxes paid

Net corporate income tax of £43.4m (2024: £41.3m) was paid during the year. The UK has a net repayment of £12.9m in the year, which consisted of £2.4m payments to HMRC, offset by £14.6m received from the Group's joint ventures and associates for losses sold to them and £0.7m of withholding tax refunds. Payments relating to the Group's operations outside the UK were: Europe (£24.9m), North America (£28.7m), Asia Pacific (£1.7m), and the Middle East (£1.0m).

Total tax contribution

The Group's published tax strategy of paying the appropriate amount of tax as determined by local legislation in the countries in which it operates means that a variety of taxes are paid across the globe. To increase the transparency of the Group's tax profile, the cash taxes that have been paid across its regional markets are shown below.

In total during 2025, Serco globally contributed £1,038.8m of tax to governments in the jurisdictions in which it operates.

Divisional Review continued

Taxes by category

	Taxes borne £m	Taxes collected £m	Total £m
Corporate Income Tax	58.6	–	58.6
VAT and similar	7.3	314.9	322.2
People Taxes	206.6	433.5	640.1
Other Taxes	16.3	1.6	17.9
	288.8	750.0	1,038.8

Taxes by region

	Taxes borne £m	Taxes collected £m	Total £m
UK & Europe	188.9	463.1	652.0
Asia Pacific	23.7	145.6	169.3
North America	74.1	136.0	210.1
Middle East	2.1	5.3	7.4
	288.8	750.0	1,038.8

Corporation tax, which is the only cost to be separately disclosed in our Annual Report, is only one element of the Group's tax contribution. For every £1 of corporate tax paid directly by the Group (tax borne), a further £3.93 is borne in other business taxes. The largest proportion of these is in connection with employing people.

In addition, for every £1 of tax borne, £2.60 is collected on behalf of national governments (taxes collected). This amount is directly impacted by the number of people employed and the sales made.

Treasury risk management and operations

The Group's operations expose it to a variety of financial risks that include access to liquidity, the effects of changes in foreign currency exchange rates, interest rates and credit risk. The Group has a centralised treasury function whose principal role is to seek to ensure that adequate liquidity is available to meet the Group's funding requirements as they arise and that the financial risk arising from the Group's underlying operations is effectively identified and managed.

Treasury operations are conducted in accordance with policies and procedures approved by the Board which are reviewed annually. Financial instruments are only used for hedging purposes and speculation is not permitted. A monthly report is provided to senior management outlining performance against key risk management metrics, as required by the Treasury Policy.

Liquidity and funding

As at 31 December 2025, the Group had committed funding of £758.6m (2024: £629.2m), comprising £408.6m of US private placement loan notes, and a £350m revolving credit facility which was undrawn. The US private placement loan notes are repayable in bullet payments between October 2027 and April 2035. The Group does not engage in any external financing arrangements associated with either receivables or payables.

In April 2025, the Group issued US\$250m (£193m) of US private placement loan notes to support the funding of the MT&S acquisition. The notes were split into three series of US\$100m, US\$75m and US\$75m with maturities of six, eight and ten years, respectively. The weighted average interest rate on the new loan notes was fixed at 6.23%. In October 2025, the Group repaid US\$50m (£37m) of the maturing US private placement loan notes, which had an interest rate of 3.27%. The total amount of US private placement loan notes in issue at the end of December 2025 was US\$550m (£409m), which had a blended interest rate of 5.64% (December 2024: 4.88%).

The Group's revolving credit facility provides £350m of committed funding for five years from the arrangement date in November 2022. The facility includes an accordion option, providing a further £100m of funding (uncommitted and therefore not incurring any fees) if required without the need for additional documentation. This option has not been included in the Group's assessment of available liquidity as approvals are required to access the funding.

Interest rate risk

The Group has a preference for fixed rate debt to reduce the volatility of net finance costs. The Group's Treasury Policy requires it to maintain a minimum ratio of fixed rate debt to overall adjusted net debt, not to be lower than 50%, and for this proportion to increase as the ratio of EBITDA to interest expense falls. As at 31 December 2025, £408.6m of debt was held at fixed rates and adjusted net debt was £205.7m.

Divisional Review continued

Foreign exchange risk

The Group is subject to currency exposure on the translation to Sterling of its net investments in overseas subsidiaries. The Group seeks to manage this risk, where appropriate, by borrowing in the same currency as those investments. Group borrowings are predominantly denominated in Sterling and US Dollars. The Group seeks to manage its currency cash flows to minimise foreign exchange risk arising on transactions denominated in foreign currencies and uses forward contracts where appropriate to hedge net currency cash flows.

Credit risk

Cash deposits and in-the-money financial instruments give rise to credit risk on the amounts due from counterparties. The Group manages this risk by adhering to counterparty exposure limits based on external credit ratings of the relevant counterparty.

Net assets

As at 31 December 2025, the Consolidated Balance Sheet shown on page 153 had net assets of £873.6m, a movement of £31.1m from the closing net asset position of £842.5m as at 31 December 2024. This increase is a result of total comprehensive income in the period of £128.5m partially offset by returns to shareholders totalling £93.6m, through share buybacks and dividend payments.

Key movements since 31 December 2024 on the Consolidated Balance Sheet shown on page 153 include:

- An increase in goodwill of £103.1m driven by £140.8m recognised on acquisition of MT&S, offset by £37.7m of adverse foreign exchange.
- An increase in other intangible assets of £60.8m, including £89.3m arising on acquisition of MT&S, partly offset by amortisation of £37.7m.
- A decrease in the net retirement benefit asset of £2.5m. Further details are provided in the pensions section below.
- Provisions have decreased by £1.5m predominantly due to the elimination of provisions of the disposal of Hong Kong of £4.2m.

- Cash and cash equivalents have increased by £16.3m. In the year the Group generated free cash flow of £219.3m and £156.0m from the net advance of loans. This was partially offset by £50.3m shares repurchased, £43.3m dividends to shareholders and £245.3m related to the acquisition of MT&S.
- Loan balances have increased by £128.5m due to the issue of additional USPP notes of £193.0m, and offset by repayments of £37.2m and FX of £26.5m.
- The movement in contract assets, trade receivables and other assets, and, contract liabilities, trade payables and other liabilities are as a result of normal working capital movements.

Pensions

Serco's pension schemes had an accounting surplus before tax of £1.5m (31 December 2024: £4.0m). The £2.5m decrease comprises a £39.3m reduction in scheme assets due to market conditions lowering asset values. This was largely offset by a £36.8m reduction in scheme liabilities, driven by changes in inflation, discount rates and updated member data.

The SPLAS 2024 triennial actuarial funding valuation was approved on 4 July 2025 and continues the Group commitment from the 2021 valuation to make deficit recovery payments of £6.6m per year until March 2030.

The opening net asset position led to a net interest income within net finance costs of £0.8m (2024: £1.9m).

Impact report

Driving positive impact for people, place and planet


Our ESG Framework aligns with our Purpose to impact a better future across three core pillars – People, Place and Planet – for our colleagues, communities and the environment.

Our strategic priorities are outlined within each pillar along with the most material topics for our stakeholders and our business. Collaboration with our customers, supply chain and communities is central to our approach, and our engagement activities support meaningful progress towards our Purpose.

Serco's responsible business foundations underpin our approach and reflect our commitment to integrity and ethical decision-making.

Our material topics were reinforced through our 2025 Double Materiality Assessment (DMA), and aligned with Group-wide strategies including our People and Culture strategy, to support our key priorities of Growth, Competitiveness and Operational Excellence.

We recognise the strategic relevance of material ESG topics to Serco's long-term success. Key ESG metrics are embedded into our performance management system and linked directly to leadership and executive remuneration. ESG performance accounted for 15% of the 2025 annual bonus (Employee safety and Employee retention) and 10% of the 2025 Long-Term Incentive Plan (LTIP) awards (Employee engagement and Environmental impact), reinforcing our focus on the safety, wellbeing, engagement and retention of our colleagues, and on the environment.

 Read more in our **Directors' Remuneration Report** on **page 105**.

Our ESG Framework



People

Priority – Building the capability and culture that enables performance

Material topics

- Safe operations and wellbeing
- Diverse workforce and inclusive workplace
- Colleague experience

  Read more on our progress on **page 37**.



Place

Priority – Helping our communities to thrive

Material topics

- Service impact
- Community impact

  Read more on our progress on **page 45**.



Planet

Priority – Transitioning our business to Net Zero

Material topics

- Carbon and climate
- Environmental protection including supporting nature
- Efficient use of resources

  Read more on our progress on **page 49**.



Enabling engagement activities

Sustainable third-party relationships | Sustainable procurement | Partnerships



Governance - Our Responsible Business foundations

We strive to act with integrity in all that we do. Everyone plays their part in complying with mycode (our Code of Conduct), policies and responsible business procedures - on everything from data privacy and information security, to ethics and integrity, human rights and the prevention of modern slavery.

Impact report continued

Our approach to materiality

In 2025 we refreshed our DMA, taking a more comprehensive approach to identifying and assessing impacts, risks and opportunities (IROs) in each high-level material topic.

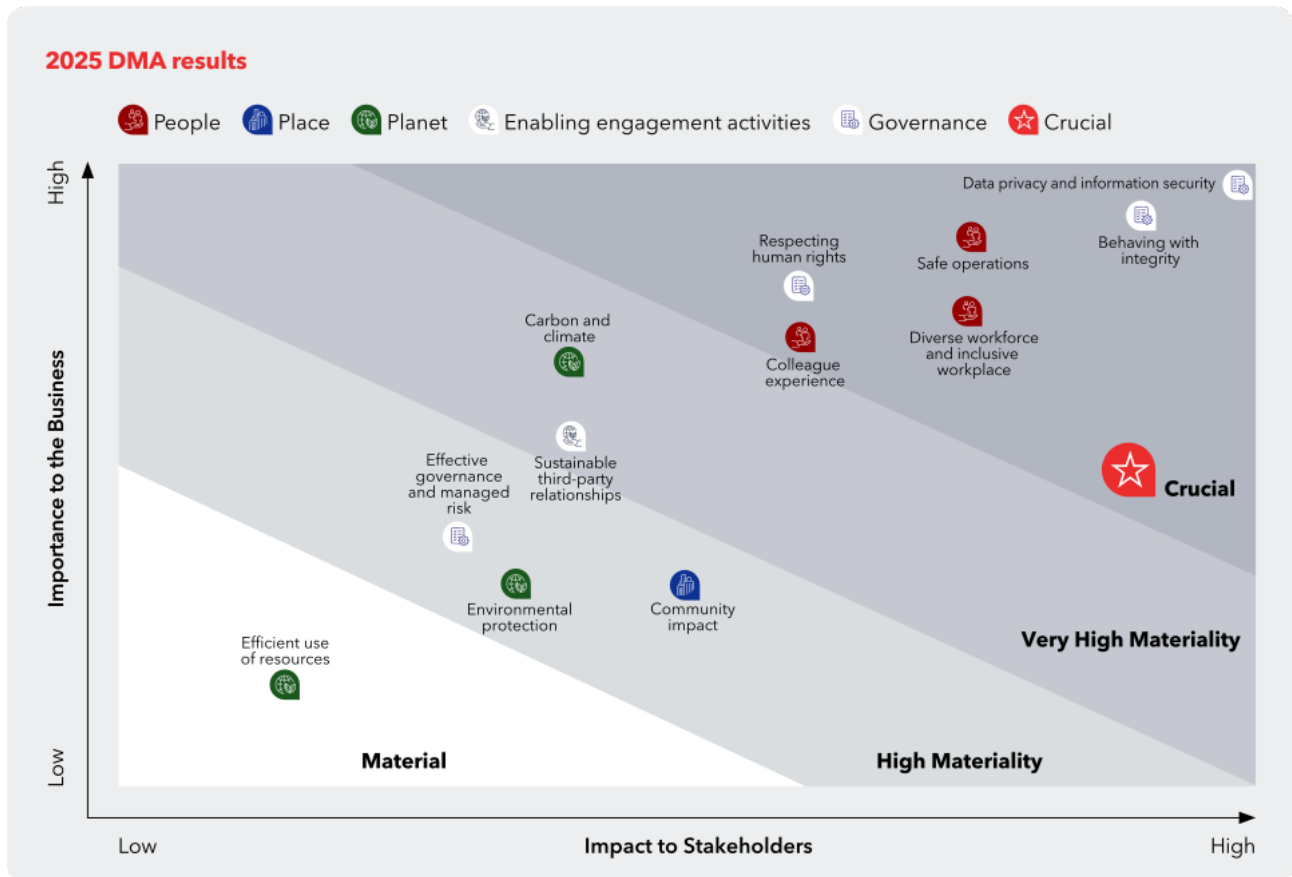
This approach provided a robust assessment of the materiality of each topic to prepare for compliance with the Corporate Sustainability Reporting Directive (CSRD), expected to come into force for Serco for financial year 2028.

The review of our DMA took a data-driven approach in partnership with Datamaran. Their platform was utilised to assess the financial and impact materiality of a long list of sustainability topics based on their association with regulatory requirements, voluntary frameworks and publicly available information related to Serco’s sectors, countries of operation, supply chain and customers. The long list of topics assessed as most significant were reviewed and consolidated into a short list of material topics which inform our ESG Framework

IROs within each topic were identified, reviewed and assessed by Group and regional SMEs, with the results used to inform the materiality scores for each topic.

The results were cross-checked against our principal risks to ensure that there were no material gaps, and that there was completeness and consistency, before being validated by the ExCo and Corporate Responsibility Committee.

We continue to engage with our shareholders, colleagues, customers, suppliers and partners, communities and societies. This ensures our ESG priorities support continual improvement of our responsible business foundations. This drives our key priorities of Growth, Competitiveness and Operational Excellence in line with our strategy.

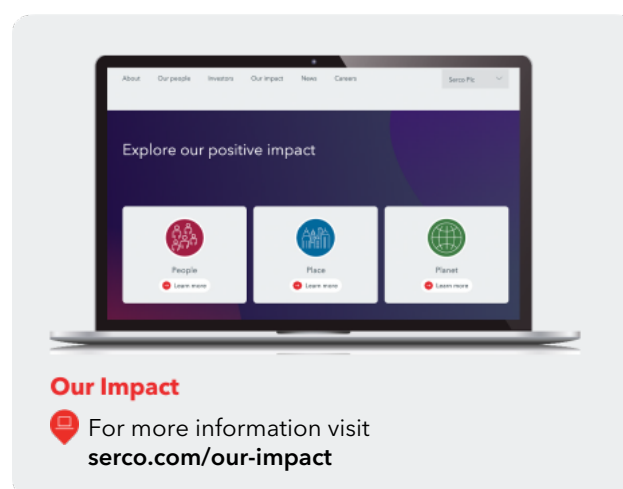


Impact report continued

Our approach to reporting

Our transparent and strategic approach to reporting is designed to provide stakeholders with clear insights and reflect our priorities, performance and ambition across all material areas of ESG. Our reporting and disclosures reflect regulatory requirements and external stakeholder expectations.

In 2025, having refreshed our DMA, we also reviewed and consolidated our ESG performance data points, reducing the number of items reported in both the performance tables in this report (see page 238) and our associated ESG Data Book, to focus on reporting requirements and material topics important for Serco and our stakeholders.



ESG ratings and sustainability indices

On an annual basis we participate in a select number of ESG rating questionnaires and sustainability indices. The table below outlines our latest scores. In 2025, we improved our ISS, EcoVadis and CDP scores.

ESG ratings/Sustainability indices	Scale	2025	2024	2023	Score change
MSCI*	AAA to CCC, AAA as a best possible score	A	A	BBB	➔
Sustainalytics*	0-100, 0 as a best possible score	18.4	18.4	21	➔
ISS ESG Corporate Rating*	A+ to D-, A+ as a best possible score	C+	C	C	⬆️
S&P Global CSA*	Ranking of companies, 100 as a best possible score	54	57	48	⬇️
FTSE Russell ESG Score**	0-5, 5 as a best possible score	4.5	4.5	4.1	➔
EcoVadis	0-100, 100 as a best possible score	65	60	-	⬆️
Workforce Disclosure Initiative**	Number of questions with a meaningful response expressed as a percentage, 100% as a best possible score	88%	88%	93%	➔
CDP	A-F, A as a best possible score	A	A-	B	⬆️

Score change key:

⬆️ Increase ⬇️ Decrease ➔ No change

The following ratings were sourced/updated on the specific dates below:

- * MSCI (3/12/25), Sustainalytics (23/12/25), ISS ESG corporate rating (9/12/25), S&P Global CSA (17/12/25).
- ** 2025 scores were not available in time for publication, and will be updated in future on the Impact section of our website.

Impact report continued



People

Building the capability and culture that enables performance

Across Serco's global operations, colleagues deliver vital public services in complex environments. Our performance and long-term growth depend on the strength, engagement and professionalism of our workforce. Our focus is on building and sustaining the skills, leadership and culture to meet the evolving expectations of customers, communities and markets, enabling colleagues to thrive.

In 2025, our People and Culture strategy continued to mature as a core enabler of Growth, Competitiveness and Operational Excellence. Its six pillars underpin our focus on developing the right skills, leadership and culture to drive long-term value for customers, communities and shareholders. Our Values of Trust, Care, Innovation and Pride define our culture and behaviour.

Our ability to grow depends not only on the scale of our operations, but on the quality, resilience and alignment of our people. That is why we have focused on improving the systems, leadership and capabilities that underpin workforce effectiveness, strengthening our foundations as an agile, productive and performance-driven organisation.

In recognition of these efforts, in 2025 Serco secured top prize as Britain's most admired company in its sector, was ranked among the top 1% of global leading employers, recognised among the UK's leading employers of veterans, and retained Tier 1 status in the CCLA Corporate Mental Health Benchmark for the fourth consecutive year. Together, these independent assessments reflect sustained progress in colleague experience, inclusion, wellbeing and leadership.

2025 Highlights

39%

reduction in Lost Time Incidents (LTIs) (versus 2023 baseline)

49%

reduction in Lost Working Days (LWDs) (versus 2023 baseline)

34%

women in global senior leadership

28.7%

reduction in voluntary attrition (versus 2023 baseline)

Impact report continued

The six pillars of our People and Culture strategy



The six pillars create a unified framework for achieving operational excellence, cultivating an inclusive and growth-oriented culture, enhancing our operational competitiveness.

With labour markets competitive and service requirements evolving, we are focusing on areas that drive most impact:

- strengthening recruitment;
- modernising performance systems and technology;

- supporting wellbeing and safety, and
- reinforcing the leadership behaviours needed for success.

Taken together, this integrated approach is helping Serco respond to changing customer needs, manage risk more effectively, and operate with greater efficiency and impact.

Strengthening talent to drive growth

Talent attraction, recruitment and retention

Highlights

~34k

interviews scheduled through automation (annualised)

13%

reduction in global recruitment headcount

28.7%

reduction in voluntary attrition over two years (from 26.1% to 18.6%)

~3,400

additional colleagues retained (annualised)

Our global recruitment teams have taken a decisive step forward, transforming how Serco attracts, recruits and retains the best talent in increasingly competitive labour markets through the accelerated global implementation of Phenom, a market-leading, AI-driven talent intelligence platform. Use of Phenom has supported recruitment's role as a strategic, data-led capability, delivering a consistent, high-quality experience for candidates and hiring leaders across the Group.

AI-enabled sourcing, screening and engagement capabilities are introducing automation at scale, supporting faster, more informed hiring decisions, reducing reliance on agency recruitment and improving early-tenure retention in critical roles. We have simplified our technology landscape, strengthened data quality and created a foundation for more sophisticated workforce planning.

Impact report continued

Strengthening talent to drive growth continued

These changes are evolving Serco's talent model, delivering measurable efficiency gains, improved retention outcomes and a materially enhanced ability to mobilise at pace, compete for new work and support sustainable, long-term growth. In 2025, we implemented Grow with Serco, a coherent, end-to-end framework to enhance how we develop and retain talent across the Group. It brings capability, leadership, performance and succession into a single, integrated model, aligned to our growth ambitions and the evolving needs of the business. By creating clear expectations, development pathways and progression opportunities, Grow with Serco strengthens organisational capability and supports consistent, sustainable performance.



Performance and talent development

Highlights

First cohort

participated in Rising Stars development programme

License to Lead

programme launched in UK & Europe, Asia Pacific and Middle East

35,000+

learning hours delivered through leadership development

23,000

objectives and 3,000 development goals recorded in the Talent Hub

Our focus this year has been on improving talent outcomes by embedding stronger systems, leadership expectations and performance standards. By enhancing alignment between individual contribution and business priorities, we are creating a more capable, resilient and performance-driven workforce, one that can scale effectively and compete in complex markets.

In 2025, the launch of a new Talent Hub provided a single global reference point for performance objectives, development plans and year-end reviews. With over 23,000 objectives and 3,000 development goals captured, the platform is supporting improved clarity and development planning.

We have strengthened leadership and succession through the continued roll-out of License to Lead (35,000+ learning hours) and Rising Stars for high-potential talent, alongside refreshed performance and reward frameworks aligned to outcomes, behaviours and long-term retention. These initiatives are building momentum and improving productivity across regions.

- Voluntary attrition has declined by 28.7% over the past two years, falling from 26.1% at the end of 2023 to 18.6% by the close of 2025.
- This improvement has resulted in the retention of more than 3,400 additional colleagues annually, reducing turnover-related disruption and strengthening continuity across our operations.

These gains reflect a sharper focus on hiring quality, onboarding, leadership expectations and colleague experience, contributing directly to greater workforce stability and productivity. By embedding a unified approach to performance, development and recruitment, we are reinforcing the talent infrastructure needed to support long-term growth and deliver sustained value for our customers and communities.

Impact report continued

Ensuring operational excellence through safe operations and resilience

In 2025, we continued to strengthen the link between workforce stability, safety and operational excellence, enabling us to scale reliably and deliver consistent, high-quality services across our global operations.

Operational excellence relies upon how effectively we manage risk, reinforce behavioural standards and support our people to deliver. That is why we have continued to invest in leadership, technology and capability-building to reduce incidents and strengthen our safety culture across all sectors and Divisions.

Safe operations

Highlights

39%

reduction in LTIs against 2023 baseline

49%

reduction in days lost to LTIs against 2023 baseline

Psychological Consequence LTI metric

launched internally to monitor psychosocial risks

As voluntary attrition has declined over two years, days lost to LTIs fell by 49%, from 14,341 to 7,324. These twin improvements are closely linked: more stable, better-equipped teams reduce avoidable risks and support safer, more consistent delivery of services for our customers.

We continue to develop our understanding of risk indicators and trends through improved use of data and reporting. This has enabled us to focus on proactive mitigation in high-risk settings within which we operate.

- In Justice & Immigration, we have expanded use of body-worn cameras and rigid handcuffs and refreshed prevention training for colleagues.
- Digital monitoring and technology-enabled risk management systems support earlier risk identification and faster intervention, helping protect colleagues and service users.
- In North America, Samba Safety telematics provides real-time visibility of driving risks.
- In the UK, additional vehicle safety lighting was introduced in Environmental Services fleets to improve frontline protection in dynamic operating conditions.
- In 2025, we launched a new 'Psychological Consequence LTI' metric internally to monitor psychosocial risks in our operations with the same forensic rigour as physical risks.

Following a Group-wide competence review, we launched new multi-level safety leadership training within our License to Lead programme. This focuses on ownership, accountability and culture, reinforcing safety as a leadership priority.

Our cultural commitment to safety is also reinforced through organisation-wide awareness campaigns. Our Zero Harm vision, supported by Zero Harm Week, World Safety at Work Day and Divisional safety campaigns, supports visibility, reflection and behavioural engagement. This year, we were again recognised in the UK at the 2025 Royal Society for the Prevention of Accidents (RoSPA) Awards and by the Purpose Coalition for our safety leadership in high-risk frontline roles.

Impact report continued

Ensuring operational excellence through safe operations and resilience continued

Wellbeing

Highlights

ISO 45003

certified in multiple frontline environments

Maintained Tier 1 status

in CCLA Corporate Mental Health Benchmark for fourth consecutive year

Reflective rounds and trauma-informed support

piloted in high-impact roles

Our colleagues regularly navigate tough and complex challenges in their work. Safeguarding them and those they serve, along with the families who depend on both, is a responsibility we take seriously.

We define 'wellbeing' as having strong relationships - inside and outside of work - providing colleagues with good work that is interesting and for which they are rewarded appropriately, and an environment where we promote physical and psychological good health and provide early intervention and proactive support.

In 2025, we have continued work to achieve ISO 45003 accreditation for robust management of psychosocial risks in the workplace, with certification now held for specific contracts in the UK and preparation under way for contracts in the Middle East. This follows the accreditation of Serco's operations at HMP Ashfield in 2024 - the first prison to achieve this recognition. We have since achieved certification in our UK asylum (AASC) and immigration (Yarls Wood) settings. Our staff support services, including the 'Trauma Support Pathway' and a trauma risk management approach across our UK Justice & Immigration business, has demonstrated impact for colleagues in reducing absence.

We continue to prioritise the mental health of our colleagues, retaining our Tier 1 ranking in the CCLA Corporate Mental Health Benchmark, an independent assessment of how listed companies approach and manage workplace mental health. We are one of only two participating employers in the CCLA UK100 to retain this ranking for a fourth consecutive year.

Wellbeing support includes regional wellbeing programmes and employee assistance programmes, alongside peer support networks such as our Divisional wellbeing ally networks. Regular awareness campaigns including the 'make it personal' campaign highlight the training and support available to colleagues.

This year, to strengthen manager capability to support colleague mental health, we have redesigned our psychological health and safety training. We have also introduced a bespoke License to Lead training module on leading for wellbeing and psychological first aid.



Impact report continued

Fostering a diverse workforce and inclusive workplace



In 2025, we deepened our focus on building a culture where colleagues feel safe, supported and able to thrive. Our global colleague networks support colleagues to connect, have a voice and feel part of a community.

As a people-intensive business operating in complex environments, our ability to attract, retain and support colleagues depends on how effectively we care for their physical, mental and emotional health, and the sense of belonging they feel to our teams and organisation.

Diverse workforce and inclusive workplace

Highlights

Inclusion Forum

launched in UK & Europe to shape priorities and engagement

Guaranteed

interview* pathways for veterans, people with disabilities and those with prior convictions who meet the minimum requirements for the job

First cohorts

completed Empower* (women's progression) development programme

We enable progression and opportunity across our diverse workforce through fair, consistent and transparent processes grounded in capability, performance and potential. This approach supports our strategic priorities, reflects our Values, and operates within the regulatory environments in which we work.

In 2025, we launched a new inclusion forum for colleagues, managers and leaders in UK & Europe, meeting with ESG colleagues four times a year. This brings strategic focus to our inclusion work, including development of communication with all colleagues and the Belonging module within License to Lead.

We continued to improve access to structured development opportunities through initiatives such as Grow With Serco, Empower* for women, and Ignite* for black and black identifying colleagues.

These programmes support fairer progression and greater visibility of talent across under-represented groups.

Alongside our global frameworks, we take a regionally tailored approach to social mobility, recognising that barriers to opportunity vary significantly across our markets. This includes:

- dedicated pathways to support veterans globally;
- inclusive employment opportunities for colleagues with disabilities;
- programmes supporting Indigenous and First Nations communities in Canada and parts of Asia Pacific; and
- nationalisation initiatives across the Middle East.

For example, Serco's First Nations Maritime Traineeship Programme, established in partnership with First Nations communities, creates culturally informed pathways into the maritime sector. The programme continued to strengthen in 2025. The first participants successfully completed the traineeship and progressed to roles in our Defence Marine Support Services team, supporting increased participation, skills development and long-term opportunity.

Across the Group, we maintain focus on the representation of women in global senior leadership, currently 34% in 2025, while ensuring senior appointments are made on capability through fair and equitable processes. At Board-level, we exceed the Parker Review target, with two minority ethnic Board members.

Serco has been a member of Inclusive Employers in the UK since 2017, supporting the development of our inclusive employment policies and practices.

To support our commitment to inclusive recruitment, hiring managers complete unconscious bias and inclusive recruitment training. We offer guaranteed interviews* for veterans and reservists and candidates with disabilities, who meet the minimum requirement for the job they apply to.

Our structured approach to training and learning supports colleagues to build the skills and opportunities for development and progression. We hold 5% Club Gold, reflecting the goal to have 5% of the workforce in earn and learn positions (apprenticeships, graduate training, or sponsored placements) within five years of joining the 5% Club.

* Excludes North America.

For more information visit serco.com/our-people.

Impact report continued

Colleague experience



Colleague experience is a core driver of performance. Clear structures and processes enable us to listen, learn and act decisively on what matters most to our colleagues.

Highlights

71 points

Viewpoint
engagement
survey score

**Global
launch**

of Grow with Serco

Recognition

through our annual Impact Awards,
with 967 colleague nominations in 2025

Our annual Viewpoint survey, conducted in November 2025, captures colleague feedback on engagement and belonging across Serco and informs our ongoing priorities.

This year, the survey reported an engagement score of 71, reflecting a stable overall position. While there were movements across individual drivers and population groups, these effects broadly offset at an aggregate level, resulting in an outcome that remains within normal year-on-year variation.

Throughout the year, we have acted on feedback from the 2024 Viewpoint survey through targeted regional commitments, locally owned action plans, and continued investment in global solutions. This included:

- Global launch of Grow with Serco in 2025. Serco's commitment to growth, inviting colleagues to take charge of their development while building a stronger, more future-ready Serco. This programme included our Talent Hub, Serco Standards, License to Lead and License to Learn products.
- In Asia Pacific, more than 1,100 colleagues attended sessions during a week-long Learning & Careers Festival on topics including creating a caring culture, belonging behaviours and psychological safety.

- In 2025, we commenced the implementation of the Beekeeper Colleague Connection platform. This mobile-first tool will enable consistent communication, feedback, recognition and resource access for all colleagues, including those in frontline or remote roles. The roll-out of Beekeeper in 2026 will strengthen connection, visibility and belonging across our global workforce.
- A career week for colleagues in the Middle East featuring six interactive sessions aligned to the Serco Standards, complemented by Grow with Serco roadshows held across the Kingdom of Saudi Arabia and the United Arab Emirates. These activities were followed by a series of 'You Said, We Did' panel sessions ensuring colleagues understood the tangible progress made as a direct result of their feedback.
- The introduction of a new targeted support approach for local engagement, partnering central teams with specific contract teams selected based on the scale of workforce or need for additional support.

In 2025, the colleague engagement score for psychological safety increased by four points, showing that colleagues feel confident in their ability to speak up, share their concerns and contribute openly. This is supported by our commitment to meaningful, active colleague listening. Employee Voice remains a specific focus at Board level, with oversight supported through a dedicated Colleague Connection role that ensures colleague insight is heard directly and consistently within Board discussions. To deepen our understanding of colleagues' experiences of psychological safety, this year we partnered with Sheffield University in the UK to explore leading approaches to psychological safety and trauma risk. This collaboration supports a working group now trialling interventions such as reflective rounds and enhanced trauma support pathways in high-risk settings.

We are committed to recognising the exceptional contributions our people make to our customers, service users, and organisation. Our annual Impact Awards continue to strengthen colleague experience, celebrating the individuals and teams who embody our Values of Trust, Care, Innovation and Pride. In 2025 we received 967 nominations across our four Divisions. Together, these actions are shaping a culture where colleagues feel safer, more connected and better supported to grow.

Impact report continued

Looking ahead: Embedding and scaling what works

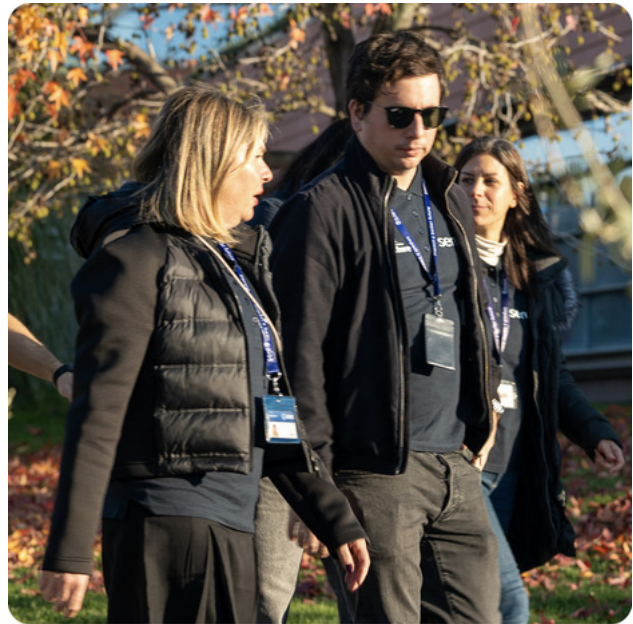
In 2025, we made meaningful progress in building a stronger, more capable and performance-focused organisation.

Our efforts to improve workforce stability, strengthen leadership, modernise recruitment and deepen wellbeing and inclusion have delivered tangible outcomes that support safer operations, stronger engagement and more consistent delivery for our customers.

As we look ahead, our focus is on embedding what works and scaling it consistently across the Group. Growth at Serco is about delivering with clarity, resilience and care, no matter the setting. That means continuing to build the leadership, systems and culture required to operate safely and effectively at scale.

In 2026, key priorities include to:

- Drive incremental improvements in safety performance and retention outcomes, building on recent progress through consistent standards, leadership capability and sustained focus on colleague wellbeing.
- Continue to evolve world-class recruitment capabilities, supporting existing and new clients by anticipating talent challenges, mobilising at pace and applying data-led, AI-enabled solutions across diverse labour markets.
- Mature our performance and development infrastructure, with greater focus on quality of objective-setting, behavioural reinforcement and career planning to support long-term capability growth.
- Scale psychological safety and wellbeing, using our new internal metrics including the new 'psychological consequence LTI' metric to focus on areas of greatest need, expand ISO 45003 certification and pilot targeted interventions in high-impact roles and sectors.
- Strengthen development pathways, applying insights from programmes such as Empower, Ignite and Rising Stars to help illuminate career opportunities, support progression and ensure development is visible and accessible across our workforce.



- Continue to uphold inclusive access to opportunity through responsible hiring practices. This includes guaranteed interview* schemes for veterans, individuals with disabilities and those with criminal convictions (for those who meet the minimum criteria for the role they apply for), alongside expanded partnerships, such as our collaboration with Offploy CIC in the UK, to support the recruitment, integration and retention of people with lived experience of the justice system.
- Continue to link culture to delivery, ensuring our Values, behavioural standards and leadership expectations are embedded in how we operate, lead and grow, particularly in complex and people-intensive environments.

By embedding these foundations, we are strengthening our capacity to deliver, and reinforcing the culture, commitment and leadership that define Serco at its best. Our People and Culture strategy remains central to our competitiveness and our ability to grow responsibly, sustainably and with impact.

* Excludes North America.

Impact report continued



Place

Helping our communities to thrive

We care passionately about the people we support through our services and are proud of the positive difference we make in the places where we work.

Our customers trust us to deliver essential public services that have positive social impact and our people strive to ensure the best outcomes. Beyond delivering these services, by employing local people, developing skills for work and working with local suppliers, we strive to make a positive impact in local communities.

We actively support and promote a culture of delivering and giving for positive outcomes. In 2025, we reviewed and simplified our community investment approach, seeking to increase charity and community partnerships and enhance the positive impact of our services with specific focus on people with criminal records, veterans and military families, and Indigenous communities.

In light of our review, and in closer alignment with our sector peers, we have shifted away from our previously announced 2026 community investment ambition. Our commitment to support the communities where we operate remains strong. Our evolution to a people-centred approach, focusing on volunteering our time, skills, expertise and on creating opportunities, ensures we continue to make a positive difference in the communities in which we operate.

2025 Highlights

£315k

community investment

9,802

volunteering hours

£550k

donated by the Serco People Fund charity

£622k

donated to charities through the Serco Foundation charity



Impact report continued

Service impact

Delivering positive social outcomes through our operations.

Our customers rely on us to meet the needs of the diverse communities we operate in, enhancing lives and strengthening society. Some of these communities are local, while others are shaped by specific social challenges. We provide people-focused services that respond to unique needs, improve the experience of service users, and maximise positive outcomes.

1

Prisoner rehabilitation

2

Employability support

3

Veteran and Indigenous communities

1. Prisoner rehabilitation

In the Justice business, we help governments and those we care for achieve their best outcomes with our extensive experience, use of innovative technology, specialist partnerships and a rehabilitative approach to offender management. In the UK:

- Our 63 in-house psychologists support over 5,000 prisoners to positively change their behaviour through evidence-based interventions tailored to each prisoner's needs. We also train prison staff in psychological techniques so that they can contribute to efforts to reduce the risk of reoffending.
- At HMP Dovegate, reoffending rates have dropped by 50% among prisoners who complete Therapeutic Community treatment. Serco psychologists are finding new ways to create a culture of rehabilitation in prisons.
- At HMP Doncaster, an impactful study explored how animal-assisted therapy improves prisoners' physical and mental wellbeing.
- In collaboration with Key4Life, prisoners at HMP Fosse Way and HMP Thameside receive holistic rehabilitation support.
- We partner with employability organisations to help prisoners develop employment skills and secure work after release. Through our partnership with Combat 2 Coffee, prisoners take part in certified barista training, and a partnership with the National Association of Air Duct Specialists UK is helping prisoners develop facilities management skills.

2. Employability support

We deliver government employability programmes and our colleagues are passionate about supporting people to upskill and find their way to sustainable employment.

In the UK:

- The Restart Scheme, delivered on behalf of the Department of Work and Pensions, tackles barriers to employment and supports individuals to find secure work in their local area.
- Serco Pathways - our dedicated programme co-produced with people with lived experience of the criminal justice system - supports individuals facing barriers, including those with criminal records, military veterans and families, to source and sustain meaningful employment opportunities. Serco Pathways supports people with criminal records in partnership with Offploy CIC. Following the success of the 2025 pilot that enabled 25 people into employment at Serco, in 2026 our ambition is to support 120 people facing barriers into employment at Serco.

In Ontario, Canada, we deliver EmployNext, an employment services programme supporting job seekers. In 2025, of the people our colleagues at EmployNext supported, 37% were persons with disabilities and 7% were Indigenous persons. EmployNext works with jobseekers to develop skills, connect with local employers and address disadvantaged community access barriers, connecting those with complex needs to support. For employer partners, EmployNext provides tools for inclusive hire, including the Disability Confident Toolkit and Fair Chance Toolkit.

3. Veteran and Indigenous communities

We are proud to support veteran communities through employment, partnership and sponsorship, recognising the value of their service and the challenges that they can face. Our SercoVets network provides colleagues with transition support, professional development, mentoring and networking opportunities in North America and Asia Pacific.

In the US, we secured the gold award as a military friendly employer and spouse employer. We partner with the Department of War's SkillBridge programme to provide opportunities for transitioning US service members to gain civilian work experience through industry training, apprenticeships or internships during the last 180 days of service.

Impact report continued

In 2025, we were ranked third in the Great British Employers of Veterans programme, and first in our sector. This is a leading benchmark of employers delivering outstanding pathways and support for veterans, reservist and military families.

In Australia, Serco is proud to be recognised as a Veteran Employer of Choice and a gold member of the Defence Reserves Supportive Employer programme. In New Zealand, Serco sponsors the Soldiers, Sailors and Airmen Association of New Zealand (SSAANZ) which provides advocacy, support and community connection for current and former members of the New Zealand Defence Force.

We are committed to supporting Indigenous reconciliation movements in Australia and Canada, helping governments to address inequality and build stronger relationships with all community members.

In 2025, we submitted an updated Reconciliation Action Plan to Reconciliation Australia. Its 'Stretch' status indicates "a very strong approach towards advancing reconciliation internally and within the organisation's sphere of influence". Of the 91 projects outlined in the plan, 78% have been completed, reflecting Serco's sustained commitment to reconciliation, meaningful engagement with First Nations communities, and embedding cultural respect across its operations.

Serco's commitment to First Nations engagement includes:

- the Tactical Elders Programme in Acacia Prison which empowers Elders through culturally appropriate rehabilitation pathways; and
- the Colour Chromotherapy Project at Adelaide Remand Centre which explores therapeutic use of colour in correctional environments to promote wellbeing and cultural connection.

Serco has been invited to present on both these innovative programmes at prisons and health conferences in Australia.

Measuring the social value in our UK operations

In line with the UK Government's social value model, we use the Social Value Portal and the National Themes and Outcomes Measures (TOMs) system to monitor, measure and report our impact in the UK. The portal uses a collection of 116 measures, configurable to support our government customers in achieving their impact objectives. In 2025, we have recorded £44m added value (proxy value).

Following the UK Procurement Act 2023 coming into force in February 2025 and the emphasis on social value in public sector procurement, we reviewed the TOMs we report against and updated proxy values for key metrics including employment of people from under-represented groups and community investment through volunteering and in-kind support.

In 2025, we increased the number of UK contracts recording social value using the Social Value Portal to 30% of UK operational contracts. For 2026, our ambition is to extend the use of the Social Value Portal to record corporate impact delivery and to recognise the social value we are achieving through our supply chain.

To ensure our activities deliver social outcomes specific to the communities in which we work, we have adopted the Local Needs Analysis Tool this year. This enables teams to design social value plans and analyse opportunities for impact within contracts in local areas.

In October 2025, Serco was recognised at the Social Value Awards as 'highly commended' for 'Private Sector Leadership' and 'Accountability and Reporting'.

£44m

proxy social value delivered
in the UK, calculated using
The Social Value TOM system

Impact report continued

Community impact

Delivering for our communities.

Serco operates over 650 contracts in communities across the geographies in which we operate, employing colleagues from the local community. As a local employer we recognise that our colleagues represent, and are passionate about contributing to, their local communities. Across our diverse teams and operations, we take an active role in initiatives and partnerships that make a positive impact, while supporting and sponsoring causes that reflect our Values.

Contributing to our communities through volunteering

We support our colleagues to volunteer their time and skills in their communities. This year, 9,802 hours have been given in volunteering time with an estimated value of over £200,000.

In 2025, we invited UK colleagues to tell us about their volunteering efforts, so that we could recognise and reward their contributions to community investment through donations to the charities they volunteered with. Aligning with International Volunteering Day, we selected 10 entries to receive a £500 donation each, supporting a variety of good causes.

These included nationally recognisable charities such as the RAF Benevolent Fund as well as key impact partner organisations such as Key4Life.

Other examples of our actions in 2025 include:

- In the UK, we supported child literacy through our partnership with Chapter One and the Children's Book Project, tackling book poverty and giving every child the opportunity to own their own book. Through collection campaigns at leisure sites and corporate centres, and funding the insurance costs of the charity's fleet of vans for 2025, we have supported the distribution of books to schools.
- Colleagues at our UK prisons and immigration centres collected crisp packets and transformed them into blankets for homeless people. At HMP Ashfield, colleagues distributed the blankets with Bristol Outreach Services for the Homeless.
- In North America, the SercoVets colleague network collected toys for the Marine Corps Toys for Tots Foundation.

In 2026, we will continue to collaborate with community and charitable organisations where we can contribute a positive impact in our communities.

Serco People Fund

The Serco People Fund is an independent charity providing grants to current and retired Serco colleagues and their families when they face extraordinary financial challenges. In 2025, the People Fund has made a remarkable impact, including:

- over £550k of grant funding;
- over 340 colleagues and their families supported through tough times; and
- over 30 colleagues supported with their mental health.

Example grants provided in 2025

A colleague in the Middle East gained support to help cover medical costs for their newborn baby who required immediate surgery.

A colleague in the UK was granted a deposit and first month's rent on a new house to help them and their two children escape an abusive situation.

serco FOUNDATION

The Serco Foundation is a charitable trust working to support vulnerable citizens and enhance public service outcomes by sponsoring associated causes internationally. Applications are sponsored by a Serco colleague and include opportunities for colleagues to become involved through practical volunteering, sharing skills and expertise, use of Serco assets and more.

Example support provided in 2025

Support has helped ongoing partnerships with organisations aligned to priority impact areas including SSAFA (the UK armed forces charity), supporting veterans in the criminal justice system, Standing Tall, tackling homelessness, and Envision, promoting social mobility for under-represented young people. Support for other key priorities included:

- Local community - £214k
- Schools, education and young people - £183k
- Domestic abuse support - £74k
- Employment support - £59k

Impact report continued



Planet

Transitioning our business to Net Zero

The climate, nature and wider environmental challenges present both risks and opportunities for our business.

We are committed to proactively addressing these by reducing greenhouse gas (GHG) emissions across our direct operations and wider value chain. We also address our wider climate risks and opportunities (see our Task Force on Climate-related Financial Disclosures (TCFD) statement on page 60) and embed resource efficiency, while maintaining broader environmental protection across our operations. Our approach aligns with our Values and Purpose, supporting our compliance obligations, Growth ambitions, Competitiveness, and commitment to Operational Excellence.

We collaborate with suppliers, customers, and stakeholders to advance shared Net Zero goals. We continue to deliver GHG reductions and deliver a range of services to governments worldwide which support customer environmental sustainability goals.



2025 Highlights

A List

CDP climate change questionnaire 2025 and for supplier engagement in 2024

Supplier Net Zero Standard

launched in 2025 to further support our suppliers' decarbonisation journeys

Net Zero Action Plan

implemented in our UK & Europe Division



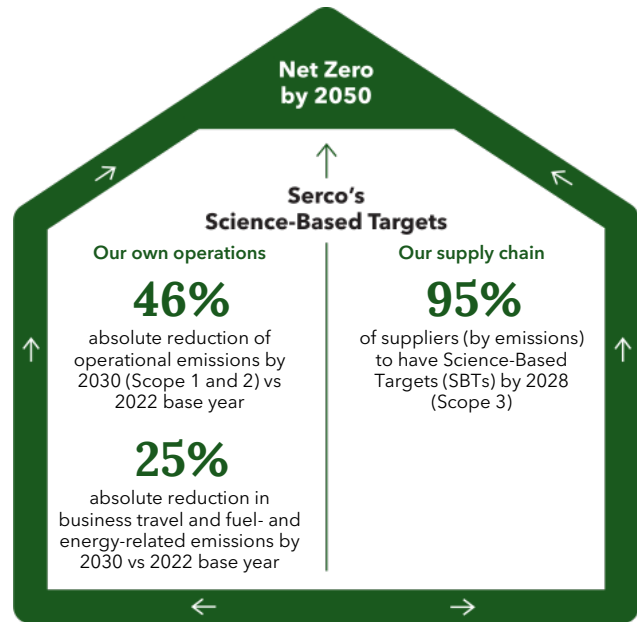
Impact report continued

Carbon and climate

Our Net Zero targets were validated by the Science Based Targets initiative (SBTi) in 2024 and we continue to strive toward achieving them.

During 2025, our strategic Climate Transition Plan (CTP) was reviewed internally and decarbonisation modelling work was undertaken through external support. Associated operational Net Zero action planning was also progressed, laying out a structured, multi-year approach with the aim of achieving Net Zero by 2050.

We are reliant on external factors that we do not directly control to meet our targets, including dependencies on government policy and regulation, technology developments, supply chain availability, customer policy and investment. Proactive collaboration with stakeholders remains a key element of our approach to support the transition to Net Zero.



For the full text of our approved targets, visit serco.com/our-impact/performance.

Supporting our customers to reach Net Zero

We operate primarily on our customers' sites and assets, supporting their Net Zero targets through a diverse range of services that support the transition to a low-carbon economy. These services include facilities, energy and waste management; specialist design, engineering, maintenance, and modernisation of assets; and intelligent transport systems and analytics to help design and operate efficient transport services. Across all of our operations we are committed to delivering operational excellence, supporting our customers' decarbonisation and wider environmental protection efforts. For example, in 2025:

- Our UK Leisure business has supported the installation of photovoltaic arrays at leisure centres.
- We developed a single shipping action plan in the UK for our Defence and NorthLink ferries contracts, including decarbonisation options for new vessel design and low-carbon fuels where practicable. We are reliant on customer support, funding and demand to progress these actions.
- In Australia, we supported Fiona Stanley Hospital to become the first hospital in the state to achieve a national rating for sustainability performance, recognising efficient energy, water and waste management.

We also deliver operational transformation and advisory services. Launched in 2024, +impact supports government, critical national infrastructure and regulated business. In 2025, we secured access to a number of key frameworks (under Serco Limited) across our global operating markets. Our sustainability team supports customers to develop strategic plans, create sustainability targets, and implementation roadmaps to achieve their ambitions.

In 2025, Climatize, part of +impact, reaffirmed its role as a sustainability leader in the Middle East region achieving recognition through external awards, including 'Sustainable Consultant of the Year' at the regional Green Building Awards.

A Climatize-supported project also achieved the region's highest level of green building certification. The DAMAC Hills 1 community project achieved Leadership in Energy and Environmental Design (LEED) Gold certification - the first operational development in the region to reach this milestone.

Further detail is available on the dedicated **+impact website**. For wider information on our ESG-related external awards, case studies and support to customers visit serco.com/our-impact.

Impact report continued

Our operational emissions

In our direct operations, we prioritise the avoidance and reduction of GHGs through resource efficient operations, the use of renewable energy, and we strive to decarbonise our fleet, buildings and client assets. Our UK & Europe Division, accounting for the largest share of Serco's operational emissions, implemented a comprehensive Net Zero Action Plan (NZAP) in 2025 to accelerate progress toward Net Zero by 2050 or sooner. Actions were delivered across fleet, buildings, shipping, people and culture, and supply chain. The Division also introduced the "Together to Zero" framework to strengthen collaboration with customers, partners and suppliers. The NZAP was shortlisted for a 'Net-Zero strategy of the year' industry award in 2025, and work is planned for 2026 to assess how elements of this approach can be replicated across other Divisions to support the Group's wider decarbonisation programme.

Target:

46%

absolute reduction of operational emissions by 2030 (Scope 1 and 2) vs 2022 base year.

Progress:

32%

reduction in 2025 vs 2022.
3% improvement vs restated 2024 emissions (29% reduction vs 2022).



Lower emissions fleet and fuels

In 2025, fleet emissions accounted for 90% of our overall Scope 1 and 2 emissions.
Our road fleet composition 2022 vs 2025:

Petrol: **20% to 17%** Diesel: **55% to 44%** Hybrid: **18% to 26%** Electric: **7% to 13%**

2025 performance

- In UK & Europe, we began implementation of a Fleet Decarbonisation Strategy, supported by telematics data.
- In North America, we have continued to expand the use of telematics across our fleet, gaining more accuracy on fuel use, particularly in our safety service patrol contracts.
- In Asia Pacific, we completed our planned upgrade of a proportion of our vehicles within our largest contract fleet to more efficient vehicles.

2026 priorities

- In UK & Europe we will continue to transition to electric vehicles as much as practicable towards our 2030 target, noting challenges on the availability and cost for heavy goods vehicles.
- In North America we will review fleet management systems, data and processes, updating estimated data with telematics data.
- In Asia Pacific we will trial operational changes to reduce vehicle movements and carbon in our largest contract fleet.



Renewable-sourced electricity (RSE)

- We have continued to be 100% reliant on RSE globally in 2025.



Decarbonising the built environment

- New Energy Management System procured to support efficiency savings across our UK sites.
- In UK & Europe, we reviewed our green leasing approach and standard operating procedure (SOP) to support acquiring low-impact buildings and Net Zero-aligned initial fit-outs.
- In the UK, we will embed a new Energy Management System across key Serco and customer sites and introduce our new green leasing approach and SOP.
- We will continue to be 100% reliant on RSE globally in 2026.

Target:

25%

absolute reduction in business travel emissions by 2030 vs 2022 base year.

Progress:

21%

reduction in 2025 vs 2022.



Reducing business travel

- We launched our first Group-wide travel and expenses policy, supporting carbon and cost reductions.
- Our travel booking interface was updated to provide more transparency on the carbon impact of colleague travel choices.
- Significant changes to carbon emission factors in 2025 helped to deliver reductions.
- We restated North America business travel emissions using an updated, more transparent methodology, reviewed by Accenture.
- In appropriate regions we will review our car hire policy to select electric vehicles when practicable.
- Globally we will continue to review further opportunities to influence colleague travel choices through awareness and our travel booking interface.
- We will continue to monitor compliance with our travel and expenses policy, noting first and business class flights contribute a significant proportion of our overall business travel emissions. Our new policy clarifies economy is the expected air travel class unless certain criteria are met.

Impact report continued

Decarbonising our supply chain

Our supply chain accounts for the largest proportion of our overall GHG emissions at 59%.

We continue to collaborate with our supply chain to address these emissions, supporting Serco and customer climate targets. In 2025, we launched our Net Zero Standard to engage and encourage our supply chain partners' transition to Net Zero. We initially targeted our top 250 suppliers prioritised by emissions, however we encourage all suppliers to embrace the principles and practices outlined in our Net Zero Standard.

As of 31 December 2025, 10% of our suppliers (by emissions) have committed to or have had science-aligned targets validated by the SBTi, a decrease against 15% in 2024. Achieving our target of 95% remains challenging, noting that only around 12,000 companies worldwide were SBTi-committed or validated in 2025 (circa 4,000 of our circa 19,000 suppliers accounted for 95% of our emissions in 2025). SBTi have noted challenges faced by organisations in meeting supplier engagement targets and the revision to their target setting framework in 2026 is anticipated to include a focus on relevance and influence rather than percentage thresholds.

Customer policy on Net Zero across our operating Divisions remains a factor in our success in meeting our target given the emissions profile of our supply chain.

A large proportion of our supply chain emissions are generated in our North American operations and we acknowledge the policy environment represents a barrier to our US-based supply chain partners committing to Net Zero and setting targets. In 2025, we:

- were recognised on CDP's A List for supplier engagement on climate change; and
- established a new partnership with Green Project Technologies, a leading supply chain technology platform supporting the measurement of Scope 3 supply chain emissions and scalable supplier engagement.

In 2026, we will:

- continue supplier engagement campaigns, providing the tools and signposting information, such as a supplier carbon calculator, to support our suppliers' decarbonisation efforts in appropriate regions;
- explore the introduction of climate-related clauses within key supplier contracts in appropriate regions;
- engage SBTi on forthcoming changes to their target setting framework and when we could transition; and
- monitor changes to the Greenhouse Gas Protocol corporate accounting and reporting standard.

The latter two industry-wide changes may affect our future carbon accounting approach and potentially trigger a review of all our Net Zero targets in the near term.

Our Net Zero Standard

The Ask

Net Zero by 2050 or sooner

Public Net Zero Commitment by 2050

A clear, public commitment from our suppliers to achieve Net Zero emissions across their value chain by 2050 or earlier.

Calculated and published emissions

Comprehensive Carbon Accounting

Clear measurement and transparent disclosure of our suppliers' carbon footprint. Potential methods include:

- CDP's climate questionnaire
- External reports
- Company website

Science-aligned targets

Validated Reduction Pathways

Suppliers to set science-aligned targets across their Scope 1-3 emissions which are in line with limiting global warming to 1.5°C.

Compliance with Serco's Supplier Code of Conduct

Impact report continued

Environmental protection and supporting nature

We recognise that our environmental sustainability strategy must take biodiversity and the natural environment into consideration alongside emissions reduction.

We have management systems and procedures in place to support protection of the environment, prevent pollution, increase resource efficiency, reduce waste to landfill and contribute to the circular economy.

Assessing our nature risks, opportunities, impacts (ROIs) and dependencies

We continue to progress our understanding of our ROIs and dependencies on nature and biodiversity. In 2025, we have expanded our preliminary analysis while continuing to monitor emerging good practice, helping to meet our environmental protection commitment, regional specific customer expectations, and future reporting requirements.

We remain members of the Taskforce on Nature-related Financial Disclosures (TNFD) Forum, an initiative supporting organisations to develop a robust approach to mitigating and managing nature impacts and dependencies, risks and opportunities on the journey to Net Zero.



Supporting our customers at local and global level

We continue to progress local initiatives to deliver impact at contract level. For example, where we hold grounds maintenance responsibilities we strive to integrate nature positive initiatives. Our contract at the UK Defence Academy has wildflower planting, bee hives, a market garden servicing on-site catering, and food waste composting to support resource efficiency efforts. Food waste reduction remains an ongoing focus for our contracts which include catering services.

Some of the services we deliver for government customers help to facilitate critical scientific monitoring and protection. For example, our European Space business continues to support the European Space Agency on contracts which underpin Earth Observation and contribute to global science on climate and nature. In Asia Pacific our support to the Australian Antarctic Program through the operation of the research and supply vessel, RSV Nuyina, facilitates climate and biodiversity studies. In 2025, the RSV Nuyina successfully completed a dedicated marine science voyage to the Denman Glacier, one of the world's largest, least-studied glaciers, with the potential to raise sea levels by 1.5m if it melts entirely.

Working with partners on nature

We continue to support and volunteer with environmental organisations. In 2025, we started working with Forests with Impact at our HMP Fosse Way contract in the UK to establish a tree nursery. Forests with Impact is a UK social enterprise that creates commercial tree nurseries inside prisons to support prisoner rehabilitation, nature restoration, and help address climate change.



Deepening society's understanding of climate change and nature's role

Serco plays an integral role in the European Space Agency's Biomass mission. This state-of-the-art satellite initiative is dedicated to deepening society's understanding of climate change and nature's role in regulating the Earth's climate. Serco is now responsible for the daily operation of the satellite's ground data systems, managing and processing all information collected from space.

The focus of the Biomass satellite is on monitoring forests worldwide. Using advanced radar technology, the satellite measures the amount of biomass – such as trees and other vegetation – present on the planet. The resulting data is supporting scientists to understand how forests store carbon and how fluctuations in forest health can impact the global climate.

Impact report continued



Sustainable procurement

Responsible sourcing for people, place and planet

Our Sustainable Procurement Charter sets our ambition to work collaboratively with our supply chain.

Our Supplier Code of Conduct outlines our global expectations of suppliers. In 2025, we have been reviewing our charter to consider our revised ESG Framework, Net Zero Standard (see Planet section page 49), latest industry good practice, and regional ESG priorities. We expect to publish our refreshed Sustainable Procurement Charter and revised Supplier Code of Conduct together in 2026, linking the two together as appropriate.

Supplier diversity

We are working to maximise service and community impact by diversifying our supply chain to include small and medium-sized enterprises (SMEs) and voluntary, community and social enterprises (VCSEs), noting regional variations in definitions. Region-specific supplier diversity programmes are operated, aligned to local ESG priorities. In the UK:

- 58% of suppliers are SMEs or VCSEs, representing 30% of overall spend*. In 2025, we have set an ambition to increase our spend with SMEs and VCSEs in our supply chain;
- we have pledged over £4m of our Apprenticeship Levy fund to local SME employers and public service providers to support vital training and skills since 2021;
- we achieved bronze status on the UK Government's Fair Payment Code and improved our standard payment terms for SMEs from 30 days to 21 days; and
- at our annual Supplier Partner Day we recognised the contribution of SME suppliers as well as introducing our inaugural Supplier Sustainability Awards and launching our Net Zero standard to key suppliers.

In the US, our rating improved to 'very good' for small business subcontracting and outreach activities under our US Government prime contracts.

In Australia, we work with Indigenous enterprises. In 2025, we entered into two new partnerships, Killara Services, one of Australia's largest Aboriginal-owned and operated cleaning companies and Kari Foundation, providing community support and housing programmes.

Embedding sustainable procurement activity

In 2025, we introduced sustainable procurement training for our Procurement teams. This supports existing sourcing and supplier management processes to embed sustainability considerations and required EcoVadis assessments. 49% of our procurement colleagues globally (97% excluding North America) have received training on sustainable procurement in the last two years.

We continue to partner with EcoVadis to undertake supplier sustainability assessments:

- 735 supplier entities representing 59% of our addressable spend have completed an assessment by 31 December 2025 with an average score of 64 points;
- 363 suppliers completed reassessment in 2025, of which 272 improved on their previous score with an average increase of 4.5 points; and
- 12% of the assessed suppliers have engaged in corrective actions in 2025.

Sustainable procurement is embedded in our sourcing and contracting processes, and we have developed tools and training to strengthen accountability and supplier engagement. In 2026, we will continue to focus on improving sustainability performance and risk management within our supply chain. In the UK, we are actively mandating our suppliers to undertake EcoVadis sustainability assessments for key supplier renewals.

This year, we saw an overall improvement of 5 points in our own EcoVadis assessment score to 65, with a 9-point improvement in the sustainable procurement pillar of the assessment. This is consistent with our bronze medal status.

* Excludes internal payments, regulatory payments, and payments to customer contracts.

Impact report continued



Governance

Our responsible business foundations

We remain committed to operating responsibly and maintaining the highest standards of governance across every aspect of our business.

Fulfilling our Purpose, and our Vision of being the partner of choice to governments globally, relies on strong governance that drives ethical and effective decision-making.

We work in sensitive areas of government policy and service delivery, balancing diverse interests across complex stakeholder ecosystems. We follow the governance procedures in our Business Lifecycle Review Process when considering opportunities and as part of contract life cycle management. This includes consideration of legal, ethical, human rights, health, safety and environmental risks and opportunities.

Our Values and commitment to responsible conduct are supported by our policies, procedures, Code of Conduct (mycode) and mandatory training. Our established Ethics & Integrity (E&I), Human Rights, Data Protection and Information Security programmes address material topics identified in our DMA. Collectively, these initiatives form the foundation of our commitment to responsible business practices.

2025 Highlights

76 points

ethical standards Viewpoint engagement survey score

EthicsMatters

launched, reaffirming our commitment to ethical behaviour and integrity in everything we do

1.15

Speak Up case rate, down from 1.30 in 2024

Fraud Prevention

new policy launched



Impact report continued

Ethics and Integrity

Our Values and high ethical standards inform our actions and decisions. We aim to act with integrity in all that we do. We believe this is the right thing to do, for our people, our business and our stakeholders. Failure to Act with Integrity is identified as a principal risk (see page 73), underlining the importance of E&I, including human rights, at Serco.

Our E&I programme

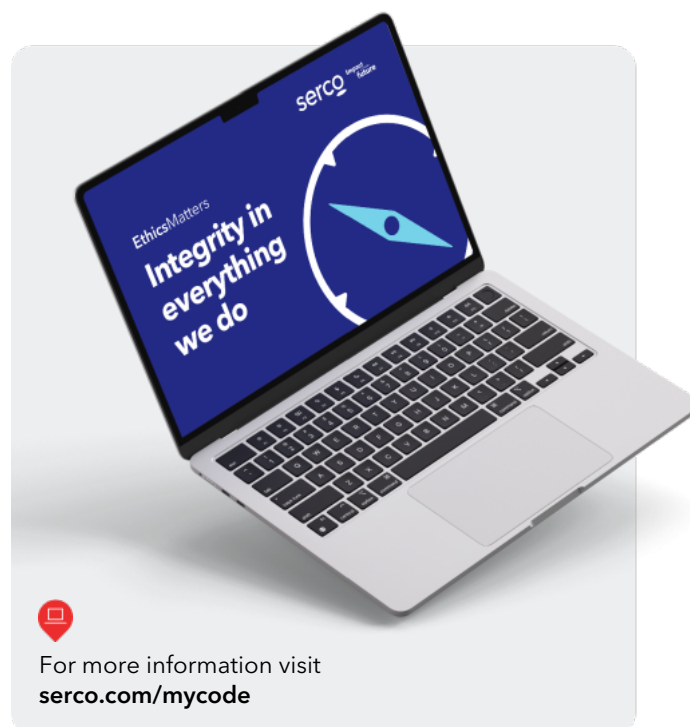
Our E&I programme is a fundamental part of our organisation – educating, engaging and empowering colleagues globally to do the right thing. The programme is structured to incorporate leadership and oversight, risk assessment, learning and engagement, monitoring and assurance. mycode is central to the programme and supported by other standards, procedures and due diligence processes. Details of our confidential reporting service, Speak Up, are publicly available through our website and highlighted to colleagues in various ways. The scope of our E&I programme includes anti-bribery and corruption, fraud, other financial crimes, competition law, trade sanctions and export control, human rights and prevention of modern slavery, and whistleblowing. Our global network of E&I champions helps embed the programme locally and inform its further development. We use data to monitor the effectiveness of the programme. In 2025, we maintained our Viewpoint survey score of 76 points for “I never feel under pressure to compromise our ethical standards” (Ethical standard score).

Alongside our regular programme of activity, we drive specific projects to strengthen our approach. Our 2025 E&I strategy grouped these projects under three pillars: Efficiency, Engagement and Effectiveness. In 2025, under the Engagement pillar, Serco launched the EthicsMatters brand to bring a cohesive identity to the E&I programme. The launch campaign reinforced our Values-based approach, highlighting what acting ethically means in our work, and emphasising the importance of speaking up. It included a message from our Group Chief Executive, a toolkit for managers to encourage team conversations, and sharing ethics stories. This was supported with other engaging communications materials including an animated video. A refreshed ethics channel on our colleague communication platform increased its number of active members threefold. In October 2025, we supported Global Ethics Day as an opportunity to raise awareness of EthicsMatters, the ethics resources available and the importance of completing our mandatory Serco Essentials training.

A key Effectiveness pillar project in 2025 was our fraud prevention improvement programme. This was a cross-functional, cross-Divisional project to enhance fraud prevention at Serco, given the UK’s new ‘failure to prevent fraud’ offence which came into force under the Economic Crime and Corporate Transparency Act 2023 (ECCTA). This included detailed risk assessments and the development and launch of a new Fraud Prevention Policy. In International Fraud Awareness Week we launched a Fraud Awareness toolkit to help colleagues spot and stop fraud.

mycode - our Code of Conduct

Based on our Values, mycode defines what we expect of our businesses and colleagues regardless of location or background. mycode outlines the rules and procedures that all colleagues should follow. It covers looking after each other, doing business the right way, keeping assets and information safe, making difficult decisions and speaking up. Subject matter experts from across the organisation regularly review mycode. This year, we added a new section to equip colleagues with information on fraud prevention to reflect the ECCTA guidance.



Impact report continued

Serco Essentials

Serco Essentials is our mandatory training programme for all employees. Core modules are refreshed periodically and include safety, prevention of financial crime, data protection, information security and Living our Code. All colleagues are required to complete certain training when they join Serco and there is an ongoing programme, differentiated for managers and non-managers.

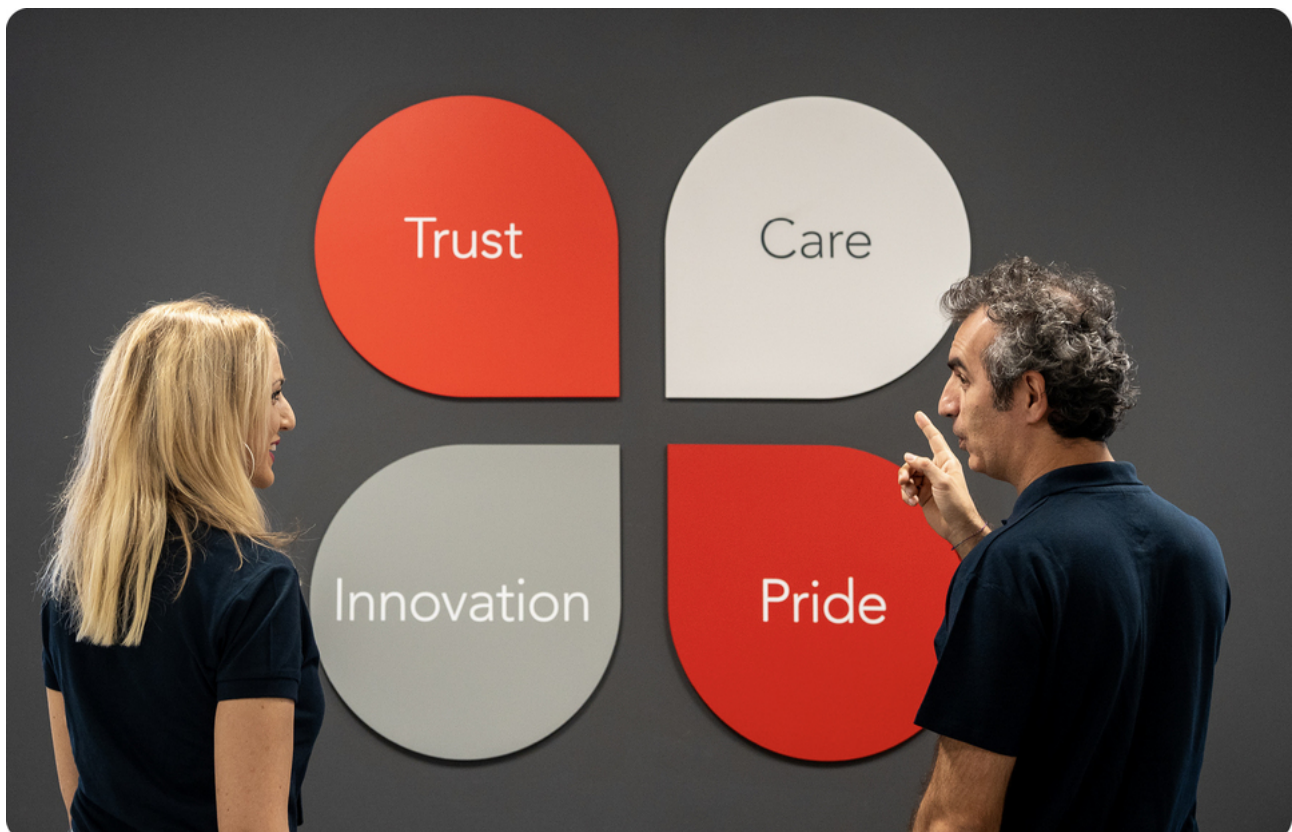
Speak Up

We foster a culture of speaking up, reporting concerns and aiding investigation without fear of retaliation. We maintain multiple channels for speaking up, including our confidential reporting service, Speak Up, hosted by an independent third party. Reports can be raised anonymously.

We encourage colleagues, partners and the public to report any suspected breach of mycode, our Values or relevant laws. Issues raised are dealt with promptly and appropriate action taken, including thorough internal investigation where appropriate. We continue to strengthen our use of data analytics to understand trends and drive future improvements.

Third-party due diligence

We carry out proportionate risk-based due diligence on suppliers, agents, strategic partners and customers. Our independent third-party screening tool gives key insights into areas such as regulatory breaches and adverse media, including in relation to human rights and modern slavery. This tool provides ongoing risk-based due diligence monitoring. We also expect our suppliers, subcontractors, agents and strategic partners to adhere to the standards we set out in our Supplier Code of Conduct; see Sustainable Procurement on page 54.



Impact report continued

Ethics and Integrity continued

Human rights are fundamental rights and freedoms, and standards of treatment to which people are entitled. Serco is committed to respecting the human rights of individuals in all aspects of our business, wherever we operate. We strive to respect and protect the dignity and human rights of our colleagues and service users, addressing complex social challenges in the most appropriate, humane manner.

Recognising all applicable modern slavery legislation, we will not engage in any form of human trafficking or use forced, bonded, illegal or child labour, nor knowingly work with anyone who does.


Our commitment to human rights is set out in our Group Human Rights Policy Statement, related operating procedures, and relevant sections of mycode. We use international human rights principles such as the International Bill of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the United Nations Global Compact and the United Nations Guiding Principles on Business and Human Rights to guide decision-making, constructive engagement and the assessment, mitigation, monitoring, management and remediation of any actual or potential adverse human rights impacts. We provide guidance and support to our employees to help them identify, manage and respond to human rights risks or issues. Our Enterprise Risk Management system is used to manage human rights and modern slavery risk in our business. In 2025, we refreshed our approach to assessing human rights risks for the organisation. Through our Business Lifecycle Review Process, we also take reasonable and appropriate steps to identify, prevent or mitigate risks of adverse human rights impacts in our operations. Concerns about human rights violations can be raised through our Speak Up service.

We are mindful of the particular human rights risks in our Justice & Immigration businesses, while other business areas have a lower risk profile for human rights concerns.

 For more information about **how we manage these risks**, see our **Human Rights Supplement** available on serco.com.

We recognise modern slavery risk in our extended supply chain and take a risk-based approach to managing it, focusing on those purchase categories that have been assessed as high risk. This includes use of risk profiles for current and prospective suppliers based on assessment against key modern slavery risk indicators and informed by our third-party risk management solution.

In 2025, we continued our partnership with Slave-Free Alliance, working with them on training, potential improvements to due diligence and our modern slavery reporting, as well as trialling an in-depth supplier assessment for key suppliers within high-risk product categories. We also remained active members of the UK Business Services Association Modern Slavery Council. We share their Modern Slavery toolkit, which we helped to develop, with suppliers we believe would benefit.

 For more information see our **Group Human Rights Policy Statement, Human Rights Supplement and Modern Slavery and Human Trafficking Statement** available on serco.com.

Impact report continued

Data privacy and information security

Serco is committed to delivering secure services and safeguarding the data we collect, store, and process. We regularly assess and strengthen mitigating controls to minimise the risk of data breaches or service disruption. Our approach aligns with recognised industry practices and international standards, reflecting the increasing geopolitical risk environment and the growing sophistication of cyber threats.

Throughout 2025, we continued investing in systems, processes, and our people, supported through security awareness training, global phishing simulations and crisis management exercises. We operate a continuous programme of information security investment designed to respond to the evolving threat landscape and ensure compliance with customer expectations, regulatory obligations, legal requirements and contractual commitments. This work is informed by internal compliance assurance reviews and external assurance activities to help strengthen resilience, including annual ISO 27001 surveillance, Cyber Essentials Plus (UK Government recommended) and customer-led audits.

We continue to strengthen our approach to data protection given the evolving external environment, including cyber threats.

Oversight is provided by the Group Data Protection Officer, supported by regional privacy leads and a network of Data Protection Champions (DPCs) who continue to embed consistent practices across operational teams. This network provides a foundation for improving visibility and capability in key areas. During 2025, we initiated a refresh of the UK data protection compliance framework, with implementation and operational embedding ongoing. We will assess where and how best practice elements of the framework may be extended across the wider Group in 2026, recognising that Divisions vary in the maturity of their existing programmes.

We are also updating Group-wide data protection policies and privacy notices to reflect changes in operational practice, contractual expectations and emerging regulatory requirements, including new legislation. Training and awareness form an important part of our overall approach, alongside policies, processes and controls. Mandatory annual data protection training is supported by ongoing role-specific training for DPCs and HR teams. Our global "Protect Together" awareness programme, including annual phishing simulations and targeted behavioural campaigns, continues to enhance colleague awareness, although we recognise that further improvement is needed to embed consistent, secure practices.


ESG governance and risk


Oversight of our ESG agenda continues to be a key part of our broader organisational governance process. Board oversight of ESG is managed through the Corporate Responsibility Committee.

Our Group General Counsel and Company Secretary, a member of the ExCo, provides Executive oversight of our ESG agenda and attends our ESG Oversight Group where our Divisional ESG leads and functional leads (e.g. People, Health and Safety, Ethics and Integrity) work collaboratively to understand and assess our material ESG risks, ensuring we continue to manage and minimise potential negative impacts while seeking to capitalise on opportunities to support the growth and continuous improvement of the business.

Material ESG topics are proactively managed through our enterprise risk management process.

 Read more in our **Corporate Responsibility Committee Report on page 104**.

 Read more in our **Risk Management section on page 66** and our **Principal Risks and Uncertainties on page 69**.

 For more information and signposting on how we meet our **non-financial and sustainability disclosure requirements** and consider **ESG matters for our business and stakeholders**, please see our **Non-Financial and Sustainability Information Statement on page 78** and **Section 172 (1) Statement on page 90**.

Task Force on Climate-related Financial Disclosures Compliance Statement

Our 2025 Task Force on Climate-Related Financial Disclosures (TCFD) statement is fully consistent with the eleven recommended disclosures against the four pillars of the TCFD framework.

We have considered the 'Guidance for all sectors' as set out in section C of 'Annex: Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures', October 2021. The table below outlines the location of disclosures within our 2025 Annual Report. We have also opted to publish a standalone TCFD compliance statement this year, partly due to the size of the document and the level of additional detail it contains.

 For our standalone **TCFD compliance statement** visit www.serco.com/our-impact/performance

TCFD summary

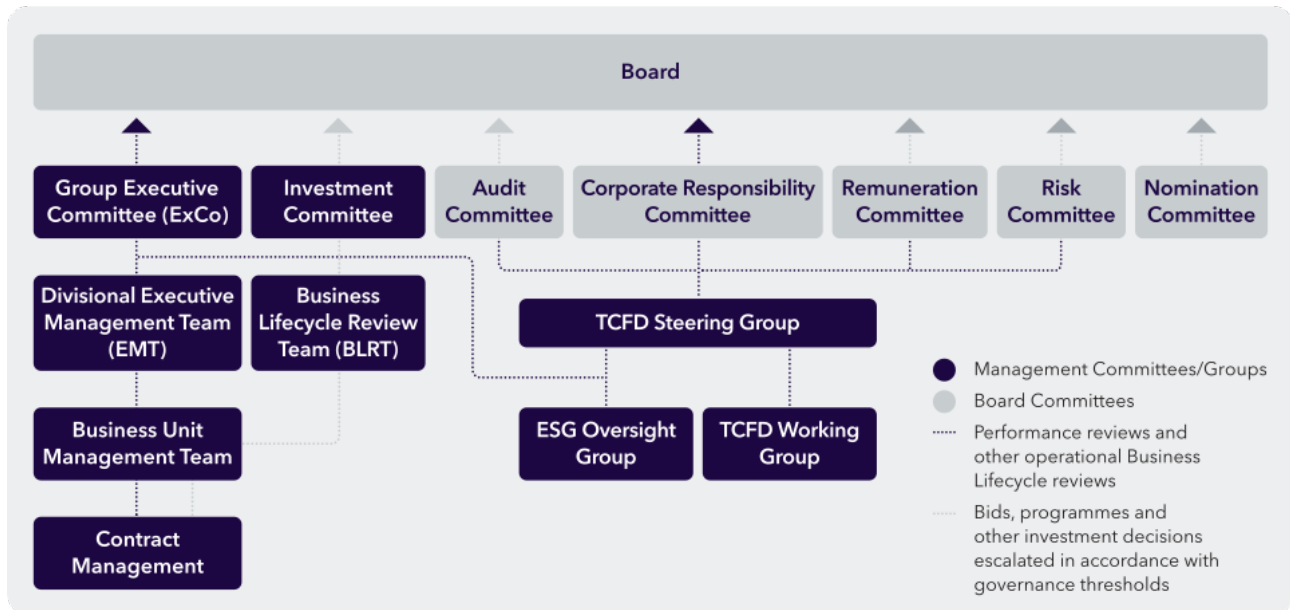
Pillar	Recommended disclosures	Annual Report	Standalone compliance statement
Governance	(a) Describe the Board's oversight of climate-related risks and opportunities.	Page 61; Corporate Governance section pages 87 to 93; and Corporate Responsibility Committee Report page 104	Pages 3 to 8
	(b) Describe Management's role in assessing and managing climate-related risks and opportunities.	Page 61; Corporate Governance section pages 87 to 93; and Corporate Responsibility Committee Report page 104	Pages 3 to 8
Strategy	(a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.	Pages 61 to 65	Pages 9 to 17
	(b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.	Pages 61 to 65; and Critical accounting judgements climate risk page 172	Pages 10 to 17
	(c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Pages 61 to 65; and Critical accounting judgements climate risk page 172	Page 10
Risk management	(a) Describe the organisation's processes for identifying and assessing climate-related risks.	Pages 61 to 62; and Risk Management section pages 66 to 68	Pages 8 to 11
	(b) Describe the organisation's processes for managing climate-related risks.	Pages 61 to 65; and Risk Management section pages 66 to 68	Pages 4 to 17
	(c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.	Pages 61 to 65; and Risk Management section pages 66 to 68	Pages 8 to 11
Metrics and targets	(a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Impact report - Planet section pages 49 to 54; and Our Impact - Data Tables: Planet section pages 241 to 243	Pages 18 to 19
	(b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Impact report - Planet section pages 49 to 54; and Our Impact - Data Tables: Planet section pages 241 to 243	Pages 18 to 21
	(c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Impact report - Planet section pages 49 to 52	Pages 18 to 21

Task Force on Climate-related Financial Disclosures

Compliance Statement continued

Governance

Responsibility for climate risk and opportunity is embedded within our Corporate Governance Framework, primarily through the Corporate Responsibility Committee which provides oversight of TCFD activities, including our strategic Climate Transition Plan (CTP) approach and our associated operational NZAP which provides more granular detail on how we will progress towards meeting our science-based targets. We have assigned specific roles and responsibilities for assessing and managing climate-related risks and opportunities by our relevant Committees, Group and wider management functions.



Committee/Group	Identifying climate risks/opportunities	Considering climate risks/opportunities	Frequency	Managing/supporting functions and teams
ExCo/Corporate Responsibility/Risk/Audit Committee		X	Annual	Health, Safety & Wellbeing/ESG/Risk/Insurance/Procurement/Property/Fleet/Growth/EMT teams
TCFD working/steering groups	X	X	Bi-annual	

The table above provides more detail on the responsibilities by committee and group, including frequency of meetings. Furthermore, the functions and teams responsible for managing and supporting risks and opportunities are listed.


Risk

We recognise that climate change continues to pose significant risks to society and the planet. The ways in which climate change impacts our own and our customers' assets, supply chains, and operations are diverse.

Our business model dictates that the majority of our work takes place on customer sites and assets, and therefore, we do not always have financial control from a carbon accounting perspective or contractual

responsibility to upgrade assets to support decarbonisation. Our contracts are, on average, around five years in length, and as a consequence we do not generally hold long-term, high-value assets that could be adversely affected by climate risks.

Climate change is considered under several principal risks, including Health, Safety and Wellbeing (e.g. impact of extreme weather), Catastrophic Incident (e.g. impact of extreme weather) and Significant Impact of Policy Change (e.g. impact of changes to US climate policy on the success of meeting our Net Zero targets).

 Read more in our **Risk Management** section on **page 66** and our **Principal Risks and Uncertainties** section on **page 69**.

Task Force on Climate-related Financial Disclosures

Compliance Statement continued

Risk and opportunity timeframes

Risk/Opportunity term	Timeframe (years)	Reason for timeframe selection
Short	0-3	As per our principal risks and viability statement
Medium	3-5	As per medium-term contracts
Long	5-30	As per longer-term contracts and our/customer Net Zero targets

To determine which climate-related risks and opportunities are most material for us, we annually consult a group of core ESG, risk, insurance and finance stakeholders from across the business, who judge a long list of potential risks and opportunities and score using our Climate Risk Scoring Matrix. These include physical risks from extreme weather, changes in long-term weather patterns, and transition risks from a policy, legal, technology, market and reputation perspective. Transition opportunities are scored from a resource efficiency, energy source, products and services, and market opportunity perspective. This provides a judgement based on relevant scenarios, and a scoring of risks as minor, moderate, major or severe, and opportunities as minor, moderate, major or significant. These risks and opportunities are then reviewed annually by relevant Committees.

You can find more detail on the result of the 2025 annual review on page 9 of our standalone TCFD Report on the Impact section of our website. We continue to assess and prepare for region-specific climate risk disclosure requirements which may require climate risks and opportunities to be evaluated at an entity or country level. This includes Australian Sustainability Reporting Standard requirements for our Australian operations for 2025.

Climate change resilience

We remain confident that focusing on the growing business-to-government market within our existing geographies and sectors remains the key to delivering our medium-term goals. We continue to support our customers on decarbonisation through a diverse range of services and operational excellence, helping address wider environmental challenges such as nature loss where practicable. We will continue to provide services that support government-led policies and primarily we will continue to operate on customer assets in the locations where the services are required, supporting and aligning with customer-led Net Zero policies, supply chain and climate resilience approaches as required. As a Group, the current level of geographic and market diversity of our operations helps to support our overall resilience to climate change in the short to medium term and presents us with the opportunity to shift our focus should climate risk exposures escalate to material levels in any given market, sector, or geography.

We are also an asset-light organisation, we do not expect to have issues around redeploying and repurposing existing assets. For example, the net book value of our owned land and buildings is £5.4m at 31 December 2025. For the majority of our contracts, we lease assets in line with the contract terms and the average length of our contracts is five years. Our critical accounting judgement on climate risk on page 172 sets out more detail on how climate impact has been considered within the financial statements.

Transition risk

The transition risk judged to be the most severe to Serco is that of carbon pricing (International Energy Agency model suggests a carbon pricing forecast of £103-£106 per tCO₂e in advanced economies using the Announced Pledges Scenario and Net Zero Emissions by 2050 Scenario respectively). The impact of both direct and indirect carbon pricing is uncertain and, therefore, remains an area of focus. In 2025, we engaged Green Project Technologies to support the measurement of our supply chain emissions and through our Net Zero Standard (see page 52) we commenced further engagement with our suppliers on decarbonisation to help build resilience and guard against the potential impact of future carbon pricing risks.

Physical risk

Extreme weather events are anticipated to increase, as shown by the established climate scenarios in the table on page 63. We will continue to develop a greater understanding of these physical risks, as well as long-term chronic physical risks such as sustained higher temperatures in our operating geographies. We have experienced limited impact to date on operations and insurance claims relating to extreme weather events. However, this could change, and may require increased engagement with customers on climate adaptation and resilience.

Transition opportunities


We recognise that we must continue to support customer requirements and challenges where we have influence, bringing focus and innovation through our service provision and supply chain. In 2025, our UK & Europe NZAP (see the Impact section of our website for more details) has focused on the further deployment of electric vehicles and low-carbon fuels along with technologies to support energy efficiency, such as vehicle telematics, which have also been deployed in a proportion of our North American fleet. Climatize, part of +impact (see page 50), has continued to deliver services in the Middle East, building upon our established services, such as in the recycling and low-carbon transport sectors.

Task Force on Climate-related Financial Disclosures

Compliance Statement continued

Metrics and targets

We report a range of environmental metrics and targets against our Planet pillar.

 Metrics to assess **climate-related risks and opportunities, associated targets and data** are provided in **Our Impact - Data Tables** on **pages 238 to 243**.

Strategy

We have formally committed to decarbonise our business to reach Net Zero by 2050 or sooner. This ambition is supported by our validated Science Based Targets (SBTs), by the Science Based Targets initiative (SBTi). Serco defines Net Zero as per the SBTi Corporate Net Zero Standard:

Companies shall set one or more targets to reach a state of net-zero emissions, which involves: (a) reducing Scope 1, 2 and 3 emissions to zero or a residual level consistent

with reaching net-zero emissions at the global or sector level in eligible 1.5°C scenarios or sector pathways and (b) neutralizing any residual emissions at the net-zero target date - and any GHG emissions released into the atmosphere thereafter.

Our SBTs provide a clearly defined focus to reduce emissions in line with the 2015 Paris Agreement and are supported by our strategic CTP, which aligns with the Transition Plan Taskforce Framework, and operational NZAPs.

We continue to review investment opportunities which support nature restoration, while also supporting carbon removals to neutralise any unavoidable emissions¹ across Scopes 1-3, helping to meet our long-term targets. We have used an internal shadow carbon price range of between £25-£27 per tCO₂e as per the UK carbon price index published by the IUCN UK Peatland Programme in collaboration with Scottish Forestry.

Climate scenarios

Our risks and opportunities draw upon some recognised climate scenarios and models, consistent with 2°C and lower, with a focus on 2030 and beyond.

Warming trajectory by 2100	Transition scenarios	Physical scenarios
1.5°C	International Energy Agency (IEA) Net Zero Emissions (NZE) This scenario assumes a rapid transition to Net Zero as available technologies deployed quickly and governments cooperate.	Not considered by models.
2-3°C	IEA Announced Pledges Scenario (APS) This scenario considers current government Net Zero pledges (up to end August 2024) but are more conservative, assuming that not all will be met.	Intergovernmental Panel on Climate Change (IPCC) SSP 2-4.5. This scenario assumes medium challenges to mitigation and adaptation. Institutions make slow progress in achieving sustainable development goals and environmental systems continue to experience degradation. Shift to sustainable lifestyles slow.
4°C	Not considered by models.	IPCC SSP 5-8.5. This scenario places greater emphasis on competitive markets, innovation and participatory societies to produce rapid technological progress toward sustainable development. Globalisation and the exploitation of fossil fuels continue.

1. After reducing emissions by at least 90% to meet long-term science-based targets, companies are required to neutralise unabated emissions.

Task Force on Climate-related Financial Disclosures

Compliance Statement continued

Risk financial impact key

Reduction in underlying operating profit

Risk £m	Very Low VL	Low L	Medium M	High H	Very High VH
	< 0.5%	0.5-1%	1-2%	2-3%	> 3%

Risk	Time horizon	Description, scenarios, assumptions	£ impact	
Transitional risk: Policy and legal (including reporting and carbon pricing)	Short	Direct costs: <ul style="list-style-type: none"> Cost attached to meeting increasing regulatory compliance requirements on climate and wider ESG reporting. 	VL L	
	Short - Long	Indirect costs: <ul style="list-style-type: none"> We have considered a range of costs based on the impact of current and forecast carbon pricing mechanisms which affect our supply chain and are indirectly passed down to Serco and customers. The minimum range is based on 2025 supply chain costs and PwC's 'hidden cost of carbon' tool. Current carbon cost is estimated using World Bank carbon pricing and a PwC model (which uses data from 2014). 	N/A L	
		<ul style="list-style-type: none"> The maximum range is based on 2025 supply chain costs and PwC's 'hidden cost of carbon' tool and 2030 carbon prices implied by the Net Zero Emissions scenario. 	L	
		<ul style="list-style-type: none"> The EU and UK carbon border adjustment mechanisms are introducing tariffs from 1 January 2026 and 1 January 2027 respectively on carbon intensive products which are imported. These costs will filter through supply chains, impacting our UK & Europe Division. 	N/A	
		<ul style="list-style-type: none"> It is unclear to what extent global carbon pricing mechanism costs will be transparent. However, these costs are not expected to be fully funded by the Group as some would pass through to our customers through indexation mechanisms, pricing of new contracts or legislative changes. 	N/A	
		Direct costs (Scope 1-3): <ul style="list-style-type: none"> There are a range of costs related to us meeting our Scope 1 and 2 SBTs. These range from investments in decarbonising our fleet, the built environment where we have direct financial control from a carbon accounting perspective, and the switch to renewable energy. The minimum range assumes our Scope 1 and 2 emissions remain stable and our 46% operational emissions reduction target is met. In that scenario we are exposed to costs using the Announced Pledges Scenario carbon cost of £103 per tonne by 2030. The maximum range assumes 20% global growth in Scope 1 and 2 carbon emissions through additional contract wins, with only 30% of our 46% operational emissions reduction target being met. In that scenario we are exposed to costs using the Net Zero Emissions scenario carbon cost of £106 per tonne by 2030. 	N/A VL L	
	Long	<ul style="list-style-type: none"> 2030 Net Zero transition costs for Scopes 1-3 relate to: <ul style="list-style-type: none"> Climate-focused teams across the Group External consultancy support Renewable electricity procurement Fleet transition Decarbonising buildings Carbon accounting system upgrades Supply chain engagement programme Nature-based solutions investment The majority is built into existing budgets and our five-year plan, which underpins any impairment assessment for the elements within our control. External consultancy support will further inform any budgetary requirements not yet accounted for. Managing decarbonisation through our contracts is dependent on our contractual requirements. We do not expect to fund material changes to customer/landlord owned infrastructure or assets. In some contracts, we are dependent on our customers investing in Net Zero infrastructure and assets. 	L N/A N/A N/A	
	Transitional risk: Reputation	Short - Long	<ul style="list-style-type: none"> There are a range of costs dependent on our level of success in meeting potentially increasing stakeholder expectations related to the Net Zero transition. 	N/A
			<ul style="list-style-type: none"> The minimum range assumes that through our CTP and NZAP, we do not suffer any material reputational damage or significant contract losses, and key customers and suppliers support Net Zero by investing in decarbonisation efforts. 	VL
			<ul style="list-style-type: none"> The maximum range assumes that we fail to meet potentially increasing stakeholder expectations and our Net Zero targets, and key customers and suppliers do not support Net Zero by investing in decarbonisation. 	L

Task Force on Climate-related Financial Disclosures

Compliance Statement continued

Risk	Time horizon	Description, scenarios, assumptions	£ impact
Physical risk: Extreme weather	Long	<ul style="list-style-type: none"> We previously engaged a climate analytics consultancy to model flood and wind impacts causing building and contents damage and causing downtime across 52 sites using standard climate models for 2030 and 2050. The 52 sites were chosen based on criteria agreed with some investors, including the risk of extreme weather (now and future), longer-term contracts, higher revenue contracts, secure facilities with vulnerable people in our care, and a mix of Serco leased/client sites from across the geographies and sectors in which we operate. The output highlighted a collective, substantive level of financial risk for both the <2 degrees scenario and >4 degrees scenario. We have deemed these amounts not to be decision-useful for disclosure for the following reasons: <ul style="list-style-type: none"> Serco operates a contract-based model and therefore we may no longer be operating at the sites with the potential to be severely impacted by climate change in 2030. As a result, long-term modelling is less decision-useful for Serco specifically. Modelled costs suggest that impacts would occur uniformly across all locations at the same time and crucially do not take account of mitigation measures such as business continuity planning or flood defence infrastructure which would significantly reduce modelled numbers. Buildings, contents, and business interruption insurance would be in place to cover many of the costs incurred. We have had limited insurance costs related to physical risks on sites insured by Serco, noting the majority of our operating sites are insured by customers or landlords. Insurance costs relating to our insured sites have not yet experienced any material uplifts as a consequence of physical risk. Given the critical nature of most of the Group's services, should business interruption risks be prohibitively high, we would expect our customers to consider the location of the sites and where services are provided. In 2025 we have worked with climate analytics consultancies with a view to consider modelling again in 2026, based on a larger site list and updated climate models to provide updated analysis across a wider range of climate perils. On customer sites where we hold facilities management responsibilities, we will continue to support customers on climate adaptation measures to address physical risks posed by extreme weather. 	N/A

Opportunity financial impact key

Increase in underlying operating profit

	Very Low VL	Low L	Medium M	High H	Very High VH
Opportunity £m	< 0.5%	0.5-1%	1-2%	2-3%	> 3%

Opportunity	Time horizon	Description, scenarios, assumptions	£ impact
Net Zero and sustainability enabling services	Medium	<ul style="list-style-type: none"> A range of underlying operating profit increase has been calculated based on the level of success in expanding and growing sustainable services likely to be recognised by green taxonomies. 	N/A
		<ul style="list-style-type: none"> The minimum range assumes an increase in underlying operating profit by 2030 based on modest growth and contracts likely to be eligible under green taxonomy criteria (which may be externally assured in future). 	VL
		<ul style="list-style-type: none"> The maximum range assumes an increase in underlying operating profit by 2030 based on higher growth plus additional contracts potentially eligible under green taxonomy criteria. 	L
Switch to low-carbon fuels	Short - Long	<ul style="list-style-type: none"> Our vehicle and marine fleet operations contribute a significant amount to our own and our customers' emissions. Fuel costs are sometimes a pass-through cost to customers. 	N/A
		<ul style="list-style-type: none"> Hydrotreated Vegetable Oil (HVO) remains a short-medium term opportunity for scaling given it generally can be used as a drop in fuel in suitable diesel engines. 	L
		<ul style="list-style-type: none"> Alternative low carbon fuels for UK marine fleet are expected to become more available at scale between 2030-2050. 	VL

Risk Management

Proactive risk management underpins our strategy and business performance

Risk management remains a key focus of our Board and helps shape our business decisions throughout all levels of the organisation to help drive the right outcomes for our customers, colleagues and wider stakeholders.

Risk management process

The Board oversees the Group's risk management and internal control processes within an Enterprise Risk Management (ERM) framework, discharging its oversight responsibilities through the Risk Committee, supported by the Corporate Responsibility Committee, Audit Committee and the ExCo. The Serco Inc. Audit Committee and our Divisional Leadership teams also play a critical part in our risk management process. The Board has monitored and reviewed the effectiveness of risk management and internal control systems through these Committees and the ERM process. Risk management operates at all levels of the business with a mandated 'bottom up/top down' approach with formal quarterly reporting updates, as shown in the table opposite. The ERM framework is facilitated by the Group ERM team and supported by Divisional colleagues.

The management of our key controls forms a critical part of our ERM framework. Group and Divisional Compliance Assurance teams operate as a second line function to ensure appropriate focus on the articulation, monitoring and testing of key controls, supported by documented policies and procedures held within our

Serco Management System. An annual programme of work focuses on the validation and testing of key controls to supplement annual control self-assessments and biannual compliance assurance attestation statements. Some larger contracts and business units also have embedded risk and assurance resources to strengthen our first line focus on controls design and operation. This first and second line activity is augmented by our third line Internal Audit assurance work and additional external partners provide support in certain specialist areas. Significant third line assurance activities and audits are also delivered through external third parties to support certification standards and customer requirements in our varied service lines and business units. These include those that support the ISO certifications we hold as well as independent performance and regulatory reports on Serco operations. Examples of such reviews include Aviation Air Traffic Services, Vessel reviews, Fleet Operating Licence and related inspections. A key element of our control environment in our North America Division is compliance with the Special Security Agreement we have with the US Government, which is managed by dedicated resources and oversight delivered by the Serco Inc. Audit Committee.

Risk Management continued

Risk management life cycle process

The schematic below shows key activities at each stage in our risk management life cycle.

1. Risk Planning	<ul style="list-style-type: none"> Assigning responsibility and ownership for risk management implementation and management oversight Risk Committee setting and reviewing Risk Appetite Statements and Risk Tolerance for Principal Risks on, at least, an annual basis Setting a target risk position to determine objectives for mitigating actions Divisional, Business Unit, Contract and Functional teams annual planning 	<ul style="list-style-type: none"> Agreeing ExCo Risk sponsors and dedicated subject matter experts to support risk updates and challenge Risk and Audit Committees' oversight of the business's readiness activities through our Integrated Assurance Framework (IAF) programme in relation to reporting against Provision 29 of the Corporate Governance Code (the Code) 	Corporate risk reporting tool
2. Risk Identification	<ul style="list-style-type: none"> Identifying risks associated with the achievement of our business objectives including risks from external factors inherently associated with the environment in which we operate, and internal risks arising from the nature of our business Bottom-up risk identification from functions and contracts upwards including operational, financial, compliance and strategic risks 	<ul style="list-style-type: none"> Updating risk registers with causes and consequences Divisional, ExCo and Risk Committee identification of emerging risk areas considering internal and external themes and trends 	
3. Risk Analysis	<ul style="list-style-type: none"> Assessing the level of inherent and residual risk exposure based on a standardised assessment methodology of likelihood and impact, reflecting the effectiveness of current implemented controls in place to mitigate the risk 	<ul style="list-style-type: none"> Bottom-up risk assessment from business functions and contracts upwards against Group-defined criteria, using the likelihood and impact of a risk manifesting on a worst case credible scenario basis Formal quarterly assessment of risks from the Divisions, including risks that have been escalated up from the contracts, functions or business units 	Compliance Assurance
4. Risk Mitigation	<ul style="list-style-type: none"> Identifying and implementing mitigations and control improvements that seek to reduce the material risks to the target risk position aligned to our risk appetite 	<ul style="list-style-type: none"> Development and implementation of improvements following lessons learnt where we have encountered issues or when risks have materialised Continued operation of mitigating controls 	
5. Risk Monitoring	<ul style="list-style-type: none"> Monitoring risk mitigation actions and their impact and monitoring changes to our business and the external environment, including emerging risk themes and operational issues Formal quarterly update on the principal risks and outcomes from the compliance assurance testing activity reported to the Risk Committee, Corporate Responsibility Committee, Audit Committee or Board 	<ul style="list-style-type: none"> Board Committee oversight of Divisional risk deep dives and principal risk deep dives on a rotating schedule (typically annually). Independent review and challenge forms part of the role of the Group ERM teams and Committee members Audit and Risk Committee compliance assurance testing programme oversight detailing testing of specific risk controls and mitigation progress 	Oversight and accounting
6. Risk Reporting	<ul style="list-style-type: none"> Reporting the status of material risks and associated controls from contracts upwards through business units and Divisions to seek assurance the business risks are being appropriately managed and reviewed Updates on principal risks by the Chair of the Risk, Audit and Corporate Responsibility Committees to the Board following each quarterly meeting 	<ul style="list-style-type: none"> Reporting of any material risks that have materialised or significant control failures to ensure that lessons learnt are identified Development of our approach to support future reporting requirements as part of the changes to the Code 	

Risk Management continued

Emerging risks

We recognise our risk profile is not static as the business is exposed and responds to internal and external threats and uncertainties. As part of an annual review with the ExCo and the Risk Committee, we complete a robust assessment to identify and monitor emerging risks to ensure that adequate steps are being taken to understand and mitigate them, and to assess any impact on our principal risks.


Examples of some of the current emerging risks trends being monitored include continued geopolitical disruption, worsening security situations and political volatility, including any associated ideology or significant policy changes.

Other risk areas

We continue to review our approach to ESG (including climate change) risk exposure and do not include ESG or climate change as standalone principal risks noting that our material ESG topics within our DMA are considered under various principal risks.

Our disclosed climate risks are identified using our Group standard risk assessment process and scoring matrix.

 Read more in our **Impact report** on **page 34**.


 For more information on our approach and disclosures can be found in our **TCFD Compliance Statement** on **pages 60 to 65**.

Preparation for Provision 29 of the Code

As outlined in our 2024 Annual Report, we continue to prepare for the changes under Provision 29 of the Code, through our IAF programme.

Over the last 12 months we have determined the route to identify our material controls focusing on the largest strategic risks we face, which are already embodied in our existing principal and enterprise level risks. Using a robust and structured approach, with input from our subject matter experts and ExCo sponsors, we reviewed the causes for each principal risk and determined our key controls from that basis. These continue to evolve through a process of ExCo and Board Committee review to ensure we have the right material controls for our business captured for our future attestation.

As part of this, we have completed pilot testing of our material controls and we have plans in place to provide any additional supporting evidence needed by the Board to support their controls attestation. We will be reporting this in our 2026 Annual Report.

 For more information and how this has been reviewed by the Board – see the **Risk Committee Report** on **page 103**.

Principal Risks and Uncertainties

Summary of principal risks and uncertainties

Our principal risks are those risks that we determine to be the most material when considered against our key priorities, bringing a potential to materially affect the performance, prospects or reputation of the business. They have been reviewed using our ERM framework as outlined in previous pages.

For each principal risk we capture the inherent, residual and target position is assessed against a standard set of impact categories on a worst case credible scenario basis. The likelihood of each risk occurring is then assessed, resulting in a final risk position that enables us to rank the risks from minor to severe. Every principal risk has a risk appetite statement to determine the nature and amount of risk the Group is willing to accept. This is shown against each principal risk. This risk appetite position is set through discussion with the Risk Committee. As part of simplification we have revised our risk appetite statements, reducing from four to three categories - averse, cautious and flexible. The new statements include our approach to controls to reflect the Board's tolerance to each risk.

Each principal risk also shows the linkage to the relevant key priorities. Appropriate consideration and management of the principal risks have a link to Executive remuneration as outlined in the Directors' Remuneration Report on page 105 and achievement of our KPIs as shown on pages 18 and 19.

Following the annual principal risk review with the ExCo and the Risk Committee we have made the following changes:

- new principal risk: Significant Impact of Policy Change - addition of a new risk recognising the threats associated with macroeconomic, political and geopolitical uncertainty and the impacts that these uncertainties may have on both our current and future portfolios and pipeline;
- amended principal risk: Impact of Emerging or Disruptive Technology - refocused the Strategic Technology risk to focus on the impact of AI and disruptive technology; and
- amended principal risk: Contract Non-Compliance, Non-Performance or Misreporting - re-merged Contract Performance back into the existing risk of Contract Non-Compliance and Misreporting driven by the acknowledgement that there is significant overlap between the controls between the two risks when they were standalone.

Principal risks are considered over the same three-year timeframe as the Viability Statement set out on page 76, which takes account of the principal risks in its assessment.

In addition to the principal risks and uncertainties already identified, there may be other risks, either unknown, or currently believed to be immaterial, which could evolve to be material. These risks, whether they materialise individually or simultaneously, could significantly affect the Group's business and financial results.

Each of our principal risks supports one or more of the key priorities that drive delivery of our strategy - see page 13:

- G** Growth
- C** Competitiveness
- O** Operational Excellence

The trend indicator depicts the trend of our residual risk rating internally over the course of 2025

- ↑** Increase
- ↓** Decrease
- No change
- N** New or refocused

Principal Risks and Uncertainties continued

Strategic Risks

Failure to Grow Profitably



Risk appetite: Cautious

Risk trend:



This risk considers the potential impact of failure to win material bids or a lack of opportunities in our chosen markets, restricting revenue growth which may in turn have an adverse impact on Serco's profitability. Sustainable growth requires us to identify where and how to create opportunities for new work while retaining and expanding our current portfolio of contracts. This includes having a deep understanding of our market and macroeconomic environment through to managing our pipeline, bidding and converting opportunities into value generating work.

Risk context

Our revenue in 2025 increased slightly compared to 2024. Headline growth of 2% was supported by the acquisition of MT&S. We also saw 1% organic growth this year, despite headwinds in key markets and the ending of some large contracts. Underlying operating profit decreased slightly to £272m (2024: £274m), taking margins to the top-end of our target range of 5%-6%. This reflects our efforts to drive productivity in our existing contracts and actively shape our portfolio to focus on the most attractive sectors (such as Defence).

Demand in our areas of operations remains robust. This is reflected in the strong order intake (£5.5bn) and pipeline (£12.1bn) which give us confidence that we should deliver profitable growth in the coming years.

That said, the markets in which we operate are complex and policy changes, geopolitics, and fiscal pressures continue to create risk. For example, in 2025 in the US, the Department of Government Efficiency followed by the Government shutdown presented a risk to current contracts and the cancellation of future bids. However, as these results demonstrate, our balanced portfolio both sectorally and geographically help mitigate such risks by allowing us to focus efforts in areas where profitable growth is most achievable.

Example mitigations

- Geographical and sector diversification helps protect against concentration risk.
- Investment Committee, Business Lifecycle Review Team (BLRT) and bid governance process.
- Serco Group and Divisional business strategy reviewed annually with ExCo and Board.
- Monthly Divisional Performance Reviews include oversight of key growth metrics.
- Monitoring of customer satisfaction or similar and using relationship management systems to determine trends.
- Monitoring of lead indicators and KPIs, including order book and book-to-bill, bid submissions and win rates.
- Monthly monitoring of qualified and non-qualified pipeline at Group and Divisional level and additional reviews in bi-weekly Growth team meetings.

Oversight by: Board, Risk Committee and ExCo

Executive sponsor: Anthony Kirby, Group Chief Executive

Significant Impact of Policy Change



Risk appetite: Cautious

Risk trend:



As a business focused on delivering solutions for government, we are inherently affected by policy and regulatory changes across all our geographies. This can impact on our business in multiple ways including creating opportunities, as well as disrupting our business plans, execution of existing services and delays to awards.

Risk context

There are many factors that may lead to this risk manifesting that are outside of Serco's control. Fundamentally, the spread of our portfolio across geographies and sectors is central to mitigating this risk - ensuring we are not overly exposed to a single policy.

Alongside this organisational design, through strong customer relations we seek to inform decision-making with insights from our operations. Our mitigations, however, are largely focused on managing the potential impacts to ensure we remain resilient to change, allowing us to deliver our vital services to customers.

In addition, we proactively monitor sentiment to anticipate changes that may impact on our services and result in changes in political leadership and priorities.

Example mitigations

- A diverse portfolio of contracts, reducing exposure to a single geography or sector's policy and regulatory regime.
- Activity of Divisional Government Relations functions, focusing on engaging key stakeholders in the policy-making process, influencing policy and working with interest groups.
- Use of external professional customer and government relations experts to help us inform the policy-making process and clearly communicate expert advice.
- Commissioning of think tanks and external organisations to conduct research to understand and validate societal trends, public attitude changes and potential risks.
- Serco's membership of advocacy and industry groups.

Oversight by: Board, Risk Committee and ExCo

Executive sponsor: Anthony Kirby, Group Chief Executive

Principal Risks and Uncertainties continued

Operational Risks

Major Information Security Breach

(including cyber-attack and data protection)



Risk appetite: Averse

Risk trend:



An information security breach, resulting in the loss or compromise of information (including personal or customer data) or wilful damage, is a key risk for us. A successful attack or significant control failure may result in significant reputation damage, regulatory fines, loss of customer or data subject confidence and follow-on civil claims. We operate an averse risk appetite to any major data breaches and cyber-attacks.

Risk context

Acknowledging the multifaceted nature of our operations, the prevailing geopolitical risks and the heightened trend and sophistication of the threats confronting us, the current residual risk placement remains elevated at severe noting the potential for a significant impact should a major breach ever materialise. Strong mitigation continues with a programme of continued investment and a focus on strengthened IT device controls, and the continued execution of good practice.

The Group is reliant on the effectiveness of mitigating controls that seek to avoid a breach and our security approach is based on good industry practice, seeking to adhere to government and international security standards, such as the worldwide recognised National Institute of Standards and Technology (NIST) cyber security framework along with customer accreditations appropriate to each region. We also rely on key third parties whose failure due to a cyber-attack could impact our ability to deliver contract services or expose sensitive data due to a failure in a supplier's cyber and data controls.

Example mitigations

- Global Governance Boards to manage processes and exceptions.
- Divisional solution reviews overseeing implementation of new technology.
- Internal Security Standard including minimum control areas being implemented across the Group.
- Contract and Divisional aligned controls to meet customer specified security obligations.
- 24-hour Security Operations Centre monitoring alerts and incidents.
- Specialist information security and data privacy officers in all Divisions supported by data protection and security awareness training.
- Risk-based third-party material supplier cyber assessments.
- Crisis management and business continuity processes.

Oversight by: Board, Risk Committee and ExCo

Executive sponsor: Tom Read, Group Chief Technology and Digital Officer

Impact of Emerging or Disruptive Technology



Risk appetite: Averse

Risk trend:



Artificial intelligence (AI) and automation are beginning to impact our industry, creating opportunities to streamline operations, reduce costs and enhance service delivery. At Serco, we are likely to see the impact primarily in a more competitive cost environment, with people-heavy services being partly replaced by AI agents and automated processes. In parallel we expect to see new entrants to our markets, with advanced technology companies seeking the consistent revenue streams of government contracts.

Risk context

Technology is evolving rapidly, with advances in AI redefining the art of the possible each year.

While some industries like media and advertising are likely to be heavily disrupted over the coming years, we currently expect that Serco's core business is unlikely to change fundamentally. However, we are likely to see a significant reduction in the cost of providing certain services, and government customers are increasingly looking for evidence of innovation in bids. A failure to respond to this evolving expectation would represent a significant risk to our business.

We are responding to this by strengthening our digital leadership, building internal AI capability, and developing strong strategic partnerships with cutting-edge technology companies.

Example mitigations

- A new AI Council governance group was established in 2025 to monitor AI progress and risks across the Company.
- Strengthened digital leadership, including a new Group Director of Digital & Engineering who leads on AI, digital and innovation.
- Multi-year technology modernisation roadmap with dedicated investment plan and clear milestones.
- Formal partnerships with strategic technology companies to leverage their capital investment and innovation pace.
- Automation strategy and implementation programme and governance to drive operational efficiency.
- Quarterly divisional tech reviews focus on AI and disruptive technologies as standalone agenda items to ensure each Division delivers on strategic investment.
- Technology skills development and recruitment strategy.
- Business continuity and resilience plans for critical systems.

Oversight by: Board, Risk Committee and ExCo

Executive sponsor: Tom Read, Group Chief Technology and Digital Officer

Principal Risks and Uncertainties continued

Operational Risks continued

Contract Non-Compliance, Non-Performance or Misreporting

Risk appetite: Averse

Risk trend:

Serco is a complex and diverse business with a significant global spread. We are a people-led business delivering against more than 650 contracts relying on thousands of colleagues knowing what they should be doing and, when and how they should be reporting. This risk recognises that if we fail to comply with a requirement, fail to deliver the required performance or fail to report something accurately that there could be a significant financial or reputational consequence from such failures.

Risk context

We operate a large complex business, trusted to deliver public services with obligations and performance standards captured in largely bespoke contractual documentation.

We run our business through a hierarchy of contract managers, operations managers, business unit managing directors and divisional functional leads. Most operational risks/day-to-day management issues are captured through the deployment of contract team roles and responsibilities.

Despite management oversight there is a risk that something gets missed. For example a billing error; a misinterpretation of a requirement; a drift away from the original contract requirement or a failure in our supply chain.

Our approach is to put in place guardrails to keep us on track. Key components of our control environment include a contract management application (CMA) and process to help us make sure we do not forget non-day-to-day items; a key performance indicator method statement for our larger contracts, reviewed at least annually, to make sure we are confident with what we are delivering and that we are reporting accurately. These are then followed up by our divisional assurance reviews and Group internal audits.

Example mitigations

- Contract obligations procedure including maintenance of up-to-date copies of contract, contract variations and key regulatory requirements. Tracking the delivery of obligations on our CMA for larger contracts and reporting in Divisional and business unit performance reviews.
- Procedures for measuring and reporting performance, agreeing KPI definitions with customer, training delivery teams on delivering and reporting processes.
- Ongoing tracking and reporting performance of contracts through monthly and annual performance reviews.
- Strong, meaningful and understood Values and required behaviours, which are defined in mycode, supported by the right tone from leaders.

Oversight by: Risk Committee and ExCo

Executive sponsor: Phil Malem, Chief Executive Officer, Middle East

Significant Failure of the Supply Chain

Risk appetite: Cautious

Risk trend:

If we fail to fulfil customer and legal obligations, deliver essential operations or win new business due to a significant failure in the supply chain we recognise that we may experience financial losses, operational disruptions and reputational damage. This supply chain failure risk includes poor supplier performance and resilience and links with risks associated with cybersecurity and data protection issues, health, safety and environmental incidents, and ethics and compliance breaches.

Risk context

Managing our large and diverse supplier base remains a critical task for Serco due to the existence of more complex, globalised supply chains. We recognise an increasing risk of disruption from certain parts of the world with geopolitical uncertainty creating an unpredictable environment for global supply chains, as well as economic uncertainty and inflation leading to higher costs affecting labour availability. In addition, the rise in cyber threats poses significant risks to supply chain security as attacks can target critical infrastructure and data.

Despite these risks we have not experienced any material disruptions across the Group and therefore consider the risk trend as stable.

Example mitigations

- Procurement policy, standards and procedures including supplier code of conduct processes.
- Global working to deliver best practice and consistency in approach for:
 - effective supplier onboarding and ongoing monitoring;
 - cyber and information security third party risk management; and
 - business critical supplier management including business continuity planning.
- The use of Serco standard contracts where possible including appropriate obligations, KPIs and service level agreements.
- A supplier management framework focusing on key risk themes including supplier resilience, cyber and information security, ethics and compliance due diligence and monitoring, health and safety, and the environment.

Oversight by: Risk Committee and ExCo

Executive sponsor: Helen Shaw, Interim Chief Executive Officer, UK & Europe

Principal Risks and Uncertainties continued

People Risks

Failure to Act with Integrity



Risk appetite: Averse

Risk trend:



We recognise a risk of corrupt, illegal or dishonest behaviour by individuals within or connected to our organisation. A material failure to act with integrity or significant control failure could result in regulatory fines or other penalties, damages claims, legal action against individuals and the Company, and the potential loss of ability to bid, win or retain contracts. A failure could also adversely impact colleague engagement and the confidence of customers, investors and other stakeholders.

Risk context

We are committed to operating with integrity and are averse to behaviours and actions that might compromise this. We recognise that, as a provider of frontline public services, we are subject to public scrutiny and challenge, and that there may be occasions where 'things go wrong'. In such situations, we seek to minimise the impact of any failure, accept responsibility and take appropriate action. We have no tolerance for any significant breach, in particular any which could result in prosecution, regulatory or government censure.

Emerging risk considerations include increasing legislative and regulatory requirements, for example, the UK Corporate Criminal legislation. Geopolitical tensions can rapidly impact areas such as trade sanctions. Changing priorities in enforcement focus of governments and regulators also impact the risk. Potential pressures which might drive inappropriate behaviour can be driven by inflationary and economic challenges, increasing mental health risk and higher medium-term levels of colleague attrition.

Despite the increases in regulatory requirements, these are generally introduced gradually or do not impact significant areas of our business and are part of the general environment in which we operate. These pressures are known and taken into account in the ethics and compliance programme. We do not therefore consider these factors to move the overall position of this risk which we see as stable.

Example mitigations

- Our Values and a positive culture of integrity, supported by the right tone from leaders.
- Robust governance exercising oversight of our Ethics and Integrity (E&I) programme including "Non-Executive Director-only" sessions with Divisional ethics leads at the Corporate Responsibility Committee.
- Maintaining an effective E&I programme including clear required behaviours, defined in mycode and supported by compliance procedures, tools, frameworks and platforms.
- Independent Speak Up service supported by Corporate Investigation teams.
- Mandatory Serco Essentials training covering E&I topics.
- E&I teams in each Division.
- Third-party due diligence on key customers, suppliers and high-risk third parties to identify regulatory non-compliance, and other potential risks such as sanctions.

Oversight by: Corporate Responsibility Committee, Risk Committee and ExCo

Executive sponsor: Anthony Kirby, Group Chief Executive

Principal Risks and Uncertainties continued

People Risks continued

Health, Safety and Wellbeing



Risk appetite: Averse

Risk trend:



The diversity of services provided by Serco exposes our employees, customers and third parties to a wide range of health, safety and wellbeing (HS&W), and physical security risks inherent to our operations. This risk also includes psychosocial, environmental and societal concerns that may impact the safety and wellbeing of our employees, partners and those in our care. Additional considerations include climate concerns recognising that extreme heat, flooding or other extreme weather events may impact the safety, wellbeing and security of our employees, customers and service users. A breach of health and safety regulations or failure to meet our contracted expectations could disrupt our business and lead to prosecution and/or contractual, financial, regulatory and reputational costs.

Risk context

Our vision is Zero Harm. We have an averse risk appetite for actions and/or failures that could cause serious injury or loss of life. Despite a strong performance when considering our KPI for HS&W, as shown on page 19 (LTIFR reduction of 26% during the year) we recognise that we cannot eradicate risk entirely while maintaining operational delivery and we therefore consider the risk trend as stable. We continue to prioritise prevention of major injuries and threats to wellbeing and security, while tolerating that minor injuries will occur on occasion but are minimised by appropriate controls.

Our HS&W risk has the potential to impact or interconnect with several principal risks. Societal changes fuelled by a combination of factors including cost-of-living pressures, challenging media coverage and increasingly volatile and diverging political dialogues can directly impact our workforce, for example by exacerbating the personal security risks that they face.

Continuing to meet these developing people, compliance and security needs and mitigating their impact will be a key challenge for the organisation through 2026.

Example mitigations

- HS&W strategy and Safety Management System mandated in policy and implemented in each Division, including task-based enhanced risk assessments.
- Effective use of technology, data and information to drive improvements including global roll-out of a psychological H&S injury metric.
- Updated HS&W training, communication and guidance, in addition to mandated Group-wide safety training (delivered via Serco Essentials) and Licence to Lead content, with completion captured and reviewed.
- Spontaneous and planned preventative, maintenance, audit, and inspection through a programme of first, second- and third-line assurance activities.
- Role-specific training, based on site and task-specific risk assessment findings and control measures.
- Incident reporting and investigations through effective use of reporting and compliance systems.
- Continued growth of the review and sharing of lessons learnt throughout the global organisation.
- ISO certifications including but not limited to ISO 9001, 45001 and 45003.

Oversight by: Board, Corporate Responsibility Committee, Risk Committee and ExCo

Executive sponsor: Gillian Duggan, Group Chief People and Culture Officer

Principal Risks and Uncertainties continued

Hazardous Risks

Catastrophic Incident



Risk appetite: Averse

Risk trend:



Given the nature of our business, we are exposed to the risk of a significant event (incident or accident) occurring as a result of Serco's actions or failure to effectively respond to, or prepare for, an event that results in multiple fatalities, significant legal investigation or prosecution, severe property/asset damage/loss, very serious environmental impact, or significant reputational damage.

Risk context

Each Division continues to assess risks at a contract level, to ensure that relevant material risks have been identified and mitigated appropriately. Key risk information that may contribute to a catastrophic incident is also covered in other principal risk descriptions e.g. the Health, Safety, Environment and Wellbeing elements of this risk are included in the Health, Safety and Wellbeing principal risk. Further detail on our approach to the physical risks linked to climate change-related events can be found in our TCFD Compliance Statement on pages 60 to 65.

Given our average contract length, there tend not to be large fluctuations in this risk and we consider the risk trend to be stable. We continue to work with some of our key insurance brokers to leverage impact scenario analyses they have conducted, to see what potential risk quantification changes they project e.g. climate change. This helps ensure that the insurance limits purchased remain adequate, given insurance is one of the key mitigations for this risk.

Example mitigations

- HS&W and environmental strategies and Safety Management System (policies and procedures).
- Safety training (included as part of Serco Essentials) and individual development plans and processes based on role and operational risk.
- Effective incident/near-miss investigations and effective use of ASSURE (independent reporting and compliance system).
- Business continuity, crisis and incident emergency response plans and testing.
- Risk transfer via prudent insurance cover where appropriate.

Oversight by: Risk Committee and ExCo

Executive sponsor: Michael LaRouche, Chief Executive Officer, North America

Legal and Compliance Risks

Material Legal and Regulatory Compliance Failure



Risk appetite: Averse

Risk trend:



Serco operates in complex legal and regulatory environments across multiple industries and geographies and there is a risk that the Company might not comply with all relevant laws and regulations. Failure to comply with laws and regulations may cause significant loss and damage to the Group and harm to people including exposure to regulatory prosecution and fines, reputational damage and the potential loss of licences and authorisations, all of which may prejudice the prospects for future bids and contracts. Defending legal proceedings may be costly and may also divert management attention away from running the business for a prolonged period. Uninsured losses or financial penalties resulting from any current or threatened legal actions may also have a material adverse effect on the Group.

Risk context

We remain subject to a fast-moving and complex global legal and regulatory environment, and Serco is subject to investigations and potential claims which involve legal proceedings. We remain vigilant to the increasing threat of class action litigation.

In addition, various laws and regulations that apply across the business continue to be subject to increased focus and attention, including anti-bribery and corruption laws, market abuse regulation, data and privacy laws, sanctions and trade compliance, competition and antitrust, human rights, modern slavery and employment laws. We are averse to risks which may result in legal and regulatory non-compliance and have processes in place that seek to minimise regulatory and legal action, as well as targeted and selected assurance activity.

Example mitigations

- Embedded internal and external legal and other subject matter experts for example, HR, with responsibility for monitoring and understanding legal and regulatory obligations and risks.
- Dedicated Legal teams at Group level and in Divisions aligned to business and operations.
- Updated Investment Committee and Business Lifecycle Review Team bid process and governance.
- Third-party due diligence on key customers, suppliers and high-risk third parties.
- Group-led compliance processes and training including Speak Up and mycode.
- Mandatory Serco-wide training delivered through Serco Essentials as well as targeted roles-based and ad hoc training on specific legal areas.
- Annual and half-year compliance statements attesting material compliance with laws and regulations.
- Group-wide compliance programmes including Fraud Prevention.

Oversight by: Risk Committee and ExCo

Executive sponsor: Amanda Miller, Group General Counsel and Company Secretary

Viability Statement

In accordance with Provision 31 of the Code, the Directors have assessed the prospects of the Group over the three-year period to 31 December 2028.

Period of assessment

While the Group operates many long-term contracts, the nature of the Group's business relies on continued bidding activity and contract wins in order to sustain its revenue streams and facilitate growth. The pipeline of contract opportunities is carefully managed, however the outcome of bid submissions is binary and the Group uses past experience and estimated win rates to provide short-term budgets against which performance is measured. As a result of the estimates used in developing the Group's forecast, it remains challenging to develop detailed projections against which the Group's viability can be assessed.

Therefore, the Directors believe that a three-year period is appropriate since it reflects the fact that short-term projections can be heavily reliant on successful bidding opportunities which have a binary outcome and the Group has limited visibility of contract bidding opportunities beyond three years given the lead times which generally exist before opportunities come to market.

Although longer periods are used when making significant strategic decisions, the assumptions used in the latter years become inherently more uncertain. When considering the uncertainty around the timing of contract bidding explained above, the Directors have concluded a three-year period is the most appropriate for the viability assessment.

Financial forecasts

In assessing the prospects of the Group over the viability period, the Directors have also considered the Group's current financial position as well as its financial projections in the context of the Group's debt facilities and associated covenants. These financial projections, which have been approved by the Board, are based on a bottom-up budget exercise for 2026 and 2027, and a higher-level forecast for 2028 based on key assumptions, such as current contracted revenue and assumed win rates applied to new business and rebid opportunities.

The Group's covenant net debt balance at 31 December 2025 is £229.2m. The Group's base projections indicate that debt facilities and projected headroom are adequate to support the Group over the period to 31 December 2028. The Group's financial plan has been stress-tested against key sensitivities which could materialise as a result of the crystallisation of one or a number of the principal risks, the objective being that the future viability of the Group is tested against severe but plausible scenarios.

Funding facilities

At 31 December 2025, the Group's principal debt facilities comprised a £350m revolving credit facility maturing in November 2027 (of which £nil was drawn), and £408.6m of US private placement notes (USPP notes). The principal financial covenant ratios are consistent across the private placement loan notes and revolving credit facility and are outlined on page 235.

The Group refinanced its revolving credit facility at the end of 2022 and the associated five-year funding facility provides the financial platform to continue to invest in the growth of the Group. The refinanced bank debt expires during the three-year assessment period and the viability assessment assumes that it will be refinanced on similar terms. The Directors are of the opinion that refinancing the debt to at least a level that would allow the Group to remain viable is an achievable outcome.

During the period of assessment, £59.4m of the Group's USPP notes mature. The long-term forecasts supporting this statement show that, on the assumption that these are repaid and no further refinancing occurs after the date of the approval of these financial statements, there is still sufficient liquidity headroom for the Group to remain viable.

Viability Statement continued

Risks

The Board and the Group Risk Committee continue to monitor the principal risks facing the Group, including those that would threaten the execution of its strategy, business model, future performance, solvency and liquidity. The potential outcome, management and mitigation of those principal risks have been taken into consideration when modelling sensitivities to assess the future viability of the Group. The Group's risk review is set out on pages 69 to 75 and outlines the Group's principal risks and mitigating controls that are in place.

Severe but plausible downside scenarios

Due to the Group's long-term contracting nature, the sensitivities tested include a reduction in the win rates for rebids, extensions and the pipeline of new opportunities; a reduction in delivering margin improvements; and a potential penalty arising from risks such as a major information security breach or a material legal and regulatory compliance failure.

A reverse stress test of the Group's profit forecast has been completed using different assumptions of new business and rebid win rates and the Group's profit margin. This analysis shows that the Group can afford to be unsuccessful on 60% of its forecasted new business and rebid wins combined with a profit margin 125 basis points below the Group's forecast, and the Group will still have sufficient liquidity available throughout the assessment period. This assumes that all USPP notes are repaid during the period, and that the Group's revolving credit facility is refinanced on similar terms. May 2026 is the point with the lowest amount of liquidity headroom based on sensitivities within the forecast outlined above, against which the reverse stress test has been applied.

The Group has won 91% of its rebids and available contract extensions over the last two years by volume, therefore a reduction of 60% or more to the forecasted win rates and rebid rates is not considered plausible. These sensitivities will change in line with the Group's order book and contract performance going forward, including new contract wins and losses. However, the Group's ability to absorb impacts of this scale within its existing financing arrangements supports the assumptions applied in this Viability Statement.

Mitigations

It is considered unlikely, but not impossible, that the crystallisation of a single risk would test the future viability of the Group; however, unsurprisingly, and as with many companies, it is possible to construct scenarios where either multiple occurrences of the same risk, or single occurrences of different significant risks, could put pressure on the Group's ability to meet its financial covenants. At this point, the Group would look to address the issue by exploring a range of options including, among others, a temporary or permanent renegotiation of the financial covenants, disposals of parts of the Group's operations to reduce net debt and/or raising additional capital in the form of equity, subordinated debt or other such instruments.

Conclusions and assumptions

Subject to these risks, and on the basis of the analysis undertaken, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment. In doing so, it is recognised that such future assessments are subject to a level of uncertainty that increases further out in time and, therefore, future outcomes cannot be guaranteed or predicted with certainty. The Directors have made the following key assumptions in connection with this assessment:

- there is no significant unexpected contract attrition of existing work that becomes due for extension or rebid over the next three years;
- there is no significant reduction in scale of existing contract operations as a result of customer policy or other changes;
- the Group is able to refinance the £350m revolving credit facility which matures during the assessment term;
- there is no significant deterioration in new business and rebid win rates from those anticipated;
- the Group is able to continue the execution of its strategy of growing revenue and profits; and
- the Group is not subject to any material penalties, claims, litigations, direct and indirect costs and/or debarment from bidding for new contracts.

Non-Financial and Sustainability Information Statement

In this section we present information on how we're complying with the non-financial reporting requirements in Sections 414CA and 414CB of the Companies Act 2006.

Non-financial information	Principal locations in this Annual Report	
Environmental matters	Impact report: Planet	49-54
Climate change and sustainability	TCFD Compliance Statement	60-65
	Risk Management and Principal Risks and Uncertainties	66-75
	Corporate Responsibility Committee Report	104
	Our Impact - Data Tables: Planet	241-243
Employees	Impact report: People	37-44
	Risk Management and Principal Risks and Uncertainties	66-75
	Corporate Responsibility Committee Report	104
	Our Impact - Data Tables: People	238-240
Social matters (see also: content relating to Employees, above)	Impact report: Place	45-48
	Impact report - Data Tables: Place	240
Anti-corruption and anti-bribery	Impact report: Governance	55-59
Human rights (including slavery and human trafficking)	Risk Management and Principal Risks and Uncertainties	66-75
	Corporate Responsibility Committee Report	104
	Our Impact - Data Tables: Governance	243
Strategy	Our Strategy	12-17
Market	Our Markets	10-11
Corporate Governance	Directors' Report	79-134

Our Group policies are available on our website, including those relating to the Environment; People; Health, Safety and Wellbeing; Business Conduct and Ethics; Human Rights, and Personal Data.

Section 172 Statement

Details of how the Directors have had regard to the matters set out in Section 172 (1)(a) to (f) of the Companies Act 2006 are provided in the Section 172 (1) Statement on pages 90 to 92. Further details can be found throughout the Strategic and Corporate Governance Reports.

The Strategic Report on pages 1 to 78 is approved by the Board of Directors and signed on its behalf by:

Amanda Miller
Group General Counsel and Company Secretary
4 March 2026

Corporate Governance

80	Chair's Corporate Governance Overview	94	Nomination Committee Report
82	Our Governance Framework	97	Audit Committee Report
83	Board of Directors	103	Risk Committee Report
86	Group Executive Committee	104	Corporate Responsibility Committee Report
87	Board leadership and Company Purpose	105	Directors' Remuneration Report
89	Stakeholder engagement	127	Directors' Report: Other Information
90	Section 172 (1) Statement	134	Directors' Responsibility Statement
93	Composition, succession and evaluation		

UK Corporate Governance Code 2024 (the Code)

During 2025, the Company complied with all of the provisions of the Code available to view on the Financial Reporting Council (FRC) website. Details on how we have applied the principles and complied with the provisions in this Annual Report are set out below:

	Page
Board leadership and Company Purpose	
A Board effectiveness and activities	88-93
B Purpose, culture and values	2-3, 12-17, 87
C Board decisions and outcomes	88-92
D Shareholder and stakeholder engagement	34-65, 89-92
E Workforce policies and practices	37-44, 55-58, 89, 131
Division of Responsibilities	
F Board roles	83-85, 87-88
G Independence	83-85, 94-96
H Time commitment and conflicts of interest	81, 88, 94-96, 127-128
I Board resources	88
Composition, succession and evaluation	
J Board appointments and succession planning	83-85, 94-96, 132
K Board composition and skills	81, 83-85, 93-96
L Board performance review	93
Audit, Risk and Internal Control	
M Audit effectiveness	97-102
N Fair, balanced and understandable assessment	99, 134
O Risk management and internal control	66-75, 87-88, 97-104
Remuneration	
P Remuneration policies and practices	105-126
Q Directors' remuneration	105-126
R 2025 performance outcomes	105-108, 110-119



Chair's Corporate Governance Overview



This report provides an overview of how the Board operates for the benefit of shareholders and other stakeholders and sets out the focus areas and key decisions made by the Board and its Committees during the year.

Keith Williams
Chair

Dear Shareholders

As I begin my tenure as Chair of the Board, I am pleased to present my first Corporate Governance Report for Serco. I would like to thank my predecessor, John Rishton, for his leadership and stewardship of the Board and for ensuring a smooth and orderly transition. The Board recognises the value of having strong corporate governance at the centre of our decision-making. This is how we generate long-term sustainable value for all our stakeholders, including shareholders, colleagues, customers, suppliers and partners, communities and the society in which we operate. Since my appointment, I have met with a number of our investors to gain an understanding of their views, as well as undertaking contract visits and meeting Serco colleagues.

Board changes and composition

In addition to John's retirement from the Board on 31 December 2025, Mark Irwin retired as Group Chief Executive on 28 February 2025, succeeded by Anthony Kirby, and Nigel Crossley will be retiring as Group CFO on 5 March 2026, succeeded by Mark Reid on 6 March 2026. In light of the tenure of our longer serving Non-Executive Directors (NEDs) and recent Board changes, the Nomination Committee and I have reviewed the Board's composition and skills in line with the Group's strategy and the current and future opportunities and challenges we face. We are in the process of searching for new NEDs to further strengthen the breadth of skills, experience and diversity around the Board table, and to support the Group's long-term strategic priorities.

Effectiveness

This year, we undertook an internal Board and Committee performance review, the results of which demonstrate that the Board as a whole continues to be effective with a good mix of skills, experience, backgrounds and diversity. We have agreed on a set of actions to strengthen how we operate for the future (see page 93).

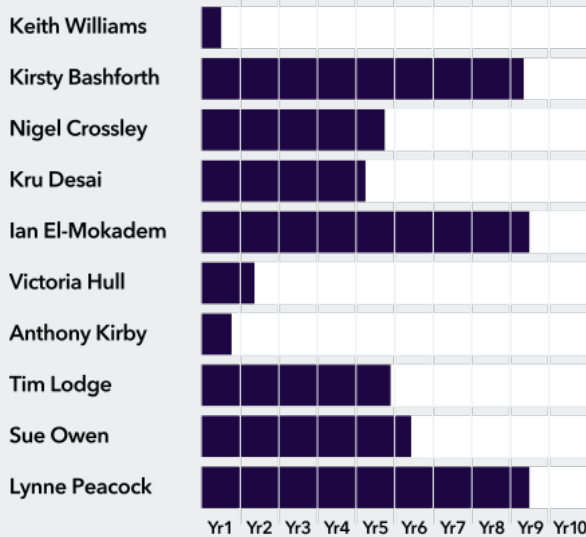
I would like to thank my fellow Board members and the Executive Committee (ExCo) for their warm welcome and efforts this year.

Keith Williams
Chair

4 March 2026

Chair's Corporate Governance Overview continued

Directors' tenure as at 4 March 2026



2025 Board and Committees scheduled meetings: attendance

Director	Board	Audit	Corporate Responsibility	Nomination	Remuneration	Risk
Keith Williams ¹	4/4	n/a	n/a	1/1	n/a	n/a
Kirsty Bashforth	8/8	n/a	4/4	4/4	4/4	4/4
Nigel Crossley	8/8	n/a	n/a	n/a	n/a	n/a
Kru Desai	8/8	5/5	4/4	4/4	n/a	n/a
Ian El-Mokadem	8/8	5/5	n/a	4/4	n/a	4/4
Victoria Hull	8/8	n/a	n/a	4/4	4/4	n/a
Anthony Kirby ²	7/7	n/a	3/3	n/a	n/a	n/a
Tim Lodge	8/8	5/5	n/a	4/4	4/4	4/4
Sue Owen	8/8	n/a	4/4	4/4	n/a	4/4
Lynne Peacock ³	8/8	4/5 ³	n/a	4/4	1/1	n/a
Former Directors						
John Rishton ⁴	8/8	n/a	n/a	4/4	4/4	n/a
Mark Irwin ⁵	1/1	n/a	1/1	n/a	n/a	n/a

Skills on the Board as at 4 March 2026

Skills	Very limited	Limited	Moderate	Substantial	Very substantial
Leadership of complex global groups			2	4	4
Previous and/or current public listed company experience			1	3	6
Strategy and M&A of complex global groups		1		4	5
Financial expertise including banking, financing and audit		3	3	1	3
Working with governments	1	2	1	2	4
Outsourcing contracting	1	4	1		4
People and culture				4	6
HR & remuneration in international businesses		1	3	2	4
Management and oversight of group health and safety	1		3	2	4
Technology, digital and cybersecurity		2	4	4	
Risk management, ethics and compliance				3	7
Environmental		2	7	1	
Social and community matters		1	3	4	2



For further information on each **Director's skills and experience**, see their **biographies** on **pages 83 to 85**.


1. Keith joined the Board as Chair Designate from 1 August 2025. This reflects the meetings he was required to attend.
2. Anthony joined the Board on 1 March 2025. This reflects the meetings he was required to attend.
3. Lynne stepped down as Chair and a member of the Remuneration Committee at the conclusion of the 2025 AGM. This reflects the meetings she was required to attend. She sent her apologies for the Audit Committee meeting in October due to a pre-existing commitment.
4. John retired from the Board and as a member of the Remuneration Committee on 31 December 2025. He was required to attend all meetings during the year.
5. Mark retired from the Board on 28 February 2025. This reflects the meetings he was required to attend.

Our Governance Framework

Board of Directors

Responsible for the stewardship of the Group, overseeing its conduct and affairs to deliver on our strategic objectives and creating long-term success to generate sustainable value for our shareholders and taking into account the interests of other stakeholders.

The Board has established certain Committees to assist it in discharging its responsibilities and has delegated day-to-day responsibilities to the ExCo.

 **Board leadership and Company Purpose: pages 87 to 89.**


Audit Committee

Oversight of matters relating to financial reporting and internal financial controls, the effectiveness of the Internal Audit function and the External Auditor.

 Read the **Committee's Report** on pages 97 to 102.


Corporate Responsibility Committee

Oversight of sustainability, social and community initiatives, ensuring that the Company's responsible business practices are aligned with strategy and stakeholder expectations.

 Read the **Committee's Report** on page 104.


Nomination Committee

Reviews the Board and Committee structure and composition to ensure it has the right balance of skills, experience, independence and diversity, and is responsible for Board appointments and oversight of succession planning.

 Read the **Committee's Report** on pages 94 to 96.


Remuneration Committee

Determines the remuneration framework for the Executive Directors, senior management and the Chair, having regard to the wider workforce remuneration and the Directors' Remuneration Policy.

 Read the **Committee's Report** on pages 105 to 126.

Risk Committee

Oversight of the effectiveness of the Group's risk management framework and internal controls, including in-depth reviews of specific risks and ensuring that risks are appropriately identified, managed and mitigated.

 Read the **Committee's Report** on page 103.

Approval and Allotments Committee

Acts on behalf of the Board between scheduled meetings to approve matters delegated to it by the Board, including the final approval of documentation to shareholders in relation to half-year and full-year reporting and employee share schemes.

Group Executive Committee (ExCo)

Responsible for execution of strategy and day-to-day management of the business operations.

Investment Committee

Monitors and approves bids, mergers, acquisitions and disposals and other corporate activity within specific authority limits delegated to it by the Board and ExCo.

Disclosure Committee

Oversight of the Company's obligations relating to the UK Market Abuse Regulation.

 Board Committees  Management Committees

 The **Matters Reserved for the Board** and **terms of reference for each of the Committees** are available on our **website**.

Board of Directors

The Board comprises the Non-Executive Chair, seven independent NEDs and two Executive Directors.

Roles

The roles of Chair and Group Chief Executive are distinct and held by different people, with a clear division of responsibilities.

The Chair, who was independent on his appointment, leads and is responsible for the operation of the Board.

Board changes

- Anthony Kirby joined the Board and became Group Chief Executive on 1 March 2025. He succeeded Mark Irwin, who retired from the Board as Group Chief Executive on 28 February 2025.
- Keith Williams joined the Board as Chair Designate on 1 August 2025 and became Board Chair on 1 January 2026.
- John Rishton retired from the Board and as Chair on 31 December 2025.
- Nigel Crossley will retire from the Board and as Group CFO on 5 March 2026. He will be succeeded by Mark Reid, who will join the Board as Group CFO on 6 March 2026.

Key to Committee membership

- A** Audit Committee
- C** Corporate Responsibility Committee
- N** Nomination Committee
- Re** Remuneration Committee
- Ri** Risk Committee
- Committee Chair



N

Keith Williams CBE
Chair

Appointment to the Board

1 August 2025 (Chair since 1 January 2026)

Skills and experience

Keith brings extensive leadership and listed board experience from a range of industries, with over 40 years' business experience gained in a variety of companies, including nearly 20 years in chief executive, chief financial officer and chair roles.

He was previously Chief Executive and Executive Chair of British Airways plc and the Non-Executive Chair of International Distribution Services Limited (previously trading as Royal Mail Group). Other prior non-executive roles include Director and Deputy Chair of John Lewis plc and Non-Executive Director of Aviva plc. He has also chaired the Williams Rail Review established by the UK Government.

Current external commitments

- Chair of Halfords Group plc.



C

Anthony Kirby
Group Chief Executive

Appointment to the Board

1 March 2025

Skills and experience

Anthony became Group Chief Executive in March 2025. Having joined the Group in 2017, he has served as Chief Executive Officer for UK & Europe, Group Chief Operating Officer and Chief People Officer. He has over 20 years' experience in transformation, HSE and corporate services across a number of countries.

Prior to Serco, he held leadership roles at Compass Group plc, including as Director of Group Labour Strategy, Group Workforce & Organisation Director and HR Director for Europe and Japan.

Current external commitments

- Non-Executive Director of Hays plc.



Nigel Crossley
Group Chief Financial Officer (Group CFO)

Appointment to the Board

21 April 2021

Skills and experience

Nigel has over 30 years' experience in finance roles in international organisations.

He joined the Group in 2014 and became Group CFO in 2021 having previously held various roles in the Finance team. Prior to this, Nigel was Director of Finance and Transformation at EMI and Group Financial Controller of RHM plc, as well as having undertaken various roles at Procter & Gamble.

Current external commitments

None.

Board of Directors continued



Kirsty Bashforth
Independent
Non-Executive Director

Appointment to the Board
15 September 2017

Skills and experience

Kirsty is an experienced board director and committee chair with particular expertise in transformation, change management and organisational culture.

Her previous board roles include GEMS Education, Kier Group plc, Diaverum AB and Leeds Beckett University. More recently, she was Chair of Northern Superchargers Limited. Her executive career has been international across private equity, listed and family-owned companies, including 24 years at bp plc, where she was the Group Head of Organisational Effectiveness.

Current external commitments

- Chief People and Culture Officer of Delinian Trading Limited.
- Non-Executive Director for Employee Voice and Chair of the Remuneration Committee of PZ Cussons plc.
- Director of QuayFive Limited.



Kru Desai
Independent
Non-Executive Director

Appointment to the Board
21 October 2021

Skills and experience

Kru has over 30 years' experience of working in the public and private sector in leading transformation of public services in the UK and internationally, with general management and board leadership roles in sales and operational delivery.

She was previously a Partner and a Non-Executive Director and Chair of the Remuneration Committee of KPMG LLP (UK). Prior to this, she was an Executive Director and member of the Group Management Board of Mouchel Group plc and Hedra plc, as well as Managing Director of Atos (UK). Other prior roles have included Independent Commissioner of the Geospatial Commission, Chair of the Zinc Network and Vice Chair of City St George's, University of London (formerly City, University of London).

Current external commitments

- Independent Non-Executive Director of Buro Happold Limited.



Ian El-Mokadem
Independent
Non-Executive Director

Appointment to the Board
1 July 2017

Skills and experience

Ian is an experienced chief executive and non-executive director with international experience in driving organic growth, business transformation and acquisitions and disposals across a broad range of large service and utility businesses. He has held leadership roles in both listed and private equity backed businesses.

He was previously Chief Executive Officer of RWS Holdings plc, V. Group and Exova Group plc. Prior to this, he was Group Managing Director, UK & Ireland of Compass Group plc and has held various senior management positions with Centrica plc and Accenture.

Current external commitments

- Senior Advisor at Warburg Pincus LLC.
- Non-Executive Director of United Utilities Group plc.
- Non-Executive Director of Diploma PLC.
- Director of Roegate Consulting Limited.



Victoria Hull
Independent
Non-Executive Director

Appointment to the Board
1 September 2024

Skills and experience

Victoria has extensive senior executive experience across a broad range of business, legal, commercial and governance matters, as well as strong international experience.

She has previously held the role of Senior Independent Director at Ultra Electronics plc. She was also Senior Independent Director and Chair of the Nomination and Governance Committee at Network International Holdings plc. Her executive experience includes being an Executive Director and General Counsel of Invensys plc and Telewest Communications plc.

Current external commitments

- Chair of Hikma Pharmaceuticals plc.
- Non-Executive Director and Chair of the Remuneration Committee of IMI plc.
- Non-Executive Director and Chair of the Remuneration Committee of IQE plc.

Board of Directors continued



Tim Lodge
Independent
Non-Executive Director

Appointment to the Board
21 February 2021

Skills and experience

Tim has a strong finance and accounting background with over 30 years' experience in senior financial roles within international organisations. He has considerable experience in leading significant strategic and operational transformation and driving commercial performance.

He was previously Non-Executive Director and Chair of the Audit Committee of Aryzta AG and Chair of the Management Committee of the Cordwainers Livery Company. His executive experience includes being the Chief Financial Officer at Tate & Lyle PLC and COFCO International.

Current external commitments

- Non-Executive Director and Chair of the Audit Committee of Howden Joinery Group Plc.
- Non-Executive Director and Chair of the Audit Committee of SSP Group plc.
- Non-Executive Director of Arco Limited.
- Director of An African Canvas (UK) Limited.
- Trustee of Gambia School Support.



Dame Sue Owen DCB
Independent
Non-Executive Director
and Designated
Non-Executive Director
for Colleague Voice

Appointment to the Board
3 August 2020

Skills and experience

Dame Sue has significant experience of government and economic policy, having held senior roles in several government departments, including as the Permanent Secretary for the Department for Digital, Culture, Media and Sport. She has held senior posts in the Department for International Development, Foreign Office, HM Treasury and the Department for Work and Pensions, where she also acted as the Diversity and Inclusion Champion.

Current external commitments

- Chair of the UK Debt Management Office Advisory Board.
- Supervisory Board member of DAF NV.
- Non-Executive Director of Pool Reinsurance Company Limited.
- Specialist Partner at Flint-Global Advisory.
- Non-Executive Director of Pantheon International plc.
- Non-Executive Director of Methera-Global Communications.
- Chair of the Royal Ballet Governors.
- Royal Automobile Club Board member.



Lynne Peacock
Senior Independent
Non-Executive Director

Appointment to the Board
1 July 2017

Skills and experience

Lynne has over 30 years' experience in a range of non-executive and executive positions, including in chief executive officer roles. She has a strong background in brand development, mergers and acquisitions, change management and business transformation.

Lynne has held a range of non-executive director and committee chair appointments with major companies including International Distribution Services plc, the Royal London Mutual Assurance Society, Scottish Water and Standard Life Aberdeen. She was also the Senior Independent Director at TSB Bank plc and Senior Independent Director and Chair of the Remuneration Committee at Nationwide Building Society. Her executive experience includes being the Chief Executive of Woolwich plc and National Australia Bank Limited's UK businesses.

Current external commitments

- Chair of the Royal Mencap Society.

Key to Committee membership

- A** Audit Committee
- C** Corporate Responsibility Committee
- N** Nomination Committee
- Re** Remuneration Committee
- Ri** Risk Committee
- Committee Chair

Group Executive Committee

The Group Chief Executive is supported by the Group Executive Committee (ExCo), who are responsible for executing strategy and day-to-day management of the business.



Anthony Kirby
Group Chief Executive



Nigel Crossley
Group CFO



Gillian Duggan
Group Chief People and
Culture Officer



Andrew Head
Chief Executive Officer,
Asia Pacific



Michael LaRouche
Chief Executive Officer,
North America



Phil Malem
Chief Executive Officer,
Middle East



Amanda Miller
Group General Counsel and
Company Secretary



Tom Read
Group Chief Digital and
Technology Officer



Helen Shaw
Interim Chief Executive
Officer, UK & Europe

ExCo changes announced to take effect post 5 March 2026

Mark Reid will become Group CFO effective as of 6 March 2026, succeeding Nigel Crossley who retires on 5 March 2026.

Fiona Walters will become Chief Executive Officer, UK & Europe effective as of 23 March 2026.


 Full biographies of our ExCo can be found on [our website](#).

Board leadership and Company Purpose

The role of the Board

The Board has overall responsibility for establishing the Company's Purpose, Values and behaviours, and ensuring that effective leadership and resources are available to meet agreed objectives and the Group's strategy. It maintains oversight of the Group's operations, performance, governance and compliance with statutory and regulatory obligations. The Board is mindful of the need to create value for shareholders and ensure long-term sustainable success; in doing so, it takes account of the wider interests of other stakeholders including investors, colleagues, customers, suppliers and partners, and the communities and society in which we operate.

The Board is responsible for establishing and maintaining an effective risk management and internal controls framework. As part of this, it is supported by the Audit, Risk and Corporate Responsibility Committees. The Audit Committee Report (pages 97 to 102) sets out the details of the committee's responsibility for ensuring the integrity of the financial reporting process and oversight of financial controls. The Risk Committee monitors the effectiveness of the risk management and internal controls framework and has carried out a robust assessment of the emerging and principal risks facing the Company (see the Risk Committee Report on page 103).

 Further details about our **principal risks and uncertainties** and how they are managed and mitigated are set out on **pages 66 to 75**.


The Viability Statement, which explains how the Directors have assessed the prospects of the Company and concluded that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, is set out on pages 76 and 77.

Culture

Our culture supports the delivery of the Group's strategy and its long-term sustainable success, while generating value for shareholders. Embedding our Values (Trust, Care, Innovation and Pride), behavioural standards and leadership expectations in how we operate, lead and grow is a part of this.


The Board monitors and assesses culture through a number of indicators and updates including:


- discussions with the Group Chief Executive;
- reports to the Audit and Corporate Responsibility Committees on any concerns raised through our Speak Up confidential reporting service;
- themes and insights from our employee engagement survey, Viewpoint;
- direct feedback and insights from colleagues via Dame Sue Owen, the designated non-executive director for workforce engagement (the Designated Non-Executive Director for Colleague Voice);
- deep dives on people and cultural matters including ethics and integrity and health, safety and wellbeing through the Corporate Responsibility Committee;
- monitoring and, as appropriate, approving workforce policies and practices to ensure that they are consistent with our Values and support the Company's long-term sustainable success and drive the right behaviours; and
- visits to contracts and offices to meet our colleagues firsthand.

 Read more on our People and Culture strategy and Ethics and Integrity in the **Impact report** on **pages 37 to 44** and **55 to 58**.

Board leadership and Company Purpose continued

Board meetings

 **Meetings held in 2025: 10** (including two ad hoc)
Scheduled meeting attendance: see **page 81**.

 A number of **key decisions and matters** are reserved to the Board – see **Matters Reserved for the Board** available on our **website**.

Board and Committee members are provided with papers in advance of each meeting via a secure electronic portal. Directors are expected to attend all meetings of the Board and any Committees of which they are a member unless prevented by prior commitments, illness or a conflict of interest. If a Director is unable to attend a meeting, they usually give their comments to the Chair or the Committee Chair for consideration at the meeting. Private NED-only sessions are held at the end of Board meetings.

The Group General Counsel and Company Secretary and/or her nominee attends all meetings and provides governance advice, guidance and support to the Board, its Committees and individual Directors as required. Directors are also able to obtain independent professional advice if needed.

Each of the Committee Chairs reports to the Board on their respective Committee's activities, and Committee papers and minutes are available to all Directors unless there is an actual or perceived conflict of interest. Cross-Committee membership provides visibility and awareness of relevant matters.

Activities of the Board during 2025

The Board is focused on using its time effectively and efficiently to oversee the delivery of the Company's strategic objectives and to ensure its long-term sustainable success. Other members of senior management and subject matter experts are invited to attend meetings at the discretion of the respective Chair. Key activities during the year included:

- discussing the Group Chief Executive's report at each meeting, which focused on the Group's overall performance and operations; engagement with, and the views of, our stakeholders; key business operations and consideration of headwinds and macroeconomic events facing the business, and our related response;
- discussing the Group CFO's report at each meeting, including a review of the current financial and trading performance for the period against budget and consensus, and the full-year outlook;
- approving the financial statements at full and half-year and pre-close statements, including external guidance;
- approval of the £50m share buyback programme in August 2025 (see page 92);
- approval of the 2024 final and 2025 interim dividends;
- a dedicated strategy meeting where it considered the Group's strategy and long-term growth opportunities, key challenges and risks to delivery of our key priorities of Growth, Competitiveness and Operational Excellence; and the macroeconomic and geopolitical environment and the Group's response;
- discussing new bids, rebids and extensions, including how they support the strategy and any related approvals within the Board's reserved matters (see page 92);
- reviewing M&A opportunities, including the approval of the acquisition of MT&S (see page 92);
- reviewing the effectiveness of the risk management and internal controls framework in particular being updated on the business's readiness activities through our Integrated Assurance Framework (IAF) programme in relation to future reporting against Provision 29 of the Code (applicable for the 2026 reporting year) via the Risk Committee. The Board undertook deep dives in relation to the Failure to Grow Profitably and Significant Impact of Policy Change principal risks (see pages 70 and 71);
- updates on our share price performance relative to the market, share register movement, investor relations activities and engagement with shareholders and related feedback;
- approval of the Going Concern and Viability Statements on the recommendation of the Audit Committee;
- updates on any significant litigation;
- updates in relation to legal, regulatory and governance changes;
- reviewing and approving the Annual Report on the recommendation of the Audit Committee (see page 99) and that, taken as a whole, it is fair, balanced and understandable and contains the information necessary for shareholders to assess the Group's position, performance, business model and strategy;
- reviewing the themes and actions from this year's Board and Committee performance review (see page 93);
- discussing the progress and delivery against our People and Culture strategy and the results from the Viewpoint employee engagement survey;
- discussing feedback from Board engagement activities, for example with colleagues and customers via contract visits; and
- approving the appointment of the new Chair, Group Chief Executive and Group CFO (see pages 94 and 95).

Stakeholder engagement

The Board regularly engages with its stakeholders to develop an understanding of key issues, which underpins its decision-making. NEDs seek to increase their knowledge of the operations of the Group's operations in a number of ways, including meeting colleagues and undertaking contract visits.

Workforce engagement

Dame Sue Owen, as the Designated Non-Executive Director for Colleague Voice, updates the Board on employee perspectives and issues. She is supported by a colleague in HR who has responsibility for Colleague ConneXions, a platform enabling colleagues to have a direct dialogue with Dame Sue. In addition, she regularly undertakes visits to our operations to meet frontline colleagues and during 2025, these included visits to our sites at RAF Oakhanger and HMP Ashfield.

Additional engagement and activities undertaken by the Board include:

- providing all colleagues with an opportunity to give feedback directly to the Board through the Viewpoint survey. The feedback is shared and discussed with the Board;
- engaging directly with senior leaders at Board and Committee meetings and at the Board strategy day; and
- a number of contract visits globally by the NEDs. In addition, the Board met in the North of England for its May 2025 Board and Committee meetings and used the opportunity to spend time with the local management team.

The Board keeps its workforce engagement mechanism under review and no change is proposed for 2026.

Relations with shareholders

The Group Head of Investor Relations maintains regular, open and transparent dialogue with institutional investors and sell-side analysts. He has access to the Group Chief Executive and Group CFO, who are available for meetings with shareholders and frequently attend industry conferences. They also meet with major shareholders to discuss relevant developments in the business at half and full-year post-results roadshows; through a programme of investor meetings; and with our debt investors, including lending banks and US private placement noteholders. There is also consultation with proxy advisers and ESG analysts, with relevant internal subject matter experts attending meetings as appropriate. The Chair, Committee Chairs and the Senior Independent Director are also available to meet with investors.

During the year, activities included:

- the Group Chief Executive and the Group CFO had more than 100 meetings with investors;
- Keith Williams met with a number of our larger shareholders ahead of his formal appointment as Chair and after; and
- the Chair of the Remuneration Committee consulted with shareholders on remuneration matters.

The outcome of such engagement is shared to ensure that the Board as a whole has a clear understanding of the views of shareholders. We value the input received from shareholders, which helps us to shape our approach to governance including remuneration decisions.

At our 2025 Annual General Meeting (AGM), having received just over 20% of votes against the Directors' Remuneration Report (DRR) (79.39% in favour), the Company contacted the top 20 shareholders to understand their views on the decisions outlined in the DRR and the reasons why those who voted against took that decision. The feedback received from shareholders did not raise any material concerns (see page 109).

AGM

At our 2025 AGM, all proposed resolutions were approved by shareholders. Our 2026 AGM will be held on 22 April 2026 at the offices of Clifford Chance, 10 Upper Bank Street, London E14 5JJ at 10:30am. This Annual Report and Notice of the AGM will be made available to shareholders shortly. Shareholders are encouraged to participate in the AGM; all resolutions will be proposed and voted on by poll and the results will be announced to the market and made available on our website after the meeting.

Section 172 (1) Statement

The Directors have acted in the way that they considered, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing so they have had regard, among other matters, to those matters set out in Section 172 (1) (a-f) of the Companies Act 2006. The Directors consider all stakeholders when making key decisions, but recognise that not every decision will result in the preferred outcome for each stakeholder. The Board therefore seeks to balance the diverse and sometimes conflicting priorities and interests of the Group's stakeholders, ensuring that decisions support

the long-term, sustainable success of the business guided by our Purpose, Values and key priorities (see page 2).

While the Board will engage directly with stakeholders on certain issues, stakeholder engagement will often take place at Divisional level, with the Board receiving regular updates on stakeholder views from the Executive Directors and senior management.

The following describe some examples of how the Board has considered Section 172 in its decision-making during the year.

Section 172 factor	Further information
<p>(a) The likely consequences of any decision in the long term</p> <p>The Board's diverse set of skills, knowledge and experience assists in making informed decisions, promoting the long-term success of the Company while considering the needs of our stakeholders.</p>	<p>Strategic Report</p> <ul style="list-style-type: none"> At a Glance: page 2 Our Market: pages 10 and 11 Our Strategy: pages 12 to 17 KPIs: pages 18 and 19 <p>Corporate Governance</p> <ul style="list-style-type: none"> Chair's Corporate Governance Statement: page 80 Board leadership and Company Purpose: pages 87 to 89
<p>(b) The interests of the Company's employees</p> <p>The Board has oversight of colleague health, wellbeing, safety, diversity, talent development and the alignment of culture and strategy with our Values through the work of the Corporate Responsibility Committee. The Board also considers feedback received from colleagues through the employee engagement survey, Viewpoint, and Dame Sue Owen, as the Designated Non-Executive Director for Colleague Voice.</p>	<p>Strategic Report</p> <ul style="list-style-type: none"> KPIs: pages 18 and 19 Impact report: People: pages 37 to 44 <p>Corporate Governance</p> <ul style="list-style-type: none"> Board leadership and Company Purpose: pages 87 to 89 Corporate Responsibility Committee Report: page 104 Directors' Report: other information: page 131
<p>(c) The need to foster the Company's business relationships with suppliers, customers and others</p> <p>Regular operational updates are provided to the Board and its Committees by senior management, including matters such as the management and assessment of suppliers and customer engagement and feedback. Directors also meet with customers during contract visits.</p>	<p>Strategic Report and Other Information</p> <ul style="list-style-type: none"> Group and Divisional Reviews: pages 20 to 33 KPIs: pages 18 and 19 Impact report: pages 34 to 65, 238 to 243 and on our website Risk Management and Principal Risks and Uncertainties: pages 66 to 75
<p>(d) The impact of the Company's operations on the community and the environment</p> <p>Directors meet with users of the services we provide on behalf of our customers during contract visits. Senior management also provide regular updates directly to the Board and through its Committees on ESG matters, including environmental strategy.</p>	<p>Strategic Report and Other Information</p> <ul style="list-style-type: none"> Impact report and Our Impact - Data Tables: pages 34 to 65, 238 to 243 and on our website <p>Corporate Governance</p> <ul style="list-style-type: none"> Corporate Responsibility Committee Report: page 104
<p>(e) The desirability of the Company maintaining a reputation for high standards of business conduct</p> <p>The Board and its Committees oversee the effectiveness of our risk management systems, internal controls and assurance processes. Our Values, Code of Conduct (mycode) and workforce policies define our culture and behaviour, enabling our colleagues to build and sustain the skills to meet the evolving expectations of customers, communities and markets.</p>	<p>Strategic Report and Other Information</p> <ul style="list-style-type: none"> Impact report and Our Impact - Data Tables: People and Governance: pages 37 to 44, 55 to 59, 238 to 243 and on our website Risk Management and Principal Risks and Uncertainties: pages 66 to 75 <p>Corporate Governance</p> <ul style="list-style-type: none"> Corporate Responsibility Committee Report: page 104
<p>(f) The need to act fairly as between members of the Company</p> <p>The Board considers feedback received from engagement with shareholders, debt investors, analysts and proxy advisers throughout the year. Members of the Board meet with a number of shareholders and analysts during the year; and the AGM provides an additional opportunity to communicate with private and institutional investors.</p>	<p>Strategic Report</p> <ul style="list-style-type: none"> KPIs: pages 18 and 19 Impact report: pages 34 to 59 and on our website <p>Corporate Governance</p> <ul style="list-style-type: none"> Stakeholder engagement: Relations with investors: page 89

Section 172 (1) Statement continued

Our stakeholders and link to the key priorities of Growth, Competitiveness and Operational Excellence:

Colleagues



Our colleagues are critical to achieving our mission of bringing together the right people, the right technology and the right partners to deliver positive impact. We continue to strengthen the link between workforce stability, safety and operational excellence to build a culture where colleagues feel safe, supported and able to thrive.

Shareholders



Engagement with and receiving the support of our shareholders is a key factor in achieving our strategic goals. We seek long-term relationships by maintaining regular, open and transparent dialogue with our investors. We value the input received from our shareholders and use feedback to shape our approach to governance.

Customers



Our ability to engage with existing and new government customers through understanding and responding to their needs ensures our continued success. We aim to deliver tangible outcomes that support safer operations, stronger engagement and more consistent delivery for our customers.

Suppliers and partners



We aim to work with suppliers that share our ethical standards and commitment to being a sustainable, secure and reputable business. We aim to be a valued and trusted public service provider, delivering public services with integrity in all that we do.

Communities and society



We actively support and promote a culture of delivering and giving for positive outcomes, employing people from local communities, working with those who represent the needs of the communities we serve in order to strengthen their social and economic wellbeing and minimise our environmental impact.

Growth **Competitiveness** **Operational Excellence**

Read more about **our key priorities** on **page 13**.

Section 172 (1) Statement continued

Principal Board decision	Stakeholders considered in Board discussions	Section 172 considerations
<p>Acquisition: Northrop Grumman's Mission Training and Satellite Ground Network Communications Software business (MT&S)</p> <p>See also:</p> <ul style="list-style-type: none"> • Our Strategy: pages 13 and 14 • Announcements (30 January 2025; 27 May 2025) 	<p>Colleagues, shareholders and customers</p>	<p>Leveraging our strong balance sheet to support sustainable, profitable growth through M&A opportunities is an important part of our strategy. We consider opportunities which would increase the Group's capabilities, market access or scale and thereby benefit our shareholders in the long term. In line with this, the Board considered and approved the acquisition of MT&S from Northrop Grumman. The Board considered each of the stakeholder groups with specific focus on colleagues, customers and shareholders.</p> <p>This strategic acquisition of a technology-enabled US defence asset opens up new markets in a high-growth, high-margin sector, building on our existing capabilities in defence training and people services and supporting Serco's growth ambitions within the international space sector. Adding advanced mission training services and satellite ground network software to our portfolio deepens our engagement with the US Department of War, supporting programmes across the US Army, Space Force, Air Force, Navy and Combatant Commands, with a team of around 900 skilled professionals.</p> <p>The acquisition completed on 27 May 2025. Subsequently, this has led to the business participating in a number of additional bids, including the successful bid for the development of the next generation of Royal Australian Navy sailors at HMAS Watsons Bay.</p>
<p>Contract bids</p> <p>See also:</p> <ul style="list-style-type: none"> • Group and Divisional review on pages 20 to 33 	<p>Colleagues, shareholders, customers, communities and society</p>	<p>In line with the Matters Reserved for the Board, bids of a certain value are required to be considered and approved by the Board. During 2025, the Board considered and approved the successful bid submission for management of HMP Dovegate. As part of the approval, the Board considered a number of factors and the impact on our stakeholders, including our knowledge, experience and capabilities in the sector, strategic growth ambitions, and the long-term benefit to our shareholders.</p>
<p>Returning funds to shareholders: Share buyback programme 2025</p> <p>See also:</p> <ul style="list-style-type: none"> • Group and Divisional Review on page 22 • Share buyback announcement (7 August 2025) 	<p>Shareholders</p>	<p>The Board approved a £50m share buyback programme in August 2025, which would return surplus capital to shareholders in line with the Group's capital allocation model. As part of the decision, the expectations of our shareholders were considered. The buyback programme was completed on 3 December 2025 and all repurchased shares have been cancelled. This increased net debt and reduced the number of shares in issue which, in combination with a reduction in the underlying tax rate for the year, has further improved underlying EPS. This brings the total shareholder returns via buybacks since 2021 to around £390m.</p>

Composition, succession and evaluation

Board and Committee performance review

In line with the Code, we annually undertake a formal and rigorous review of the performance of the Board and its Committees and Directors, which considers the Board's composition and effectiveness.

Building on last year's externally facilitated review undertaken by Gould Consulting (who are independent), the Board conducted an internal review of its effectiveness this year, led by the Chair and supported by the Company Secretariat. The process involved the completion of tailored questionnaires by the Board and Committee members and attendees. Consideration was also given to any open actions from the 2025 review. The results were then discussed with the Board. Progress with the agreed action plan for implementation in 2026 will be monitored by the Nomination Committee.

2025 review

Our 2025 Board and Committee performance review found that the Board and all of its Committees remain effective, with a good mix of skills, experience, backgrounds and diversity. The Board has strong relationships with Management and Directors are able to constructively challenge as required. The review identified some areas for focus for 2026. This included:

- increased discussion time on strategy at Board meetings in addition to the annual dedicated strategy meeting;
- focusing on the search for new NEDs given the long-standing tenure of some Directors, which includes reviewing the skills, experience and knowledge required in line with the current and future strategy of the business and balancing continuity given recent Board changes; and
- reviewing the Governance Framework to ensure it continues to be appropriate for the business.

Development and training

The Chair and the Group General Counsel and Company Secretary keep the training and development needs of Directors under review. Training is provided to the Board on a range of governance and other matters at Board and Committee meetings. Directors are updated as required on developments in the environment in which the business operates with internal subject matter experts and leads and external advisers invited to meetings to provide updates as necessary. During the year, these briefings included updates on the institutional investor guidelines, legal and regulatory changes, sustainability and cybersecurity. Directors also undertake contract visits to increase their awareness of the Group's operations (see page 89).

Induction

On appointment, Directors undertake a comprehensive induction programme designed to give them a thorough overview and understanding of the business. This is tailored to take into account the Directors' prior experience, their responsibilities and, for each NED, specific responsibilities relevant to their respective committee memberships. The programme includes meetings with the Chair, the Group Chief Executive, other members of the Board, the ExCo and other senior management. Directors also receive key information including on our strategy, our Governance Framework, recent financial performance, risk management and internal controls systems, and ESG Framework. New Directors are encouraged to visit our contract sites to develop a firsthand understanding of the business.



Induction – Keith Williams

Keith joined the Board on 1 August 2025. He had a number of induction meetings, including with John Rishton (as the incumbent Chair), the Group Chief Executive, Group CFO, members of the ExCo and the other NEDs, as well as other key senior leaders. Furthermore, he has held meetings with other stakeholders and a number of our larger shareholders since his appointment. Keith received induction materials to provide him with an understanding of Serco, its strategy, its financial performance and Governance Framework and related Director duties. He has also undertaken a number of contract visits in the UK to gain a broader insight into our operations and the work of our frontline colleagues as well as attending a colleague forum to hear views from across the business.



I look forward to meeting more of our international colleagues in 2026.

Keith Williams
Chair

Nomination Committee Report



Keith Williams,
Nomination
Committee Chair



In 2025, the Committee has focused on Chair and Executive succession.

Membership

Keith Williams ¹ (Chair)	Victoria Hull
Kirsty Bashforth	Tim Lodge
Kru Desai	Dame Sue Owen
Ian El-Mokadem	Lynne Peacock

Former Committee members

John Rishton¹



Meetings held in 2025: 5 (4 scheduled and 1 ad hoc).

Scheduled meeting attendance: see page 81.

Committee effectiveness: see page 93.



Terms of reference on our website.

1. Keith joined the Committee on 1 August 2025 and became Chair of the Committee on 1 January 2026. John stepped down from the Committee as a member and Chair on 31 December 2025.

Dear Shareholders

I am pleased to present the Committee's report as its recently appointed Chair. The Committee is responsible for leading the process on the appointment of new members to the Board and to ensure that plans are in place for orderly succession to both the Board and senior management as well as overseeing the development of a diverse pipeline for succession.

Activities of the Committee during 2025

At meetings and over specifically convened dinners, the Committee's key activities included a review of Board and Committees' composition, Chair and Executive succession and subsequent recommendation to the Board for these appointments, a review of Directors' tenure, independence and time commitment as part of each of their respective election/re-election recommendations and a review of the Board Diversity Policy and any changes thereto for Board approval as well as monitoring progress.

Board composition

The Committee regularly reviews the skills, knowledge, experience and diversity of the Board and its Committees to ensure that it is collectively well-placed to meet the strategic objectives of the Company and the challenges and opportunities that are likely to arise. As part of this the Board skills matrix is kept under review (see page 81) and is used when considering future appointments, helping to highlight areas where the Board could benefit from additional expertise.

All appointments to the Board are made on the recommendation of the Committee and are subject to a formal, rigorous and transparent procedure. Succession plans are also considered by the Committee. Appointments and succession plans are based on merit and objective criteria and, within this context, promote diversity of gender, social and ethnic backgrounds, as well as cognitive and personal strengths.

Succession and appointments

During the year, the focus of the Committee's time was on Chair and Executive succession.

Group Chief Executive succession

The Committee approved the promotion and appointment of Anthony Kirby as Group Chief Executive and Executive Director with effect from 1 March 2025, evidencing the strength of the Company's succession planning at the senior management level. Having reviewed Anthony's experience throughout his time with Serco as Group Chief Operating Officer and UK & Europe Chief Executive Officer and considering the external landscape, the Committee and the Board felt he possessed the required skills and experience for the role.

Chair succession

As part of the process led by the Senior Independent Director, Russell Reynolds Associates (who are independent), were engaged to support with the search for a new Chair. A detailed candidate brief was produced and agreed by the Committee. A long list of candidates was identified in line with this for the Committee to consider and create a shortlist. Members of the Committee met with shortlisted candidates, assessing their alignment to the original brief. Selected shortlisted candidates also met with the Executive Directors. Feedback from all interviews was discussed by the Committee.

Nomination Committee Report continued

The Committee subsequently identified Keith Williams as the preferred candidate for Chair given his extensive leadership in executive and non-executive roles across a number of listed companies from a range of industries. Further to the Committee's recommendation, the Board appointed Keith as Chair Designate with effect from 1 August 2025 and as Chair with effect from 1 January 2026. Keith was judged to be independent on appointment.

 Details of **Keith Williams' induction** can be found on **page 93**.

Group CFO succession

Egon Zehnder (who are independent) were engaged to support with the search for a successor to the Group CFO. A long list of candidates was identified. Members of the Committee and the Group Chief Executive met with shortlisted candidates ahead of recommending Mark Reid as the preferred candidate to the Committee and the Board for approval. Mark has proven experience as an executive, leading large, international, complex finance functions across a variety of roles. Mark will join the Board as the Group CFO from 6 March 2026.

Board tenure and independence

The Committee and the Board considered the independence of each NED and concluded that each NED remains independent in character and judgement in line with the Code. Tenure is considered as part of this as well as more generally for Board succession planning.

 Details of current **Directors' tenure** can be found on **page 81**.

Time commitment

The Board acknowledges the importance of Directors having enough time to perform effectively. On accepting their appointment, Directors must confirm they are able to allocate sufficient time to discharge their responsibilities effectively. NED letters of appointment provide for a minimum of 30 days per annum, which include attendance at Board and relevant Committee meetings as well as devoting sufficient time for related preparation and participation in contract and office visits to understand the business better. Before recommending to the Board the approval of the appointment of Keith Williams as the Chair, the Committee considered his other commitments and whether he would be able to allocate sufficient time to the role. The Committee was comfortable that his other commitments would not be detrimental to his ability to perform his duties as Chair.

For all NEDs, after considering their external commitments, the Committee concluded each has sufficient time for their respective roles.

The Company has a policy which allows the Executive Directors to accept directorships of other quoted companies and to retain the fees paid, provided that they have obtained the prior permission of the Board Chair. In accordance with the Code, and to ensure sufficient time is devoted to their executive role, no Executive Director is permitted to take on more than one non-executive directorship in a FTSE company or the chairmanship of such a company. Anthony Kirby holds one other non-executive directorship on the board of Hays plc.

Election and re-election of Directors

The Committee considered, in respect of each Director, their skills and experience, commitment and tenure as part of the recommendation to the Board in relation to the proposed Director election/re-election resolutions at the upcoming AGM. The Board believes that each Director it has recommended to shareholders for election or re-election at the 2026 AGM brings considerable knowledge and wide-ranging skills and experience to the Board, demonstrates commitment and is effective in role and, in the case of the NEDs, is independent.

 Details of current **Directors' skills and experience is set out in the biographies on pages 83 to 85** with the **collective skills of the Board on page 81**.

Nomination Committee Report continued

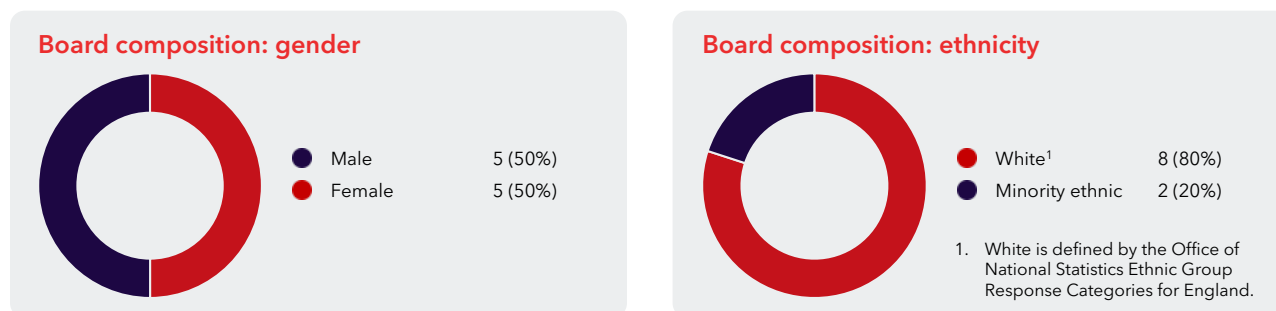
Board diversity

The Board Diversity Policy sets out objectives aligned with the FCA's UK Listing Rules (UK LR), the FTSE Women Leaders Review and the Parker Review. This Policy was reviewed during the year and progress monitored and is considered as part of new Director searches. As at 31 December 2025, the Board met each of the targets under LR 6.6.6R (9) and our Board Diversity Policy. Given the recent Chair change, progress against our Board Diversity Policy as at 4 March 2026 is set out below:

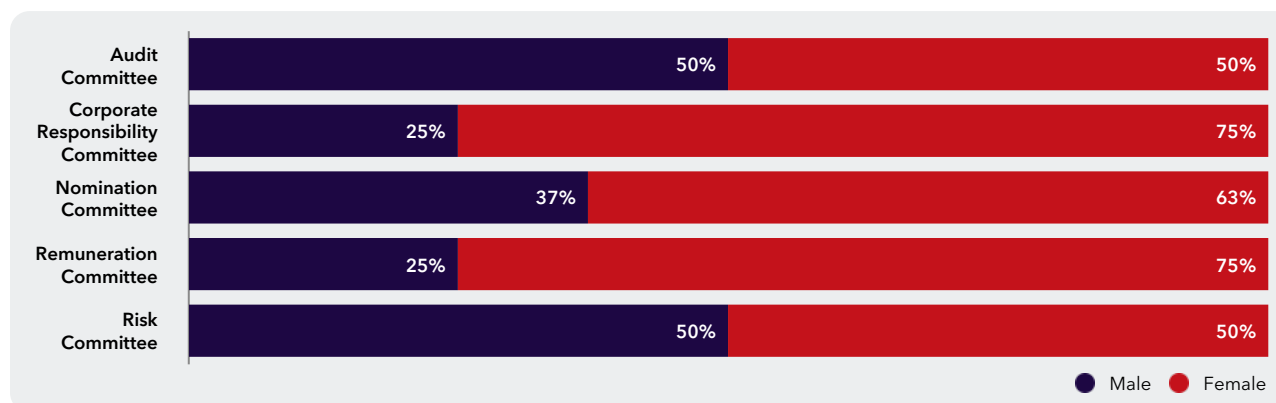
Board Diversity Policy aim	Current progress as at 4 March 2026
At least 40% of the individuals on the Board are women	Ahead of our target: 50% women on the Board
At least one of the following senior positions on the Board is held by a woman: (a) the chair; (b) the chief executive; (c) the senior independent director; or (d) the chief financial officer	Target met: Female Senior Independent Director
At least one individual on the Board is from a minority ethnic background	Ahead of our target: Two Board members identifying as being from an ethnic minority background

 The Board Diversity Policy is available on our [website](#).

As at 4 March 2026, the below shows diversity for the Board and its Committees:



Committee composition: gender



The Board is committed to ensuring the development of gender and ethnic diversity within the senior management – see pages 238 to 243. Our gender identity and ethnicity data in accordance with UK LR 6.6.6R is set out on page 132.

2026 priorities and focus

There are three Directors who will reach their nine-year tenure in 2026, namely Lynne Peacock, our Senior Independent Director, Ian El-Mokadem, the Risk Committee Chair, and Kirsty Bashforth, the Corporate Responsibility Committee Chair. A search process is under way recognising the need to balance continuity on the Board given the number of recent changes. Given the changes to the ExCo in 2025, the Committee will also focus on the talent and succession pipeline in the year ahead.

Keith Williams
Nomination Committee Chair
4 March 2026

Audit, Risk and Internal Control

Audit Committee Report



Tim Lodge,
Audit Committee Chair



The Committee ensured that an effective External Auditor transition and audit process was delivered for 2025.

Membership

Tim Lodge (Chair)	Ian El-Mokadem
Kru Desai	Lynne Peacock

Meetings held in 2025: 6 (5 scheduled and 1 ad hoc) and 1 joint Audit and Risk Committee meeting.

Scheduled meeting attendance: see [page 81](#).

Committee effectiveness: see [page 93](#).

Terms of reference on our website.

Dear Shareholders

I am pleased to present the Committee's report for the year ended 31 December 2025. The Committee oversees matters relating to financial reporting and internal financial controls, the effectiveness of the Internal Audit function and the External Auditor.

Activities of the Committee during 2025

During the year, the Committee monitored and reviewed a range of finance, accounting and control matters, and oversaw the Group's financial reporting process.

A joint meeting was also held with the Risk Committee, which provided an update on the business's readiness activities through our IAF programme in relation to reporting against Provision 29 of the Code which will apply for the 2026 reporting year (see pages 68 and 103).

Further to the robust tender process undertaken by the Committee during 2024, Ernst & Young LLP (EY) were approved at the 2025 AGM to become our new External Auditor for the year ended 31 December 2025, having demonstrated a deep understanding of our operations and industry (see 2024 Annual Report for further details). The Committee has ensured that an effective transition process was undertaken to enable an efficient and effective audit for 2025. We are grateful to the previous External Auditor KPMG for their support with this process. New learnings during the transition have been

taken into consideration and the Committee will undertake a review of EY during 2026 following the completion of the 2025 audit to reap the benefit of a fresh audit view.

The Committee also continued to oversee the execution and findings of the 2025 Internal Audit Plan and the performance and effectiveness of the Internal Audit function.

2026 priorities and focus

The Committee will continue to focus on the critical accounting judgements made; the effectiveness of the Group's financial controls and assurance programme, including activities within its joint ventures due to their scale; and the delivery and effectiveness of the Group's Internal Audit function.

Together with the Risk Committee, the Committee will also monitor and review the material controls, particularly financial, reporting and compliance controls, to support the controls effectiveness attestation that the Board will make in accordance with Provision 29 of the Code in the 2026 Annual Report.

Tim Lodge
Audit Committee Chair

4 March 2026

Membership and attendees

The Committee comprises independent NEDs, who as a whole bring strong international, service and public sector expertise and experience which is highly relevant to the Group. Tim Lodge has served as Chair of the Committee since April 2021 and has recent and relevant financial experience, as required by the Code.

The Group CFO and other members of the Board, the Group General Counsel and Company Secretary, the Group Head of Internal Audit, other senior management and representatives of the External Auditor (EY and KPMG as relevant), attended meetings as required. The Committee at the end of its meeting held private sessions without Management present with the Group CFO, Group Head of Internal Audit or External Auditor. The Committee Chair also met with Management (including the Group Head of Internal Audit) and both External Auditors (EY and KPMG as relevant) prior to each meeting.

Read our **Committee members' biographies** on [pages 83 to 85](#).

Audit, Risk and Internal Control continued

Audit Committee Report continued

Committee responsibilities

The Committee supports the Board in fulfilling its responsibilities, which includes overseeing the Group's financial reporting processes; reviewing, challenging and approving significant accounting judgements proposed by Management; assessing the way in which Management ensures and monitors the adequacy of financial and compliance controls; the appointment, remuneration, independence and performance of the Group's External Auditor; and the independence and performance of the Group's Internal Audit function.

The FRC's Audit Committees and the External Audit: Minimum Standard became mandatory from 1 January 2025. The Committee currently discharges its responsibilities in line with this standard, including the confirmation that the Company complied with the audit tender requirements and has assessed whether suitable accounting policies have been adopted this year and whether Management has made appropriate judgements and estimates.

Activities of the Committee during 2025

The below summarises the activities covered by the Committee during the year:

- Financial Statements:** Reviewed and recommended to the Board it approve the Annual Report, Full-Year Results and Half-Year Results, focusing on key financial judgements, disclosures and advising on whether the reports are fair, balanced and understandable.
- Going Concern and Viability Statements:** Ensured the Going Concern and Viability Statements accurately reflected the Group's risks and the assumptions used were appropriate, and recommended both to the Board for approval.
- Task Force on Climate-related Financial Disclosures (TCFD):** Reviewed the TCFD disclosures in the Annual Report.
- Accounting updates:** Received updates on accounting developments, financial and climate reporting.
- Internal Audit:** Reviewed the Internal Audit Charter, Internal Annual Plan and internal audit findings, ensuring that they were appropriately addressed.
- Financial controls:** Assessed the effectiveness of the Group's financial controls and assurance programme, including IT General Controls, and other assurance matters.
- Finance Operating Model:** Discussed proposals to redefine the future Finance Operating Model, to drive efficiency in processes and ways of working.
- Fraud matters:** Reviewed any fraud-related issues, including those raised through the Speak Up process. Updated on the actions taken in response to the new 'failure to prevent fraud' offence under The Economic Crime and Corporate Transparency Act 2023 (ECCTA), which came into force on 1 September 2025.
- External Auditor:** Ensured a successful transition of the External Auditor by ensuring both Management and EY were aligned on strategy and plans throughout the year and that there were sufficient resources to support the change. In addition, the Committee reviewed EY's independence and objectivity, approved its audit fee and received regular updates on the progress of the audit and EY's view on the financial judgements taken. The Committee also reviewed and recommended the approval by the Board of the management representation letter to the External Auditor.
- Non-audit fees and independence:** Reviewed non-audit fees incurred with the External Auditor and assessed its independence and objectivity.
- Tax strategy:** Oversaw the Group's tax strategy, including uncertain tax positions, tax audits, historic tax losses and compliance with tax legislation.
- Treasury strategy:** Reviewed and approved the financing strategy and Treasury Policy.
- Sercos Pension and Life Assurance Scheme (SPLAS):** Reviewed the controls and assurance around the strategy to fully secure its liabilities in the insurance market in the medium term. The latest triannual valuation of SPLAS was completed on 4 July 2025.

Internal control environment

The Committee oversees and evaluates the effectiveness of the Group's internal financial control environment, as well as being informed of the overall Group control environment, which comprises compliance and risk management controls. It regularly receives updates on internal controls and makes recommendations to the Board based on its findings.

The Group has both a Financial Assurance function and an Internal Audit function, both of which routinely contribute to Committee meetings. The Committee reviews Financial Assurance findings and provides guidance to direct their work. Similarly, it receives regular updates from Internal Audit and may invite management teams from various functions, Divisions and Business Units to discuss any Internal Audit report findings and Management responses.

Audit, Risk and Internal Control continued

Audit Committee Report continued

Internal Audit

Internal Audit is an independent function which reports to the Committee, and evaluates the Group's governance, risk management and control activities. It helps Management, the Committee and the Board discharge their duties to maintain effective internal controls and risk management, and protect the Group's assets and interests. The role and mandate of Internal Audit is set out in the Internal Audit Charter, which is reviewed and approved annually to ensure that it remains appropriate to the needs of the Group.

In North America, a local Internal Audit team maintains independence through reporting to the Serco Inc. Audit Committee, chaired by the Group CFO. Internal Audit also uses external providers for specialist skills such as IT and cybersecurity.

The Internal Audit Plan is risk-based and approved by the Committee. The Committee receives regular updates on its execution, findings and Management's responses. In 2025, audits covered business controls, support functions, change programmes, financial controls, IT operations and data privacy.

The Committee also evaluates the performance and effectiveness of the Internal Audit function through periodic reporting and private sessions with the Group Head of Internal Audit. An External Quality Assessment (EQA) of the effectiveness of Internal Audit was undertaken during the year, as required by the Institute of Internal Auditors' standards. Overall, the EQA noted that the function was performing well. Key strengths identified included leadership, stakeholder engagement and perceived value of Internal Audit within the organisation. The EQA also reported that the function operates with a well-defined mandate and holds the business accountable for agreed actions. A number of recommendations were made in order to further enhance effectiveness, the majority of which related to suggestions for continuous improvement, building on Internal Audit's established strategy and associated objectives.

Financial controls and fraud matters

The Group aims to have a strong and well-monitored control environment that minimises financial risk and, as part of the Committee's responsibilities, it reviews the effectiveness of systems for internal financial control and financial reporting. Where relevant, the Committee also works with the Risk Committee to consider financial risk management. The Committee monitored the financial control risk during 2025 and the Committee believes that, to the best of its knowledge, the financial control framework and the monitoring of this framework has worked effectively during the year.

During the year, the Committee was also updated on the fraud and other financial cases categorised as high risk which were reported under the Speak Up process. It works with the Corporate Responsibility Committee which has oversight over the Speak Up process as a whole. The Committee was also updated on the actions taken in preparation for the new corporate offence of 'failure to prevent fraud' under ECCTA.

Financial reporting

The Committee concluded that, in its opinion, the information presented in each of the Annual Report and Half-Year Results, when taken as a whole, is fair, balanced and understandable and contains the information necessary for shareholders to assess the Group's position, performance, business model and strategy. To arrive at this conclusion and to form a basis upon which to make a recommendation to the Board, the following was considered:

- the effectiveness of the controls and procedures designed to ensure that the Annual Report complies with all relevant legal and regulatory requirements;
- comprehensive reviews by different levels of management, including subject matter experts as well as by each Committee;
- the internal verification process led by the Financial Assurance team; and
- the findings and opinions of the External Auditor.

Audit, Risk and Internal Control continued

Audit Committee Report continued

Significant accounting issues and areas of financial judgement

The significant accounting issues and areas of judgement considered by the Committee during the year, and how these were addressed, are as follows:

Significant accounting issues and areas of financial judgement	How these were addressed by the Committee
<p>Contract performance, including Onerous Contract Provisions (OCPs) and litigation</p> <p>The measurement of OCPs is underpinned by assumptions regarding the future operational performance of a contract and possibly the outcome of commercial discussions, all of which may involve significant judgement by Management. The Committee considers whether an OCP exists at each reporting period end. Divisional legal registers are reviewed by Management and assessed for provision and contingent liability recognition. The Committee considers the assessment performed by Management on whether a provision or contingent liability exists at each reporting period.</p>	<p>The Committee considered the view formed by Management regarding each individually material potential OCP, as well as the aggregate view, which includes Management's assessment of portfolio risk, and concluded they were reasonable. The Committee also considered the view formed by Management regarding each material litigation claim and concluded that they were reasonable. The Committee was satisfied that the work undertaken by Management to monitor existing contracts and identify contracts where a new OCP or provision may be required.</p>
<p>Goodwill impairment</p> <p>The Group has goodwill arising from acquisitions allocated across four groups of Cash Generating Units (GCGUs). The Committee evaluates the recoverability of this goodwill formally at the end of each financial year and consider whether impairment indicators exist at the half year.</p>	<p>The goodwill impairment test as at 31 December 2025 used anticipated cash flows, discount rates and terminal values, which are key areas of judgement. The Committee considered the discount rates and terminal values used in the review, noting that they had been sourced by a third-party expert, and that the underlying cash flows were consistent with those included in Board-approved forecasts.</p> <p>The Committee reviewed the resulting disclosures proposed by Management, particularly in respect of Asia Pacific, which has the lowest headroom, and found them to be transparent, appropriate and in compliance with applicable financial reporting requirements. The Committee concluded that the carrying value of goodwill could be supported and that no impairment was required.</p>
<p>Deferred tax assets</p> <p>The Group has deferred tax assets recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profits will be available against which these items can be utilised.</p>	<p>The Committee acknowledges the adjustment of £17.3m to derecognise part of the Australian deferred tax asset due to limiting the recognition to forecast future profits in Australia within the Group's five-year planning cycle. The Committee concluded that it was appropriate and noted that Management will continue to reassess the recognition of this deferred tax asset at each period end.</p>
<p>Acquired intangibles</p> <p>The Group has recognised customer relationships on the acquisition of MT&S.</p>	<p>The Committee reviewed Management's assessment of the fair value of £89.3m for customer relationships recognised on acquisition of MT&S, which was valued on a consistent basis to previous acquisitions. The Committee also considered the amortisation period of 10 years to be consistent with the Group's accounting policy.</p>
<p>Defined Benefit Pension schemes</p> <p>The Group's defined benefit pension schemes include a number of significant estimates and judgements, principal among which are the assumptions underpinning the liabilities and the valuation of assets without market observable prices.</p>	<p>The Committee considered the process undertaken by Management to arrive at the key assumptions underlying the valuation of defined benefit obligations as detailed in note 29 of the Consolidated Financial Statements. The Committee is satisfied that the assumptions used remain appropriate and balanced based on comparison to observable benchmarks in the market and advice taken from independent actuaries.</p> <p>The Committee has also reviewed the approach taken to value scheme assets. The Committee is satisfied that the valuations included within these financial statements are reasonable and reflect the best estimate of the schemes' assets and liabilities, and that the disclosures are appropriate.</p>

Audit, Risk and Internal Control continued

Audit Committee Report continued

Viability and Going Concern

The Committee considered Management's assessment in respect of the Viability and Going Concern Statements, focusing on the Group's headroom within its financial covenants and available liquidity.

The Committee considered the likely severity of key risks crystallising over the period of assessment, including potential reductions in forecast win rates and profit margins.

The Committee concluded that, despite severe scenarios potentially pressuring the Group's headroom, the Group remains viable. Key assumptions are disclosed within the Viability Statement on pages 76 and 77.

The Committee also agreed that the going concern basis of accounting is appropriate, as disclosed within the Going Concern statement on pages 157 and 157. Both statements were approved by the Board on the recommendation of the Committee.

External Auditor

The Committee manages the relationship with the Group's External Auditor on behalf of the Board and is responsible for making recommendations on the reappointment of the External Auditor, determining their independence from the Group and Management, and agreeing the scope and fee for the audit.

The Board, on the Committee's recommendation, recommends the reappointment of Ernst & Young LLP as the External Auditor by shareholders at the 2026 AGM.

Oversight of external audit

In respect of the audit scope and materiality, the Committee reviewed the audit strategy as presented by EY and found it to be comprehensive and focused on the key risks within the Group. The Committee did not require any further areas of focus to be considered with respect to key judgements and estimates. The Committee continued to monitor the delivery of the audit timetable, ensuring that issues were closed out appropriately, efficiently and on a timely basis. The Committee also reviewed and challenged reports from the External Auditor through the year, which, in addition to its risk assessments and audit plans, included audit findings and Management responses. The Committee and Chair held regular private sessions with EY (and previously KPMG while in post) throughout the year without Management.

Effectiveness and quality of external audit

The Committee usually evaluates the effectiveness of the External Auditor annually, using feedback obtained from Committee members and Management. Its performance is assessed against a range of criteria including calibre of the audit team, knowledge of the Group, and the quality of planning, review, testing, feedback and reporting.


Due to the change in the External Auditor in 2025, the Committee will undertake a full effectiveness review of EY following the 2025 audit in 2026. The Committee has monitored the effectiveness of EY during the transition.

Following a review of EY's audit strategy, which was presented at the October 2025 Committee meeting, the Committee was satisfied that the External Auditor demonstrated appropriate qualifications and expertise, remained independent of the Group, and had appropriate focus on the key issues within the Group. The External Auditor continued to challenge the level of prudence adopted in contract judgements, which were deemed to be balanced overall. However, those judgements which were slightly cautious or optimistic were highlighted to the Committee for consideration. No judgements were reported to be outside the External Auditor's acceptable range.

Transition to new External Auditor

As part of the external audit transition, EY covered the below:

- 1. File reviews and shadowing:** EY reviewed KPMG's 2024 audit file. In addition, EY attended key meetings for the 2024 audit cycle (audit close meetings, Audit Committee meetings) to develop an early understanding of business and key judgements and estimates reached in the prior year. EY also attended Committee meetings during the transition from KPMG.
- 2. Contract scoping:** The EY Group team instructed component teams to perform a scoping assessment over revenue contracts considering criteria such as size of contract, contracts in a breakeven/loss-making position, significant changes in performance, contracts which have an associated onerous contract provision, contracts with complex KPI arrangements or contracts with material claims or uncertainties. This assessment was performed by each local component team in scope for revenue testing and reviewed by the EY Group team in the UK.

 The **Independent Auditor's Report** to shareholders is set out on **pages 136 to 149**.

Audit, Risk and Internal Control continued

Audit Committee Report continued

- 3. Contract review meetings:** EY held meetings with contract managers outside of finance management for a selection of key contracts across the Group, based on size or risk.
- 4. Site visits:** EY performed site visits for a selection of key contracts on a risk basis to gain operational insight into contract performance to support audit procedures on the reasonableness of revenue recognition.
- 5. Divisional Performance Review:** EY received the Divisional Performance Review meeting packs to further support understanding of the business, including performance of key contracts, operational and legal matters.
- 6. Walkthroughs:** EY performed walkthroughs of significant processes, systems and controls, including assessing the design effectiveness of key controls impacting areas of fraud and significant risk.

Independence and non-audit services


The Group's policy on the use of EY to deliver non-audit services has been designed to comply in full with the requirements of the FRC's Revised Ethical Standard 2024 (Ethical Standard). The Committee limits the non-audit work undertaken by the External Auditor, approving only those which are required either by law or regulation, or due to contractual requirements. In limited circumstances, the use of the External Auditor may be permitted where it is materially more efficient for them to be engaged, as opposed to another third party, due to the work completed in relation to the audit, provided it is permitted by the Ethical Standard.

The policy also states that the Committee has pre-approved the Group CFO to have authority to commission the External Auditor to undertake non-audit work, in accordance with the policy, where there is a specific project with a cost that does not exceed £20,000.

The Committee regularly reviews the nature of non-audit work performed by the External Auditor and the volume of that work. Focus is given to ensuring that engagement for non-audit services does not: (i) create a conflict of interest; (ii) place the External Auditor in a position to audit their own work; (iii) result in the External Auditor acting as a manager or employee; or (iv) put the External Auditor in the role of advocate for the Group. The Committee also considers the independence confirmation received from the External Auditor which outlines the permissible non-audit services delivered, the safeguards put in place and any other matters related to wider compliance with the Ethical Standard such as employment and rotation requirements. The Committee is satisfied that there were no non-audit services or other matters which prejudiced the independence or objectivity of EY.

For the financial year ended 31 December 2025, the non-audit fees paid to EY were £79,500, including joint ventures (2024: £6,000 payable to the previous External Auditor, KPMG) excluding the Half-Year review. The non-audit services relate to agreed upon procedures in respect of compliance reporting. The fee for the Half-Year review, which is designated an audit-related assurance service was £400,000 (2024: £612,000 payable to the previous External Auditor, KPMG).

2025 is the first year that EY is the External Auditor of Serco Group plc. EY previously audited Merseyrail Electrics 2002 Limited, a 100% subsidiary of Merseyrail Services Holding Company Limited, who are a 50% joint venture subsidiary of the Group. In accordance with independence rules, the Merseyrail audit partner may be involved in the audit for a maximum period of 10 years, with appropriate safeguards being applied after seven years. To allow for a further year on the audit for 2025, appropriate safeguards were applied to reduce any threats to an acceptable level.

 An analysis of fees paid in respect of audit and non-audit services provided by the External Auditor for the past two years (2025: EY, 2024: KPMG) is disclosed on **page 183**.

Audit, Risk and Internal Control continued

Risk Committee Report




Ian El-Mokadem
Risk Committee Chair



Heightened geopolitical instability has reinforced the need for robust and effective risk management.

Membership

Ian El-Mokadem (Chair) Tim Lodge
Kirsty Bashforth Dame Sue Owen

 **Meetings held in 2025:** 4 and 1 joint Audit and Risk Committee meeting.

Scheduled meeting attendance: see page 81.

Committee effectiveness: see page 93.

 **Terms of reference** on our website.

Dear Shareholders

I am pleased to present the Committee's report. The Committee advises the Board on the Group's overall risk appetite, tolerance and mitigation strategy, taking account of the current and prospective social, geopolitical and financial environments.

Activities of the Committee during 2025

A key focus of the Committee is to oversee the effectiveness of the Group's risk management and internal controls framework. Throughout the year, the Committee has continued to review the Group's risk profile on a quarterly basis with focused in-depth reviews in relation to the following principal risks: Significant Failure of the Supply Chain; Contract Non-Compliance, Non-Performance or Misreporting; Major Information Security Breach; and Material Legal and Regulatory Compliance Failure. The other principal risks are reviewed by the Audit Committee, Corporate Responsibility Committee or the Board.

Following consideration of internal and emerging risks and themes, which included ESG, climate change, political volatility and geopolitical instability, the Committee approved amendments to the principal risk profile:

- Creation of a new principal risk: Significant Impact of Policy Change to recognise the threats and uncertainties associated with macroeconomic, political and geopolitical uncertainty and the impacts these may have on our current and future portfolios and pipeline.

- Amended a principal risk: refocused the Strategic Technology risk to focus on the impact of AI and disruptive technology resulting in the Impact of Emerging or Disruptive Technology principal risk.
- Amended a principal risk: re-merged the Contract Performance risk back into the Contract Non-Compliance and Misreporting risk driven by the acknowledgment that there is significant overlap between the controls between the two risks when they were standalone creating the Contract Non-Compliance, Non-Performance or Misreporting risk.

We have also continued to receive updates from each Division on the operation of our risk management processes, including alignment of their top Divisional risks to the principal risks and progress against our annual Compliance Assurance testing programme.

A recurring item for the Committee has been the monitoring of the business' readiness activities through our Integrated Assurance Framework (IAF) programme in relation to reporting against Provision 29 of the Code which will apply for the 2026 reporting year. This has been a standing agenda item at every Committee meeting in 2025 and the focus of a joint Audit and Risk Committee meeting. Under the IAF programme we have defined our approach to identifying our material controls and have completed walkthroughs and initial substantive testing of these controls. This work is ongoing and has helped bring the new requirements to life. It has also highlighted areas where enhancements to our control environment can be made and also the breadth and depth of existing assurance mechanisms that we can look to rely on as part of the Board's future attestation.

In addition, the Group Director of Risk and Assurance and each Divisional Head of Compliance held private sessions with the Committee, providing an opportunity for any concerns or issues to be raised without Management.

An external quality assessment of the Enterprise Risk Management function was undertaken in 2025 and identified some suggestions for continuous improvement; these will be reviewed by Management and the Committee for implementation in 2026.

2026 priorities and focus

The Committee will continue to review our emerging and principal risks, and in readiness for the Provision 29 controls attestation, will implement the learnings and actions from the 2025 pilot programme into our 2026 risk and assurance processes.

Ian El-Mokadem
Risk Committee Chair

4 March 2026

 Read more about our **risk management processes and principal risks and uncertainties** on pages 66 to 75.

Corporate Responsibility Committee Report



Kirsty Bashforth
Corporate Responsibility
Committee Chair



Committee time has been spent understanding the colleague ecosystem, experience and culture across Serco that underpins strategy.

Membership

Kirsty Bashforth (Chair) Anthony Kirby¹
Kru Desai Dame Sue Owen

Former Committee members

Mark Irwin¹



Meetings held in 2025: 4

Scheduled meeting attendance: see page 81.

Committee effectiveness: see page 93.



Terms of reference on our website.

1. Anthony joined the Committee on 1 March 2025 and Mark stepped down from the Committee on 28 February 2025.

Dear Shareholders

I am pleased to present the Committee's report. The Committee advises the Board on environmental, social and ethical matters, oversees sustainability and community initiatives, and ensures that the Company's responsible business practices are aligned with strategy and stakeholder expectations.

Activities of the Committee during 2025

The Committee spent its time getting both a Group-wide strategic position in areas within its responsibility as well as an understanding of the performance and challenges at a Divisional-level through deep dives with Divisional representatives. Key activities included:

- discussions at each meeting of the progress, performance and measures of our health, safety and wellbeing strategy with specific focus on the approach around root causes and leading indicators as well as tracking the progress of outcomes. We have been particularly focused on the 50% LTIs reduction by 2026 vs a 2023 baseline ambition, the maturing area of psychological health and mental wellbeing as well as physical security and resilience, with a spotlight on the

highest risk areas to test assurance of the strategy and processes at the most challenging nodes;

- discussion on the delivery of the Ethics and Integrity strategy during 2025 and the focus for 2026, reviewing matters raised and any emerging themes via the Speak Up process and how the Company conducts its business policies and practices, as well as the recommendation of the Modern Slavery and Human Trafficking Statement to the Board for approval;
- reviewing the principal risks of Health, Safety and Wellbeing and Failure to Act with Integrity, which included discussions on any emerging risks and mitigation activities;
- reviewing the implementation of the overall programme of work around the ESG strategy, in particular discussing our environmental impact and our approach to the CTP, endorsement of the refreshed DMA and relevant reporting requirements including the TCFD statement and being updated on our sustainable procurement activity. The Committee also received updates on the evolving legal and regulatory reporting landscape in this area including a wider Board training session on the risks and opportunities from climate change; and
- discussions on colleague diversity, inclusivity and belonging with a Divisional deep dive as well as insights from the Designated Non-Executive Director for Colleague Voice as part of her ongoing colleague interactions.

The Committee held private sessions with the Divisional Heads of Ethics and Compliance, providing an opportunity for any concerns or issues to be raised without Management.

2026 priorities and focus

The Committee will continue to have oversight of the health, safety and wellbeing strategy, monitoring progress against agreed deliverables and measures and the root causes and leading indicators of risk, including the increasing challenges of physical security. It will continue to oversee implementation of the Ethics and Integrity strategy with a spotlight focus into the resource, engagement and training to support its resilience in the frontline; and as part of overseeing the ESG strategy, time will be spent discussing the differentiated nature of social impact in the community. We will also continue to hear first-hand from the Divisions and sectors, how the People and Culture strategy shapes the colleague ecosystem, experience and wider culture across Serco to underpin delivery of the strategy.

Kirsty Bashforth
Corporate Responsibility Committee Chair

4 March 2026



Further information, see the **Impact report** on pages 34 to 65.

Directors' Remuneration Report



Victoria Hull
Remuneration
Committee Chair



In this Report we set out how our Remuneration Policy has been implemented in 2025, and how we will apply it for 2026.

Membership

Victoria Hull (Chair) Tim Lodge
Kirsty Bashforth Kru Desai¹

Former Committee members

John Rishton¹ Lynne Peacock¹



Meetings held in 2025: 6 (4 scheduled and 2 ad hoc).

Scheduled meeting attendance: see page 81.

Committee effectiveness: see page 93.



Terms of reference on our website.

1. Kru joined as a Committee member on 1 January 2026. Lynne stepped down as Chair and a member of the Committee at the conclusion of the 2025 AGM and John stepped down from the Committee on 31 December 2025.

Dear Shareholders

I am pleased to present the Directors' Remuneration Report (DRR) for Serco Group plc for the year ended 31 December 2025. I assumed the role of Remuneration Committee Chair following the 2025 AGM and would like to thank my predecessor, Lynne Peacock, for her leadership and support during the transition. I look forward to continuing the Committee's work to ensure Serco's remuneration framework remains fair, transparent and closely aligned with Serco's strategic priorities.

In this DRR we set out how our Directors' Remuneration Policy (the Policy) has been implemented in 2025, and how we will apply the Policy for 2026.

2025 - a year of strong performance

As set out in the rest of this Annual Report, 2025 was a year of strong performance for Serco, with the Company delivering robust financial and operational outcomes through a focus on improving productivity, efficiency and margin performance. Revenue grew to £4.9bn and underlying operating profit was £272m, delivering a margin of 5.6% in line with our medium-term target range of 5-6%, free cash flow was £219m and order intake was strong at £5.5bn, with a book-to-bill ratio of 114%. We also returned £93.6m to our shareholders, including the share buyback of £50m in 2025.

Alongside strong financial performance, Lost Time Incidents (LTIs) reduced by 22%, voluntary attrition reduced from 21.2% to 18.6% and engagement scores were maintained.

Context of remuneration decisions

The Committee continues to consider and value the views and experience of all stakeholders when making remuneration decisions. In particular, we remain cognisant of the wider economic context and the relative experience of many in society, and within the Serco workforce.

2025 performance-linked variable pay

In considering the variable pay outcomes for 2025, the Committee seeks to ensure that all payments are appropriate against the backdrop of the overall performance of the Company, the experience of all stakeholders and the context of the wider economic environment. Where appropriate, assurances were sought from the Audit, Risk and Corporate Responsibility Committees, whose advice informed the decisions taken.

Consistent with historic practice, the Committee considered the impact of material transactions during the year to ensure that the targets for outstanding incentive plans remain appropriate, to ensure consistency, transparency and fairness. In line with our agreed principles, adjustments are made that impact the targets both negatively and positively to maintain the performance stretch required for payouts as originally intended. Adjustments have therefore been made, where appropriate, to the performance targets for the 2025 annual bonus and the unvested LTIP awards to take into account the MT&S acquisition and the Hong Kong divestment which both completed in 2025 and these adjustments have been reviewed by the Chair of the Audit Committee. Details of the adjustments made to the 2025 bonus and unvested LTIP performance targets are included on page 111 and 114 respectively.

Directors' Remuneration Report continued

For payouts in respect of 2025, the application of our adjustment principles increased the underlying operating profit and order intake targets for the annual bonus and had no impact on LTIP vesting levels as the maximum EPS and ROIC targets had been exceeded.

2025 annual bonus

Taking into account the Company's strong overall performance in 2025, the performance against each individual target set and the performance of each Executive Director, it was determined that the 2025 bonus award will be 81.6% of maximum for the Group Chief Executive and 80.9% of maximum for the Group CFO. It was also determined that Mark Irwin, the former Group Chief Executive, should receive a bonus award for the period served as an Executive Director of the Company to 28 February 2025 of £194,170. Further details can be found on pages 111 to 113.

2023 LTIP

The Company's performance has been consistently strong over recent years, and this is reflected in the performance outcomes against the three-year performance targets set for the 2023 LTIP awards. The Committee is satisfied that the vesting outcome of 94.1% of the maximum opportunity appropriately reflects the overall performance of the Company over this period. Full details of the performance achieved, and vesting outcome, can be found on pages 113 and 114.

We confirm that no malus and clawback provisions were exercised during the year.


Appointment of Mark Reid as Group CFO

On 17 December 2025, it was announced that Mark Reid will join the Board as Group CFO on 6 March 2026 succeeding Nigel Crossley, who is retiring and will step down from the Board on 5 March 2026 after 11 years with the Company. The terms of Nigel's retirement were set out in the Section 430(2B) statement published on our website. The details are also summarised on page 119 and full details will be provided in the 2026 DRR.

The Committee approached the recruitment process with the overarching objective of offering a package that is sufficient to attract the right candidate, without paying any more than is necessary. Mark's salary was set at £575,000 on appointment and he will be eligible for a maximum annual bonus and LTIP opportunity for 2026 of 155% and 175% of salary, respectively, subject to time pro-rating as appropriate. While there has been no change to incentive levels, we recognise that Mark's salary is higher than his predecessor and we gave careful consideration to the appropriate level of total remuneration, taking into account the factors set out below.

During recruitment a number of candidates were considered from public, private and private equity backgrounds, and through this process the Committee gained valuable insight into the level of remuneration that would be required to attract an individual of the right calibre. Mark has prior experience as Group CFO of a listed company, joining us from Proximus, the Belgium telecoms business listed on the Euronext Stock Exchange. He has been with Proximus for nearly five years and during that period he has also held the role of interim CEO of their international division whilst retaining Group CFO responsibilities. Mark has over 20 years' of international finance experience and previously held senior roles at Liberty Global, Virgin Media, British Airways and Yahoo Inc.

While our decisions are not solely driven by market data, it was another input that fed into the decision. The primary peer group used by the Committee is the FTSE 76 -175 with Serco positioned around the mid-point against this group on a market capitalisation basis and upper quartile on revenue, reflecting the complexity of our business. Mark's total remuneration on appointment positions him just below median against the primary peer group which the Committee deems appropriate given his prior experience as Group CFO of a listed company. A secondary peer group was also used which includes UK-based data for listed and unlisted companies operating in similar industries to Serco. This is particularly relevant as we are acutely aware that these are the companies that we realistically compete for talent with as we have found through this and other recent recruitment processes. Mark's total remuneration is positioned between lower quartile and median against this secondary peer group. While we have taken a staggered approach to setting pay on appointment in the past, we do not think it is appropriate in this case given Mark's significant and valuable experience and the resulting moderate positioning against the market data. Mark will be ineligible for consideration for a salary review until 2027 and, ordinarily, any future increases will be broadly in line with the average increases for our UK-based Group roles within Serco which take into account the approach for our wider employee base.

 Full details of **Mark's remuneration arrangements** are set out on **page 119**, including details of **his buyout awards**.

Directors' Remuneration Report continued

Implementation of the Policy in 2026

Review of base salary for Group Chief Executive

The Committee reviewed the base salary for the Group Chief Executive and determined that Anthony should receive an increase of 2.75% in 2026, aligned with the UK-based Group roles and lower than the average increase of 3.0% budgeted for the wider UK workforce.

2026 annual bonus

To drive greater focus on the growth opportunity through enhanced productivity and operational excellence, the Committee has decided to change the performance measures applicable to the 2026 bonus for Executive Directors, by increasing the weightings for both order intake and free cash flow and removing the personal performance element. Further detail of the 2026 annual bonus can be found on page 120.

2026 LTIP

The performance framework for the 2026 LTIP will follow the framework applied in 2025, with measures to reflect the Company's focus on longer-term sustainable growth. Full details of the performance measures and targets for the 2026 LTIP can be found on page 121.

Stakeholder engagement

We are cognisant that the vote at the 2025 AGM was lower than historically and therefore wrote to our major shareholders and proxy agencies to provide them with an opportunity to feedback on our decisions as well as our proposed implementation for 2026. We were pleased with the support received and thank those who took the time to consider and respond with their feedback on the implementation of our Policy for 2025 and its proposed implementation for 2026.

In addition to direct engagement with shareholders, our Investor Relations team is also in regular contact with our shareholders and shares any feedback or queries on remuneration throughout the year so that we can maintain an ongoing dialogue.

The Board regularly engages with Serco's workforce through a number of channels, receiving feedback on general pay and conditions, and invites comment on remuneration matters from all colleagues. Further detail can be found on page 89.

The Committee will continue to consider all feedback provided by shareholders and other stakeholders when taking remuneration decisions and ensure that the rationale for the decisions taken is clearly outlined in the relevant DRR.

Looking ahead

In 2026, we will carry out a thorough review of the Directors' Remuneration Policy ahead of the triennial shareholder vote on policy at our 2027 AGM. We are committed to ensuring the Policy supports the business in attracting and retaining the talent needed over the long term to deliver critical services to governments and strong shareholder returns, impacting a better future for us all. This will be at the forefront of our review as we look to ensure reward for Executive Directors, as well as across the workforce, is fit-for-purpose and future-proof.

In the meantime, and on behalf of the Committee, I wish to thank all our shareholders for their ongoing support. We're confident that the Policy decisions implemented in 2025, and our proposals for 2026, will continue to ensure that the Executive Directors are fairly rewarded for delivery against the strategic goals of the Company, with due consideration given to overall Company performance and risk management.

I hope you will support the resolution to vote in favour of this Report at the forthcoming AGM.

Victoria Hull Remuneration Committee Chair

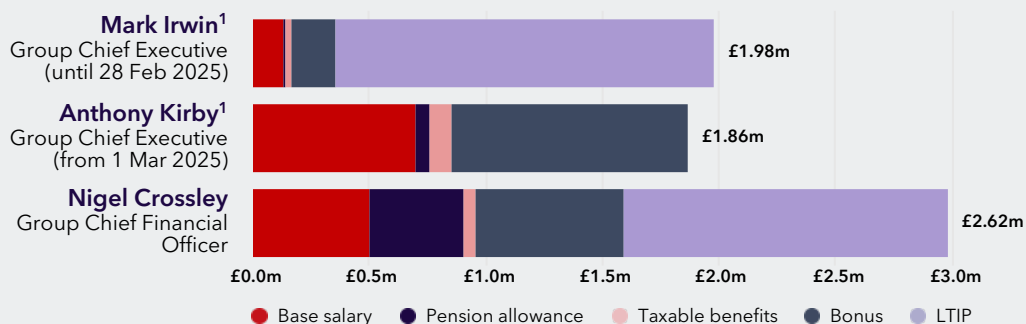
4 March 2026

This DRR has been prepared in accordance with the requirements of the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) (the Regulations). The DRR also meets the relevant requirements of the Listing Rules of the Financial Conduct Authority and describes how the Board has complied with the principles and provisions of the Code relating to remuneration matters.

Directors' Remuneration Report continued

2025 Executive remuneration at a glance

Single figure remuneration at a glance (£m)



2025 annual bonus outcome

78.6%
of maximum

81.6%
of maximum

80.9%
of maximum

2023 LTIP vesting outcome **94.1%** of maximum

Implementation of Remuneration Policy for 2026

Remuneration in 2026 will align to the approved 2023 Remuneration Policy as set out in the 2023 Annual Report.

Fixed pay from 1 April 2026

Anthony Kirby
£868,238
2.75% increase on 2025

Mark Reid²
£575,000

UK wider workforce
3.0%
average increase on 2025

Variable pay aligned to business strategy

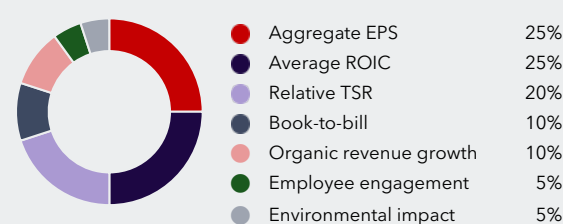
Annual bonus



% of base salary	Anthony Kirby	Mark Reid
Maximum	175%	155%
On-target	87.5%	77.5%

Bonus awards in excess of 100% of salary are subject to mandatory deferral into shares for three years.

LTIP



% of base salary	Anthony Kirby	Mark Reid
Maximum	200%	175%
On-target	122.5%	107.2%

On vesting, shares received (after payment of tax) are subject to a further post-vest holding period until the fifth anniversary of grant.

Malus and clawback provisions apply to the deferred bonus and LTIP share awards during the three-year period prior to vesting and within five years of grant respectively. Clawback provisions apply to the annual bonus.

Alignment with shareholders

In employment	Minimum shareholding of 200% of salary.
Post-employment	200% of salary for first year post-employment, or actual shareholding at termination if lower; 100% of salary for second year post-employment, or 50% of shareholding at termination if lower.

1. Anthony Kirby was appointed to the Board as Group Chief Executive on 1 March 2025, succeeding Mark Irwin who stepped down on 28 February 2025. Anthony's 2023 LTIP award, granted for his prior role at Serco, is excluded from the figures above as it was not awarded in respect of qualifying services.
2. Mark Reid will be appointed to the Board as Group CFO on 6 March 2026, succeeding Nigel Crossley who will step down on 5 March 2026. The salary reported above will apply from the date of his appointment.

Directors' Remuneration Report continued

Committee overview and activities

Membership and role of Committee

The Committee consists of independent NEDs and is responsible for recommending a fair and responsible remuneration framework that aligns the Executive management team to shareholders' interests and rewards and incentivises them appropriately for their contribution to Group performance. The Committee's primary focus is to ensure a clear link between reward and performance, ensuring that the Policy, structure and levels of remuneration for the Executive Directors and other senior executives reinforce the strategic aims of the business, reflects the market context in which Serco operates and the reward strategy throughout the rest of the business.

The Committee's composition and operations comply with the Code, Listing Rules and the Companies Act 2006.

Summary of the Committee's activities during 2025

The Committee met six times in 2025, including two ad-hoc meetings. Meetings are attended by Executive management and independent remuneration advisers, Willis Towers Watson (WTW), with no individual present for discussion relating to their own remuneration. The table below summarises the key issues considered by the Committee in 2025:

Meeting	Key agenda items
January (ad hoc)	Consideration of remuneration arrangements for new Group Chief Executive and remuneration arrangements for outgoing Group Chief Executive
February	2024 annual bonus payouts for Executive Directors and Executive Committee members; 2022 LTIP vesting outcome; 2025 bonus and LTIP frameworks; 2025 discretionary share awards; shareholder consultation update; and wider workforce remuneration framework
June	2025 AGM voting outcomes; remuneration arrangements for new Board Chair; remuneration arrangements in relation to Executive Committee changes; and remuneration outcomes for wider workforce
September	2026 bonus and LTIP frameworks; Executive Director benchmarking; remuneration arrangements in relation to Executive Committee changes; discretionary share awards; and UK Gender Pay Gap analysis
November (ad hoc)	Consideration of remuneration arrangements for new Group CFO and outgoing Group CFO
December	Interim performance update for 2025 bonus and 2023 LTIP; consideration of adjustments to reflect M&A activity; performance targets for 2026 bonus and LTIP; and overview of wider workforce remuneration frameworks

External advisers

WTW provided advice to the Committee throughout the year. WTW is a member of the Remuneration Consultants' Group and, as such, voluntarily operates under the Remuneration Consultants' Group Code of Conduct. The Committee is satisfied that WTW provides robust and professional advice. The fees paid to WTW in respect of 2025 (excluding VAT) are set out in the table:

Adviser	Appointed by	Services provided to the Committee	Fees for services provided to the Committee ¹	Other services provided to the Company ²
WTW	Remuneration Committee in 2020	Advice on market practice; governance; reward consultancy	£69,900	Reward and benefits consultancy; provision of benchmark data; DRR review

1. Fees are determined on a time spent basis.

2. WTW does not have any other connection with individual Directors and the Committee is satisfied that the services of their advisers are independent.

Policy and DRR: Voting outcomes

Shareholder approval for the Policy and the 2024 DRR is set out below:

Resolution	Year of AGM	Votes for	%	Votes against	%	Total votes cast	Votes withheld ¹
Policy	2024	690,996,641	83.34%	138,123,003	16.66%	829,119,644	35,355
2024 DRR	2025	629,520,973	79.39%	163,427,440	20.61%	792,948,413	2,579,534

1. A 'Vote Withheld' is not a vote in law and is not counted in the calculation of the proportion of votes 'For' or 'Against' a Resolution.

The Policy, set out in the 2023 Annual Report, was approved by shareholders at the 2024 AGM. The 2024 DRR was approved by 79.39% of shareholders at the 2025 AGM. In accordance with the requirements of the Code, the Company conducted a period of consultation with the top 20 shareholders and published a statement on the Company website setting out the views received from shareholders and the actions taken.

Directors' Remuneration Report continued

Annual Report on Remuneration

Single total figure of remuneration - Executive Directors (audited)

The following table shows a single total figure of remuneration in respect of qualifying services provided in 2025 for each Executive Director, together with comparative figures for 2024.

All figures in £	Mark Irwin ¹		Anthony Kirby ²		Nigel Crossley	
	2025	2024	2025	2024	2025	2024
Salary	137,333	818,000	704,167	–	504,597	490,800
Taxable benefits ³	19,351	80,698	93,597	–	52,599	41,666
Pension ⁴	10,987	65,440	56,333	–	40,368	39,264
Total fixed remuneration	167,671	964,138	854,097	–	597,564	571,730
Bonus ⁵	194,170	1,289,820	1,005,880	–	636,820	685,450
LTIP ^{6,7}	1,618,340	–	N/A	–	1,390,285	624,919
Total variable remuneration⁸	1,812,510	1,289,820	1,005,880	–	2,027,105	1,310,369
Total	1,980,182	2,253,958	1,859,977	–	2,624,669	1,882,099

1. Mark was appointed as Group Chief Executive on 1 January 2023 and stepped down on 28 February 2025.
2. Anthony was appointed as Group Chief Executive on 1 March 2025.
3. The taxable benefits relate to the provision of independent financial advice and tax support, as appropriate; a car or car allowance (fully inclusive of all scheme costs including insurance and maintenance), healthcare and private medical assessments, as well as taxable business expenses. Where Serco settles the income tax and social security liability in respect of benefits provided, the value of the benefit has been grossed up at the individual's marginal tax rate. The taxable benefits for Anthony and Nigel includes £54,979 and £26,040 respectively in relation to accommodation expenses provided in the period.
4. The pension amounts comprise payments made in lieu of pension, calculated as a percentage of base salary, from which the Executive Directors make their own pension arrangements.
5. The bonus amounts comprise the total bonus amount earned in respect of qualifying services in 2025, including any amounts deferred into the Equity Settled Bonus Plan (ESBP).
6. The 2023 LTIP awards granted to Anthony in respect of his role previously held within Serco, for which the performance period ended in 2025, are excluded from the figures above as they were not awarded in respect of qualifying services.
7. This is the estimated or actual value of LTIP awards for which the performance period ended in the year including dividend equivalents. The quantum attributable to share price appreciation is £636,613 and £546,902 for Mark and Nigel respectively. The Committee believes that the share price movement appropriately reflects the broader performance of the Company and, therefore, did not make any discretionary adjustments to the vesting of these awards. Further details are provided on pages 113 and 114. The LTIP value reported for Nigel in respect of 2024 has been restated to reflect the actual share price at the relevant vest date for the award (being his 2022 LTIP award, which vested on 6 April 2025: £1.529987).
8. Malus and clawback provisions, as set out in the Policy, apply to the relevant incentive awards, including the annual bonus and LTIP. These provisions were not exercised during the reporting year.

Directors' Remuneration Report continued

Variable pay outcome (audited)

2025 Annual bonus

In line with the Policy, the 2025 target and maximum annual bonus opportunities were 87.5% and 175% of salary respectively for the Group Chief Executive and 77.5% and 155% of salary respectively for the Group CFO. The achievement determined by the Committee against the financial and non-financial measures, together with the overall bonus outcome for 2025, are summarised on page 111 to 113.

Performance targets and achievement against them

The following table sets out the performance targets for 2025 as well as achievement against these. As set out in the Committee Chair's letter, and in line with historic practice, the Committee considered the impact of material transactions during the year to ensure that the targets for outstanding incentive plans remain appropriate considering the experience of all our stakeholders to ensure consistency, transparency and fairness. In line with the Committee's agreed adjustment principles, the underlying operating profit targets have been adjusted upwards to reflect the net impact of the MT&S acquisition and the Hong Kong divestment which both completed in 2025. These adjustments were reviewed in detail by the Chair of the Audit Committee. In addition, the order intake target has been adjusted upwards to reflect the impact of the MT&S acquisition. While this results in an increase in the stretch of the targets, this ensures that they achieve their original purpose and are no more or less difficult to achieve.

Performance measure and relative weighting	Threshold target	Target	Maximum target	Actual performance	Achievement against measure (% maximum opportunity for this measure)
Underlying operating profit ¹ (40%)	£263.5m	£270.2m	£291.8m	£276.8m	65.3%
Free cash flow ¹ (15%)	£130.5m	£133.8m	£157.8m	£219.0m	100.0%
Order intake ¹ (15%)	£5.00bn	£5.25bn	£5.50bn	£5.54bn	100.0%
ESG scorecard (15%)					100.0%
LTI ²	472	460	407	370	
Employee retention ³	21.2%	20.2%	19.2%	18.6%	
Individual objectives (15%)					
Mark Irwin (until 28 February 2025)					50%
Anthony Kirby (from 1 March 2025)					70%
Nigel Crossley					65%
Overall bonus (% max)					
Mark Irwin (until 28 February 2025)					78.6%
Anthony Kirby (from 1 March 2025)					81.6%
Nigel Crossley					80.9%

1. Actual performance at constant currency.

2. LTIs are measured as the number of incidents recorded during the performance period.

3. Assessed against the 12-month rolling voluntary attrition rates across the Group for 2025.

Achievement of individual objectives

Executive Director	Achievements in year	Achievement (% maximum for this measure)
Mark Irwin, Group Chief Executive (until 28 February 2025)	The Committee recognised Mark's contribution during the first two months of 2025, prior to him stepping down as Group Chief Executive. Mark supported Anthony in his transition to Group Chief Executive, ensuring a smooth handover of responsibilities. Mark ensured the effective close out of 2024 year-end processes.	50%

Directors' Remuneration Report continued

Executive Director	Achievements in year
Anthony Kirby, Group Chief Executive (from 1 March 2025)	<p>The Committee considered Anthony's performance against his objectives and deemed his overall performance in 2025 to be strong.</p> <p>In taking up the Group Chief Executive role, Anthony has established strong and productive relationships with the Board Chair and Board and external stakeholders, including key customers around the world, as well as the investor community including the development of our shareholder register, and delivered strong financial results. Anthony has demonstrated effective and visible leadership throughout 2025, delivering strong financial performance, through an increased focus on improving productivity, efficiency, and margin performance across the Group, supported by disciplined contract management and operational improvements. Anthony has also established a strong foundation for the future through strategic decisions taken in relation to the Company portfolio, growth in the pipeline and the establishment of a new strong Executive Committee team.</p> <p>Key achievements include:</p> <ul style="list-style-type: none"> • Strong financial performance including delivering revenue of £4.9bn, with a return to organic growth and underlying operating profit of £272m, delivering a margin of 5.6% – in line with our medium-term target range of 5-6%; • Increased focus on improving productivity, efficiency, and margin performance across the Group, with underlying operating profit margin at the upper end of our target range of 5-6%, supported by disciplined contract management and operational improvements; • Significant improvement in employee safety, through a programme of initiatives, delivering 39% reduction in LTIs; • Growth in order intake to £5.5bn, with a book-to-bill ratio of 114%, and a record pipeline of £12.1bn; • Strategic decisions taken in relation to the Company portfolio, including the acquisition and integration of MT&S, the implementation of a joint venture with Mubadala and the sale of our Hong Kong business; • Establishment of a strong Executive Committee team, with the right skills, knowledge and experience to lead the Company's growth agenda. This included the recruitment of successors for the Group CFO role and the CEO of UK & Europe role, as well as the appointment of successors for the CEO of North America and Group General Counsel & Company Secretary roles who successfully onboarded in 2025; • Substantial growth in Serco's share price, which rose by more than 80% in 2025, along with the completion of a £50m share buyback.
Achievement (% maximum for this measure)	70%
Executive Director	Achievements in year
Nigel Crossley, Group CFO	<p>The Committee considered Nigel's performance against his objectives and deemed his overall performance in 2025 to be strong.</p> <p>Key achievements include:</p> <ul style="list-style-type: none"> • Assisted the new Group Chief Executive with a smooth transition into the role, delivering a successful 2025 year-end process; • Continued to build a strong finance team fit for the future ensuring strong, 'above brief' finance leaders in key finance roles; • Managed our relationship with our key finance delivery partner Accenture, developing a plan to on-shore resources in line with our organisation development plans; • Commenced the strategic roadmap planning for finance technology upgrade for consideration by the Board; • Successfully onboarded our new External Auditor, EY, ensuring the handover from our previous External Auditor, KPMG, was successful and ensured no business interruptions; • Supported the organisation's plans for efficiency and productivity resulting in improvements in on-contract performance; • Substantial growth in Serco's share price, which rose by more than 80% in 2025, along with the completion of a £50m share buyback.
Achievement (% maximum for this measure)	65%

Directors' Remuneration Report continued

2025 annual bonus outcome

The table below sets out the bonus amounts in respect of 2025 performance. The bonus payment to Mark Irwin in the table below is pro-rated to reflect his services as Group Chief Executive to 28 February 2025. The payment to Anthony Kirby reflects the period since appointment on 1 March 2025:

	Mark Irwin	Anthony Kirby	Nigel Crossley
Bonus amount earned	£194,170	£1,005,880	£636,820
Bonus payable as % of max (% salary)	78.6% (137.6%)	81.6% (142.8%)	80.9% (125.4%)
Value of bonus to be deferred for three years into Serco shares (% of total bonus) ¹	n/a	£160,880 (16.0%)	n/a

1. Mark stepped down as Group Chief Executive on 28 February 2025 and Nigel stepped down as Group CFO on 5 March 2026, with their respective bonuses paid in cash at the end of March 2026.

In determining the bonus outcomes, the Committee considered Serco's wider business performance, the experience of all our stakeholders and the bonus outcomes for our wider employees. The Committee recognises the strong performance of the Group in a challenging environment - profit in the year was supported by a number of contracts either starting or moving to their operational phase as well as the contribution of MT&S. This largely offset the impact from higher National Insurance contributions in the UK, increased corporate costs and the reduced activity levels in Justice & Immigration. The resulting margin for the Group of 5.6% is well within our medium-term target range and another year of strong free cash flow conversion meant the Group's free cash flow of £219m was comfortably ahead of guidance. After reviewing all factors, including the application of an underlying operating profit test to ensure affordability, the Committee concluded that the formulaic outcome was fair and required no adjustment.

2023 LTIP awards

The 2023 LTIP awards which were granted to Executive Directors on 6 April 2023 will vest on 6 April 2026, subject to the Company's achievement against the financial and non-financial targets set for the three-year period to 31 December 2025. The performance and formulaic vesting outcome for each tranche of the 2023 LTIP is as follows:

Performance condition and relative weighting	Threshold - 25% vesting	Maximum - 100%	Performance measured	Vesting (% of maximum)
Relative TSR ¹ (25%)	Median ranking	Upper quartile ranking	Rank 23/107	100.0%
Aggregate EPS ² (25%)	34.10p	41.68p	45.39p	100.0%
Average pre-tax ROIC ² (25%)	17.6%	21.5%	24.5%	100.0%
Book-to-bill ³ (10%)	n/a	105.0%	103.7%	87.0%
ESG scorecard ³ (15%)	n/a	See below	See below	69.4%
Overall vesting outcome				94.1%

- For the 2023 LTIP, the Company's TSR performance was assessed relative to the constituents of the FTSE 250, excluding investment trusts, over the three-year period ended 31 December 2025. The Company's Total Shareholder Return (TSR) of 79.4% ranked 23/107, which is above upper quartile.
- The EPS and ROIC targets have been adjusted by the Committee to reflect the impact of the MT&S acquisition in 2025. Further detail of the adjustments is set out below, however it should be noted that the adjustments had no impact on the vesting outcome as the maximum targets had been exceeded.
- The Committee considered the book-to-bill and ESG scorecard targets for 2023 to be strategically critical to the longer-term success of the Company and so there should be no vesting for below-target performance for these elements; this is a more stringent approach than required under the Policy. These elements vest at 50% for on-target performance, rising on a straight-line basis to 100% at maximum. All other performance measures vest at 25% for threshold performance, rising on a straight-line basis to 100% at maximum, with no vesting below threshold.

Directors' Remuneration Report continued

Adjustment to LTIP targets to reflect MT&S acquisition

To ensure that the performance targets for the in-flight LTIP awards continue to achieve their original purpose and are no more or less difficult to achieve, the Committee determined that the EPS and ROIC targets should be adjusted to reflect the impact of the MT&S acquisition completed in 2025, that was not anticipated when the original targets were set. Given Serco's capital base and starting ROIC, acquisitions can lower ROIC initially even when they strengthen the business and create value for our shareholders. The use of basic EPS in our LTIP means that amortisation of intangibles arising on acquisition can initially impact basic EPS negatively, while underlying EPS increases. It is important that the incentives continue to drive the right behaviours and do not discourage transactions which create shareholder value over the longer term.

This decision was guided by our adjustment principles to ensure consistency, transparency and fairness to management and shareholders and is consistent with the approach taken by the Committee for previous material transactions, such as the WBB acquisition in 2021, with a full review by the Chair of the Audit Committee. The adjustments applied by the Committee to the EPS and ROIC targets for the in-flight LTIP awards to reflect the MT&S acquisition are shown below:

Share awards	Performance metric	Original target range	Adjusted target range	Adjustment variance
2023 LTIP	Aggregate EPS	34.64p - 42.34p	34.10p - 41.68p	-0.54p/-0.66p
	Average ROIC	18.3% - 22.4%	17.6% - 21.5%	-0.7%/-0.9%
2024 LTIP	Aggregate EPS	43.39p - 53.03p	42.87p - 52.40p	-0.52p/-0.63p
	Average ROIC	22.1% - 27.1%	20.2% - 24.7%	-1.9%/-2.4%
2025 LTIP	Aggregate EPS	46.92p - 57.35p	46.81p - 57.22p	-0.11pp/-0.13p
	Average ROIC	24.9% - 30.5%	21.4% - 26.2%	-3.5%/-4.3%

ESG scorecard performance for 2023 LTIP awards

After considering the Company's progress across all components of the ESG scorecard over the three-year period, the Committee determined an overall outcome for this element of 69.4% of maximum.

Scorecard component	Actual performance
Average annual Group employee engagement score over the three-year performance period (score of 70 for target, and 72 at maximum).	Employee engagement: The three-year average engagement score was 71.3, meeting the target threshold and demonstrating continued positive sentiment.
Assessment against a scorecard of factors relating to the improvement in colleague diversity, including progress on activities which support diversity and review of quantitative metrics such as the percentage of women and colleagues of diverse ethnic backgrounds holding senior global leadership roles.	Colleague diversity: Senior leadership roles held by women since first measured towards the end of 2023 rose slightly from 33.1% in June 2023 (when first measured) to 34.0% at the end of 2025, and those held by diverse ethnic backgrounds reached 9.8% at the end of 2025, reflecting steady progress in diversity and inclusion efforts. Further details of progress in 2025 can be found on page 42 of this Annual Report.
Improvement in our understanding, management, and disclosure of Serco's environmental risks.	Environmental progress: Our ESG performance continued to improve, with a 32% reduction in Scope 1 and 2 carbon emissions versus the (restated) 2022 baseline and progress in renewable energy usage, supporting Serco's long-term sustainability commitments. We also achieved 100% renewable sourced energy across all Divisions from the end of 2024, ahead of planned schedule. Further details of progress can be found on pages 49 to 54 of this Annual Report.

Directors' Remuneration Report continued

Overall vesting outcome of 2023 LTIP Awards

The Committee reviewed Group performance over the full period and agreed that the vesting outcome of 94.1% appropriately reflects the Company's overall performance and strategic progress over the three-year period and that no further adjustments are required. Based on this vesting outcome, the following awards will vest to the Executive Directors under the 2023 LTIP plans:

	Award vesting	Number of shares vesting ¹	Value vesting ²
Mark Irwin ³	2023 LTIP	639,812	£1,618,340
Nigel Crossley	2023 LTIP	549,650	£1,390,285

- Shares vesting from the 2023 LTIP awards remain subject to a two-year post-vest holding requirement. The number of shares vesting includes both the original LTIP award shares and dividend equivalent shares accrued over the performance period.
- Based on the three-month (ended 31 December 2025) average closing share price of £2.5294.
- The number of shares vesting for Mark is pro-rated to the date on which he stepped down on 28 February 2025.

Pensions (audited)

As at 31 December 2025, there were no Executive Directors actively participating or accruing additional entitlement in the Serco Pension and Life Assurance Scheme, which is a defined benefits scheme.

Payments for loss of office (audited)

Mark Irwin stepped down as Group Chief Executive and as an Executive Director of Serco Group plc on 28 February 2025. Mark's service contract provides for a twelve-month notice period which commenced on 13 January 2025. After stepping down from the Board, Mark transitioned into the role of Strategic Adviser to the Group. The table below sets out payments for loss of office.

Description	Details of payment
Salary and benefits	<ul style="list-style-type: none"> Base salary and normal benefits paid in line with the Policy and his contractual entitlement until cessation of employment.
Discretionary annual bonus award	<ul style="list-style-type: none"> Entitled to receive a 2025 bonus, subject to performance, and time served in respect of his role as Strategic Adviser. Not entitled to receive a 2026 bonus. Award remains subject to malus and clawback provisions.
ESBP for bonus earned above 100% of salary deferred into shares and vesting after three years. These awards are not subject to further performance conditions or pro-rated. ¹	<ul style="list-style-type: none"> Treated as 'good leaver' in respect of outstanding ESBP awards unvested at the date he ceases employment. The following awards will vest in full on the normal vesting dates: <ul style="list-style-type: none"> 2024 ESBP - 125,707 shares to be retained - vesting on 28 March 2027. The total number of shares linked to the award will be increased for any dividend equivalents in connection with dividends paid during the vesting period. Award remains subject to malus and clawback.
Holiday entitlement	<ul style="list-style-type: none"> All outstanding holiday entitlement to be taken by the end of the notice period.
Share awards ¹	<ul style="list-style-type: none"> No awards to be made under the Company's LTIP in 2025 or 2026. Treated as 'good leaver' for awards unvested at the end of the notice period (being awards made under the 2023 and 2024 LTIP). Outstanding unvested LTIP share awards will vest on the normal vesting dates subject to the satisfaction of the relevant performance conditions and on a time pro-rated basis to the termination of employment. A two-year post-vesting holding period will continue to apply. 2023 LTIP - 955,855 shares to be retained - vesting date 6 April 2026 - holding period expires 6 April 2028. 2024 LTIP - 512,656 shares to be retained - vesting date 8 April 2027 - holding period expires 8 April 2029. The total number of shares linked to the awards will be increased for any dividend equivalents in connection with dividends paid during the vesting period. Awards remain subject to malus and clawback provisions.

- The number of shares shown reflects the original share awards granted and excludes dividend equivalent shares.

Directors' Remuneration Report continued

Nigel Crossley will step down as Group CFO and as an Executive Director of Serco Group plc on 5 March 2026. Nigel's service contract provides for a 12 month notice period which commenced on 17 December 2025. After stepping down from the Board, Nigel will continue to provide services to the Company through a transition period. The table below sets out the remuneration payments Nigel is entitled to receive after stepping down as an Executive Director.

Description	Details of payment
Salary and benefits	<ul style="list-style-type: none"> Base salary and normal benefits in line with the Policy and his contractual entitlement to the end of his notice period.
Discretionary annual bonus award	<ul style="list-style-type: none"> As Group CFO for the whole of 2025, entitled to receive a 2025 bonus in full, subject to performance. Entitled to receive a 2026 bonus, subject to performance, pro-rated to reflect the period he provides services to the Company in 2026. Awards remain subject to malus and clawback provisions.
ESBP for bonus earned above 100% of salary deferred into shares and vesting after three years. These awards are not subject to further performance conditions or pro-	<ul style="list-style-type: none"> Treated as 'good leaver' in respect of outstanding ESBP awards unvested at the date he ceases employment. The following awards will vest in full on the normal vesting dates: <ul style="list-style-type: none"> 2024 ESBP - 37,662 shares vesting on 28 March 2027 2025 ESBP - 120,036 shares vesting on 28 March 2028 The total number of shares linked to the award will be increased for any dividend equivalents in connection with dividends paid during the vesting period. Award remains subject to malus and clawback.
Holiday entitlement	<ul style="list-style-type: none"> All outstanding holiday entitlement to be taken by the end of the notice period.
Share awards ¹	<ul style="list-style-type: none"> No awards to be made under the Company's LTIP in 2026. Treated as 'good leaver' for awards unvested at the end of the notice period (being awards made under the 2024 and 2025 LTIP). Outstanding unvested LTIP share awards will vest on the normal vesting dates subject to the satisfaction of the relevant performance conditions and on a time pro-rated basis to the termination of employment. A two-year post-vesting holding period will continue to apply. 2024 LTIP - 410,124 shares to be retained - vesting date 8 April 2027 - holding period expires 8 April 2029. 2025 LTIP - 306,417 shares to be retained - vesting date 7 April 2028 - holding period expires 7 April 2030. The total number of shares linked to the awards will be increased for any dividend equivalents in connection with dividends paid during the vesting period. Awards remain subject to malus and clawback provisions.

1. The number of shares shown reflects the original share awards granted and excludes dividend equivalent shares.

Awards made in 2025

2025 ESBP (audited)

In line with the Policy, the portion of Nigel Crossley's 2024 bonus above 100% of salary was deferred into an ESBP conditional share award granted on 28 March 2025. The award will vest on 28 March 2028 and is subject to malus and clawback, with no additional performance conditions.

Directors	Face value (£) ¹	Grant date	Market price at award (£) ²	Number of shares ³
Nigel Crossley	191,049	28 March 2025	1.5916	120,036

1. Calculated as the value of the Executive Directors' 2024 bonus in excess of 100% of salary.

2. Average closing share price on the five trading days immediately prior to the date of grant.

3. Calculated using the average share price used to determine the number of shares awarded.

Directors' Remuneration Report continued

2025 LTIP (audited)

In line with the Policy, the Group Chief Executive and Group CFO received LTIP awards in 2025 equal to 200% and 175% of salary respectively. Awards were granted as conditional shares and will vest on 6 April 2028, subject to performance over the three-year period to 31 December 2027 and continued employment.

Directors	Basis of award (% salary)	Face value (£)	Grant date	Market price at award (£) ¹	Number of shares ²	Percentage vesting at threshold performance ³	Performance period end date
Anthony Kirby	200%	1,690,000	7 April 2025	1.6118	1,048,517	22.5%	31 December 2027
Nigel Crossley	175%	888,992	7 April 2025	1.6118	551,552	22.5%	31 December 2027

1. Average closing share price on the five trading days immediately prior to the date of grant.
2. Calculated using the average share price used to determine the number of shares awarded.
3. 90% of the awards are subject to financial and ESG performance conditions that vest at 25% for threshold performance. 10% of the awards relate to book-to-bill performance conditions that vest at 0% for threshold performance and only begin to vest when at least target performance is achieved.

The performance measures and targets for the 2025 LTIP awards, based on our longer-term business forecasts and strategy and analyst consensus, are as follows:

Performance condition and relative weighting	Threshold - 25% vesting	Target - 50% vesting ⁷	Maximum - 100%
Aggregate EPS ¹ (25%)	46.81p	–	57.22p
Average pre-tax ROIC ² (25%)	21.4%	–	26.2%
Relative TSR ³ (20%)	Median ranking	–	Upper quartile ranking
Book-to-bill ^{4,5} (10%)	n/a	100%	105%
Organic revenue growth (10%) ⁶	4%	–	6%
Employee engagement ⁷ (5%)	71	–	73
Environmental impact ⁸ (5%)	Reduction of 794 tCO ₂ e	–	Reduction of 2,105 tCO ₂ e

1. The EPS targets are based on basic EPS before exceptional items, adjusted to reflect tax paid on a cash basis, measured as an aggregate over the three-year performance period. As outlined above, the EPS targets have been adjusted to reflect the impact of the MT&S acquisition in 2025.
2. The ROIC targets are based on pre-tax ROIC, measured as an aggregate over the three-year performance period. As outlined above, the ROIC targets have been adjusted to reflect the impact of the MT&S acquisition in 2025.
3. The TSR targets are based on Serco's ranking relative to companies in the FTSE 250 (excluding investment trusts), measured over the three-year performance.
4. The book-to-bill performance measure is based on the cumulative average book-to-bill ratio over the three-year performance period.
5. The Committee considers the book-to-bill target to be strategically critical to the longer-term success of the Company and so there should be no vesting for below-target performance for this element; this is a more stringent approach than required under the Policy. This element vests at 50% for on-target performance, rising on a straight-line basis to 100% at maximum. All other performance measures vest at 25% for threshold performance, rising on a straight-line basis to 100% at maximum, with no vesting below threshold.
6. The organic revenue growth targets are measured as a three-point average over the three-year performance period.
7. The employee engagement targets are based on the average annual Group employee engagement score over the three-year performance period.
8. The environmental impact targets reflect the reduction in the annual Scope 1 and 2 carbon emissions achieved in 2028 vs 2025.

Vesting will take account of the Group's underlying performance, along with input from the Audit and Risk Committees and external market reference points, as appropriate, to ensure that outcomes are fair and appropriate. All LTIP awards are subject to a post-vesting holding period to ensure a minimum five-year term, and are also subject to malus and clawback.

Directors' Remuneration Report continued

Single total figure of remuneration - NEDs (audited)

The remuneration for the NEDs consists of cash fees paid monthly with increments for positions of additional responsibility. In addition, reasonable travel and related business expenses are paid. No bonuses are paid to NEDs. NEDs' fees are not performance related.

	Fee-bearing Committee roles held in the year	Board fee (including Chair fees) (£)		Taxable benefits ¹ (£)		Total ² (£)	
		2025	2024	2025	2024	2025	2024
John Rishton ³		305,984	297,752	10,716	10,249	316,700	308,001
Kirsty Bashforth	C Re Ri	83,986	81,696	9,277	4,899	93,264	86,595
Kru Desai	A C	70,326	68,403	–	–	70,326	68,403
Ian El-Mokadem	A Ri	78,522	76,379	–	409	78,522	76,788
Victoria Hull ⁴	Re	69,023	19,398	–	–	69,023	19,398
Tim Lodge	A Re Ri	83,986	81,696	–	1,081	83,986	82,777
Dame Sue Owen ⁵	C Ri	75,790	73,720	–	–	75,790	73,720
Lynne Peacock (SID) ⁴	A Re	85,031	91,716	–	–	85,031	91,716
Keith Williams ³		24,917	–	–	–	24,917	–
Total		877,565	790,760	19,993	16,638	897,559	807,398

A Audit Committee **C** Corporate Responsibility Committee **Re** Remuneration Committee **Ri** Risk Committee **●** Denotes Chair

No fee is payable for being a member or Chair of the Nomination Committee.

1. Taxable benefits in 2024 and 2025 relate to reimbursed taxable travel and subsistence business expenses.
2. NEDs do not receive any variable pay so 'Total' is total fixed remuneration.
3. Keith was appointed to the Board on 1 August 2025 and succeeded John as Board Chair effective 1 January 2026. He received a NED fee only for the period prior to his appointment as Chair.
4. Victoria joined the Board on 1 September 2024 and succeeded Lynne as Chair of the Remuneration Committee at the conclusion of the 2025 AGM. Lynne stepped down as Chair and member of the Remuneration Committee at the conclusion of the 2025 AGM.
5. Dame Sue receives an additional fee as Designated Non-Executive Director for Colleague Voice.

Directors' Remuneration Report continued

Implementation of the Policy for 2026

Detail of the salary increases, pension opportunity and annual bonus and LTIP awards (including a summary of the performance measures and relative weightings) is provided on page 108.

Review of Executive Director base salaries

While the Committee decision making is not solely driven by market data, the Committee considers market data from two peer groups when setting remuneration levels:

- A primary peer group includes UK listed companies of a similar financial size and complexity to Serco (FTSE 76-175). Serco is currently positioned around the mid-point of this group on a market capitalisation basis, with a high degree of complexity, a large workforce, an international reach and high levels of revenue positioned around the upper quartile against the peer group.
- A secondary peer group of UK-based listed and unlisted companies operating in similar industries to Serco. This peer group reflects the companies that we most often compete with for talent, which increasingly includes public, private and private equity entities.

Group Chief Executive

Having reviewed the base salary for the Group Chief Executive, the Committee determined that Anthony should receive an increase of 2.75% in 2026, aligned with the average for UK-based Group roles. This is lower than the average increase of 3.0% budgeted for the wider workforce.

Group CFO

Mark Reid will join the Board as Group CFO on 6 March 2026 succeeding Nigel Crossley, who is retiring and will step down from the Board on 5 March 2026 after 11 years with the Company. The terms of Nigel's retirement were set out in the Section 430(2B) statement published on our website and are also outlined on page 116.

When determining the remuneration package for the Group CFO role, the Committee considered a range of relevant internal and external factors including the size, scope and complexity of the role, pay levels for the same role in similar organisations and Mark's significant experience as the Group CFO of Proximus, a large, international and complex listed business. After careful consideration, the Committee determined that Mark should receive a base salary of £575,000 per annum and be eligible for a maximum annual bonus and LTIP opportunity for 2026 of 155% and 175% of salary, respectively, subject to time pro-rating as appropriate. The Committee recognises that Mark's salary is higher than that of his predecessor and feels this is necessary to attract, retain and motivate a candidate of Mark's calibre who will be instrumental in helping Serco deliver against our ambitious strategic goals. Mark will be ineligible for consideration for a salary review until 2027 and, at this stage, the Committee would expect future increases to Mark's salary to be broadly in line with the average increases for UK-based Group roles within Serco which take into account the approach across the wider organisation.

During recruitment a number of candidates were considered from public, private and private equity backgrounds, and through this process the Committee gained insight into the level of remuneration that would be required to externally attract an individual of the right calibre. Mark has prior experience as Group CFO of a listed company, joining us from Proximus, the Belgium telecoms business listed on the Euronext Stock Exchange. He has been with Proximus for nearly five years and during that period he has also held the role of interim CEO of their international division whilst retaining Group CFO responsibilities. Mark has over 20 years' of international finance experience and previously held senior roles at Liberty Global, Virgin Media, British Airways and Yahoo Inc.

Directors' Remuneration Report continued

Review of Executive Director base salaries continued

While our decisions are not solely driven by market data, it was another input that fed into the decision. As noted above, the peer groups and resulting positioning of the CFO's total remuneration are as follows:

- Primary peer group (FTSE 76-175): Mark's total remuneration on appointment positions him just below median against the primary peer group, which is appropriate given the financial positioning of Serco against this group of median on a market capitalisation and upper quartile on a revenue basis.
- Secondary peer group (UK-based industry peer group): This is particularly relevant as we are acutely aware that these are the companies that we realistically compete for talent with as we have found through this and other recent recruitment processes. Mark's total remuneration is positioned between lower quartile and median against this peer group.

While we have taken a staggered approach to setting pay on appointment in the past, we do not think it is appropriate in this case given Mark's significant and valuable experience and the resulting moderate positioning against the market data.

Mark's bonus opportunity for 2026 will be pro-rated to reflect his service in 2026, with any bonus awarded over 100% of salary subject to mandatory deferral into Serco shares. Mark will receive benefits in line with the Policy, including an annual pension contribution (or cash equivalent) of 8% of base salary (in line with the wider workforce) along with relocation support as he and his family relocate to the UK.

In line with the Policy and typical practice, Mark will receive buyout awards to compensate him for remuneration forfeit from leaving his former employer. The quantum, structure and application of performance conditions match the awards forfeit, with a longer timeframe applying for the replacement LTIP awards. The details are as follows:


















- A cash payment in May 2026 to compensate him for equivalent cash amounts that he would have received at this date from Proximus. The final value of these payments had not yet been determined at the time of finalising the Report; however the payment will be equivalent in value, time and form to the amount forfeit and will be confirmed in the 2026 DRR.
- An award of Serco LTIP shares with a face value of £400,000 in respect of forfeit LTIP awards that were due to vest in May 2027 and May 2028. These shares will be subject to forward-looking Serco performance conditions in line with other LTIP participants and will comprise the majority of the buyout award. The award will be made in the form of Serco shares to ensure immediate alignment to the shareholder experience. In addition, we are replacing the forfeit awards with one award due to vest in April 2028, thereby extending the aggregate time period.

The Committee is confident that the remuneration arrangements for each of the Executive Directors is sufficient to attract, retain and motivate them, whilst paying no more than necessary.



























Overview of the performance measures for 2026 annual bonus and LTIP awards

The Company strategy continues to be on three core areas which are most significant to driving value and delivering our strategy; Growth, Operational Excellence and Competitiveness. The 2026 variable pay framework aligns to these priorities through rigorous target setting, informed by budgets, long-term plans, analyst forecasts and strategic objectives. The performance measures and weightings for the 2026 annual bonus and LTIP are summarised below:

Annual bonus

Element	Link to strategy	Weighting
Underlying operating profit	  	40%
Free cash flow	 	25%
Order intake	   	20%
Employee safety	   	10%
Employee retention	   	5%

LTIP

Element	Link to strategy	Weighting
Aggregate EPS	  	25%
Average ROIC	  	25%
Relative TSR	  	20%
Book-to-bill	   	10%
Organic revenue growth	   	10%
Employee engagement	   	5%
Environmental impact	    	5%

Our key priorities see page 13:



Our ESG Framework see page 34:



Directors' Remuneration Report continued

The remuneration framework balances short-term and long-term incentives. The annual bonus rewards delivery against financial and strategic priorities within a single-year, while the LTIP encourages sustained multi-year performance aligned with long-term shareholder value. Together, they support both near-term operational delivery and the Company's long-term strategic goals, promoting sustainable and responsible performance.

2026 annual bonus

To further support the business in capitalising on the growth opportunity that we see in the market, the weighting of order intake for the 2026 annual bonus will be increased from 15% to 20% as a core growth metric, placing greater emphasis on productivity and operational excellence. In addition, the weighting of free cash flow will be increased from 15% to 25%, recognising its critical role in delivering sustainable value for investors. To accommodate the change towards an increased focus on growth, there will be no personal performance element for the 2026 bonus. The Executive Directors will, however, continue to be set and appraised against personal objectives agreed with the Board.

Determination of the amount payable under the 2026 annual bonus plan will also take into consideration the wider performance of the Group as well as affordability. The final payouts will be adjusted, where appropriate, to ensure that the outcomes are a fair and reasonable reflection of the performance of the Group.

2026 LTIP

The framework for the 2026 LTIP will be consistent with the 2025 LTIP award, with measures aligned to the Company's focus on long-term sustainable growth. Performance will be assessed over the three years to 31 December 2028. In determining vesting, the Committee will also consider underlying Group performance (with input from the Audit and Risk Committees as appropriate) and relevant external benchmarks, with final payouts adjusted, where appropriate, to ensure outcomes are fair and appropriately reflect performance.

The performance measures and targets for the 2026 LTIP awards, based on our longer-term business forecasts and strategy and analyst consensus, are as follows:

Performance condition and relative weighting	Threshold - 25% vesting	Target - 50% vesting ⁷	Maximum - 100%
Aggregate EPS ¹ (25%)	53.35p	–	58.97p
Average pre-tax ROIC ² (25%)	25.7%	–	28.4%
Relative TSR ³ (20%)	Median ranking	–	Upper quartile ranking
Book-to-bill ⁴ (10%)	n/a	100%	105%
Organic revenue growth (10%) ⁵	4%	–	6%
Employee engagement ⁶ (5%)	71	–	73
Environmental impact ⁷ (5%)	35% reduction in scope 1 and 2 carbon emissions vs the 2022 base year	n/a	41% reduction in scope 1 and 2 carbon emissions vs the 2022 base year

- The EPS targets are based on basic EPS before exceptional items, adjusted to reflect tax paid on a cash basis, measured as an aggregate over the three-year performance period.
- The ROIC targets are based on pre-tax ROIC, measured as an aggregate over the three-year performance period.
- The TSR targets are based on Serco's ranking relative to companies in the FTSE 250 (excluding investment trusts), measured over the three-year performance.
- The book-to-bill performance is based on the cumulative average book-to-bill ratio over the three-year performance period.
- The organic revenue growth targets are measured as a three-point average over the three-year performance period.
- The environmental impact targets are based on the reduction in Scope 1 and 2 carbon emissions achieved at the end of the three-year performance period when compared to the 2022 baseline year, reflecting Serco's ambition to achieve a 46% reduction for scope 1 and 2 carbon emissions by 2030, against the 2022 base year. In accordance with current emissions calculation methodology and standards, these base year emissions (and subsequent years) may be restated each year to reflect changes in the business. Any restatement changes will be considered in the assessment of the performance against the LTIP stated goals.
- The Committee considers the book-to-bill targets to be strategically critical to the longer-term success of the Company and so there should be no vesting for below-target performance for this element; this is a more stringent approach than required under the Policy. This element vests at 50% for on-target performance, rising on a straight-line basis to 100% at maximum. All other performance measures vest at 25% for threshold performance, rising on a straight-line basis to 100% at maximum, with no vesting below threshold.

Directors' Remuneration Report continued

Remuneration for Non-Executive Directors (NEDs)

Following the annual review of NED fees, the Committee (in respect of the Board Chair's fee) and the Board (in respect of all other NED fees) determined that a 2.75% increase should apply from 1 April 2026 (this is aligned with the UK-based Group roles and lower than the average increase of 3.0% budgeted for the wider UK workforce). In line with the approved Policy, the fees to apply in 2026 will be as follows:

Element - Annual Board and Committee fees	Base fee to apply from 1 April 2026 £	Base fee 1 April 2025 £	Change £
Board Chair	316,470	308,000	8,470
Senior Independent Director	16,183	15,750	433
Board fees	61,445	59,800	1,645
Chair of a Board Committee (Audit, Corporate Responsibility, Risk or Remuneration)	14,128	13,750	378
Membership of a Board Committee (Audit, Corporate Responsibility, Risk or Remuneration)	5,651	5,500	151
Designated Non-Executive Director	5,651	5,500	151

No additional fee is payable for the Chair or membership of the Nomination Committee. The Board Chair does not receive any additional fees for his Committee memberships. The fee for the Committee Chair is inclusive of the fee for being a member of the Committee. The Board is committed to ensuring that remuneration arrangements for each of the NEDs is sufficient to attract, retain and motivate them and reflects the time commitment required to fulfil their duties in an increasingly complex global environment, as set out on page 95.

Directors' service contracts/letters of appointment

In line with our Policy, all Executive Directors have service contracts which are terminable by either party with 12 months' notice. The Chair of the Board and NEDs have to letters of appointment. The date of appointment to the Board for all current Directors is set out in their biographies on pages 83 to 85. All Directors are required to be elected/re-elected at each AGM.

External appointments for Executive Directors

The Board believes that the Group can benefit from its Executive Directors holding appropriate non-executive directorships of companies or independent bodies. Such appointments are subject to the approval of the Board. Fees are retained by the Executive Director concerned.

In 2025, Anthony Kirby served as an independent Non-Executive Director at Hays plc (appointed 1 April 2024), in addition to his executive role at Serco, and received non-executive Director fees of £64,899.

No other external appointments were held by Executive Directors during the year.

Directors' Remuneration Report continued

Remuneration at Serco

Wider remuneration at Serco

Colleague-centred, fair, and impactful total reward

Our reward principles, which apply to all colleagues, are that reward should be fair, competitive, and aligned to the sectors and markets from which we draw our talent, while ensuring that we are appropriately managing the cost of our workforce which, as a people business, is our biggest operating cost.

How our approach to reward is implemented across the organisation

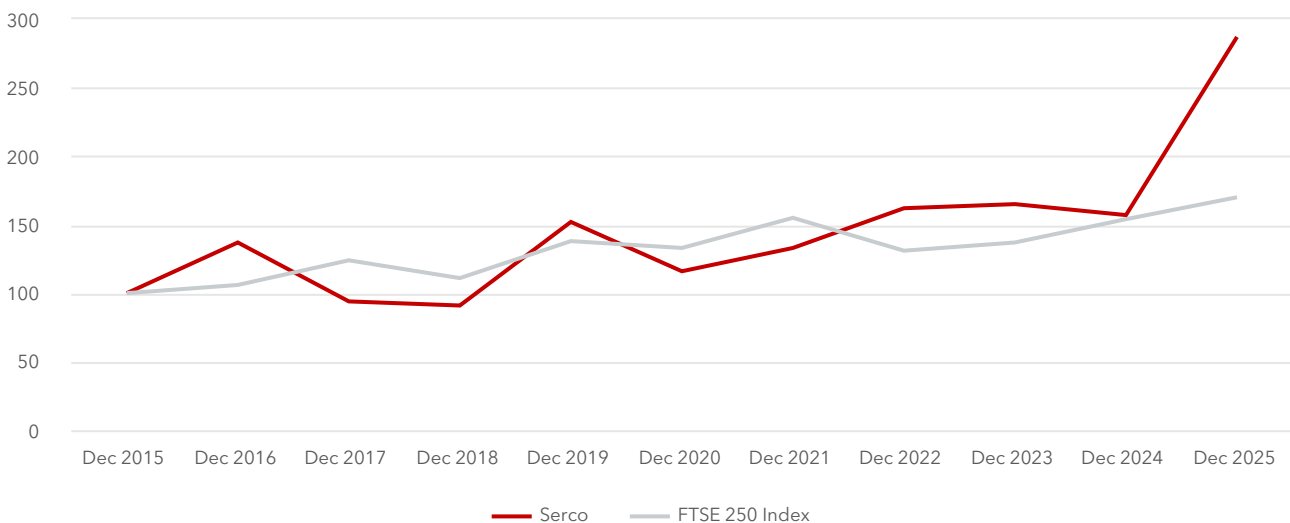
The Committee believes that the structure of the Executive Directors' reward at Serco should be linked to Serco's strategy and performance, and that reward throughout the whole organisation should follow the same philosophy and underlying principles. The table below provides an overview of how the Policy cascades throughout the organisation.

Element	Application
Base salary	Salary levels throughout the Group, as far as possible, are set using the same principles applicable to the Executive Directors. Salaries are reviewed annually, subject to engagement with employee representatives/unions, where appropriate. Unless exceptional circumstances apply, salary increases for Executive Directors are normally no more than the average increase of the wider workforce.
Benefits	Benefits aligned to local market practice, including wellbeing support, are provided for all employees.
Pension	The Group operates various pension/retirement benefits arrangements globally, including cash allowance alternatives, where appropriate, in line with local market practice.
Annual bonus	Approximately 1,600 colleagues, including members of the global leadership team, are invited annually to participate in the Serco Bonus Plan.
Long-term incentive	LTIP awards are made to approximately 150 colleagues in the global leadership team.

Performance graph and table

This graph shows the value as at 31 December 2025, of a £100 investment in Serco on 31 December 2015 compared with £100 invested in the FTSE 250 index on the same date. It has been assumed that all dividends paid have been reinvested. The TSR performance for the LTIP awards applies over a different period and details of the Company's performance versus the FTSE 250 relevant to the 2025 single figure can be found on page 113.

The TSR level shown at 31 December each year is the average of the closing daily TSR levels for the 30-day period up to and including that date. The Company chose the FTSE 250 index as the comparator for this graph as Serco has been a constituent of that index throughout the period.



Directors' Remuneration Report continued

Group Chief Executive's pay in last 10 financial years

Year ended 31 December	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025 ¹	
Group Chief Executive	Rupert Soames	Rupert Soames	Rupert Soames	Rupert Soames	Rupert Soames	Rupert Soames	Rupert Soames	Mark Irwin	Mark Irwin	Mark Irwin	Anthony Kirby
Single figure remuneration (£'000)	2,217	3,681	5,176	5,201	5,219	4,011	4,377	1,939	2,254	1,980	1,860
Annual bonus outcome (as % of maximum opportunity)	82%	75%	77%	94%	80%	93%	88%	74%	89%	79%	82%
LTIP vesting outcome (as % of maximum opportunity)	24%	91%	73%	71%	99%	89%	90%	n/a	n/a	94%	n/a

1. 2025 was a transition year in which Mark stepped down from Group Chief Executive on 28 February and was succeeded by Anthony from 1 March. The single figure of total remuneration for each individual is reported separately for their respective period of service during the year.

CEO pay ratio

The table below shows how pay for the Group Chief Executive compares to our UK colleagues at the 25th, median and 75th percentiles.

	2019 (Option B)	2020 (Option B)	2021 (Option B)	2022 (Option B)	2023 (Option B)	2024 (Option B)	2025 ¹ (Option B)	UK colleagues' salary ²	UK colleagues' total pay and benefits ³
25 th percentile	1:219	1:186	1:168	1:141	1:80	1:74	1:138	£25,155	£2,668
Median	1:190	1:149	1:139	1:129	1:60	1:70	1:100	£35,955	£2,395
75 th percentile	1:166	1:142	1:122	1:101	1:56	1:49	1:83	£43,202	£3,096

- During 2025, Mark served as Group Chief Executive until 28 February 2025 and Anthony was appointed as Group Chief Executive from 1 March 2025. The CEO pay ratio has been calculated using a blended approach, based on the aggregate remuneration each received for their respective periods in the role.
- Includes salary enhancements such as shift allowances, unsociable hours payments and overtime.
- Includes the value of employer pension contributions made to a defined contribution pension arrangement. Each of these representative colleagues participated in a salary sacrifice pension arrangement.

The calculation methodology used reflects Option B as defined under the relevant regulations. In line with the relevant regulations this uses the most recently collected and disclosed data analysed within our UK Gender Pay Gap report, with employees at the three quartiles identified from this analysis and their respective single figure values calculated. To ensure this data accurately reflects individuals at such quartiles, the single figure values for individuals immediately above and below the identified employee at each quartile were also reviewed.

The remuneration of Serco's Group Chief Executive has a significant weighting towards variable pay to align his remuneration with Company performance. In contrast, due to our workforce profile, all three of our pay ratio reference points represent frontline operational workforce who are critical to the delivery of the commitments we make under our contracts every day. In line with market practice for such roles, these colleagues are in receipt of fixed pay only (including pension contributions).

The Committee believes that the median ratio is consistent with the Company's pay, reward and progression policies for our UK colleagues, noting that in 2023 and 2024 the comparative Group Chief Executive pay figure is relatively suppressed due to the reduced variable pay component for Mark Irwin in his first two years in role as Group Chief Executive.

Relative importance of spend on pay

The table below shows the relative importance of spend on pay compared with distributions to shareholders.

	2025	2024	% Change
Total spend on pay	£2,311.5m	£2,263.3m	2.1%
Dividends and share buyback	£93.6m	£179.7m	(48)%

Directors' Remuneration Report continued

Percentage change in Directors' remuneration

The table below shows the percentage change in remuneration for all Directors who served during 2025, compared to that for the average UK employee. The UK employee sub-set of the Company's global workforce has been chosen as the group which provides the most appropriate comparator. There are no employees in the Parent Company. The UK employee population comprises some 20,000 of the approximately 48,000 individuals Serco employs worldwide. Inflation and local pay practices form a key driver in the salary and benefits provided in each location, and as the Directors' pay is set against the UK market (with the Executive Directors based in the UK), we have chosen employees within the same country.

	Executive Directors						Non-Executive Directors						
	UK employees	Mark Irwin ¹	Anthony Kirby ¹	Nigel Crossley	John Rishton	Keith Williams	Kirsty Bashforth	Kru Desai	Victoria Hull	Tim Lodge	Ian El-Mokadem	Dame Sue Owen	Lynne Peacock
2025													
Salary/fees ²	4%	(83%)	–%	3%	3%	–%	3%	3%	256%	3%	3%	3%	(7%)
Benefits ³	5%	(76%)	–%	26%	5%	–%	89%	–%	–%	(100%)	(100%)	–%	–%
Bonus ⁴	15%	(85%)	–%	(7%)	–%	–%	–%	–%	–%	–%	–%	–%	–%
2024													
Salary/fees ²	5%	2%	–%	2%	3%	–%	3%	3%	–%	3%	3%	5%	3%
Benefits ³	4%	111%	–%	(26%)	42%	–%	(8%)	–%	–%	196%	387%	–%	–%
Bonus ⁴	(10%)	24%	–%	24%	–%	–%	–%	–%	–%	–%	–%	–%	–%
2023													
Salary/fees ²	6%	–%	–%	10%	3%	–%	3%	–%	–%	3%	4%	10%	3%
Benefits ³	–%	–%	–%	64%	23%	–%	(27%)	–%	–%	(38%)	–%	(17%)	87%
Bonus ⁴	11%	–%	–%	3%	–%	–%	–%	–%	–%	–%	–%	–%	–%
2022													
Salary/fees ²	5%	–%	–%	47%	26%	–%	1%	467%	–%	22%	1%	2%	7%
Benefits ³	2%	–%	–%	102%	194%	–%	435%	–%	–%	100%	–%	100%	1%
Bonus ⁴	(13%)	–%	–%	38%	–%	–%	–%	–%	–%	–%	–%	–%	–%
2021													
Salary/fees ²	2%	–%	–%	–%	146%	–%	–%	–%	–%	–%	8%	140%	15%
Benefits ³	2%	–%	–%	–%	128%	–%	114%	–%	–%	–%	–%	–%	–%
Bonus ⁴	21%	–%	–%	–%	–%	–%	–%	–%	–%	–%	–%	–%	–%
2020													
Salary/fees ²	2%	–%	–%	–%	–%	–%	2%	–%	–%	–%	4%	–%	–%
Benefits ³	(3%)	–%	–%	–%	(51%)	–%	(81%)	–%	–%	–%	–%	–%	–%
Bonus ⁴	20%	–%	–%	–%	–%	–%	–%	–%	–%	–%	–%	–%	–%

- 2025 is a transition year, with Anthony succeeding Mark as Group Chief Executive from 1 March. The percentage change shown compares Mark's full-year remuneration in 2024 with his pro-rated remuneration for the period served in 2025. As this is Anthony's first year in the role, no year-on-year comparison is provided for him.
- The average salary change for UK employees for 2020 represents the average pay increase applied in the corporate annual pay review effective 1 April 2020. From 2021, the average salary change for UK employees represents the average level salary change recorded over the relevant financial year, excluding role changes or promotions, to better reflect our wider workforce pay rates, including those parts of our workforce subject to collective bargaining agreements, customer-set pay structures, or trade union negotiations. Changes in NED fees reflect changes in each individual's role on the Board and its Committees, in addition to the April 2023 fee uplift which was disclosed in the 2022 DRR.
- The nature of taxable benefits provided to all Directors and employees in 2024 remains the same as in prior years.
- The bonus element is shown for those employees eligible for such payments. The figures shown for 2025 relate to a calculation of the bonus earned, but not yet paid, related to performance in 2025 compared to the 2024 bonuses paid in March 2025. The Executive Directors' 2025 bonus awards over 100% of salary are subject to compulsory deferral for three years into shares. NEDs do not receive bonus pay.

Directors' Remuneration Report continued

Directors' shareholding and share interests (audited)

Executive Directors

Shares are valued for shareholding guideline purposes using the closing share price of £2.7920 on 31 December 2025 (being the last trading day of the financial year).

Name ¹	Share ownership requirements (% of salary)	Number of shares owned outright at 31 December 2025 ²	Shareholding guidelines (% of salary) as at 31 December 2025	Share awards		Share options		Total share interests at 31 December 2025 ⁷
				Subject to performance conditions ⁴	Not subject to performance conditions ⁵	Not subject to performance conditions ⁶	Exercised during the year	
Mark Irwin ³ (until 28 February 2025)	200%	1,810,193	359%	2,338,239	131,412	8,142	–	4,287,986
Anthony Kirby (from 1 March 2025)	200%	883,579	292%	2,043,140	–	4,390	–	2,931,109
Nigel Crossley	200%	949,845	522%	1,631,389	229,567	4,285	–	2,815,086

1. Anthony and Nigel have met the in-employment shareholding guideline. Mark had met the shareholding guideline at the point he stepped down as Executive Director and continues to be subject to the post-employment shareholding guidelines.
2. Includes shares owned by closely associated persons. For Mark, the shareholding position reflects the shares owned outright at 28 February 2025, when Mark stepped down as Executive Director.
3. Shareholding guideline levels are calculated by reference to shares owned outright by the Director and closely associated persons. Shares are valued at the 31 December 2025 share price of £2.7920 and expressed as a percentage of the base salary as at 31 December 2025. For Mark, the shares are valued at the 28 February 2025 share price of £1.6340 when Mark stepped down as Executive Director.
4. Includes awards made under the LTIP. All awards are in the form of conditional share awards.
5. The unvested awards made under the ESBP relate to the compulsory deferral of bonus into shares and are in the form of conditional share awards.
6. Options over shares pursuant to participation in MyShareSave. These are options granted under a UK Sharesave plan subject to an exercise price at a maximum discount of 20% of the share price at grant. There are no unvested share options held which are subject to performance conditions.
7. There were no changes in Executive Directors' interests in the period between 1 January 2026 and the date of this report.

Non-Executive Directors

NEDs do not participate in any share-based incentives and do not hold any interests in shares other than shares owned outright. NEDs are encouraged to hold shares in the Company but are not subject to a shareholding requirement.

Name	Number of shares owned outright (including closely associated persons) at 31 December 2025 ²
John Rishton	–
Keith Williams	–
Kirsty Bashforth	10,000
Kru Desai	–
Ian El-Mokadem ¹	50,000
Victoria Hull	–
Tim Lodge	40,000
Dame Sue Owen	10,000
Lynne Peacock	15,000

1. Jointly held with person closely associated.
2. There were no changes in NEDs' interests in the period between 1 January 2026 and the date of this report.

Shareholder dilution

Awards under the Company's share plans are satisfied through newly issued shares or shares held in an employee share ownership trust, the Serco Group plc 1998 Share Ownership Trust (the Trust), administered by an independent trustee. The Trust held 13,418,111 and 4,043,139 ordinary shares at 1 January 2025 and 31 December 2025, respectively.

The Committee monitors dilution against the plan limits of 5% for discretionary share plans and 10% for all employee share plans.

Concluding comments

This DRR has been prepared to ensure that the Company's remuneration policies align with strategic objectives, governance principles and shareholder interests. The policies and practices set out in this DRR have been designed to attract, retain and motivate leadership, supporting Serco's long-term success. The remuneration framework will continue to be reviewed and refined to maintain competitiveness, transparency and compliance with evolving best practices and regulatory requirements.

Victoria Hull

Chair of the Remuneration Committee


4 March 2026

Directors' Report: Other Information

Articles of Association

The Company's current Articles of Association (Articles) were adopted pursuant to a resolution passed at the AGM held on 24 April 2025 (2025 AGM) and contain, among others, provisions on the rights and obligations attached to Serco Group plc's shares.

The Articles may only be amended by special resolution at a general meeting of the shareholders in accordance with applicable legislation.

 The current **Articles** are available on **our website**.

Share capital and rights attaching to shares

The Company had 1,002,743,103 ordinary shares of 2 pence each in issue as at 31 December 2025. Further details relating to share capital can be found in Note 30 to the Consolidated Financial Statements on page 213.

Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, any share in the Company may be issued with such rights (including preferred, deferred or other special rights) or such restrictions, whether in regard to dividend, voting, return of capital or otherwise as the Company may from time to time by ordinary resolution determine (or, in the absence of any such determination, as the Directors may determine).

The Company is not aware of any agreement between shareholders that may result in restrictions on the transfer of securities and/or voting rights.

Authorities to allot and to disapply pre-emption rights

The powers of the Directors to issue or buy back shares are restricted to those approved at the Company's AGM.

At the 2025 AGM, pursuant to Section 570 of the Companies Act 2006, shareholders approved the disapplication of pre-emption rights in connection with the issue of shares for cash up to 10% of the existing issued share capital and an additional 10% (only to be used in connection with an acquisition or specified capital investment) and in connection with a follow-on offer to existing shareholders not allocated shares under an issue made pursuant to either of the authorities. These authorities will expire at the conclusion of the 2026 AGM, or if earlier, 30 June 2026, and will be proposed for renewal at the 2026 AGM.

Authority for the purchase of shares

At the 2025 AGM, the Company was granted authority by shareholders to purchase up to 102,385,524 ordinary shares (10% of the Company's issued ordinary share capital). This authority will expire at the conclusion of the 2026 AGM or, if earlier, 30 June 2026, and will be proposed for renewal at the 2026 AGM.

As announced on 7 August 2025, the Company undertook a programme to purchase its own shares with a value of up to £50m. During the year, the Company purchased a total of 21,112,140 shares with a nominal value of £422,242.80 (representing 2.11% of the Company's issued share capital (excluding those purchased and held in treasury) as at 3 December 2025; the date the repurchase programme was completed) at a total cost including fees of £50.3m. The Company has cancelled all shares that were purchased and held in treasury.

Results, dividends and dividend waiver

The results for the year are set out in the Statement of Comprehensive Income on page 151. Our Dividend Policy for 2026 is to increase dividends in line with earnings over the medium term. The Directors recommend the payment of a final dividend of 3.05 pence per share for 2025 (2024: 2.82 pence), resulting in a full-year ordinary dividend of 4.50 pence per share (2024: 4.16 pence).

The recommended final dividend is subject to approval at the 2026 AGM. The final dividend will be paid on 8 May 2026, with an ex-dividend date of 9 April 2026 and a record date of 10 April 2026. The Serco Group plc 1998 Share Ownership Trust, an employee benefit trust, which held 4,043,139 shares in the Company as at 31 December 2025 in connection with the operation of Serco's share plans, has lodged standing instructions to waive dividends (except for 1 pence) on shares held by it that have not been allocated to employees. The total amount of dividends waived during 2025 was £350,888.24.

Directors and Directors' interests

The names of the Directors who served during the year can be found in the Board and Committee meeting attendance chart on page 81.

Directors' interests in the shares of the Company are set out on page 126 in the Directors' Remuneration Report. None of the Directors had interests in shares of the Company greater than 1% of the ordinary shares in issue. There have been no changes to Directors' interests in shares since 31 December 2025.

Directors' Report: Other Information continued

Conflicts of interest

Every Director has a duty to avoid a conflict between their personal interests and those of the Company. The provisions of Section 175 of the Companies Act 2006 and the Articles permit the Board to authorise situations identified by a Director in which he or she has, or may have, a direct or indirect interest that conflicts, or may conflict, with the interests of the Company. The Board undertakes regular reviews of the external positions and interests held in and arrangements made with third parties by each Director and, where appropriate, authorises such conflicts. Notwithstanding the above, each Director is aware of their duty to notify the Board should there be any material change to their positions or interests during the year. Potential and actual conflicts of interest are considered at Board meetings and, where appropriate, at Committee meetings. Directors do not participate in Board discussions or decisions which relate to any matter in which they have, or may have, a conflict of interest.

Directors' liability insurance and indemnities

The Company maintains Directors' and Officers' liability insurance. As permitted under the Articles and in accordance with best practice, deeds of indemnity have been executed indemnifying each of the Directors and the Group General Counsel and Company Secretary in respect of their positions as officers of the Company as a supplement to this insurance cover. The indemnities, which constitute a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006, remain in force for all current Directors and the Company Secretary.

Branch offices

The Group's subsidiary companies have branches in the following jurisdictions: Abu Dhabi, Bahrain, Dubai, France, Iraq, Italy, the Kingdom of Saudi Arabia, Qatar, Ras Al Khaimah, Sharjah and Switzerland.

Significant agreements that take effect, alter or terminate upon a change of control

Given the business-to-government nature of many of the services provided by the Company and its subsidiaries, many agreements contain provisions entitling the other parties to terminate them in the event of a change of control, including a takeover of the Company. The following agreements are those individual agreements which the Company considers to be significant to the Group as a whole that contain provisions giving the other party a specific right to terminate if the Company is subject to a change of control.

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid.

No Director had a material interest in any contract of significance in relation to Serco's business at any time during the year or at the date of this report.

Material contracts

Clarence Correctional Centre contract: On 14 June 2017, NorthernPathways Project Trust (of which Serco Australia Pty Limited was a member at the time) entered into a project deed with the Australian State of New South Wales to design, construct and operate a new build prison named the New Grafton Correctional Centre, the name of which has subsequently been changed to Clarence Correctional Centre. Also, on 14 June 2017, Serco Australia Pty Limited entered into an operator subcontract with NorthernPathways, pursuant to which Serco was awarded the rights to operate the prison. The prison entered operations on 1 July 2020, following acceptance of the completed Clarence Correctional Centre by the State (Commencement Date). The operator subcontract will run for 20 years from the Commencement Date. Both the project deed and the operator subcontract contain change of control provisions that provide that any change of control to an unrelated third-party that has not been approved by the State of New South Wales would be a major default. A major default under either the project deed or operator subcontract, if not cured, could result in a termination of that contract.

Fiona Stanley Hospital contract: On 30 July 2011, Serco Australia Pty Limited entered into a contract with the State of Western Australia (acting through the Department of Health) for the provision of facilities management services for the Fiona Stanley Hospital (which was still under construction at that time). Practical completion of the Hospital occurred on 6 December 2013 and service commencement was phased, with full operations commencing on 23 March 2015. The contract had an initial 10-year term with two five-year extension options. In exercising the first option in 2021, the State of Western Australia negotiated the return of three service lines (catering, cleaning and portering) and granted Serco an additional year for the second term. The current expiry date is therefore 8 August 2027, with the possibility of a four-year extension to 8 August 2031. The contract includes a provision that requires the State's prior written approval for any change of control of Serco Australia Pty Limited (except where the change occurs as a result of any dealing in securities listed on a stock exchange). The State may provide its approval subject to conditions or may elect to terminate the contract if it does not approve the change.

Directors' Report: Other Information continued

Sub-contract relating to the provision of ADF Health Services by Bupa Health Services Pty (Bupa) to the Commonwealth of Australia, Department of Defence (NGHS Contract): On 4 February 2019, Serco Australia Pty Limited entered into a subcontract with Bupa for the provision of national garrison health services to the Commonwealth of Australia, Department of Defence. The contract had a services commencement date of 1 July 2019, with an initial six-year term which was extended by a further six months until June 2026. The NGHS Contract includes a change of control provision that provides that a change of control of the ultimate holding company, Serco Group plc, requires Bupa's prior written consent. If the change is as a result of market transactions, then Bupa is to be notified as soon as possible and consent sought after the event. On request, details of the change and its impact on Serco Australia Pty Limited's obligations under the NGHS Contract are to be provided to Bupa. Bupa may provide consent to the change subject to conditions. If Bupa does not consent to the change of control, Bupa may terminate the NGHS Contract for default.

Special Security Agreement: In order to bid and perform on certain classified contracts concerning US national security interests, Serco Inc. was required to mitigate its foreign ownership through a Special Security Agreement (SSA) among the US Department of War (DoW), Serco Inc., and Serco Group plc. The effective date of the current SSA is 24 September 2024. The DoW may terminate the SSA in the event of the sale of Serco Inc. to an entity not under Foreign Ownership, Control or Influence (FOCI).

CMS Eligibility Support Services contract: In July 2023, Serco Inc. was awarded a follow-on contract with the US Government (acting through the Centers for Medicare and Medicaid Services (CMS)) for the provision of support for the Exchanges implemented to provide affordable health insurance and insurance affordability programmes. The contract has an initial base term of one year, with four options of one year each, and one final seven-month option. In the event of a change in control or ownership of Serco Inc., which in the reasonable opinion of the US Government adversely affects the Company's ability to perform the services, the contract may be terminated by the US Government.

Anti-Terrorism/Force Protection (AT/FP) Ashore Program Global Sustainment contract: In February 2021, Serco Inc. was awarded a contract with the US Government (acting through the Naval Facilities Engineering Systems Command) to provide sustainment services for electronic anti-terrorism and force protection systems at US Navy installations around the world.

The contract has an initial base term of five years, with one option for an additional three years. In the event of a change in control or ownership of Serco Inc., which in the reasonable opinion of the US Government adversely affects its ability to perform the services, the contract may be terminated by the US Government.

Asylum Accommodation and Support Services Contract (AASC): On 8 January 2019, Serco Limited entered into contracts with the Secretary of State for the Home Department (acting through its UK Home Office Visas and Immigration department) (the Home Office) for two regions, being the North West of England and the Midlands & East of England. Under AASC, Serco is responsible for the provision of properties for initial and dispersed accommodation requirements, for transportation to and from properties, and for a range of other services to support the welfare of asylum seekers. The AASC contracts became operational on 1 September 2019. The contracts are for a 10-year term. In the event of a change of control or ownership of Serco Limited or Serco Group plc, which in the reasonable opinion of the Home Office adversely affects Serco's ability to perform the services, the contracts may be terminated by the Home Office.

Agreements relating to the Provision of Defence Marine Services (DMS): In April and May 2025, Serco Limited entered into contracts with the Secretary of State for Defence (MoD) to provide (a) In-Port Marine Services and Delivery of a Vessel Replacement Programme (DMS Contract 1); (b) Inshore Support to Military Training, Testing and Evaluation (DMS Contract 2); and (c) Offshore Support to Military Training and Exercises (DMS Contract 4), (collectively the DMS Contracts). The DMS Contract 1 and the DMS Contract 4 each has a 10-year term and the DMS Contract 2 has a five-year term. In the event of a change of ownership of Serco Limited or Serco Group plc (or a planned or intended change of ownership of Serco Limited or Serco Group plc), the MoD must be notified as soon as is practicable and, for a period of six months from receipt of such notice, the MoD shall have the right to terminate each of the DMS Contracts provided only that it acts reasonably in exercising that right.

Concession Agreement relating to the operation of Merseyrail: Serco Holdings Limited is a 50% shareholder in Merseyrail Services Holding Company Limited (the Merseyrail JV Co). Serco Holdings Limited's joint venture partner and the other shareholder in the Merseyrail JV Co is Transport UK Group Limited (following the acquisition of Abellio Transport Group Limited by its management team and related restructuring).

Directors' Report: Other Information continued

The Merseyrail JV Co is the concessionaire for the Merseyrail rail network under a concession agreement dated 23 May 2003 (the Merseyrail Concession Agreement) among Merseytravel (the passenger transport executive responsible for coordination of public transport in the Liverpool city region), the Merseyrail JV Co and Merseyrail Electrics 2002 Limited (the Merseyrail Operating Co). The Merseyrail Operating Co is a wholly-owned subsidiary of the Merseyrail JV Co. The Merseyrail Concession Agreement expires in July 2028 with an option to extend to July 2033 by agreement of the parties. In the event there is a change of control of Serco Holdings Limited or Serco Group plc without Merseytravel's prior consent then the Merseyrail Concession Agreement may be terminated by Merseytravel. In addition, there would be a requirement under the terms of the joint venture agreement to consider the representations of Transport UK Group Limited in relation to the conduct of any such change of control.

Electronic Monitoring Services (EMS) contract: On 27 October 2023, Serco Limited entered into a contract with the Secretary of State for Justice (the MoJ) for the provision of electronic monitoring services, field monitoring services and other related services. The EMS contract has an initial six-year term commencing on 1 May 2024 and ending on 30 April 2030 with an option for the MoJ to extend the EMS contract for up to a maximum of a further two years to 30 April 2032. In the event of a change of control or ownership of Serco Limited or Serco Group plc for which the MoJ has not given its prior written consent, the EMS contract may be terminated by the MoJ during the six-month period following the change of control.

Future Defence Infrastructure Services (FDIS) programme: Serco Holdings Limited is a 50% shareholder in VIVO Defence Services Limited (the VIVO JV). Serco Holdings Limited's joint venture partner and the other shareholder in the VIVO JV is a UK subsidiary company of EQUANS SAS (EQUANS Holding UK Limited) which is now part of the Bouygues Group (following its acquisition of EQUANS from Engie). The VIVO JV performs facilities management services pursuant to call-off contracts procured by the UK Defence Infrastructure Organisation (DIO) part of the UK Ministry of Defence under a Crown Commercial Services Framework Agreement for the provision of Workplace Services (RM6089) (the CCS Framework) as part of the Future Defence Infrastructure Services (FDIS) programme.

On 14 June 2021, VIVO entered into two call-off contracts (one for the Central Region and one for the South West Region) for Lot 3 contracts under the CCS Framework for a seven-year term (with the possibility of extension for further periods of up to three years) (the Lot 3 Contracts). The Lot 3 Contracts became operational on 1 February 2022. On 24 June 2021, VIVO entered into two further call-off contracts (one for the South East and one for the South West region) for Regional Accommodation Maintenance Services (RAMS) under Lot 2b for an initial seven-year term (with the possibility of extension for further periods of up to three years) (the Lot 2b Contracts). The Lot 2b Contracts became operational on 1 March 2022. Under the terms of the CCS Framework, in the event of a change of control of VIVO without the prior approval of the DIO, the Lot 2b Contracts and Lot 3 Contracts may be terminated by the DIO. In the event that there is a change of control of Serco Holdings Limited, it is required to transfer its entire shareholding in the VIVO JV to Serco Group plc or another wholly-owned subsidiary of Serco Group plc prior to such change of control. In the event that there is a change of control of Serco Holdings Limited without its entire shareholding in the VIVO JV first being transferred to another member of the Serco Group or if there is a change of control of Serco Group plc then, unless the prior approval of the other shareholder in the VIVO JV is given, the other shareholder in the VIVO JV is entitled to purchase the VIVO JV shares and loans held by Serco Holdings Limited and any other member of Serco Group plc at fair market value determined by an expert.

Agreement relating to the operation of HMP

Dovegate: In September 1999, Premier Prison Services Limited (PPSL) entered into a contract with Moreton Prison Services Limited (MPSL) in respect of the operation of HMP Dovegate in the UK (the HMP Dovegate Contract) when MPSL entered into a PFI project agreement for its design, construction, management and funding with the Secretary of State for Justice. The HMP Dovegate Contract was subsequently amended and novated by PPSL to Serco Limited. The HMP Dovegate Contract became operational for a 25-year term in July 2001 and expires in July 2026 (with Serco Limited being successfully awarded the successor contract for the provision of prison operator services at HMP Dovegate from July 2026 to July 2038 with options to further extend the contract to July 2041). The current HMP Dovegate Contract is silent on MPSL's rights on a change of control of Serco Limited or Serco Group plc.

Directors' Report: Other Information continued

Agreement relating to Armed Forces Recruitment

Programme: In February 2025, Serco Limited entered into a contract with the Secretary of State for Defence (MoD) to provide services relating to Armed Forces Recruitment (the Armed Forces Recruitment Contract). The Armed Forces Recruitment Contract is currently being mobilised ahead of full service commencing on 1 April 2027 for an initial seven-year term to 31 March 2034 with the MoD having the option to further extend the contract term by up to a further three years to 31 March 2037. In the event of a change of control or ownership of Serco Limited or Serco Group plc, the MoD has the right to terminate the Armed Forces Recruitment Contract unless it has given its prior written consent (not to be unreasonably withheld) or fails to give notice of its objection within a period of six months after the later of the change of control or the MoD receiving notice of it.

Financing facilities

Revolving credit facility: The Company has a £350m revolving credit facility dated 18 November 2022 with a syndicate of banks. The facility provides funds for general corporate and working capital purposes and bonds to support the Group's business needs. The facility was undrawn as at 31 December 2025.

The facility agreement provides that, in the event of a change of control of the Company, each lender may, within a certain period, call for the prepayment of the amounts owed to it and cancel its commitments under the facility.

US notes: At 31 December 2025, the Company had US private placement loan notes outstanding under three Note Purchase Agreements (the USPP Agreements) dated 8 October 2020, 27 February 2024 and 15 April 2025, respectively. The total amount of the notes outstanding under the three USPP Agreements was US\$550m at 31 December 2025, with their maturities between October 2027 and April 2035. Under the terms of all the USPP Agreements, if a change of control of the Company occurs, it is required to offer to prepay the entire principal amount of the notes together with interest to the prepayment date but without payment of any make-whole amount.

Employment policies

The Board is committed to maintaining a working environment where employees are individually valued and recognised. Group companies and Divisions operate within a framework of HR policies, practices, laws and regulations appropriate to their own market sector and country of operation, while subject to Group-wide policies and principles.

Employee engagement

The Group continues to support employee relations on a local level, working with trade unions to provide regular updates on key business developments alongside existing local arrangements. Over the years, the Group has demonstrated that working with trade unions and creating effective partnerships allows improvements to be delivered in business performance as well as in employment terms and conditions. Where employees choose not to belong to a trade union, colleagues can participate in employee partnership forums which exist to ensure involvement of employees within the business.

Engagement is driven through established leadership channels and digital platforms such as the Viewpoint survey (our employee engagement survey), Viva Engage (our internal social media platform) and Colleague ConneXions (a platform which enables colleagues to have a direct dialogue with Dame Sue Owen, our Designated Non-Executive Director for Colleague Voice (see page 89). Speak Up, a confidential reporting service, is also available to colleagues (see page 57).

Employee share schemes


The Company operates a LTIP, in which senior management can participate. This is a performance-based plan, which aligns senior management's interests with those of shareholders.

The Company's share plan rules contain provisions in relation to a change of control. Outstanding options and awards may vest and become exercisable on a change of control of the Company, in accordance with the rules of the plans.

 The details of the **Company's employee share schemes** are set out in the **Directors' Remuneration Report on pages 105 to 126**.

Code of Conduct (mycode)

The Group's Code of Conduct, known as mycode, is available on our website.

 For further information, see **page 56**.

Human rights

We are committed to complying with laws relating to human rights, either directly or indirectly, throughout our business.

 For further information, see **page 58**.

Directors' Report: Other Information continued

Diversity

The Group is committed to ensuring equal opportunity, honouring the rights of the individual, and fostering partnership and trust in every working relationship. Policies and procedures for recruitment, training and career development promote diversity, respect for human rights and equality of opportunity regardless of gender, gender reassignment, sexual orientation, age, marital status, disability, race, religion or other beliefs and ethnic or national origin.

The Group promotes diversity and inclusion so that every employee is able to be successful. The Group gives full and fair consideration to applications for employment, career development and promotion from persons of disability, and offers employment when suitable opportunities arise. Wherever practicable, adjustments will be made for persons with a disability to continue with employment and training.

The Group conducts its employment practices in relation to diversity and inclusion in compliance with applicable local, state, provincial, and federal laws, regulations, and executive orders in the jurisdictions in which it operates.

Gender identity and ethnicity data

Our gender identity and ethnicity data in accordance with UK LR 6.6.6R as at 31 December 2025 is set out below. Board and ExCo members are asked to complete a diversity disclosure to confirm which of the categories set out below they identify with.

Numerical gender data

Board and executive gender representation	Number of Board members ¹		% of the Board ¹		Number of senior positions on the Board (CEO, CFO, Senior Independent Director and Chair)		Number in Executive Management		% of Executive Management	
	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025
Men	5	6	50	55	3	3	8	6	73	67
Women	5	5	50	45	1	1	3	3	27	33
Other categories	0	0	0	0	0	0	0	0	0	0
Not specified/prefer not to say	0	0	0	0	0	0	0	0	0	0

Numerical ethnicity data

Board and executive ethnicity representation	Number of Board members ¹		% of the Board ¹		Number of senior positions on the Board (CEO, CFO, Senior Independent Director and Chair)		Number in Executive Management		% of Executive Management	
	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025
White British or other White (including minority-white groups)	7	9	70	82	3	4	9	9	82	100
Mixed/Multiple Ethnic groups	2	1	20	9	1	0	1	0	9	0
Asian/Asian British	1	1	10	9	0	0	0	0	0	0
Black/African/Caribbean/Black British	0	0	0	0	0	0	1	0	9	0
Other ethnic group, including Arab	0	0	0	0	0	0	0	0	0	0
Not specified/prefer not to say	0	0	0	0	0	0	0	0	0	0

1. As at 31 December 2025, the Board comprised 11 Directors. John Rishton was Board Chair until he retired from the Board on 31 December 2025. Board changes during the year are set out on page 83.

Directors' Report: Other Information continued

Political donations

Shareholder authority to make aggregate political donations not exceeding £100,000 was obtained at the 2025 AGM. During 2025, neither the Company nor any of its subsidiaries made any political donations to a UK political party or other political organisation, or to any independent election candidate in the UK, or incurred any UK political expenditure.

For transparency (given the broad definition of "contribution" in the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410), our Australian subsidiary joined the business forum of a non-UK political party, which entailed a membership fee of AUD \$16,000 (GBP £7,625). Local disclosure requirements were complied with.

Within the US business there exists a Political Action Committee (PAC), which is funded entirely by employees. The Serco PAC and its contributions are administered in strict accordance with regulatory requirements. Employee contributions are entirely voluntary and no pressure is placed on employees to participate. Under US law, an employee-funded PAC must bear the name of the employing company.

Substantial shareholding

The Company has received the following information in accordance with Disclosure Guidance and Transparency Rules of the Financial Conduct Authority (DTR) 5 from holders of notifiable interests in the issued share capital of the Company:

	As at 31 December 2025		As at 4 March 2026	
	Number of ordinary shares	% of issued share capital	Number of ordinary shares	% of issued share capital
BlackRock, Inc	89,500,140	8.72%	90,053,791	8.97%
FIL Limited	58,087,555	5.67%	51,477,739	5.13%
JPMorgan Asset Management Holdings Inc.	53,984,192	5.27%	53,984,192	5.27%
Wellington Management International Ltd	50,478,512	4.97%	50,478,512	4.97%
Wellington Management Group LLP	50,291,711	5.01%	50,070,364	4.99%

The information provided above was correct at the date of notification; the details of each holding can be seen in corresponding announcements on our website. All ordinary shares and all major shareholders have the same voting rights. The Company is not, to the best of its knowledge, directly or indirectly controlled.

Other information

The below sets out only those sections of UK LR 6.6.1R which are relevant. The remaining sections are not applicable.

UK LR		
6.6.1R (3)	Long-term incentive schemes	• Directors' Remuneration Report: pages 105 to 126
6.6.1R (11)(12)	Waiver of dividends	• Directors' Report: Other information: page 127

Additional information with regards to the Directors' Report can be found on the following pages:

Further information	
Likely future developments in the Group	• Strategic Report: pages 1 to 78
Treasury policies and objectives for financial risk management	• Note 28 to the Consolidated Financial Statements: pages 200 to 206
Compliance with Section 172 of the Companies Act 2006	• Section 172 Statement: pages 90 to 92
Post balance sheet events	• Note 36 to the Consolidated Financial Statements: page 221
Underlying operating profit	• Key Performance Indicators: pages 18 and 19
Research and Development	• Note 9 to the Consolidated Financial Statements: page 182
Disclosures concerning greenhouse gas emissions and energy consumption	• Task Force on Climate-related Disclosures: pages 60 to 65 • Our Impact - data tables: pages 238 to 243
Going Concern Statement	• Note 2 to the Consolidated Financial Statements: pages 157
Viability Statement	• Pages 76 and 77

The Directors' Report comprises pages 79 to 133, together with the sections of the 2025 Annual Report incorporated by cross reference.

The Directors' Report on pages 79 to 133, together with the Strategic Report on pages 1 to 78, serve as the Management Report for the purpose of DTR 4.1.8R.

Approved by the Board of Directors and signed on its behalf by:

Amanda Miller
Group General Counsel and Company Secretary
4 March 2026

Directors' Responsibility Statement

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK accounting standards and applicable law, including FRS 101 Reduced Disclosure Framework.

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

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

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

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

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

In accordance with Disclosure Guidance and Transparency Rule (DTR) 4.1.16R, the financial statements will form part of the annual financial report prepared under DTR 4.1.17R and 4.1.18R. The Independent Auditor's Report on these financial statements provides no assurance over whether the annual financial report has been prepared in accordance with these requirements.

Responsibility statement of the Directors in respect of the Annual Report

The Directors, whose names and functions are set out on pages 83 to 85, confirm to the best of their knowledge that:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Management Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

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

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all the steps they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

We consider the Annual Report, taken as a whole, to be fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

By order of the Board

Anthony Kirby
Group Chief Executive

Nigel Crossley
Group Chief Financial Officer

4 March 2026

Financial Statements

136	Independent Auditor's Report
150	Consolidated Income Statement
151	Consolidated Statement of Comprehensive Income
152	Consolidated Statement of Changes in Equity
153	Consolidated Balance Sheet
155	Consolidated Cash Flow Statement
156	Notes to the Consolidated Financial Statements
222	Company Balance Sheet
223	Company Statement of Changes in Equity
224	Notes to the Company Financial Statements

Independent Auditor's Report

To the members of Serco Group plc

Opinion

In our opinion:

- Serco Group plc's Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2025 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Serco Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2025 which comprise:

Group	Parent Company
Consolidated Income Statement for the year ended 31 December 2025	Company Balance Sheet as at 31 December 2025
Consolidated Statement of Comprehensive Income for the year ended 31 December 2025	Company Statement of Changes in Equity for the year ended 31 December 2025
Consolidated Statement of Changes in Equity for the year ended 31 December 2025	Related notes 37 to 52 to the company financial statements including material accounting policy information
Consolidated Balance Sheet as at for the year ended 31 December 2025	
Consolidated Cash Flow Statement for the year ended 31 December 2025	
Related notes 1 to 36 to the consolidated financial statements, including material accounting policy information	

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting the audit.

Independent Auditor's Report continued

To the members of Serco Group plc

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- The audit engagement partner and senior team members directed and supervised the audit procedures on going concern, in particular assessing the going concern models, assumptions therein and the result of stress testing scenarios.
- In conjunction with our walkthrough of the Group's financial statement close process, we confirmed our understanding of management's going concern assessment process and also engaged with management to ensure key factors were considered in their assessment, including factors which we determined from our own independent risk assessment.
- We obtained management's Board-approved forecast cash flows and covenant calculation which covers the period to 31 March 2027.
- We assessed the completeness and appropriateness of the scenarios modelled by management which included assessing those assumptions used in each division and how these compare with principal risks and uncertainties of the Group.
- We assessed the reasonableness of the cash flow forecast by analysing management's historical forecasting accuracy, and evaluating the key assumptions used in the forecast. This included considering the forecasts on a division-by-division basis and assessing whether key factors specific to each of the divisions, such as the ability to win new contracts and successfully retain existing contracts which are being rebid or bids for new contracts, were considered in management's assessment. We considered management's assessment of the impact of climate change on the Group's cash flow forecasts.
- We have considered the methodology used to prepare the forecast and covenant calculations. We also tested the clerical accuracy and logical integrity of the model used to prepare the Group's going concern assessment.
- We also confirmed the continued availability of credit facilities through the going concern period and reviewed their underlying terms, including covenants, by examination of executed documentation.
- We considered whether the Group's forecasts in the going concern assessment were consistent with other forecasts used by the Group in its accounting estimates, including the assessment of goodwill impairment and the recoverability of deferred tax assets.
- We performed our own independent reverse stress-test scenario in order to identify what scenarios (for example, the extent operating profit would need to deteriorate) could lead to the Group utilising all liquidity and/or breaching the financial loan covenants during the going concern period, and whether these scenarios were plausible.
- Our analysis also considered the mitigating actions that management could undertake in our own independent reverse stress test and whether these were achievable and in control of management.
- We considered whether the going concern disclosures included in the annual report were appropriate and in conformity with applicable reporting standards.

Our key observations

The results from both management's evaluation and our independent sensitivity analysis and reverse stress-testing support management's view that there is only a remote possibility of a scenario in which the Group breaches its covenants or exhausts its available funding in the going concern period.

As at 31 December 2025, the Group has a secured order book of £14.5bn, and it has a net cash balance of £199.3m (2024: £183m).

The Group also has substantial borrowing facilities available to it during the going concern period. The undrawn committed facilities available at 31 December 2025 amounted to £350m.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent Company's ability to continue as a going concern for the period to 31 March 2027.

Independent Auditor's Report continued

To the members of Serco Group plc

Conclusions relating to going concern continued

In relation to the Group and Parent Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted.

Overview of our audit approach

Audit scope	<ul style="list-style-type: none"> We performed an audit of the complete financial information of 5 components and audit procedures on specific balances for a further 10 components and central procedures on financial statement line items as detailed in the 'Tailoring the scope' section below.
Key audit matters	<ul style="list-style-type: none"> Risk of overstatement of revenue as a result of management override Risk of misstatement relating to the determination and calculation of onerous contract provisions Risk of impairment to goodwill Recoverability of deferred tax assets Acquisition accounting
Materiality	<ul style="list-style-type: none"> Overall Group materiality of £9.8m which represents 5% of profit before tax adjusted for the non-recurring profit on disposal of a subsidiary.

An overview of the scope of the Parent Company and Group audits

We have followed a risk-based approach when developing our audit approach to obtain sufficient appropriate audit evidence on which to base our audit opinion. We performed risk assessment procedures, with input from our component auditors, to identify and assess risks of material misstatement of the Group financial statements and identified significant accounts and disclosures. When identifying components at which audit work needed to be performed to respond to the identified risks of material misstatement of the Group financial statements, we considered our understanding of the Group and its business environment, the potential impact of climate change, the applicable financial framework, the Group's system of internal control at the entity level, the existence of centralised processes, applications and any relevant internal audit results.

We determined that centralised audit procedures can be performed on goodwill, investments, going concern, loans and borrowings, derivative financial instruments, share based payments, finance costs and income, deferred tax asset recoverability, equity, and consolidation adjustments. These centralised procedures covered total Group balances. In addition, we performed centralised procedures on the defined pension asset and liabilities balance for the UK component. We also centrally tested the cash in components that did not form part of the overall scoping assessment outlined below, to the extent that the total amounts not tested across the Group were immaterial.

We identified 5 components as individually relevant to the Group based on various risk characteristics including materiality or financial size of the component relative to the Group, relevant events and conditions underlying the identified risks of material misstatement of the Group financial statements being associated with the reporting components, or pervasive risks of material misstatement of the Group financial statements or a significant risk or an area of higher assessed risk of material misstatement of the Group financial statements being associated with the components. These were the large trading businesses in the UK, North America, Australia, the VIVO joint venture, and the Group corporate function which include the Parent Company, Serco Group plc. We then identified an additional 10 components as additionally relevant to the Group based on the materiality of specific accounts relative to the Group or due to the presence of significant events and conditions underlying the identified risks of material misstatement of the Group's financial statements. These comprised a number of the Group's other key operating businesses across UK and Europe, Asia Pacific, the Middle East and the Merseyrail joint venture.

Independent Auditor's Report continued

To the members of Serco Group plc

For those individually relevant components, we identified the significant accounts where audit work needed to be performed at these components by applying professional judgement, having considered the significant Group accounts on which centralised procedures will be performed, the reasons for identifying the financial reporting component as an individually relevant component and the size of the component's account balance relative to the significant Group financial statement account balance.

We then considered whether the remaining significant Group account balances not yet subject to audit procedures, in aggregate, could give rise to a risk of material misstatement of the Group financial statements. We addressed this risk through performing centralised procedures and other analytical procedures.

Having identified the components for which work will be performed, we determined the scope to assign to each component.

Of the 15 components selected, we designed and performed audit procedures on the entire financial information of 5 components ("full scope components"). For 10 components, we designed and performed audit procedures on specific significant financial statement account balances or disclosures of the financial information of the component ("specific scope components").

Our scoping to address the risk of material misstatement for each key audit matter is set out in the key audit matters section of our report

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the Group audit engagement team, or by component auditors operating under our instruction.

The Group audit team followed a programme of planned visits designed to ensure that senior audit team members visit those components which are individually relevant to the Group. During the current year's audit cycle, visits were undertaken by the primary audit team to the component teams in UK & Europe, North America, Asia Pacific and the Middle East. These visits involved procedures designed to provide us with appropriate evidence for our opinion on the Group financial statements and included procedures such as the following: discussing the audit approach with the component team and any issues arising from their work; meeting with local management to discuss risks and judgements; attending planning meetings; and reviewing relevant audit working papers on risk areas. In addition to the visits, regular video conferences were held with component teams and regional management to discuss any issues arising from their work or findings from testing performed in the regions. The Group audit team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed relevant working papers and were responsible for the scope and direction of the audit process. Where relevant, the section on key audit matters details the level of involvement we had with component auditors to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole. One of the five individually relevant components relates to the main operating business of the UK. The audit of this component is led by the Senior Statutory Auditor of the Group.

As explained by the Directors on page 129 in the Directors' Report, Serco Inc operates under a Special Security Agreement (SSA) with the US Department of Defence which sets out specific protocols that foreign controlled companies must comply with to be able to undertake government defence contracts in the US. The SSA places certain restrictions on access to information outside of US borders including restrictions on information contained within audit files for non-US nationals. In response, we performed alternative procedures to enable appropriate oversight of our North America component team. Because of the SSA restrictions, we as the Group team:

- selected a more senior local audit partner to lead our North America team;
- reviewed all of the management-prepared accounting papers across key risk areas within the parameters of what can be shared; and
- increased the extent of formalised reporting from our North America component team detailing the work performed.

This, together with the additional procedures performed at Group level, and the general oversight procedures described above, gave us appropriate evidence for our opinion on the Group financial statements.

Independent Auditor's Report continued

To the members of Serco Group plc

Climate change

Stakeholders are increasingly interested in how climate change will impact Serco Group plc. The Group has determined that the most significant future impacts from climate change on their operations will be from physical risks from extreme weather, changes in long-term weather patterns, and transition risks from a policy, legal, technology, market and reputation perspective. These are explained on pages 60 to 65 in the required Task Force on Climate-related Financial Disclosures and on pages 69 to 75 in the principal risks and uncertainties. They have also explained their climate commitments on pages 49 to 53. All of these disclosures form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the Group's business and any consequential material impact on its financial statements.

The Group has explained in its accounting judgements in note 3 how they have reflected the impact of climate change in their financial statements, including how this aligns with their commitment to the aspirations of the Paris Agreement to achieve net zero emissions by 2050. Significant judgements and estimates relating to climate change are included in note 3. This explains Management's consideration of the impact of climate change in respect to (a) estimates of future cash flows used in impairment assessments of the carrying value of goodwill, (b) the useful economic life of plant, equipment, (c) valuation of retirement benefit obligations, (d) valuation of assets, and (e) valuation of share-based payments linked to ESG targets. Whilst Management disclosed that they have not identified significant risks induced by climate changes that could negatively and materially affect the Group's financial statements, they are aware of the variable risks arising from climate change and thus they will regularly assess these risks against judgement and estimates made in preparation of the Group's financial statements.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating Management's assessment of the impact of climate risk, physical and transition, their climate commitments, the effects of material climate risks disclosed on pages 60 and 65 and the significant judgements and estimates disclosed in note 3 and whether these have been appropriately reflected in asset values where these are impacted by future cash flows, and in the timing and nature of liabilities recognised following the requirements of UK-adopted international accounting standards. As part of this evaluation, we performed our own risk assessment, supported by our climate change internal specialists, to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit.

We also challenged the Directors' considerations of climate change risks in their assessment of going concern and viability and associated disclosures. Where considerations of climate change were relevant to our assessment of going concern, these are described above.

Based on our work, whilst we have not identified the impact of climate change on the financial statements to be a standalone key audit matter, we considered the impact on the key audit matters we have identified which rely on the use of the Group's future cash flows including the risk of impairment to goodwill, recoverability of deferred tax assets and acquisition accounting. We concluded that the impact of climate changes does not have a significant impact on any of these key audit matters. The details of the impact, our procedures and findings on the Group's future cash flows are included within the work performed over the risk of impairment to goodwill section below and are not repeated in the other key audit matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report continued

To the members of Serco Group plc

Risk	Our response to the risk
<p>Risk of overstatement of revenue as a result of management override (2025: £4,876.8m, 2024: £4,787.3m)</p> <p><i>Refer to Accounting policies (pages 158-160); and Note 7 of the Consolidated Financial Statements (pages 180-181)</i></p> <p>The Group's revenue recognition involves complex contractual arrangements, particularly around variable revenue, requiring significant estimation and judgement.</p> <p>This creates a risk of misstatement, including potential manipulation through topside journal entries. The key judgements impacting the recognition of revenue and profit which underpins the risk are:</p> <ul style="list-style-type: none"> • The recognition and interpretation of contract-level KPIs, which may influence Management's view of contract performance and profitability. This could be through a breach of a KPI leading to a financial penalty, or the achievement of a KPI which could allow the Group to bill additional revenue. • The assessment of percentage of completion and cost to complete for contracts where revenue and profit is recognised over a period of time, considering contractual obligations, extension periods, customer negotiations and judgement required in forecasting cost to complete. • The assessment of current and future financial performance of contracts as the Group deals with multiple unique contractual arrangements, such as contractual obligations and terms and conditions, that underpin the measurement and recognition of revenue which can be complex. 	<p>For relevant components with material revenue balances:</p> <ul style="list-style-type: none"> • We performed walkthroughs of the revenue processes and assessed the design effectiveness of key controls. We did not test the operating effectiveness of these controls. • We reviewed and understood the terms and conditions of a sample of signed contracts. • We obtained a detailed listing of contract assets at year end and assessed the recoverability through post year end billings and cash receipts. • We performed site visits for a selection of contracts within our sample population to gain operational insight into contract performance to support our audit procedures on the reasonableness of revenue recognition. We also performed contract meetings with contract managers for all sampled contracts. • We verified the accuracy of revenue recognised over time based on progress and cost estimates and assessed the reasonableness of cost-to-complete estimates by comparing to historical trends and post-year-end developments. We understood key events and conditions (e.g., political, operational, or delivery issues) that could affect contract performance and assessed if management's assumptions appropriately consider any cost impact. • We performed journal entry testing with a focus on topside entries affecting revenue or contract assets/liabilities for timing, rationale, authorisation and supporting documentation. • We performed disaggregated analytical review by revenue stream and, where applicable, by underlying revenue data points, investigating any trends outside of expectations. • We used data analytics to complete a correlation of all revenue transactions recognised during the period for in-scope components through to trade receivables and cash receipts. We performed additional substantive testing on a sample of journal entries not following the expected flow of transactions. • We reviewed the Group's revenue accounting policy in accordance with IFRS 15. • We reviewed the Group's disclosures in relation to revenue recognition in the Annual Report and Accounts to confirm the adequacy of disclosure of the Group's revenue accounting policy and associated judgements

Key observations communicated to the Audit Committee

From the audit procedures performed, we conclude that the recognition of revenue was appropriate and we did not identify non-standard journals outside the expected flow from revenue to receivables to cash which were inappropriate or fraudulent. Revenue recognition was consistent with the accounting policy to be applied to all contracts with customers, and the presentation and disclosure of revenue is materially correct.

How we scoped our audit to respond to the risk and involvement with component teams

We instructed our component teams to perform, full and specific scope audit procedures over this risk in 12 locations. Our total procedures covered 91% of the Group's revenue. For the remaining 9% of the Group, we performed analytical procedures to address the risk of material misstatement. These procedures were determined on a risk basis and included procedures such as: obtaining explanations for significant changes in revenue year on year, analysing the ratio between revenue and contract assets for unusual anomalies, and performing journal entry testing.

We reviewed key audit workpapers, attended meetings with divisional management to discuss the audit approach and key findings, and maintained regular communication with component teams to ensure alignment and address any issues that arose during the audit process.

Independent Auditor's Report continued

To the members of Serco Group plc

Risk

Risk of misstatement relating to the determination and calculation of onerous contract provision (2025: £25.0m, 2024: £19.8m)

Refer to the Audit Committee Report (page 100); Accounting policies (page 168); and Note 25 of the Consolidated Financial Statements (pages 198-199)

There is a risk around the determination and calculation of onerous contract provisions. This risk arises from the inherent complexity and subjectivity involved in assessing whether a contract has become loss-making and in quantifying the resulting provision.

The risk arises from the judgement required in ascertaining the performance (risks and opportunities) of a contract to determine whether it is onerous, and provision is required. Included in the risks and opportunities is the allocation of enabling services recharges which could be applied incorrectly to contracts due to error and subjectiveness.

The key judgements impacting this risk include:

- The assessment by Management to determine whether the unavoidable costs of fulfilling the contract exceed the expected economic benefits.
- The judgement involved in defining the scope of costs to include (e.g., direct vs. indirect costs) and deciding whether to assess contracts individually or as part of a portfolio.

The estimates impacting this risk include the forecast of total contract costs, which may be affected by cost control, supply chain volatility, or changes in scope, or the expected revenue, including any variable consideration such as performance bonuses or penalties. All of these estimates are subject to change over the life of the contract and require regular reassessment to ensure the provision remains appropriate.

The total onerous contract provision includes a central risk provision (2025: £8.0m, 2024: £6.6m) recorded at the Group level to ensure that there is adequate coverage for identified and potential onerous contracts and is recorded over-and-above any onerous contract provisions recorded at the divisional level.

Key observations communicated to the Audit Committee

From the audit procedures performed, we conclude that the total onerous contract provision recorded at a Group level was sufficient and appropriate, that the judgements made by Management are materially consistent with the accounting policy, and that the presentation and disclosure is materially correct.

How we scoped our audit to respond to the risk and involvement with component teams

We instructed our component teams to perform full and specific scope audit procedures over this risk in 12 locations. Our total procedures covered 100% of the Group's onerous contract provision. As outlined in the risk of overstatement of revenue key audit matter section above, we tested 91% of the Group's revenue including challenging the accuracy of contract performance and cost-to-complete estimates. This work addresses the risk of incompleteness over other onerous contract provisions not recognised.

We reviewed key audit workpapers, attended meetings with divisional management to discuss the audit approach and key findings, and maintained regular communication with component teams to ensure alignment and address any issues that arose during the audit process.

Our response to the risk

- For all relevant components with material revenue balances or onerous contract provisions: We performed walkthroughs of the onerous contract provision process and assessed the design effectiveness of key controls. We did not test the operating effectiveness of these controls.
- We reviewed Management's paper outlining the basis for onerous contract provision allocations. We assessed whether the methodology is consistent with IAS 37 and whether key assumptions and estimates are reasonable and supported by evidence.
- We assessed the accuracy of the allocation of Enabling Services recharge model. This included testing the integrity of formulas, verifying casting, and ensuring consistency of logic throughout the model.
- We evaluated the basis of cost allocation used in the model to ensure it aligns with the requirements of IAS 37. This involved reviewing the rationale for including or excluding specific cost categories and assessing whether only direct costs to fulfil the contract are considered.
- We performed a variance analysis on the enabling services recharge model, comparing budgeted costs to actuals. Where significant variances were identified, we assessed whether they indicate inappropriate budgeting or misallocation of costs that could affect the identification of onerous contracts.
- For a sample of contracts, we performed procedures to ensure only costs relevant to the contract are recognised to identify any instances of cost shifting by Management.
- We reviewed post-year-end developments, including project updates, cost revisions, and client correspondence, to identify any events that may indicate the need to adjust or reassess the onerous contract provisions recognised at year-end.
- We reviewed Management's assessment for how the central risk provision has been quantified at the Group as at 31 December 2025 and assessed whether the provision when combined with any onerous contract provision recorded at the component level meets the recognition criteria of IAS 37.

Independent Auditor's Report continued

To the members of Serco Group plc

Risk

Risk of impairment to goodwill (2025: £929.3m, 2024: £826.2m)

Refer to the Audit Committee Report (page 100); Accounting policies (page 163); Critical accounting judgements and key sources of estimation uncertainty (page 170); and Note 16 of the Consolidated Financial Statements (pages 188-190)

Under IAS 36, an entity must assess intangible items with an indefinite useful life annually, or whenever indicators of impairment are present for all other assets.

Management applies judgement in assessing the valuation of goodwill, particularly in estimating future cash flows and deriving the appropriate discount rates. There is a risk that impairments are not identified, and that the value of goodwill is overstated.

No impairment has been recognised (2024: £114.5m)

Our response to the risk

- We understood the annual goodwill impairment process and assessed the design effectiveness of key controls.
- We compared Management's process and methodology against the requirements of IAS 36 Impairment of Assets, including reviewing Management's paper on the group of cash generating units ("CGUs").
- We validated the mathematical accuracy of the model Management uses to quantify its impairment assessment.
- We compared the discount rates and growth rates used by management to a range of acceptable outcomes determined independently by EY specialists.
- We challenged Management in relation to the key assumptions included within the forecast through enquiries of local management, project managers, as well as comparing the assumptions used to external market data. We also assessed the impact of climate change considerations on the future cash flows.
- We ensured consistency of key assumptions with forecasts used in other management assessments, including going concern.
- As a result of current political and macroeconomic uncertainty, we focussed on how the impacts have been considered within the forecast assumptions for the impairment assessment. This included challenging the assumptions around future win rates applied to new business and rebid/contract extension opportunities.
- We searched for any contradictory evidence, including whether any indicators of impairment are omitted from Management's assessment, through review of Board minutes, analyst reports, press reports and other enquiries of Management. We also challenged Management as to the robustness of the process performed by discussing potential external and internal sources of indicators of impairment.
- We assessed the adequacy of sensitivity analysis performed by Management and performed additional sensitivities for known uncertainties within the business that may not have been modelled directly by Management. This included consideration of the impact of other relevant economic, political and social environmental factors such as inflation, relevant government policies (e.g. on immigration), on future cash flows.
- We assessed the historical accuracy of Management's forecasting process through reviewing forecast versus actuals analyses for the current year.
- We reviewed the Group's disclosures in accordance with the requirements of IAS 36 and IAS 1 to confirm the adequacy of disclosure.

Key observations communicated to the Audit Committee

We focussed primarily on the Asia Pacific CGUs (Goodwill: £10.3m), which we assessed to be most sensitive to changes in key assumptions, following the £114.5m impairment in the prior financial year as a result of the Group being unsuccessful in its rebid of the key Australia immigration contract.

We concluded that there was no impairment in the current year noting that current year performance exceeded budget with the successful implementation of cost saving measures following the prior year loss of the immigration contract. Despite this improvement, the goodwill is sensitive to changes in key assumptions, notably its new business win rate and rebid and extension win rate. As a result, we have ensured that adequate disclosures have been made in the annual report regarding the key sensitivities and assumptions.

For the remaining goodwill balances, there is sufficient headroom to support the carrying value, and our sensitivity analysis demonstrated the impairment assessment is not sensitive to reasonable changes in key assumptions.

We concluded that Management has accounted for the carrying value of goodwill appropriately and has included sufficient disclosure over the key assumptions and sensitivities impacting the group of CGUs in note 16.

How we scoped our audit to respond to the risk and involvement with component teams

All audit work performed to address this risk was undertaken centrally by the Group engagement team, covering 100% of the goodwill balance. Component teams have supported the Group engagement team in assessing the growth rates and achievability of the cash flows based on their understanding of the business and local market and industry conditions.

Independent Auditor's Report continued

To the members of Serco Group plc

Risk

Recoverability of deferred tax assets (2025: £208.2m, 2024: £229.8m)

Refer to the Audit Committee Report (page 100); Critical accounting judgements and key sources of estimation uncertainty (pages 171-172); and Note 14 of the Consolidated Financial Statements (pages 186-188)

Under IAS 12 deferred tax assets are recognised when it is probable that they will be utilised against future taxable profits. Therefore, an entity should only recognise a net deferred tax asset to the extent that sufficient taxable profit will be available in the future. The recognition of the asset therefore depends on Management's assessment of future taxable income, including estimating the rates at which the business will win new business, rebids and extensions.

Management also applies judgement in estimating the length of the period for which future taxable profits can be utilised in the future.

Management reviews the carrying amount of deferred tax assets at each reporting date and, if necessary, revises the balance to reflect the level of future taxable profits.

Our response to the risk

- We performed a walkthrough of the income tax process including financial reporting and taxable profit forecasting and assessed the design effectiveness of key controls. We did not test the operating effectiveness of these controls.
- We evaluated Management's rationale for the forecast periods selected in determining the likelihood of generating suitable future profits to support the recognition of deferred tax assets and we challenged the businesses' long term taxable profit forecast, in particular the key assumptions which include the success rate for winning new business, rebids and extensions.
- We evaluated the historical accuracy of forecasting taxable profits, noting the reasons for deviations from expectations, the integrity of the forecast models and the consistency of the projections with other forecasts made by Management (such as in goodwill impairment, corporate viability and going concern assessments) and approved by the Board. For forecasts that assume taxable profits beyond the Board-approved business plan, we considered how these forecasts had been prepared and challenged the forecast profitability.
- We reviewed any differences between the free cash flow forecasts used for goodwill impairment to the taxable profit forecast used for deferred tax asset recoverability. We engaged our EY tax team to assist in assessing the appropriateness of any differences and agreed reconciling items to underlying support.
- We considered the impact of the restrictions imposed by local tax laws on using carried forward losses and assessed the appropriateness of Management's assessment that they will be used during the forecast period. As part of this, we considered any statutory prescribed time limits to the period for which a deferred tax asset can be recognised.
- We considered the basis for Management's judgements and the extent of risk involved in our evaluation of their position.
- We considered the accuracy and appropriateness of related disclosures and offsetting of deferred tax balances in the Group financial statements.

Key observations communicated to the Audit Committee

We challenged Management on the basis of considering forecast profits beyond the formal five-year planning horizon approved by the Board for the Australia business.

Whilst we recognised there is no expiry date on the utilisation of a deferred tax asset, we challenged the reliability of the longer-term profit forecasts given the nature of the Australia business, with the majority of contracts within the business expiring prior to 2030, following the exit of the Australia immigration business and the loss of all the Base Services Transformation Programme (BSTP) bids during 2025 which had a contract duration potential of up to 10 years.

As a result of this, Management limited the deferred tax asset recognition relating to Australia to five years. This limitation resulted in the derecognition of £17.3m, resulting in the Australian deferred tax asset of £27.7m at 31 December 2025 (2024: £50.5m).

For the UK deferred tax asset (2025: £175.7m, 2024: £177.5m), Management forecast longer term trading profits to 2043.

We concluded Management's judgement to consider longer term forecast profits of the UK business to be appropriate and supported by the longer-term nature of contracts in the division compared to others, as demonstrated by key contractual wins in 2025. In addition, Management evidenced a strong pipeline of new business, alongside a consistently strong win rate, and track record of delivering consistent profitability.

We concluded that the deferred tax asset recognised at 31 December 2025 of £208.2m, is recoverable and supported by future profitability.

How we scoped our audit to respond to the risk and involvement with component teams

All audit work performed to address this risk was undertaken centrally by the Group engagement team, covering 100% of the balance. Component teams have supported the Group engagement team in assessing the growth rates and achievability of the forecasted taxable profits based on their understanding of the business and local market and industry conditions.

Independent Auditor's Report continued

To the members of Serco Group plc

Risk	Our response to the risk
<p>Acquisition accounting of MT&S (2025: Acquisition value of £245.3m)</p> <p><i>Refer to the Audit Committee Report (page 100); Accounting policies (page 162); Critical accounting judgements and key sources of estimation uncertainty (page 172); and Note 6 of the Consolidated Financial Statements (pages 178-179)</i></p> <p>In May 2025, the US business acquired Northrop Grumman's mission training and satellite ground network communications software business (MT&S) for \$327m (£242m).</p> <p>Management have fair valued the acquired assets and assumed liabilities but involved external specialists to fair value the identified intangible assets being customer relationships. Based on the above, Management recognised an intangible asset relating to customer relationships of £89.3m and goodwill of £140.8m.</p> <p>The valuation of the goodwill and acquired intangibles as part of the acquisition accounting is judgemental and involves complexity based on the reliance of estimates around future forecast information and the length of useful economic lives of intangible assets.</p>	<ul style="list-style-type: none"> • We performed a walkthrough to obtain an understanding of the process and related controls in place for acquiring new businesses. We did not test the operating effectiveness of these controls. • We obtained and inspected the sale and purchase agreement to gain an understanding of the terms and conditions of the transaction. • We assessed the accounting paper prepared by Management, which sets out Management's assessment of this transaction being accounted for as a business combination per IFRS 3. • We assessed whether the identified intangible assets meet the criteria for recognition and measurement separate from goodwill as required by IFRS 3 and assessed whether there are intangible assets that should have been recognised but which have been omitted. • We tested consideration transferred to the acquisition agreement and supporting documentation and to the total amount recorded and disclosed. We reviewed and confirmed that there were no elements of deferred or contingent consideration. We also performed testing of underlying transaction costs to supporting documentation. • We engaged our EY valuation specialist to audit the appropriateness of the methodology and key assumptions used by Management's specialists to determine the valuation of intangible assets, including assessing the appropriateness of the length of useful economic lives. • We assessed the appropriateness of the prospective financial information, including the projections made for key inputs such as forecast revenue, EBITDA margin, the recompute rate and the recompute period. We compared these inputs to sources of internal and external evidence and historical performance. • We obtained the opening balance sheet and tested whether the assets acquired and liabilities assumed have been appropriately recognised and measured in accordance with IFRS 3. • We assessed the allocation of goodwill arising on acquisition to the appropriate GCGU. • We engaged our EY tax team to assess the appropriateness of the tax assumptions considered in the acquisition accounting. This included assessing the appropriateness of relevant deferred tax impacts. • We reviewed performance of the business subsequent to acquisition to assess for any indicators of impairment. • We reviewed the Group's disclosures are in accordance with the requirements of IFRS 3, to confirm the adequacy of disclosure.

Key observations communicated to the Audit Committee

We concluded that the methodology and key assumptions used to determine the valuation of intangible assets (including goodwill) were appropriate, and the valuation of the intangible asset (customer relationships) sits within what we consider to be an acceptable range.

MT&S was integrated within the North America Operating Segment during the financial year. We challenged Management to perform an assessment for indicators of impairment for the standalone MT&S business prior to this integration into the North America CGUs grouped for impairment testing purposes. No such indicators were identified, and we note the business's full year profit was in line with that budgeted.

How we scoped our audit to respond to the risk and involvement with component teams

We tested 100% of the acquisition, and procedures were performed by both the Group engagement team and North America component team.

We reviewed key audit workpapers, attended meetings with divisional management to discuss the audit approach and key findings, and maintained regular communication with component teams to ensure alignment and address any issues that arose during the audit process.

Independent Auditor's Report continued

To the members of Serco Group plc

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £9.8m million (2024 predecessor auditor: £9.7 million), which is 5% (2024 predecessor auditor: 4.6%) of profit before tax adjusted for the non-recurring profit on disposal of a subsidiary. We believe that profit before tax adjusted for the non-recurring profit on disposal of a subsidiary provides us with the most important metric to understand the financial performance of the business.

We determined materiality for the Parent Company to be £10 million (2024 predecessor auditor: £4.4 million), which is 1% of net assets. The predecessor auditor determined materiality based on the component materiality for the Parent Company determined by the Group auditor. This was lower than the materiality that would otherwise have been determined with reference to the Parent Company total assets, of which it represented 0.2%.

Starting basis	<ul style="list-style-type: none"> Reported profit before tax - £201.5m
Adjustments	<ul style="list-style-type: none"> Profit on disposal of subsidiary - £4.7m
Materiality	<ul style="list-style-type: none"> Total profit before tax adjusted for the non-recurring profit on disposal of a subsidiary £196.8m Materiality of £9.8m (5% of materiality basis)

During the course of our audit, we reassessed initial materiality and noted that there was a decrease compared with the original assessment attributable to the performance and profit before tax of the Group. The underlying basis of materiality was not changed compared with the planning stage.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2024 predecessor auditor: 75%) of our planning materiality, namely £4.9m (2024 predecessor auditor: £7.3m). We have set performance materiality at this percentage as we do not have sufficient evidence in an initial audit to conclude that the likelihood of misstatements to occur is lower. Audit work was undertaken at component locations for the purpose of responding to the assessed risks of material misstatement of the Group financial statements. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.9m to £3.4m.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.5m (2024 predecessor auditor: £0.5m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Independent Auditor's Report continued

To the members of Serco Group plc

Other information

The other information comprises the information included in the annual report set out on pages 1 to 134, including the Strategic Report and Corporate Governance section, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Corporate Governance Statement

We have reviewed the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group and Company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the UK Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 157;
- Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 76;

Independent Auditor's Report continued

To the members of Serco Group plc

Corporate Governance Statement continued

- Directors' statement on whether it has a reasonable expectation that the Group will be able to continue in operation and meets its liabilities set out on page 76;
- Directors' statement on fair, balanced and understandable set out on page 134;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 69;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 66; and
- The section describing the work of the Audit Committee set out on page 97.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 134, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and Management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are health and safety, data protection, anti-bribery and anti-corruption, employment law and national security law. We also identified those most significant to financial reporting as the reporting framework (UK adopted international financial accounting standards, FRS 101, United Kingdom Generally Accepted Accounting Practice, the Companies Act 2006 and the Corporate Governance Code), distributable profits legislation, pension legislation and the relevant tax compliance regulations in the countries of operations of the reporting components.
- We understood how Serco Group plc is complying with those frameworks by making enquiries of Management, reviewing Management procedures for oversight by those charged with governance (i.e. considering the potential for override of controls or other inappropriate influence over the financial reporting process, such as efforts by Management to manage earnings in order to influence the perceptions of analysts as to the Group's performance and profitability), the culture of honesty and ethical behaviour and whether a strong emphasis is placed on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence. We corroborated our enquiries through our review of Board minutes and any correspondence with external legal counsel, and discussions with the Audit and Risk Committees, and those responsible for legal and compliance procedures including the Company Secretary.

Independent Auditor's Report continued

To the members of Serco Group plc

- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by meeting with Management to understand where they considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by Management to manage earnings or influence the perceptions of analysts. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk. The key audit matters section above covers those procedures performed in areas where we have concluded the risks of material misstatement are highest, including where we have identified a risk of fraud. These procedures included testing manual journal entries, a focus on key estimates, and considerations over information produced by the entity including work over the authenticity of key evidence received during the audit.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. All full and specific scope components were instructed to perform procedures in the identification of instances of non-compliance with laws and regulations, supplemented by audit procedures performed at a Group level. Findings from these procedures were discussed with the team and supporting workpapers reviewed for individually relevant components. Our procedures involved review of Board minutes to identify non-compliance with such laws and regulations, review of reporting to the Audit and Risk Committee on compliance with regulations and enquiries of legal counsel, internal audit, Group Management and all full and specific scope management.
- Through our oversight of the component teams in the Group, we ensured that any instances of non-compliance with laws and regulations identified were communicated and discussed between the Group team in the UK and the relevant local EY teams in the countries impacted. We ensured that the component teams performed sufficient and appropriate audit procedures to respond to the risk of non-compliance with local laws and regulations, and supplemented this by audit procedures performed at the Group level to consider any further UK impact where necessary. For such instances, we performed further procedures, such as reviewing legal advice obtained by Management, inspecting external correspondence, and enquiring with and receiving direct confirmation from external legal counsel. Where necessary, we engaged internal professionals with more specialised knowledge such as through discussions with forensic professionals and overseas specialists.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the Audit Committee we were appointed by the Company on 24 April 2025 to audit the financial statements for the year ending 31 December 2025 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is 1 year, covering the year end 31 December 2025.
- The audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

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

Kevin Harkin (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor

Reading

5 March 2026

Consolidated Income Statement

For the year ended 31 December 2025

For the year ended 31 December	Note	Underlying	Non- underlying items	Reported	Underlying	Non- underlying items	Reported
		2025 £m	2025 £m	2025 £m	2024 £m	2024 £m	2024 £m
Revenue	7	4,876.8	–	4,876.8	4,787.3	–	4,787.3
Cost of sales		(4,364.0)	–	(4,364.0)	(4,268.7)	–	(4,268.7)
Gross profit		512.8	–	512.8	518.6	–	518.6
Administrative expenses		(270.0)	–	(270.0)	(267.9)	–	(267.9)
Exceptional item - Goodwill impairment	8	–	–	–	–	(114.5)	(114.5)
Profit on disposal of a subsidiary	8	–	4.7	4.7	–	–	–
Amortisation and impairment of intangibles arising on acquisition	8	–	(30.0)	(30.0)	–	(28.9)	(28.9)
Share of results of joint ventures and associates, net of interest and tax	5	28.8	–	28.8	22.8	–	22.8
Operating profit/(loss)	9	271.6	(25.3)	246.3	273.5	(143.4)	130.1
Investment revenue	11	6.8	–	6.8	7.7	–	7.7
Finance costs	12	(51.6)	–	(51.6)	(40.8)	–	(40.8)
Net finance costs		(44.8)	–	(44.8)	(33.1)	–	(33.1)
Profit/(loss) before tax		226.8	(25.3)	201.5	240.4	(143.4)	97.0
Total tax (charge)/credit	13	(51.6)	(4.3)	(55.9)	(60.4)	7.9	(52.5)
Profit/(loss) for the year		175.2	(29.6)	145.6	180.0	(135.5)	44.5
Attributable to:							
Equity owners of the Company		175.2	(29.6)	145.6	179.7	(135.5)	44.2
Non-controlling interest		–	–	–	0.3	–	0.3
Earnings per share (EPS)							
Basic EPS	15	17.31p		14.38p	16.97p		4.17p
Diluted EPS	15	16.93p		14.07p	16.67p		4.10p

The accompanying notes on pages 156 to 221 form an integral part of the financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2025

	Note	2025 £m	2024 £m
Profit for the year¹		145.6	44.5
Other comprehensive income/(loss) for the year:			
Items that will not be reclassified subsequently to profit or loss:			
Share of other comprehensive income in joint ventures and associates ¹	5	0.7	0.7
Remeasurements of post-employment benefit obligations ²	29	(2.1)	(38.7)
Income tax relating to components of other comprehensive income that will not be reclassified subsequently to profit or loss ²	13	5.2	7.7
Items that may be reclassified subsequently to profit or loss:			
Net exchange loss on translation of foreign operations ³		(21.1)	(18.6)
Net exchange on disposal of foreign operations ³		(0.5)	–
Fair value loss/(gain) on cash flow hedges during the year ⁴		0.9	(0.4)
Tax relating to hedging that may be reclassified ⁴	13	(0.2)	0.1
Total other comprehensive loss for the year		(17.1)	(49.2)
Total comprehensive income/(loss) for the year		128.5	(4.7)
Attributable to:			
Equity owners of the Company		128.5	(5.0)
Non-controlling interest		–	0.3

1. Recorded in retained earnings in the Consolidated Statement of Changes in Equity.

2. Recorded in other reserves in the Consolidated Statement of Changes in Equity and retirement benefit obligations reserve in note 32.

3. Recorded in other reserves in the Consolidated Statement of Changes in Equity and translation reserve in note 32.

4. Recorded in other reserves in the Consolidated Statement of Changes in Equity and hedging reserve in note 32.

The accompanying notes on pages 156 to 221 form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2025

	Share capital £m	Share premium account £m	Retained earnings £m	Other reserves ¹ £m	Total shareholders' equity £m	Non-controlling interest £m
At 1 January 2024	22.1	463.1	659.1	(110.3)	1,034.0	(0.3)
Total comprehensive income/(loss) for the year	–	–	44.9	(49.9)	(5.0)	0.3
Dividends paid	–	–	(38.4)	–	(38.4)	–
Shares purchased and held in own share reserve	–	–	–	(22.8)	(22.8)	–
Shares purchased and held in Treasury until cancelled	–	–	–	(141.3)	(141.3)	–
Cancellation of shares held in Treasury	(1.6)	–	(141.3)	142.9	–	–
Shares transferred to award holders on exercise of share awards	–	–	–	0.1	0.1	–
Expense in relation to share-based payments	–	–	–	15.2	15.2	–
Tax credit on items taken directly to equity	–	–	–	0.7	0.7	–
At 1 January 2025	20.5	463.1	524.3	(165.4)	842.5	–
Total comprehensive income/(loss) for the year	–	–	146.3	(17.8)	128.5	–
Dividends paid	–	–	(43.3)	–	(43.3)	–
Shares purchased and held in own share reserve	–	–	–	(5.0)	(5.0)	–
Shares committed to be purchased and held in own share reserve	–	–	–	(21.3)	(21.3)	–
Shares purchased and held in Treasury until cancelled	–	–	–	(50.3)	(50.3)	–
Cancellation of shares held in Treasury	(0.4)	–	(50.3)	50.7	–	–
Shares transferred to award holders on exercise of share awards	–	–	–	3.9	3.9	–
Expense in relation to share-based payments	–	–	–	13.6	13.6	–
Tax credit on items taken directly to equity	–	–	–	5.0	5.0	–
At 31 December 2025	20.1	463.1	577.0	(186.6)	873.6	–

1. An analysis of other reserves is presented as part of note 32 Reserves.

The accompanying notes on pages 156 to 221 form an integral part of the financial statements.

Consolidated Balance Sheet

For the year ended 31 December 2025

	Notes	At 31 December 2025 £m	At 31 December 2024 £m
Non-current assets			
Goodwill	16	929.3	826.2
Other intangible assets	17	162.2	101.4
Property, plant and equipment	18	56.2	56.8
Right of use assets	18	482.8	514.9
Interests in joint ventures and associates	5	34.1	25.1
Contract assets	20	4.5	–
Trade and other receivables	20	21.7	26.3
Derivative financial instruments	28	0.6	–
Deferred tax assets	14	208.2	229.8
Retirement benefit assets	29	9.6	15.2
		1,909.2	1,795.7
Current assets			
Inventories	19	20.0	24.1
Contract assets	20	313.0	300.0
Trade and other receivables	20	330.1	331.5
Current tax assets		23.9	25.2
Cash and cash equivalents	21	199.3	183.0
Derivative financial instruments	28	0.5	0.8
		886.8	864.6
Total assets		2,796.0	2,660.3
Current liabilities			
Contract liabilities	22	(87.1)	(37.5)
Trade and other payables	22	(562.6)	(595.0)
Derivative financial instruments	28	(0.3)	(6.6)
Current tax liabilities		(22.1)	(35.9)
Provisions	25	(113.0)	(108.9)
Obligations under leases	23	(167.1)	(168.3)
Loans	24	–	(38.8)
		(952.2)	(991.0)
Non-current liabilities			
Contract liabilities	22	(84.6)	(60.7)
Trade and other payables	22	(17.7)	(21.5)
Derivative financial instruments	28	(0.7)	(0.6)
Deferred tax liabilities	14	(41.1)	(52.1)
Provisions	25	(75.8)	(81.4)
Obligations under leases	23	(337.3)	(361.7)
Loans	24	(404.9)	(237.6)
Retirement benefit obligations	29	(8.1)	(11.2)
		(970.2)	(826.8)
Total liabilities		(1,922.4)	(1,817.8)
Net assets		873.6	842.5

Consolidated Balance Sheet continued

	Notes	At 31 December 2025 £m	At 31 December 2024 £m
Equity			
Share capital	30	20.1	20.5
Share premium account	31	463.1	463.1
Retained earnings		577.0	524.3
Other reserves	32	(186.6)	(165.4)
Equity attributable to owners of the Company		873.6	842.5
Non-controlling interest		–	–
Total equity		873.6	842.5

The accompanying notes on pages 156 to 221 form an integral part of the financial statements.

The financial statements were approved by the Board of Directors on 4 March 2026 and signed on its behalf by:

Anthony Kirby
Group Chief Executive

Nigel Crossley
Group Chief Financial Officer

Consolidated Cash Flow Statement

For the year ended 31 December 2025

	Note	2025 £m	2024 £m
Net cash inflow from operating activities	35	446.7	419.4
Investing activities			
Interest received		5.7	5.3
Dividends received from joint ventures and associates	5	22.9	30.8
Loan repaid by joint venture		–	10.0
Purchase of other intangible assets	17	(11.7)	(9.1)
Purchase of property, plant and equipment	18	(21.5)	(25.3)
Proceeds from disposal of property, plant and equipment		4.4	1.3
Proceeds from disposal of subsidiary, net of cash disposed	8	(2.9)	–
Acquisition of subsidiaries, net of cash acquired	6	(247.8)	(20.8)
Other investing activities		–	0.4
Net cash outflow from investing activities		(250.9)	(7.4)
Financing activities			
Interest paid		(46.0)	(33.8)
Capitalised finance costs paid		(2.2)	(1.0)
Advances of loans	24	193.2	118.2
Repayments of loans	24	(37.2)	(52.8)
Capital element of lease repayments	23	(158.9)	(137.4)
Cash movements on finance related derivatives	12	(8.9)	(13.1)
Dividends paid to shareholders		(43.3)	(38.4)
Purchase of own shares for Employee Share Ownership Trust		(26.3)	(22.8)
Own shares repurchased		(50.3)	(141.3)
Proceeds received from exercise of share options		3.9	0.1
Net cash outflow from financing activities		(176.0)	(322.3)
Net increase in cash and cash equivalents		19.8	89.7
Cash and cash equivalents at beginning of year		183.0	94.4
Net exchange loss	24	(3.5)	(1.1)
Cash and cash equivalents at end of year	21	199.3	183.0

The accompanying notes on pages 156 to 221 form an integral part of the financial statements.

Notes to the Consolidated Financial Statements

1. General information

Serco Group plc (the Company) is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is Serco House, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire, RG27 9UY.

These Consolidated Financial Statements comprise the Company, its subsidiaries and its interest in joint ventures and associates (together referred to as the Group) and are presented in pounds Sterling because this is the currency of the primary economic environment in which Serco operates. All amounts have been rounded to the nearest one hundred thousand pounds and foreign operations are included in accordance with the policies set out in note 2.

The nature of the Group's operations are set out in the Strategic Report on pages 1 to 134 and the principal activities are set out in note 4.

A full list of subsidiaries and related undertakings is included in note 52 of the Company financial statements on pages 228 to 230.

2. Material accounting policies

Basis of preparation

The Consolidated Financial Statements on pages 150 to 221 have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The financial statements have been prepared on the historical cost basis, except for the following which are measured at fair value:

- certain financial assets and liabilities (including derivative instruments);
- plan assets of retirement benefit obligations;
- share-based payments.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The following principal accounting policies adopted have been applied consistently in the current and preceding financial year.

Basis of consolidation

The Consolidated Financial Statements incorporate the financial statements of the Company and entities controlled by the Company up to 31 December each year. Control is achieved when the Company:

- (i) has power over the investee;
- (ii) is exposed, or has rights to variable returns from its involvement with the investee; and
- (iii) has the ability to use its power to affect the returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Income Statement from the effective date of acquisition or up to the effective date of disposal as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring accounting policies into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interest represents the portion of profits or losses and net assets in subsidiaries that are not held by the Group and are presented within equity in the Consolidated Balance Sheet, separate from equity of shareholders of Serco Group plc.

Notes to the Consolidated Financial Statements continued

2. Material accounting policies continued

Going concern

In assessing the basis of preparation of the financial statements for the year ended 31 December 2025, the Directors have considered the principles of the Financial Reporting Council's 2025 'Guidance on the Going Concern Basis of Accounting and Related Reporting (including Solvency and Liquidity Risks)'; particularly in assessing the applicability of the going concern basis, review period and disclosures. The period of assessment for the purposes of considering going concern is to 31 March 2027.

At 31 December 2025, the Group's principal debt facilities comprised a £350m revolving credit facility maturing in November 2027 (of which £nil was drawn), and £408.6m of US private placement notes (USPP notes), giving £758.6m of committed credit facilities and available funds of £549.3m, being the undrawn RCF plus cash of £199.3m. The principal financial covenant ratios are consistent across the USPP notes and revolving credit facility, and are outlined on page 235.

As at 31 December 2025, the Group's primary restricting covenant, its leverage ratio, is below the covenant of 3.5x and is below the Group's target range of 1x-2x at 0.72x. The Group has net current liabilities of £65.4m, the cash flows of which have been considered within the going concern assessment.

The Directors have undertaken a rigorous assessment of going concern and liquidity, taking into account financial forecasts, as well as the potential impact of key uncertainties and sensitivities on the Group's future performance. In making this assessment the Directors have considered the Group's existing debt levels, the committed funding and liquidity positions under its debt covenants, its ability to generate cash from trading activities and its working capital requirements. The Directors have also identified a series of mitigating actions that could be used to preserve cash in the business should the need arise.

The basis of the assessment continues to be the Board-approved budget updated to take account of known changes. The budget is prepared annually for the next two-year period and is based on a bottom-up approach to all of the Group's existing contracts, potential new contracts and administrative functions.

The Directors believe that appropriate sensitivities in assessing the Group's ability to continue as a going concern are to model reductions in the Group's win rates for bids and extensions, and reductions in profit margins. Due to the diversity in the Group's operations, the Directors believe that a reverse stress test of these sensitivities to assess the headroom available under the Group's debt covenants and available liquidity provides meaningful analysis of the Group's ability to continue as a going concern. Based on the headroom available, the Directors are then able to assess whether the reductions required to breach the Group's financial covenants, or exhaust available liquidity, are plausible.

This shows that after the date of approval of the financial statements, the Group can afford to be unsuccessful on 60% of its budgeted bids and extensions, combined with a profit margin 200 basis points below the Group's forecast, and still retain sufficient liquidity to meet all liabilities as they fall due and remain compliant with the Group's financial covenants.

In respect of win rates, rebids and extensions have a more significant impact on the Group's revenue than new business wins during the assessment period. The Group has won 82% of its rebids and available contract extensions by value over the last two years, therefore a reduction of 60% or more to the budgeted bids (including new business and rebids) and extensions rates is not considered plausible.

Consequently, the Directors are confident that the Group and Company will have sufficient funds to continue to meet their liabilities as they fall due for the period to 31 March 2027 and therefore have prepared the financial statements on a going concern basis.

Adoption of new and revised standards

No new or amended accounting standards had a material impact on the Group for the 31 December 2025 reporting period. The following standards were considered.

The Effects of Changes in Foreign Exchange Rates for Lack of Exchangeability (amendment to IAS 21)

In August 2023, the IASB issued The Effects of Changes in Foreign Exchange Rates for Lack of Exchangeability (amendment to IAS 21). This amendment enhances guidance for determining exchange rates when a currency is not exchangeable or subject to long-term controls. The Group has no exposure to exchange rates which have a lack of exchangeability.

Notes to the Consolidated Financial Statements continued

2. Material accounting policies continued

New standards, amendments and interpretations not yet adopted

The following published new accounting standards, amendments to accounting standards and interpretations that are not mandatory for 31 December 2025 reporting periods, have not been early adopted by the Group. These are effective for annual reporting periods beginning on or after the date indicated:

	Effective dates ¹
Annual Improvements to IFRS Accounting Standards (Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7) ²	1 January 2026
Classification and Measurement of Financial Instrument (Amendments to IFRS 9 and IFRS 7) ²	1 January 2026
Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7) ²	1 January 2026
Presentation and Disclosure in Financial Statements (New standard IFRS 18) ³	1 January 2027
Subsidiaries without Public Accountability: Disclosures (New standard IFRS 19) ²	1 January 2027

1. The effective date is based on the standards, amendments or interpretation issued by the IASB and may still be subject to adoption by the UK Endorsement Board.
2. The standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods.
3. IFRS 18 introduces new requirements for the presentation and disclosure of information in financial statements. This standard will influence how information is reported, particularly in the income statement, and may also affect the level of detail disclosed in the notes to the financial statements. IFRS 18 will not alter the recognition or measurement of items in the financial statements and thus will not impact the Group's overall results, it may change what the Group reports as its 'Operating Profit'.

Changes in accounting policies

There have been no changes to the Group's accounting policies during the year ended 31 December 2025.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants at the measurement date, regardless of whether that price is directly observable or is estimated using another valuation technique (see note 28). There are certain transactions in these Financial Statements which are similar to fair value but are determined by the treatment set out in their respective standards. These are share-based payment transactions that are within the scope of IFRS 2 Share-Based Payment, leasing transactions that are within the scope of IFRS 16 Leases, the calculation of net realisable value under IAS 2 Inventories and value in use under IAS 36 Impairment of Assets.

Revenue

The Group recognises revenue based on the principles set out in IFRS 15 Revenue from Contracts with Customers. Revenue is recognised in any period based on the delivery of performance obligations and an assessment of when control is transferred to the customer.

For all contracts, the Group determines whether each arrangement meets the definition of a contract under IFRS 15 and creates enforceable rights and obligations.

Contracts are combined if they are entered into at or near the same time and one or more of the following criteria are met:

- They are negotiated as a package with a single commercial objective.
- Consideration receivable in one contract depends on the other contract.
- Goods or services are a single performance obligation.

For contracts with multiple components, Management applies judgement to consider whether those promised goods and services are:

- a deliverable (a good or a service) that is distinct; or
- a series of distinct deliverables that are substantially the same and that have the same pattern of transfer to the customer (transferred over time using the same measure of progress).

At contract inception, the transaction price is the total amount of consideration to which the Group expects to be entitled to exchange for transferring goods or services to a customer.

Once the total transaction price is determined, the Group allocates this to the identified performance obligations in proportion to their relative standalone selling prices and recognises revenue when (or as) those performance obligations are satisfied. Where there is only one performance obligation, no allocation is necessary as the full transaction price is allocated to the single performance obligation.

Notes to the Consolidated Financial Statements continued

2. Material accounting policies continued

Where there is more than one performance obligation, the Group looks at each performance obligation separately to see if there is an observable price available; however, due to the bespoke nature of the services provided by the Group, there is normally no observable standalone selling price and the expected cost-plus margin approach is used. All bid models for new contracts are built up and negotiated with the customers on a cost-plus margin basis and therefore this approach most accurately reflects the commercial reality and the value of the benefits transferred to the customer.

The Group enters into contracts which contain extension periods where either the customer or both parties can choose to extend the contract or there is an automatic renewal and/or termination clause that could impact the actual duration of the contract. Judgement is applied to assess the impact that these clauses have when determining the appropriate contract term. The term of the contract impacts both the period over which revenue from performance obligations may be recognised and the period over which contract fulfilment assets and capitalised bid and phase-in costs are expensed.

Further details on revenue recognition for specific contract types are shown below.

Revenue recognition: Repeat service-based contracts

The majority of the Group's contracts are repeat service-based contracts where value is transferred to the customer over time as the core services are delivered. Therefore, in most cases revenue will be recognised on the output basis, based on direct measurements of the value to the customer of the services transferred to date relative to the remaining services under the contract. This is a faithful depiction of the transfer of services since the service delivered to the customer is unchanged. Where the output method is used, the Group often uses a method of time elapsed which requires minimal estimation. Certain repeat service-based contracts use output methods based upon user numbers; service activity levels; or fees collected. Where any price reductions within output-based contracts are contractual, but the level of service is not decreasing, revenue will be deferred from initial years to subsequent years in order for revenue to be recognised on a consistent basis.

There are certain contracts where a separate performance obligation has been identified for services where the pattern of delivery differs to the core services and which are capable of being distinct, such as asset construction or asset maintenance. In these instances, where the transfer of control is most closely aligned to our efforts in delivering the service, the input method is used to measure progress and revenue is recognised in direct proportion to costs incurred. In limited circumstances, other methods are used to measure progress under the input method, including resources consumed, time elapsed or labour hours expended. This is a faithful depiction of the transfer of services because costs (or other inputs) most accurately reflect the incremental benefits received by the customer from efforts to date.

Where deemed appropriate, the Group will utilise the practical expedient within IFRS 15, allowing revenue to be recognised at the amount which the Group has the right to invoice, where that amount corresponds directly with the value to the customer of the Group's performance completed to date.

Under IFRS 15, unless upfront fees received from customers including transition payments can be clearly attributable to a distinct service the customer is obtaining, such payments do not constitute a separate performance obligation and instead are deferred and spread over the life of the core services.

In general, the timing of satisfaction of performance obligations is consistent with when payment becomes due, other than in instances where up front win fees or transition payments are received, where in most instances these are deferred.

Any changes to the enforceable rights and obligations with customers and/or an update to the transaction price will not be recognised as revenue until there is evidence of customer agreement in line with the Group's policies.

Revenue recognition: Variable revenue

The Group has a number of contracts where at least an element of the revenue generated is variable in nature. Variability in revenue recognised can arise from a number of factors, including usage-related volumes, graduated performance against contractual performance indicators, indexation-linked pricing, profit sharing elements and customer decisions related to the provision of goods or services. Any variable amounts will only be recognised where it is highly probable that a significant reversal will not occur.

Notes to the Consolidated Financial Statements continued

2. Material accounting policies continued

Revenue recognition: Long-term project-based contracts

The Group has a limited number of project-based long-term contracts. Revenue associated with these contracts is recognised at the point in time when control over the deliverable is passed to the customer.

Revenue recognition: Contract modifications

When a modification to an existing contract is approved, the Group first assesses whether it adds distinct goods or services to the existing contract that are priced commensurate with the standalone selling prices for those goods or services. If this is the case, then the modification is accounted for prospectively as a separate contract. If the pricing is not commensurate with the standalone selling prices for the goods or services and the new goods or services are not distinct from those in the original contract, then this is considered to form part of the original contract. Pricing is updated for the entirety of the revised contract and any historic adjustments recorded as a result are recognised as a cumulative adjustment to revenue in the period of the modification. If the pricing is not commensurate with the standalone selling prices for the goods or services and the new goods or services are distinct from those in the original contract, then this is considered to represent the termination of the original contract and the creation of a new contract which is accounted for prospectively from the date of modification.

Revenue recognition: Other

Sales of goods are recognised when goods are delivered and title has passed.

The Group has a limited number of pass-through arrangements in respect of goods or services procured by the Group on behalf of customers where it assesses whether it is acting as a principal or as an agent. The Group is acting as principal if it is in control of a good or a service prior to transferring to the customer and gross revenue and costs are recognised. More commonly, the Group is acting as agent where it is arranging for those goods or services to be provided to the customer without obtaining control, for example, where the Group is engaged to manage operations for a customer but procures goods or services on behalf of the customer in order to deliver the operation. When acting as an agent, only the fee or commission is recognised as revenue and the costs represent only the direct costs of facilitating the transaction.

The Group has no material exposure to returns or refunds.

Revenue recognition: Contract assets and liabilities

Contract assets are recognised for goods and services for which control has transferred to the customer before the Group has the right to bill and are reported under accrued income and other unbilled receivables in note 20. Contract assets are reclassified as receivables when the right to payment becomes unconditional and the Group has billed the customer.

Contract liabilities are recognised when the Group has received advance payment for goods and services that the Group has not transferred to the customer and are reported under deferred income in note 22.

Where the initial set-up, transition or transformation phase of a long-term contract is not considered to be a distinct performance obligation and upfront consideration is received, the Group recognises contract liabilities reported under deferred income in note 22. In this case eligible costs (see contract costs policy below) associated with delivering these services are reported under capitalised mobilisation and phase-in costs in note 20.

Notes to the Consolidated Financial Statements continued

2. Material accounting policies continued

Government grants

The majority of the Group's customers are governments. Any income that arises from a contractual agreement for the delivery of goods or services, or a specific modification to such a contract, is treated as revenue. Income from governments is only considered to be a government grant if it is not related to the supply of goods or services under a contractual arrangement.

Government grants are recognised where there is reasonable assurance that the grant will be received. Grants that compensate the Group for expenses incurred are recognised in the income statement as a reduction to the corresponding expenses on a systematic basis in the periods in which the expenses are recognised. There were no material government grants received during the current or prior year.

Contract costs

Bid costs are capitalised only when they relate directly to a contract and are incremental to securing the contract. Bid costs are amortised over the duration of the contract to which they relate in equal annual instalments. Any costs which would have been incurred whether or not the contract is actually won are not considered to be capitalised bid costs.

Contract costs are charged to the income statement as incurred, including the necessary accrual for costs which have not yet been invoiced, unless the expense relates to a specific timeframe covering future periods.

Contract costs can only be capitalised when the expenditure meets all of the following three criteria and are not within the scope of another accounting standard, such as inventories, intangible assets, or property, plant and equipment:

- The costs relate directly to a contract. These include direct labour, being the salaries and wages of employees providing the promised services to the customer; direct materials such as supplies used in providing the promised services to a customer; and other costs that are incurred only because an entity entered into the contract, such as payments to subcontractors.
- The costs generate or enhance the resources used in satisfying performance obligations in the future. For initial contract costs capitalised, such costs only fall into one of the following two categories: the mobilisation of contract staff, being the costs of moving existing contract staff to other Group locations; or directly incremental costs incurred in meeting contractual obligations incurred prior to contract delivery, which are required to ensure a proper handover from the previous contractor. Redundancy costs are never capitalised.
- The costs are expected to be recovered, i.e. the contract is expected to be profitable after amortising the capitalised costs.

Operating profit

Operating profit is not a measure defined by IFRS and the Group considers this to include the profits and losses from operations prior to corporation tax, investment revenue and finance costs.

Exceptional items

IAS 1 Presentation of Financial Statements sets out disclosure requirements regarding fair representation of information and the composition, labelling, prominence and consistency of additional line items and subtotals in financial statements. IAS 1 paragraph 97 requires separate disclosure of the nature and amount of material items of income or expense. The Group uses the term 'exceptional items' to categorise those items which require disclosure under IAS 1 paragraph 97, but this is not a term defined by IFRS. These items are separately disclosed and explained within note 8 to the Financial Statements. A level of judgement is involved in determining what items are classified as exceptional items. Management considers exceptional items to be outside of normal practice of the business (i.e. the financial impact is unusual or rare in occurrence), and are material to the results of the Group by virtue of their size or nature, and are suitable for separate presentation and detailed explanation. There is a level of judgement required in determining which items are exceptional on a consistent basis and require separate disclosure. Further details can be seen in note 8.

Foreign currencies

Transactions in currencies other than Sterling are recorded at the rate of exchange on the date of the transaction using a monthly average. If exchange rates fluctuate significantly during a period, the use of average rates is reviewed to ensure they are still appropriate.

Notes to the Consolidated Financial Statements continued

2. Material accounting policies continued

At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on retranslation are included in the net profit or loss for the period, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity through the Consolidated Statement of Comprehensive Income (SOI).

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised directly within equity in the Group's hedging and translation reserve. On disposal of an operation, such translation differences are recognised as income or expenses in the period in which the operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Dividends

Dividend distributions are recognised as a liability in the year in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when they are paid; final dividends when authorised in general meetings by shareholders. Dividend income is recognised on receipt.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured as the aggregate of the fair values at the date of exchange of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in profit or loss as incurred. Where acquisition and transition costs for successful acquisitions are material, they are disclosed as exceptional costs within note 8.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition date fair value. Subsequent changes in fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (which is subject to a maximum of one year). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with the relevant accounting standards.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair value at the acquisition date, except where a different treatment is mandated by another standard.

Investments in joint ventures and associates

A joint venture is an arrangement whereby the owning parties have joint control and rights over the net assets of the arrangement. The Group's investments in joint ventures are incorporated using the equity method of accounting.

Under the equity method, an investment in an associate or a joint venture is initially recognised in the Consolidated Balance Sheet at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Any excess of the cost of acquisition over the Group's share of net fair value of the identifiable assets, liabilities and contingent liabilities of the joint venture recognised at the date of acquisition is recognised as goodwill. Goodwill is included within the carrying value amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Determining whether joint control exists requires a level of judgement based upon specific facts and circumstances which exist at the year end. Details of the unconsolidated joint ventures are provided in note 5.

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control. The results and assets and liabilities of associates are also incorporated in these financial statements using the equity method of accounting.

Notes to the Consolidated Financial Statements continued

2. Material accounting policies continued

Goodwill

Goodwill is measured as the excess of the fair value of purchase consideration over the fair value of the net assets acquired and is recognised as an intangible asset when control is achieved. Negative goodwill is recognised immediately in the income statement. Fair value measurements are based on provisional estimates and may be subject to amendment within one year of the acquisition, resulting in an adjustment to goodwill.

Goodwill itself does not generate independent cash flows and therefore, in order to perform required tests for impairment, it is allocated at inception to the specific cash generating unit (CGU) or groups of CGUs (GCGU) which are expected to benefit from the acquisition.

On the disposal of a business which includes all or part of a GCGU, any attributable goodwill is included in the determination of the profit or loss on disposal.

The fair values associated with material business combinations are valued by external advisers and any amount of consideration which is contingent in nature is evaluated at the end of each reporting period, based on internal forecasts.

Other intangible assets

Material intangible assets are grouped into classes of similar nature and use and separately disclosed. Other intangible assets are amortised from the date of completion.

Customer relationships can arise on the acquisition of subsidiaries and represent the incremental value expected to be gained as a result of existing contracts in the purchased business using our best estimate of forecast cash flows discounted to present value. These assets are amortised over the average length of the related contracts which typically ranges between five and fifteen years.

Software and IT represent computer systems and processes used by the Group in order to generate future economic value through normal business operations. The underlying assets are amortised over the period from which the Group expects to benefit, which is typically between three to eight years.

Development expenditure is capitalised as an intangible asset only if the conditions below are met, with all research costs and other development expenditure being expensed when incurred. The period of expected benefit, and therefore period of amortisation, is typically between three and eight years. The capitalisation criteria are as follows:

- an asset is created that can be separately identified and which the Group intends to use or sell;
- the finalisation of the asset is technically feasible and the Group has adequate resources to complete its development for use or sale;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Property, plant and equipment

Assets held for use in the rendering of services, or for administrative purposes, are stated in the balance sheet at cost, net of accumulated depreciation and any provision for impairment. Assets are grouped into classes of a similar nature and use and separately disclosed except where this is not material.

Depreciation is provided on a straight-line basis at rates designed to reduce the assets to their residual value over their estimated useful lives.

The principal annual rates used are:

Freehold buildings	2.5%
Leasehold improvements	The higher of 10% or the rate produced by the lease term
Machinery	15% - 20%
Vehicles	10% - 50%
Furniture	10%
Office equipment	20% - 33%
Right of use assets	Equally over the lease term from inception or equally over the remainder of the lease term from the date of a reassessment of the lease end date

Notes to the Consolidated Financial Statements continued

2. Material accounting policies continued

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement. Given that there is limited history of material gains or losses on disposal of fixed assets, the level of judgement involved in determining the depreciation rates is not considered to be significant.

For acquisitions property, plant and equipment are measured at fair value and the right of use assets are measured as the present value of the remaining lease payments as if the acquired lease was a new lease at the acquisition date.

Asset impairment

The Group reviews the carrying amounts of its tangible and intangible assets (including goodwill) at each reporting period, together with any other assets under the scope of IAS 36 Impairment of Assets, in order to assess whether there is any indication that those assets have suffered an impairment loss. As the impairment of assets has been identified as both a key source of estimation uncertainty and a critical accounting judgement, further details around the specific judgements and estimates can be seen in note 3.

If any indication of impairment exists, the recoverable amount of the asset is estimated in order to determine if there is any impairment loss. Goodwill is assessed for impairment annually, irrespective of whether there are any indicators of impairment. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit (CGU) to which the asset belongs.

Recoverable amount is defined as the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value with reference to pre-tax discount rates that reflect the risks specific to the asset for which the estimates of future cash flows have not been adjusted. Fair value less cost to sell is the amount that a market participant would pay for the asset or CGU, less the costs of sale. The fair value less cost to sell is determined using the discounted cash flows method, where there is no readily available market price for the asset, or where there are no recent market transactions for the fair value to be determined through a comparison between the asset or CGU being tested for impairment, and a recent market transaction.

If the recoverable amount is estimated to be less than the carrying amount of the asset, the carrying amount is impaired to its recoverable amount. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the groups of cash generating unit (GCGU) and then to reduce the carrying amount of the other assets in the GCGU on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for indications that the loss which led to the impairment has decreased or no longer exists.

Where an impairment loss is subsequently reversed, the carrying amount is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised in prior years.

Impairment losses and reversals are recognised immediately within expenses in the income statement unless it is considered to be an exceptional item when the Group's criteria are met.

Retirement benefit costs

Payments to defined contribution pension schemes are charged as an expense as they fall due.

For defined benefit pension schemes, the cost of providing benefits is determined using the projected unit credit actuarial cost method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the income statement and are presented in the Statement of Comprehensive Income.

Both current and past service costs are the amounts recognised in the income statement, reflecting the expense associated with the individuals. Current service cost represents the increase in the present value of the scheme liabilities expected to arise from employee service in the current period. Past service cost is recognised immediately. Gains and losses on curtailments or settlements are recognised in the income statement in the period in which the curtailment or settlement occurs.

Notes to the Consolidated Financial Statements continued

2. Material accounting policies continued

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to the present value of available refunds (which is only recognised to the extent that the Group has an unconditional right to receive it) and reductions in future contributions to the scheme. To the extent that an economic benefit is available as a reduction in future contributions and there is a minimum funding requirement required of the Group, the economic benefit available as a reduction in contributions is calculated as the present value of the estimated future service cost in each year, less the estimated minimum funding contributions required in respect of the future accrual and benefits in that year.

Calculation of the amounts recognised in the Consolidated Financial Statements in respect of defined benefit pension schemes requires a high level of judgement, as further explained in note 3.

End of contract provisions

Where the Group has a legal or constructive obligation to compensate employees at the end of a contract term and these employees cannot be relocated within the Group, a provision is recognised to reflect the expected outflow of economic benefits at the end of the contract. The obligation is reassessed at each reporting date. The amount calculated assumes the tenure of the employee base, expected turnover, and salary.

Derivative financial instruments and hedging activities

The Group may enter into a variety of derivative financial instruments to manage the exposure to interest rate, foreign exchange risk and price risk, including currency swaps, foreign exchange forward contracts, interest rate swaps and commodity future contracts. Further details of derivative financial instruments are given in note 28.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities (fair value hedges), hedges of highly probable forecast transactions or hedges of firm commitments (cash flow hedges).

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Both at the inception of the hedge and on a periodic basis, the Group assesses whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Derivatives, which mature within 12 months, are presented as current assets or current liabilities.

Details of the fair values of the derivative instruments used for hedging purposes and movements in the hedging and translation reserve in equity are detailed in the Statement of Comprehensive Income and described in note 28.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line of the income statement as the recognised hedged item.

Hedge accounting is discontinued when the Group de-designates the hedging relationship, the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements continued

2. Material accounting policies continued

Tax

The tax expense represents the sum of current tax expense and deferred tax expense.

Current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for accounting purposes.

Deferred tax assets are generally recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which these items can be utilised.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates, and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based upon tax rates and legislation that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except where it relates to items charged or credited directly to equity, in which case the deferred tax is recognised in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, and when they relate to income taxes levied by the same tax authority where the Group intends to settle its current tax assets and liabilities on a net basis.

For acquisitions, deferred tax assets and liabilities are measured based on the provisional fair values at the acquisition date.

Share-based payment

Where the fair value of share options or shares under award requires the use of a valuation model, fair value is measured by use of Black-Scholes or Monte Carlo Simulation models depending on the type of scheme, as set out in note 33. For performance-based awards with non-market-based performance conditions or non-performance-related awards which accrue dividend equivalents through the vesting period, the fair value is equal to the share price on the date of grant as no adjustment to the market price is required. The expected life used in the models has been adjusted, based on Management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Where relevant, the value of the option or award has also been adjusted to take account of market conditions applicable to the option or award. Awards are equity settled with straight-line vesting.

Inventories

Inventories are stated at the lower of cost and net realisable value, and comprise service spares, supplies and consumables used in the rendering of services to our customers. Cost comprises direct materials and, where applicable, direct labour costs that have been incurred in bringing the inventories to their present location and condition.

Notes to the Consolidated Financial Statements continued

2. Material accounting policies continued

Trade receivables

Trade receivables are recognised initially at cost (being the same as fair value) and subsequently at amortised cost less any credit notes, provision for impairment and expected credit losses, to ensure that amounts recognised represent the recoverable amount.

Determining whether a trade receivable is impaired requires judgement to be applied based on the information available at each reporting date. A provision for impairment arises where there is evidence that the Group will not be able to collect amounts due for reasons other than customer default, which is achieved by creating an allowance for doubtful debts recognised in the income statement within expenses. When a trade receivable is expected to be uncollectible for reasons other than credit-related losses, it is provided for within the allowance. Subsequent recoveries of amounts previously provided for or written off are credited against expenses.

The majority of contracts entered into by the Group are with government organisations and therefore historic levels of default are relatively low and as a result, the risks associated with this judgement are not considered to be significant. An expected credit loss is recorded where there is evidence that a counterparty is at risk of default due to their credit worthiness. If the loss was material, the amount would be presented separately in the Consolidated Income Statement, however, the Group's customer base is predominantly government or government-backed and as a result, the Group's expected credit loss at a given point in time across the entirety of the customer base is typically immaterial.

For acquisitions, the best estimate at acquisition date of trade and other receivables are the gross contractual amounts as there are no cash flows that are not expected to be collected.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and balances with banks and similar institutions which are readily convertible to known amounts of cash, subject to insignificant changes in value and have a maturity of three months or less from the date of acquisition. This definition is also used for the Consolidated Cash Flow Statement.

Leases

The Group uses leases in the delivery of a number of contracts and in other centralised functions. Most notably, the Group uses accommodation leases in the delivery of the Asylum Accommodation and Support Services contract, vehicle leases in the Prisoner Escort and Custody Services contract and to deliver its UK vehicle fleet and support offices, amongst others. Where leases are utilised in the delivery of contracts, the Group aims to limit the duration of any non-cancellable periods of leases to be no longer than the duration of the underlying contract. For non-contract related leases, the Group has set policies on lease duration and purpose to ensure their appropriate use.

On entering into a lease, a lease liability is recorded equal to the value of future lease payments discounted at the appropriate incremental borrowing rate and, simultaneously, a right of use asset is created representing the right conferred to control the manner of use of the leased asset. The Group typically uses an appropriate incremental borrowing rate, based on the lease location and duration, as it typically does not have access to the interest rate implicit in the lease.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the income statement and corresponding assets are depreciated on a straight-line basis over the lease term.

The lease term is measured as the non-cancellable period of a lease, together with periods covered by an option to extend the lease if it is reasonably certain that the option will be exercised, and periods covered by an option to terminate the lease if it is reasonably certain that the option will not be exercised. The lease term is reassessed if an event occurs which causes either the non-cancellable period to change, or another event occurs which changes the assessment of the likelihood of exercising an option included in the lease.

All changes to leases are accounted for on a prospective basis from the point at which the change is triggered.

Where, on inception, the term of a lease is 12 months or less, or the value of the leased asset is less than £5,000, or both, rentals payable under the lease are charged to the income statement on a straight-line basis over the term of the relevant lease.

For acquisitions, leases are measured as the present value of the remaining lease payments as if the acquired lease was a new lease at the acquisition date.

Notes to the Consolidated Financial Statements continued

2. Material accounting policies continued

Loans

Loans are stated at amortised cost using the effective interest rate method. Accrued interest is recorded separately from the associated borrowings within current liabilities.

Loans are described as non-recourse loans and classified as such only if no Group company other than the relevant borrower has an obligation, under a guarantee or other arrangement, to repay the debt.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Provisions

Provisions are recognised when the Group has an obligation to make a cash outflow as a result of a past event. Provisions are measured at the best estimate of the expenditure required to settle the obligation at the balance sheet date when settlement is considered to be likely.

Onerous contract provisions (OCPs) arise when the unavoidable costs of meeting contractual obligations exceed the remuneration expected to be received. Unavoidable costs include total contract costs together with a rational allocation of shared costs that can be directly linked to fulfilling contractual obligations, which have been systematically allocated to OCPs on the basis of key cost drivers except when this is impracticable, where contract revenue is used as a proxy to activity. The provision is calculated as the lower of the termination costs payable for an early exit and the best estimate of net cost to fulfil the Group's unavoidable contract obligations. Where a customer has an option to extend a contract and it is likely that such an extension will be made, the expected net cost arising during the extension period is included within the calculation. However, where a profit can be reasonably expected in the extension period, no credit is taken on the basis that such profits are uncertain given the potential for the customer to either not extend or offer an extension under lower pricing terms. Further details of the judgements can be seen in note 3.

Contingent liabilities on business combinations

Any present obligation that exists when a business is acquired is recognised as a liability within provisions measured at its fair value, even if the outflow of economic benefits is not probable.

After initial recognition and until the liability is settled, cancelled, or expires, the liability continues to be measured at the amount initially recognised in the business combination unless the liability becomes probable. Once probable it is then measured at the higher of the amount initially recognised or the amount that would be recognised based on the accounting policy for provisions above.

Net investments in foreign operations

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations are initially recognised in equity and accumulated in the hedging and translation reserve and reclassified from equity to profit or loss on disposal of the net investment. When monetary items no longer form part of a hedging relationship, the exchange differences that arose during the time that the hedge was in place remain in the hedging translation reserve until such time as the net investment is disposed of.

Share repurchase arrangements

Any shares repurchased (excluding shares repurchased by employee share ownership trusts) are recognised when legal ownership is transferred to the Group. These are measured at cost and are included in the treasury share reserve until used or cancelled.

Any shares that the Group is contractually committed to purchase after the balance sheet date are recognised at the expected cost and included in the treasury share reserve.

When treasury shares are cancelled the cost is transferred from the treasury share reserve into retained earnings.

Shares purchased by employee share ownership trusts are recognised when legal ownership is transferred to the trust. These are measured at cost and are included in the own share reserve until transferred to the share-based payment reserve on exercise of share awards.

Notes to the Consolidated Financial Statements continued

2. Material accounting policies continued

Segmental information

Segmental information is based on internal reports about components of the Group that are regularly reviewed by the Group's Chief Operating Decision Maker (CODM) in order to allocate resources to the segments and to assess their performance. The CODM is considered to be the Board of Directors as a body.

Segmental revenue is analysed on an external basis. Inter-segment revenue is not presented as it is not significant in the context of revenue as a whole. Net finance costs are not presented for each operating segment as they are reviewed on a consolidated basis by the CODM.

Specific corporate expenses are allocated to the corresponding segments. Segment assets comprise goodwill, other intangible assets, property, plant and equipment including right of use assets, inventories, trade and other receivables (excluding corporation tax recoverable) and any retirement benefit assets. Segment liabilities comprise trade and other payables, lease liabilities, provisions and retirement benefit obligations.

3. Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Group's accounting policies, which are described in note 2, Management has made the following judgements that have the most significant effect on the amounts recognised in the Consolidated Financial Statements. As described below, many of these areas of judgement also involve a high level of estimation uncertainty.

Key sources of estimation uncertainty

Provisions for onerous contracts

Determining the carrying value of onerous contract provisions requires assumptions and complex judgements to be made about the future performance of the Group's contracts. The level of uncertainty in the estimates made, either in determining whether a provision is required, or in the calculation of a provision booked, is linked to the complexity of the underlying contract and the form of service delivery. Due to the level of uncertainty and a combination of variables associated with those estimates, there is a significant risk that there could be a material adjustment to the carrying amounts of onerous contract provisions within the next financial reporting period. This includes the potential recognition of onerous contract provisions for contracts which Management has assessed do not require a provision as at 31 December 2025.

Major sources of uncertainty which could result in a material adjustment within the next financial year are:

- the ability of the Group to maintain or improve operational performance to ensure costs or performance-related penalties are in line with expected levels;
- volume-driven revenue and costs being within the expected ranges;
- the outcome of open claims made by or against a customer regarding contractual performance or contractual negotiations taking place where there is expected to be a positive outcome from the Group's perspective; and
- the ability of suppliers to deliver their contractual obligations on time and on budget.

In the current year, there has been an overall net charge of new and existing onerous contract provisions (OCPs) within UOP of £8.3m (2024: £5.7m). Revisions have resulted from triggering events in the current year, either through changes in contractual positions or changes in circumstances which could not have been reasonably foreseen at the previous balance sheet date. To mitigate the level of uncertainty in making these estimates, Management regularly compares actual performance of the contracts against previous forecasts and considers whether there have been any changes to significant judgements.

The future range of possible outcomes in respect of those assumptions and significant judgements made to determine the carrying value of onerous contracts could result in either a material increase or decrease in the value of onerous contract provisions in the next financial year. The extent to which actual results differ from estimates made at the reporting date depends on the combined outcome and timing of a large number of variables associated with performance across multiple contracts.

The individual provisions are discounted where the impact is assessed to be significant. When used, discount rates are calculated based on the estimated risk-free rate of interest for the region in which the provision is located and matched against the ageing profile of the provision.

Notes to the Consolidated Financial Statements continued

3. Critical accounting judgements and key sources of estimation uncertainty continued

The Group undertakes a robust assessment at each reporting date to determine whether any individual customer contracts which the Group has entered into are onerous and require a provision to be recognised in accordance with IAS 37 Provisions, Contingent Liabilities & Contingent Assets. The Group operates a large number of long-term contracts at different phases of their contract life cycle. Within the Group's portfolio, there are a small number of contracts where the balance of risks and opportunities indicates that they might be onerous if transformation initiatives or contract changes are not successful. The Group has concluded that these contracts do not require an onerous contract provision on an individual basis. Following the individual contract reviews, the Group has also undertaken a top-down assessment which assumes that, while the contracts may not be onerous on an individual basis, as a portfolio there is a risk that at least some of the transformation programmes or customer negotiations required to avoid a contract loss will not be fully successful, and it is more likely than not that one or more of these contracts will be onerous. Therefore, in considering the Group's overall onerous contract provision, the Group has made a best estimate of the provision required to take into consideration this portfolio risk. As a result, the risk of OCPs and the monitoring of individual contracts for indicators remains a critical estimate for the Group. As at 31 December 2025, the provision recognised in respect of this portfolio of contracts is £8.0m (2024: £6.6m).

Onerous contract provisions totalling £17.0m (2024: £13.2m) are estimated for individual contracts, based on the specific characteristics of the contract including possible contract variations, estimates of transaction price such as variable revenues and forecast costs to fulfil those contracts. As noted above, the Group also holds a balance of £8.0m in respect of the portfolio risk associated with operating a large number of long-term contracts, giving a total onerous contract provision of £25.0m (see note 25; 2024: £19.8m). Management has considered the nature of the estimate for onerous contract provisions and concluded that it is reasonably possible that outcomes within the next financial year may be different from Management's assumptions and could, in aggregate, require a material adjustment to the onerous contract provision. However, due to the estimation uncertainty across numerous contracts each with different characteristics, it is not practical to provide a quantitative analysis of the aggregated judgements that are applied, and Management does not believe that disclosing a potential range of outcomes on a consolidated basis would provide meaningful information to a reader of the financial statements.

While the focus of the estimate is to determine whether the Group is required to record an onerous contract provision, Management also inherently assess whether any assets dedicated to the contract are required to be impaired where contracts are forecast to make sustainable losses in the future. In accordance with IAS 37, the Group will impair assets dedicated to the contract before the recognition of an onerous contract provision.

Impairment of goodwill

A key area of judgement is the impairment testing of goodwill. At each reporting period an assessment is performed in order to determine whether there are any indicators of impairment, which involves considering the performance of the business and any significant changes to the markets in which the Group operates. There continues to be headroom across all groups of cash generating units (GCGUs) even when reasonably possible sensitivities are applied. Determining whether goodwill requires an actual impairment involves an estimation of the expected value in use or fair value less cost of disposal of the asset (or GCGU to which the asset relates), whichever results in a higher value. The Group's GCGUs are consistent with its reportable operating segments as outlined in note 4. The value in use calculation, the method which returns the higher value for all GCGUs (see note 16), involves an estimation of future cash flows and also the selection of appropriate discount rates and terminal growth rates, all of which involve considerable judgement. The future cash flows are derived from the latest Board-approved five-year plan, with the key assumptions being revenue growth, which is sensitive to known and unknown pipeline opportunities, and is common within the industry, win rates for extensions, rebids and new business, margins on existing and new business, all of which drive short-term growth rates. The Board-approved five-year plan has an element of contingency to take into consideration potential risks within these assumptions.

Discount rates and terminal growth rates are calculated with reference to the specific risks associated with the assets, based on advice provided by external experts engaged by the Directors. The calculation of discount rates is performed using a risk-free rate appropriate to the currency of the cash flows related to the GCGU being tested. This rate is then adjusted to factor in local market risks and risks specific to the Group, with cash flow risks considered within the cash flows themselves rather than the discount rate. For the purpose of impairment testing in accordance with IAS 36 Impairment of Assets, the Group estimates pre-tax discount rates based on the post-tax weighted average cost of capital, which is used for internal purposes.

Notes to the Consolidated Financial Statements continued

3. Critical accounting judgements and key sources of estimation uncertainty continued

There is heightened judgement in determining the future cash flows of the Asia Pacific GCGU, as the Division has delivered lower-than-expected win rates for both new business and rebids.

Impairment losses are recognised immediately within expenses in the income statement unless, in Management's judgement, the loss is considered to be an exceptional item being outside of the normal operations of the business and material to the results of the Group by virtue of its size or nature and hence the Group's criteria for such items are met.

Retirement benefit obligations

Identifying whether the Group has a retirement benefit obligation as a result of contractual arrangements entered into requires a level of judgement, largely driven by the legal position held between the Group, the customer and the relevant pension scheme. The Group's retirement benefit obligations are covered in note 29.

The calculation of retirement benefit obligations is dependent on material key assumptions including discount rates, mortality rates, inflation rates and future contribution rates.

In accounting for the defined benefit schemes, the Group has applied the principle that the asset recognised for the Serco Pension and Life Assurance Scheme (SPLAS) and the shared cost section of the Railways Pension Scheme is equal to the full surplus that will ultimately be available to the Group as a future refund.

No pension assets are directly invested in the Group's own financial instruments or property.

Pension assets held by insurance companies including the annuity policies in SPLAS are valued at the equal and opposite of the defined benefit obligations that they insure.

The SPLAS pension scheme invests into private debt funds which do not have an observable market price and are remeasured to fair value at each reporting date. The valuation methodology relies upon the net asset value provided by the fund administrator at 30 September adjusted for actual cash flows in the period to 31 December. The Group has undertaken a risk assessment to assess whether this industry standard valuation methodology remains the Group's best estimate at 31 December and has concluded that although there is heightened estimation uncertainty, this methodology provides the most accurate valuation and estimate for Management.

Critical accounting judgements

Deferred tax

Deferred tax assets are recognised on tax deductible temporary differences to the extent that it is probable that taxable profit will be available against which they can be utilised. Significant management judgement is required to determine the amount of the deferred tax asset that should be recognised, based upon the likely timing, geography and level of future taxable profits. The vast majority of recognised deferred tax assets within the Group arise in the UK and Australia.

A £175.7m, UK deferred tax asset is recognised on the Group's balance sheet at 31 December 2025 (2024: £177.5m). This is recognised on the basis of a sustained return to profitability of the UK business which will enable future tax deductions and previous tax losses within the UK to be utilised within a 14-year period.

An Australian deferred tax asset is recognised on the Group's balance sheet. Consistent with IFRS requirements, the recoverability of this asset is assessed based on forecast taxable profits.

Following the loss of the Base Services Transformation Programme (BSTP) bid in 2025, the probability of sufficient profits to enable tax asset utilisation has been reassessed. While the Australian business has continued to deliver positive results from the Group's turnaround programme, including strengthened relationships with key government stakeholders, improved operational performance and higher customer satisfaction, the full impact of the turnaround of the Australian business still needs to be delivered.

As such, whilst there has been no further deterioration in the business and our models imply full recoverability of the tax asset over a nine-year period, Management has exercised caution and has chosen to limit recognition of the deferred tax asset to the length of the ordinary planning cycle of the Group which is five years.

Notes to the Consolidated Financial Statements continued

3. Critical accounting judgements and key sources of estimation uncertainty continued

This has led to a derecognition of £17.3m of the Australian deferred tax asset. As at 31 December 2025, an Australian deferred tax asset of £27.7m (2024: £50.5m) remains recognised on the Group's balance sheet. As the turnaround of the Australian business progresses, Management will continue to reassess this judgement. At 31 December 2025, there is £17.3m of unrecognised deferred tax asset which could become available to the Group in future.

Further details on deferred taxes are disclosed in note 14.

Acquired intangibles

As part of the MT&S business acquisition, Management engaged an independent valuation specialist to assess all potential intangible assets and benchmark against similar transactions. Based on this assessment, the only identifiable intangible asset meeting the recognition criteria was customer relationships, representing long term contracts, programs and associated backlog within the U.S. Federal Government defence market. The fair value of £89.3m was based on the Multi-Period Excess Earnings Method, consistent with the approach applied to similar primary revenue-generating assets in previous acquisitions.

In determining the amortisation period, Management considered the nature of MT&S contracts, historical renewal patterns, and the Group's accounting policy which is to amortise customer relationships over the average life of related contracts (typically between five and fifteen years). Given that MT&S' material contracts have performance periods of approximately 10 years, Management determined a 10-year useful life as the most appropriate estimate.

Further details on the acquisition are disclosed in note 6.

Use of Alternative Performance Measures: Underlying Operating Profit

The Group uses Underlying Operating Profit (UOP) as an alternative measure to reported operating profit by making adjustments for the following:

IAS 1 Presentation of Financial Statements sets out disclosure requirements regarding fair representation of information and the composition, labelling, prominence and consistency of additional line items and subtotals in financial statements. IAS 1 paragraph 97 requires separate disclosure of the nature and amount of material items of income or expense. The Group uses the term 'exceptional items' to categorise those items which require disclosure under IAS 1 paragraph 97, but this is not a term defined by IFRS. These items are separately disclosed and explained within note 8 to the Financial Statements. A level of judgement is involved in determining what items are classified as exceptional items. Management considers exceptional items to be outside of normal practice of the business (i.e. the financial impact is unusual or rare in occurrence), and are material to the results of the Group by virtue of their size or nature, and are suitable for separate presentation and detailed explanation. There is a level of judgement required in determining which items are exceptional on a consistent basis and require separate disclosure. Further details can be seen in note 8.

Amortisation and impairment of intangibles arising on acquisitions are excluded, because these charges are based on judgements about the value and economic life of assets that, in the case of items such as customer relationships, would not be capitalised in normal operating practice.

Profit or losses on disposal of subsidiaries are excluded, because such transactions represent discrete, non-recurring events outside the ordinary course of the Group's ongoing operating activities.

The Consolidated Income Statement on page 150 and the segmental analysis in note 4 includes a reconciliation of reported operating profit to UOP.

Climate risk

Risks arising from climate change may have future adverse effects on the Group's business activities.

These risks include:

- major physical risks such as extreme weather events, impacting assets, operations and employee wellbeing;
- major transitional risks including policy and legal changes such as increasing reporting and contractual requirements and increasing carbon taxes and levies;
- technology risks including costs to transition to lower emission options; and
- reputational risks such as investor and stakeholder concerns on not transitioning quickly enough to Net Zero.

Notes to the Consolidated Financial Statements continued

3. Critical accounting judgements and key sources of estimation uncertainty continued

As an outsourcing organisation operating across multiple sectors and geographies, the ways in which climate change may impact the Group's and its customers' assets (where the Group delivers the majority of its services), supply chains and operations is diverse.

In preparing the Group financial statements, Management has considered the impact of climate-related matters but has not identified significant risks induced by climate changes that could negatively and materially affect the Group's financial statements. In arriving at this conclusion, Management has considered the areas of the Group's financial statements where climate-related matters could reasonably impact measurement and disclosure including key estimates and judgements.

When undertaking the Goodwill impairment review, the Group's latest approved forecast is used to estimate the value in use of its GCGUs. Climate assumptions are built into the contract level budgets to the extent that contractual commitments exist. However, Management's current assessment shows that there are no such material contractual obligations. In addition, Group-wide strategic commitments, such as those made as part of the Net Zero targets and planning, are not material in the short term for inclusion in the Group's forecast. The forecast is underpinned by a number of assumptions, and it represents the Group's best estimate of future business performance. Management cannot reliably predict how climate changes will impact the forecast particularly in areas such as carbon levies and the cost of insurance. As such, Management has presented sensitivity analysis to demonstrate the Group's ability to withstand changes to the forecast before recording an impairment (see note 16). The forecast used in the goodwill impairment review is also used in the assessment of deferred tax assets and the Group's ability to continue as a going concern.

The Group also continuously reviews the property, plant and equipment under its control to identify opportunities to reduce its carbon impact. Primarily there has been a transition to electric and hybrid vehicles, both in the company car fleet as well as vehicles required to operate contracts. For example, electric light commercial vehicles are beginning to replace the diesel fleet in certain geographies. The transition is currently being undertaken where assets are identified as nearing the end of their useful economic life (UEL) and therefore there has been no revision to the UEL related to motor vehicles.

Other areas considered include retirement benefit obligations, namely the valuation of assets, share-based payments linked to ESG targets and those critical accounting judgements and sources of estimation uncertainty not noted above.

Management continuously assesses the impact of climate-related matters. Assumptions will likely change in the future in response to the Group's understanding of risks and opportunities maturing, forthcoming environmental regulations, climate change impacts, new commitments taken and increasing customer Net Zero requirements. These changes, if not anticipated and continually assessed, could have an impact on the Group's future cash flows, financial performance and financial position.

4. Segmental information

Segmental revenue is analysed on an external basis. Inter-segment revenue is not presented as it is not significant in the context of revenue as a whole. Net finance costs are not presented for each reportable operating segment as they are reviewed on a consolidated basis by the Group's Chief Operating Decision Maker (CODM).

Specific corporate expenses are allocated to the corresponding segments. Segment assets comprise goodwill, other intangible assets, property, plant and equipment including right of use assets, inventories, trade and other receivables (excluding corporation tax recoverable) and any retirement benefit asset. Segment liabilities comprise trade and other payables, lease liabilities, provisions and retirement benefit obligations.

The accounting policies of the reportable operating segments are the same as the Group's accounting policies described in note 2.

The Group's operating segments reflecting the information reported to the Board in 2025 under IFRS 8 Operating Segments are as set out below:

Notes to the Consolidated Financial Statements continued

4. Segmental information continued

Reportable operating segments	Sectors
UK & Europe	Services for sectors including Citizen Services, Defence, Health & Other Facilities Management, Justice & Immigration and Transport delivered to UK Government, UK devolved authorities and other public sector customers in the UK & Europe
North America	Services for sectors including Citizen Services, Defence and Transport delivered to US federal and civilian agencies, selected state and municipal governments and the Canadian Government
Asia Pacific	Services for sectors including Citizen Services, Defence, Health & Other Facilities Management, Justice & Immigration and Transport in the Asia Pacific region including Australia, New Zealand and Hong Kong
Middle East	Services for sectors including Citizen Services, Defence, Health & Other Facilities Management and Transport in the Middle East region
Corporate	Central and head office costs

Each reportable operating segment is focused on a narrow group of customers in a specific geographic region and is run by a local Management team which reports directly to the CODM on a regular basis. As a result of this focus, the sectors in each region have similar economic characteristics and are aggregated at the reportable operating segment level in these financial statements.

Information about major customers

The Group has three major governmental customers which each represent more than 5% of Group revenues in the current year. The customers' revenues were £1,698.0m (2024: £1,709.0m) for the UK Government within the UK & Europe segment; £1,269.1m (2024: £1,129.6m) for the US Government within the North America segment; and £571.4m (2024: £709.4m) for the Australian Government within the Asia Pacific segment. These customers do not act in a unified way in making purchase decisions, and in general, the Group engages directly with the various departments of these customers in respect of the services it provides.

The following is an analysis of the Group's revenue, results, assets and liabilities by reportable operating segment:

	UK&E £m	North America £m	Asia Pacific £m	Middle East £m	Corporate £m	Total £m
Year ended 31 December 2025						
Revenue	2,582.1	1,463.2	654.6	176.9	–	4,876.8
Result						
Underlying operating profit/(loss)	148.9	143.5	24.0	12.6	(57.4)	271.6
Amortisation and impairment of intangibles arising on acquisition	(10.2)	(19.8)	–	–	–	(30.0)
Profit on disposal of subsidiary	–	–	4.7	–	–	4.7
Operating profit/(loss)	138.7	123.7	28.7	12.6	(57.4)	246.3
Net finance cost						(44.8)
Profit before tax						201.5
Tax charge						(55.9)
Tax on exceptional items						–
Profit for the year						145.6
Supplementary information						
Staff costs	1,167.6	618.8	450.6	38.9	35.6	2,311.5
Share of profits in joint ventures and associates, net of interest and tax	26.7	–	–	2.1	–	28.8
Total depreciation and impairment of plant, property and equipment and right of use assets	(154.5)	(22.5)	(7.5)	(1.1)	(0.3)	(185.9)
Amortisation and impairment of intangible assets	(6.7)	(0.9)	(1.1)	(0.1)	–	(8.8)

Notes to the Consolidated Financial Statements continued

4. Segmental information continued

Year ended 31 December 2024	UK&E £m	North America £m	Asia Pacific £m	Middle East £m	Corporate £m	Total £m
Revenue	2,445.9	1,326.1	799.4	215.9	–	4,787.3
Result						
Underlying operating profit/(loss)	147.9	136.1	24.6	16.0	(51.1)	273.5
Amortisation and impairment of intangibles arising on acquisition (excluding exceptional items)	(13.4)	(15.5)	–	–	–	(28.9)
Exceptional item – Goodwill impairment	–	–	(114.5)	–	–	(114.5)
Operating profit/(loss)	134.5	120.6	(89.9)	16.0	(51.1)	130.1
Net finance cost						(33.1)
Profit before tax						97.0
Tax charge						(52.5)
Profit for the year						44.5
Supplementary information						
Staff costs	1,061.2	576.7	540.9	57.0	27.5	2,263.3
Share of profits in joint ventures and associates, net of interest and tax	22.8	–	–	–	–	22.8
Total depreciation and impairment of plant, property and equipment and right of use assets	(129.4)	(19.3)	(8.8)	(1.7)	0.7	(158.5)
Amortisation and impairment of intangible assets	(5.7)	(1.1)	(1.4)	(0.2)	–	(8.4)
As at 31 December 2025						
Segment assets						
Interests in joint ventures and associates	28.9	–	–	5.2	–	34.1
Other segment assets ¹	1,061.4	1,069.2	93.5	59.5	45.8	2,329.4
Total segment assets	1,090.3	1,069.2	93.5	64.7	45.8	2,363.5
Unallocated assets ²						432.5
Consolidated total assets						2,796.0
Segment liabilities						
Segment liabilities	(948.1)	(190.9)	(178.6)	(48.4)	(87.3)	(1,453.3)
Unallocated liabilities ²						(469.1)
Consolidated total liabilities						(1,922.4)
Supplementary information						
Additions to non-current assets ³	147.9	254.5	6.1	2.6	0.1	411.2
Segment non-current assets	784.1	854.4	27.3	24.1	10.5	1,700.4
Unallocated non-current assets						208.8

1. The Corporate segment assets and liabilities include balance sheet items which provide benefit to the wider Group, including defined benefit pension schemes.

2. Unallocated assets and liabilities include deferred tax, cash and cash equivalents, derivative financial instruments and loans.

3. Additions to non-current assets reflects additions and amounts arising on acquisition for goodwill, other intangible assets, property plant and equipment and right of use assets.

Notes to the Consolidated Financial Statements continued

4. Segmental information continued

As at 31 December 2024	UK&E £m	North America £m	Asia Pacific £m	Middle East £m	Corporate £m	Total £m
Segment assets						
Interests in joint ventures and associates ⁴	24.7	–	–	0.4	–	25.1
Other segment assets ¹	1,052.2	886.7	136.1	68.6	52.7	2,196.3
Total segment assets	1,076.9	886.7	136.1	69.0	52.7	2,221.4
Unallocated assets ²						438.9
Consolidated total assets						2,660.3
Segment liabilities						
Segment liabilities	(921.9)	(169.6)	(213.6)	(61.6)	(79.4)	(1,446.1)
Unallocated liabilities ²						(371.7)
Consolidated total liabilities						(1,817.8)
Supplementary information						
Additions to non-current assets ³	280.6	22.5	9.3	11.4	0.2	324.0
Segment non-current assets ⁵	824.2	686.5	32.4	22.8	–	1,565.9
Unallocated non-current assets						230.2

- The Corporate segment assets and liabilities include balance sheet items which provide benefit to the wider Group, including defined benefit pension schemes and corporate intangible assets.
- Unallocated assets and liabilities include deferred tax, cash and cash equivalents, derivative financial instruments and loans.
- Additions to non-current assets reflects additions and amounts arising on acquisition for goodwill, other intangible assets, property plant and equipment and right of use assets.
- An adjustment has been made to the interest in joint ventures and associates within the UK&E segment as at 31 December 2024. The amount previously disclosed in this note of £27.7m did not reflect the amount correctly recorded in the Balance Sheet of £24.7m.
- An adjustment has been made to the segment non-current assets as at 31 December 2024. The amount previously disclosed in this note of £826.8m on the UK&E segment and £1,568.5m on the total segment did not reflect the amount correctly recorded to ensure the total was equal to the Balance Sheet.

5. Joint ventures and associates

5(a) - Interest in joint ventures and associates

Name of entity	2025 £m	2024 £m
Merseyrail Services Holding Company Limited (Merseyrail) - 50% ownership interest ¹	13.2	9.7
VIVO Defence Services Limited (VIVO) - 50% ownership interest ²	15.7	14.9
Other joint ventures and associates ³	5.2	0.5
	34.1	25.1

- Merseyrail is incorporated in England and Wales. Merseyrail has a different reporting period to the Group and the share of results included reflects the 52 weeks ending 3rd January 2026 (2024: 52 weeks ending 4 January 2025).
- VIVO is incorporated in England and Wales. Although the equity ownership is 50%, the share of profits from contracts operated by VIVO is either 25% or 50%. Therefore the Group portion of material joint ventures will not represent exactly 50% of their income and net assets.
- See note 52 (List of subsidiaries and related undertakings), which includes all joint ventures and associates.

Notes to the Consolidated Financial Statements continued

5. Joint ventures and associates continued

5(b) - Movement in year

	2025 £m	2024 £m
Investments in joint ventures and associates - At 1 January	25.1	32.1
Addition¹	2.4	0.2
Share of profit from continuing operations		
Merseyrail	11.5	10.9
Vivo	15.0	11.9
Other joint ventures and associates	2.3	–
Total share of profit from continuing operations	28.8	22.8
Share of other comprehensive income		
Merseyrail	0.7	0.7
Total share of other comprehensive income	0.7	0.7
Dividends		
Merseyrail	(8.5)	(14.1)
Vivo	(14.2)	(16.7)
Other joint ventures and associates	(0.2)	–
Total dividends	(22.9)	(30.8)
Foreign Exchange	–	0.1
Investments in joint ventures and associates - At 31 December	34.1	25.1

1. On 1 August 2025, Serco Holdings Limited, a subsidiary of Serco Group plc, entered into an agreement to reduce its shareholding in Khadamat Facilities Management LLC ('Khadamat') from 49% to 45%. The results of Khadamat as a joint operation from 1 January 2025 to 31 July 2025 and the comparable period were consolidated on a proportional basis. Following the change in ownership, Khadamat is no longer proportionally consolidated and will be subject to the equity method of accounting. The material impact to the Group's financial statements as a result of this transaction is to remove revenue from the Group's results, which is estimated to be £60m per year. The impact to net profit and net assets is not material to the Group. See note 8 for details of the net assets disposed.

5(c) - Summarised financial information for material joint ventures and associates

The tables below provide summarised financial information for those joint ventures that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant joint ventures adjusted for the Group's accounting policies, and not the Group's share of those amounts.

	VIVO 2025 £m	Merseyrail 2025 £m	VIVO 2024 £m	Merseyrail 2024 £m
Summarised balance sheet (100%)				
Non-current assets	8.2	40.8	13.0	53.9
Current assets				
Cash and cash equivalents	61.3	57.0	46.9	52.4
Other current assets	152.9	40.7	166.0	28.2
Total current assets	214.2	97.7	212.9	80.6
Current liabilities				
Current financial liabilities (excluding trade payables and provisions)	(8.5)	(28.0)	(14.3)	(25.4)
Other current liabilities	(173.1)	(61.2)	(159.5)	(53.6)
Total current liabilities	(181.6)	(89.2)	(173.8)	(79.0)
Non-current financial liabilities (excluding trade payables and provisions)	(8.4)	(22.6)	(16.3)	(36.0)
Other non-current liabilities	–	(0.2)	(0.1)	(0.2)
Total non-current liabilities	(8.4)	(22.8)	(16.4)	(36.2)
Net assets	32.4	26.5	35.7	19.3
Carrying amount of investment	15.7	13.2	14.9	9.7

Notes to the Consolidated Financial Statements continued

5. Joint ventures and associates continued

	VIVO 2025 £m	Merseyrail 2025 £m	VIVO 2024 £m	Merseyrail 2024 £m
Summarised income statement (100%)				
Revenue	822.8	227.9	917.8	215.0
Operating profit	41.7	31.7	47.0	29.6
Net finance income/(cost)	1.5	(0.7)	0.5	(0.9)
Tax charge	(10.8)	(8.0)	(11.8)	(6.9)
Profit from operations	32.4	23.0	35.7	21.8
Other comprehensive income	0.0	1.4	0.0	1.4
Total comprehensive income	32.4	24.4	35.7	23.2

5(d) - Summarised Group proportion of joint ventures and associates

Whilst the revenues and individual line items are not consolidated in the Group Consolidated Income Statement, summary financial performance measures for the Group's proportion of the aggregate of all joint ventures and associates are set out below for information purposes.

	VIVO 2025 £m	Merseyrail 2025 £m	Others 2025 £m	Total 2025 £m	VIVO 2024 £m	Merseyrail 2024 £m	Others 2024 £m	Total 2024 £m
Summarised income statement (Group proportion)								
Revenue	370.6	114.0	30.1	514.7	395.1	107.5	1.9	504.5
Operating profit	19.2	15.8	2.5	37.5	15.8	14.8	–	30.6
Net finance income/(cost)	0.8	(0.3)	–	0.5	0.3	(0.4)	–	(0.1)
Tax charge	(5.0)	(4.0)	(0.2)	(9.2)	(4.2)	(3.5)	–	(7.7)
Profit from operations	15.0	11.5	2.3	28.8	11.9	10.9	–	22.8
Other comprehensive income	–	0.7	–	0.7	–	0.7	–	0.7
Total comprehensive income	15.0	12.2	2.3	29.5	11.9	11.6	–	23.5

6. Acquisitions

In May, we acquired MT&S from Northrop Grumman, for an enterprise value of £242m. MT&S generates annual revenues of approximately US\$300m, increasing the annual revenue of our North America Division to US\$2bn. This strategic acquisition significantly enhances Serco's defence and space capabilities, adding advanced mission training services and satellite ground network software to our portfolio. It also deepens our engagement with the US Department of War, supporting programmes across the US Army, Space Force, Air Force, Navy and Combatant Commands, with a team of around 900 skilled professionals. The acquisition supports Serco's growth ambitions within the international space sector, reinforcing our efforts to expand our global footprint in regions such as the UK, Australia, and the Middle East.

The operating results, assets and liabilities have been recognised effective 24 May 2025 and contributed £118.4m of revenue and £9.2m of operating profit including an appropriate allocation of charges for shared support services and fully allocated overheads, to the Group's result during the year.

During the year, £2.5m of contingent consideration was paid as part of the acquisition of Climatize following 2024 targets being met in full. As at 31 December 2025 £2.7m of contingent consideration remains for 2025 targets and £4.4m for 2026 targets which are still expected to be met.

The total impact of acquisitions to the Group's cash flow position in the year was as follows:

	2025 £m
MT&S - Enterprise value ¹	241.6
MT&S - Provisional working capital and completion account finalisation	3.7
MT&S - Acquisition date fair value of consideration transferred	245.3
Climatize - Contingent consideration on acquisition	2.5
Acquisition of business, net of cash acquired	247.8

1. Enterprise value reflects the consideration prior to working capital and fair value adjustments on the acquisition date. In local currency the enterprise value was US\$327.0m and the consideration paid was US\$332.1m.

Notes to the Consolidated Financial Statements continued

6. Acquisitions continued

The provisional fair value of assets and liabilities acquired during the year are summarised below:

	MT&S £m
Other intangible assets ¹	89.3
Property, plant and equipment	2.2
Right of use assets ²	6.4
Deferred tax asset	0.3
Contract assets, trade and other receivables ³	20.4
Contract liabilities, trade and other payables	(6.5)
Provisions	(1.2)
Lease obligations ²	(6.4)
Net assets acquired⁴	104.5
Goodwill⁵	140.8
Acquisition date fair value of consideration transferred	245.3

1. Other intangible assets is the fair value of customer relationships acquired using our best estimate of forecast cash flows discounted to present value. This is based on the Multi-Period Excess Earnings Method reflecting the contracts/programs in the US defence market and was benchmarked against similar transactions. Management determined the useful life to be 10 years aligning with the average duration of contracts acquired.
2. The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right of use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable/unfavourable terms of the lease relative to market terms.
3. The fair value of acquired contract assets, trade and other receivables was £20.4m. The gross contractual amount was £21.2m, with a loss allowance of £0.8m recognised on acquisition.
4. The fair value of the net assets acquired are prepared in accordance with IFRS 3.
5. The goodwill for MT&S is attributable to the workforce, expanding capabilities of the Group in the defence sector and the cost synergies expected to arise as a result of the acquisition. Goodwill has been allocated to the North America GCGU. All £140.8m of the goodwill balance is expected to be deductible for tax purposes equally over a 15-year period.

The total costs associated with the MT&S acquisition in the year were £6.4m (2024: £1.2m) and have been recognised in administrative expenses.

Based on estimates made of the half-year impact of the acquisition of MT&S, had this taken place on 1 January 2025, Group revenue and underlying operating profit for the year would have increased by approximately £83.7m and £11.7m respectively, taking total Group revenue to £4,960.5m and total Group underlying operating profit to £283.3m.

Notes to the Consolidated Financial Statements continued

7. Revenue from contracts with customers

Revenue

Information regarding the Group's major customers and a segmental analysis of revenue is provided in note 4.

An analysis of the Group's revenue from its key market sectors, together with the timing of revenue recognition across the Group's revenue from contracts with customers, is as follows:

Year ended 31 December 2025	UK&E £m	North America £m	Asia Pacific £m	Middle East £m	Total £m
Key sectors					
Defence	426.9	1,084.4	183.0	31.9	1,726.2
Justice & Immigration	1,400.1	–	189.1	–	1,589.2
Transport	124.3	67.5	20.0	67.2	279.0
Health & Other Facilities Management	229.3	–	149.7	54.6	433.6
Citizen Services	401.5	311.3	112.8	23.2	848.8
	2,582.1	1,463.2	654.6	176.9	4,876.8
Timing of revenue recognition					
Revenue recognised from performance obligations satisfied in previous periods	5.6	–	0.3	–	5.9
Revenue recognised at a point in time	19.2	–	0.1	–	19.3
Products and services transferred over time	2,557.3	1,463.2	654.2	176.9	4,851.6
	2,582.1	1,463.2	654.6	176.9	4,876.8
Year ended 31 December 2024					
	UK&E £m	North America £m	Asia Pacific £m	Middle East £m	Total £m
Key sectors					
Defence	358.2	932.5	181.4	26.3	1,498.4
Justice & Immigration	1,409.2	–	323.1	–	1,732.3
Transport	130.7	85.3	16.6	82.4	315.0
Health & Other Facilities Management	217.1	–	160.2	83.7	461.0
Citizen Services	330.7	308.3	118.1	23.5	780.6
	2,445.9	1,326.1	799.4	215.9	4,787.3
Timing of revenue recognition					
Revenue recognised from performance obligations satisfied in previous periods	4.8	–	–	–	4.8
Revenue recognised at a point in time	48.0	–	12.3	–	60.3
Products and services transferred over time	2,393.1	1,326.1	787.1	215.9	4,722.2
	2,445.9	1,326.1	799.4	215.9	4,787.3

Transaction price allocated to remaining performance obligations

The following table shows the transaction price allocated to remaining performance obligations. This represents revenue expected to be recognised in subsequent periods arising on existing contractual arrangements. In assessing the future transaction price, the judgements of most relevance are the future term over which the transaction price is calculated and the estimation of variable revenue to be included.

Where a contract with a customer includes within the term of the committed contract provisions for price-rebasing or a provision for market testing, revenue beyond these is included to the extent that there are no indicators which suggest that the contract will not continue past this point, and it is highly probable that a significant reduction will not occur. Where there is a requirement for the Group, or a customer, to enter into a new contract, rather than continuing an existing contract, such an extension is not included for the purposes of calculating future transaction price.

Notes to the Consolidated Financial Statements continued

7. Revenue from contracts with customers continued

Additionally, the Group has a small subset of contracts that contain a termination for convenience clause, for example, due to national security considerations, which are assumed by the Group not to be without cause. These contracts are considered to run for the full intended term for the purpose of calculating the transaction price allocated to remaining performance obligations, other than instances where the Group believes that termination will occur before the original contract end date. Under the terms of certain contracts which the Group has with its customers, the Group's compensation for providing those services is based on volumes or other drivers of variable activity, such as additional activities awarded under existing contracts. These volumes are not guaranteed, but Management is able to prepare a sufficiently reliable estimate of the minimum level of variable revenue that is likely to be earned based on historic volumes and the nature of the contracts in operation, such as the provision of asylum seeker accommodation. As a result, variable revenue is included only to the level at which Management remains confident that a significant reduction will not occur.

As part of the considerations around variable revenue, Management considers the impact that factors such as contractual performance, anticipated demand and pricing (including indexation) may have on future revenue recognised. Management also considers whether there are possible impacts from climate change and other environmental related risks, with certain sectors considered to be more at risk than others; however, no significant adjustments were identified in relation to the future revenue forecasts of existing contracts.

	UK&E £m	North America ¹ £m	Asia Pacific £m	Middle East £m	Total £m
Within 1 year (2026)	2,392.1	815.0	456.1	90.7	3,753.9
Between 2-5 years (2027-2030)	5,363.6	345.9	687.4	205.7	6,602.6
5 years and beyond (2031+)	3,197.3	28.1	890.8	4.3	4,120.5
	10,953.0	1,189.0	2,034.3	300.7	14,477.0

1. Due to the nature of the contracting environment in the North America Division, the transaction price allocated to remaining performance obligations is primarily within one year and as a result the future years are inherently lower than other segments.

8. Non-underlying items

Year ended 31 December	2025 £m	2024 £m
Exceptional item – Goodwill impairment	–	(114.5)
Amortisation of customer relationship intangibles	(28.9)	(26.9)
Impairment of customer relationship intangibles	(1.1)	(2.0)
Amortisation and impairment of intangible assets arising on acquisition	(30.0)	(28.9)
Profit on disposal of subsidiary	4.7	–
Total non-underlying items before tax	(25.3)	(143.4)
Non-underlying tax (charge)/credit ¹	(4.3)	7.9
Total non-underlying items net of tax	(29.6)	(135.5)

1. The non-underlying tax charge includes £17.3m relating to the derecognition of part of the deferred tax asset in Australia, for more details see page 171.

During the year the Group disposed of Serco Group (HK) Limited and reduced its shareholding in Khadamat Facilities Management LLC (Khadamat) from 49% to 45%, resulting in Khadamat no longer being proportionally consolidated. The total impact of disposals to the Group's cash flow position in the year was as follows:

Year ended 31 December 2025	Hong Kong £m	Khadamat £m	Total £m
Consideration	9.4	2.4	11.8
Less: cash disposed	(6.4)	(5.9)	(12.3)
Less: non-cash consideration ¹	–	(2.4)	(2.4)
Proceeds from disposal of subsidiary, net of cash disposed and disposal costs	3.0	(5.9)	(2.9)

1. The non-cash consideration for Khadamat reflects that no cash was transferred for either the disposal or the addition to investment in joint ventures and associates shown in Note 5.

Notes to the Consolidated Financial Statements continued

8. Non-underlying items continued

Below is a reconciliation of the net assets disposed to profit on disposal of subsidiaries

	Hong Kong	Khadamat	Total
Year ended 31 December 2025	£m	£m	£m
Property, plant and equipment	(0.8)	(0.1)	(0.9)
Right of use assets	(0.2)	–	(0.2)
Inventories	–	(0.3)	(0.3)
Contract assets, trade and other receivables	(5.0)	(5.9)	(10.9)
Cash and cash equivalents	(6.4)	(5.9)	(12.3)
Contract liabilities, trade and other payables	6.8	8.8	15.6
Provisions	3.7	0.5	4.2
Corporation tax liabilities	–	0.5	0.5
Net assets disposed	(1.9)	(2.4)	(4.3)
Consideration	9.4	2.4	11.8
Foreign exchange loss from translation reserve	(0.5)	–	(0.5)
Cost of disposal	(2.3)	–	(2.3)
Profit on disposal of subsidiary	4.7	–	4.7

9. Operating profit

Operating profit is stated after charging/(crediting):

	2025	2024
Year ended 31 December	£m	£m
Research and development costs	0.1	0.1
Profit on disposal of property, plant and equipment	(0.6)	(0.3)
(Profit)/loss on early termination of leases	(0.6)	0.1
Loss on disposal of intangible assets	–	0.7
Depreciation and impairment of property, plant and equipment (note 18)	18.5	16.8
Depreciation and impairment of right of use assets (note 18)	167.4	141.7
Impairment of goodwill (note 17)	–	114.5
Amortisation and impairment of intangible assets - arising on acquisition (note 17)	30.0	28.9
Amortisation and impairment of intangible assets	8.8	8.3
Staff costs (note 10)	2,325.1	2,278.5
Allowance for doubtful debts (credited)/charged to income statement	(1.3)	1.0
Net foreign exchange charge	0.3	0.7
Movement on non-designated hedges and reclassified cash flow hedges	0.9	0.4
Lease payments recognised through operating profit ¹	2.8	3.0
Operating lease income from sub-leases	(0.5)	(2.0)

1. The lease payments recognised in operating profit are those which have not been recorded in accordance with the permissible exemptions in IFRS 16 Leases for short-term or low-value leases.

Notes to the Consolidated Financial Statements continued

9. Operating profit continued

Amounts payable by the Company and its subsidiary undertakings in respect of audit and non-audit services to the Company's Auditor are shown below.

	2025	2024
Year ended 31 December	£m	£m
Fees payable to the Company's Auditor for the audit of the Company's annual accounts	2.9	5.4
Fees payable to the Company's Auditor and their associates for other services to the Group:		
- Audit of the Company's subsidiaries pursuant to legislation	3.7	1.6
Total audit fees	6.6	7.0
- Audit-related assurance services	0.4	0.6
- Other non-audit services	-	-
Total non-audit fees	0.4	0.6

Fees payable to the Company's Auditor for non-audit services to the Company are not required to be disclosed separately because the Consolidated Financial Statements are required to disclose such fees on a consolidated basis.

Details of the Company's policy on the use of auditors for non-audit services and how the Auditor's independence and objectivity were safeguarded, are set out in the Audit Committee Report on page 101. No services were provided pursuant to contingent fee arrangements.

10. Staff costs

The average number of persons employed by the Group (including Executive Directors) was:

	2025	2024
Year ended 31 December	Number	Number
UK & Europe	26,293	24,702
North America	9,395	8,681
Asia Pacific	10,650	12,825
Middle East	1,204	1,453
Unallocated ¹	121	128
	47,663	47,789

1. Unallocated includes Group overhead functions.

The average number of persons employed includes all individuals employed under contracts of service by the Group. This comprises permanent, part-time, and casual employees and those with fixed term contracts. It excludes self-employed contractors and other casual workers.

Aggregate remuneration of all employees based on the average number of employees reported above was:

	2025	2024
Year ended 31 December	£m	£m
Wages and salaries	2,008.9	1,987.2
Social security costs	198.1	170.5
Other pension costs (note 29)	104.5	105.6
	2,311.5	2,263.3
Share-based payment expense (note 33)	13.6	15.2
	2,325.1	2,278.5

Notes to the Consolidated Financial Statements continued

11. Investment revenue

Year ended 31 December	2025 £m	2024 £m
Interest receivable on loans and deposits	5.7	5.3
Net interest receivable on retirement benefit obligations (note 29)	0.8	1.9
Movement in discount on other debtors	0.3	0.5
	6.8	7.7

12. Finance costs

Year ended 31 December	2025 £m	2024 £m
Interest payable on lease liabilities	22.9	19.9
Interest payable on loans	23.9	14.7
Facility fees and other charges	2.7	2.7
	49.5	37.3
Movement in discount on contingent consideration	0.8	0.9
Movement in discount on other creditors	0.4	0.5
Foreign exchange on financing activities ¹	0.9	2.1
	51.6	40.8

1. Foreign exchange on financing activities includes realised losses of £8.9m (2024: £13.1m) on derivatives which are shown in the cash flow statement under financing activities and £8.0m (2024: £11.0) of unrealised gains on derivatives and loans. The derivatives have been entered into in order to offset foreign exchange exposure arising from the intra-group financing arrangements within the Group.

13. Tax

13 (a) Income tax recognised in the income statement

Year ended 31 December	2025			2024		
	Underlying £m	Non-underlying items £m	Reported £m	Underlying £m	Non-underlying items £m	Reported £m
Current income tax						
Current income tax charge/(credit)	45.1	(7.1)	38.0	53.3	(4.0)	49.3
Adjustments in respect of prior years	(4.0)	–	(4.0)	0.4	–	0.4
Pillar Two taxes¹						
Current year charge	0.3	–	0.3	–	–	–
Adjustments in respect of prior years	0.2	–	0.2	–	–	–
Deferred tax						
Current year charge/(credit)	10.7	16.3	27.0	5.3	(3.9)	1.4
Adjustments in respect of prior years	(0.7)	(4.9)	(5.6)	1.4	–	1.4
	51.6	4.3	55.9	60.4	(7.9)	52.5

1. Pillar Two taxes refer to charges arising under the Organisation for Economic Co-operation and Development framework for a global minimum tax.

Notes to the Consolidated Financial Statements continued

13. Tax continued

The tax expense for the year can be reconciled to the profit in the Consolidated Income Statement as follows:

Year ended 31 December	Underlying	Non-underlying	Reported	Underlying	Non-underlying	Reported
	2025	items	2025	2024	items	2024
	£m	£m	£m	£m	£m	£m
Profit before tax	226.8	(25.3)	201.5	240.4	(143.4)	97.0
Tax calculated at a rate of 25.0% (2024: 25.0%)	56.7	(6.3)	50.4	60.1	(35.8)	24.3
Non-deductible expenses and non-taxable income ¹	2.3	(2.5)	(0.2)	2.1	28.6	30.7
Unprovided deferred tax	2.0	15.7	17.7	0.6	–	0.6
Overseas rate differences	1.0	2.3	3.3	(0.6)	(0.7)	(1.3)
Adjustments in respect of prior years	(4.7)	(4.9)	(9.6)	1.4	–	1.4
Adjustments in respect of equity accounted investments	(7.2)	–	(7.2)	(5.7)	–	(5.7)
Withholding tax	1.0	–	1.0	2.5	–	2.5
Pillar Two taxes	0.5	–	0.5	–	–	–
Tax charge/(credit)	51.6	4.3	55.9	60.4	(7.9)	52.5

1. Relates to costs that are not allowable for tax deduction and to income that is not subject to taxation under local tax law. This disclosure has been amended in respect of 2024. Due to the value of each component and their similar nature, the lines for 'Expenses not deductible for tax purposes' and 'Other non-taxable income' are now combined. There is no change to the tax charge for 2024.

The corporate income tax expense for the year is based on the UK statutory rate of corporation tax for the period of 25.0% (2024: 25.0%). Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The Group tax charge includes movements in contingencies for tax authority audits and tax exposures in the jurisdictions in which we operate. Management is required to make an estimate of tax liabilities that may arise as a consequence of accounting and tax treatments, including the pricing of intercompany services. Where Management concludes that a tax position is uncertain, a liability is held for estimated probable taxes based on information currently available. Fluctuations may arise as liabilities build up over an extended period before resolution at a single point in time. Each potential liability and contingency is revisited on an annual basis and adjusted to reflect any changes in positions taken by the Company, local tax audits, the expiry of statutes of limitations, and any changes in the broader tax environment.

13 (b) Income tax recognised in the SOCI

Year ended 31 December	2025	2024
	£m	£m
Current tax		
Taken to retirement benefit obligations reserve	1.6	2.4
Deferred tax		
Relating to cash flow hedges	(0.2)	0.1
Taken to retirement benefit obligations reserve	3.6	5.3
	5.0	7.8

13 (c) Tax on items taken directly to equity

Year ended 31 December	2025	2024
	£m	£m
Current tax		
Recorded in share-based payment reserve	1.2	1.1
Deferred tax		
Recorded in share-based payment reserve	3.8	(0.4)
	5.0	0.7

Notes to the Consolidated Financial Statements continued

14. Deferred tax

Deferred income taxes are calculated in full on temporary differences under the liability method using local substantively enacted tax rates.

The movement in net deferred tax (assets)/liabilities during the year was as follows:

	2025	2024
	£m	£m
Year ended 31 December		
At 1 January - asset	(177.7)	(184.8)
Income statement charge	21.4	2.8
Items recognised in equity and in other comprehensive income	(7.2)	(5.0)
Arising on acquisition	(0.3)	4.7
Exchange differences	(3.3)	4.6
At 31 December - asset	(167.1)	(177.7)

The movement in deferred tax (assets)/liabilities during the year was as follows:

	Temporary differences on assets/intangibles	Temporary differences on right of use assets	Temporary differences on lease liabilities	Share-based payment and employee benefits	Retirement benefit schemes	Onerous contract provisions	Derivative financial instruments	Tax losses	Other temporary differences	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1 January 2025	51.8	15.1	(16.7)	(38.5)	1.6	(0.7)	(0.2)	(155.5)	(34.6)	(177.7)
(Credited)/charged to income statement (note 13a)	(5.0)	(1.6)	1.6	9.9	(0.1)	(0.4)	–	4.8	12.2	21.4
Arising on acquisition of a subsidiary	–	1.6	(1.6)	–	–	–	–	–	(0.3)	(0.3)
Items recognised in equity and in other comprehensive income (notes 13b and 13c)	–	–	–	(3.8)	(3.6)	–	0.2	–	–	(7.2)
Exchange differences	(4.2)	(0.5)	0.6	0.5	0.1	0.2	0.1	0.1	(0.2)	(3.3)
31 December 2025	42.6	14.6	(16.1)	(31.9)	(2.0)	(0.9)	0.1	(150.6)	(22.9)	(167.1)

Other temporary differences is comprised primarily of provisions and accruals of £22.7m which, under certain tax laws, are only allowable or taxed when expended. Other timing differences amount to £0.2m.

Notes to the Consolidated Financial Statements continued

14. Deferred tax continued

The movement in deferred tax (assets)/liabilities during the previous year was as follows:

	Temporary differences on assets/intangibles	Temporary differences on right of use assets	Temporary differences on lease liabilities	Share-based payment and employee benefits	Retirement benefit schemes	Onerous contract provisions	Derivative financial instruments	Tax losses	Other temporary differences	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
1 January 2024	29.0	15.4	(17.6)	(36.8)	7.1	(1.0)	(0.1)	(157.5)	(23.3)	(184.8)
IFRS 16 Restatement	–	–	–	–	–	–	–	–	–	–
At 1 January (Restated)	29.0	15.4	(17.6)	(36.8)	7.1	(1.0)	(0.1)	(157.5)	(23.3)	(184.8)
(Credited)/charged to income statement (note 13a)	(0.6)	(0.1)	0.7	(3.4)	(0.2)	0.3	–	2.0	4.1	2.8
Transfer in temporary difference	17.7	–	–	–	–	–	–	–	(17.7)	–
Arising on acquisition of a subsidiary	4.7	–	–	–	–	–	–	–	–	4.7
Items recognised in equity and in other comprehensive income (notes 13b and 13c)	–	–	–	0.4	(5.3)	–	(0.1)	–	–	(5.0)
Exchange differences	1.0	(0.2)	0.2	1.3	–	–	–	–	2.3	4.6
31 December 2024	51.8	15.1	(16.7)	(38.5)	1.6	(0.7)	(0.2)	(155.5)	(34.6)	(177.7)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following analysis shows the deferred tax balances (after offset) for financial reporting purposes:

	2025	2024
	£	£
Deferred tax liabilities	41.1	52.1
Deferred tax assets	(208.2)	(229.8)
	(167.1)	(177.7)

As at the balance sheet date, the UK has a potential deferred tax asset of £235.0m (2024: £235.6m) available for offset against future profits. A UK deferred tax asset has currently been recognised of £175.7m (2024: £177.5m). Recognition has been based on the ongoing strength of the underlying UK business, indicating a sustained profitability which will enable accumulated tax losses within the UK to be utilised.

No deferred tax asset has been recognised in respect of the remaining UK asset (net £59.3m) as there are more restrictions on their use either due to their nature, such as capital losses, or the period and entity in which they arose; in particular, revenue losses arising prior to April 2017 are more restricted in their use. The deferred tax balance at 31 December 2025 has been calculated reflecting the UK statutory rate of 25%.

During the turnaround phase of the Australian business, Management has chosen to limit deferred tax asset recognition to the ordinary planning cycle of the Group, which is five years. This limitation has resulted in the derecognition of £17.3m. An Australian deferred tax asset of £27.7m (2024: £50.5m) remains recognised on the Group's balance sheet. As the turnaround of the Australian business progresses, Management will continue to reassess this judgement.

Outside of the UK, there is a total £27.8m (2024: £18.6m) of deferred tax assets which have not been recognised. £8.4m (2024: £17.9m) of this relates to revenue losses where current forecasts do not support recognition.

Notes to the Consolidated Financial Statements continued

14. Deferred tax continued

Losses of £8.3m (2024: £2.2m) expire within 5 years, losses of £nil (2024: £42.0m) expire within 6-10 years, losses of £nil (2024: £4.3m) expire within 20 years and losses of £855.8m (2024: £885.2m) may be carried forward indefinitely. The decrease in losses expiring in 6-10 years is a result of the elimination of unrecognised losses on merger of Group entities.

As of July 2023 the UK has enacted legislation implementing the Organisation for Economic Co-operation and Development framework for a global minimum tax rate (Pillar Two). In accordance with the framework, the Group has applied a temporary mandatory relief from deferred tax accounting for the impact of top-up tax and accounts for it as a current tax when it is incurred.

15. Earnings per share

Basic earnings per share is calculated by dividing the profit after tax attributable to owners of the Group by the weighted average number of shares in issue, after deducting treasury shares and the Group's own shares held by employee share ownership trusts, and adding back vested share options not exercised.

In calculating the diluted earnings per share, unvested share options outstanding have been taken into account where the impact of these is dilutive.

The calculation of the basic and diluted EPS is based on the following data:

	2025	2024
Number of shares	millions	millions
Weighted average number of ordinary shares for the purpose of basic EPS	1,012.2	1,058.9
Effect of dilutive potential ordinary shares: Shares under award	22.5	19.2
Weighted average number of ordinary shares for the purpose of diluted EPS	1,034.7	1,078.1

Earnings per share

	Earnings	Per share amount	Earnings	Per share amount
	2025	2025	2024	2024
	£m	pence	£m	pence
Basic EPS				
Earnings for the purpose of basic EPS	145.6	14.38	44.2	4.17
Effect of dilutive potential ordinary shares	–	(0.31)	–	(0.07)
Diluted EPS	145.6	14.07	44.2	4.10

16. Goodwill

	Cost	Accumulated impairment losses	Carrying amount
	£m	£m	£m
1 January 2024	1,246.8	(340.1)	906.7
Arising on acquisitions	30.9	–	30.9
Impairment	–	(114.5)	(114.5)
Exchange differences	3.1	–	3.1
At 31 December 2024	1,280.8	(454.6)	826.2
Acquisitions	140.8	–	140.8
Exchange differences	(53.6)	15.9	(37.7)
At 31 December 2025	1,368.0	(438.7)	929.3

Notes to the Consolidated Financial Statements continued

16. Goodwill continued

Movements in the balance since the prior year end can be seen as follows:

	Goodwill balance 1 January 2025	Acquisitions	Exchange differences 2025	Goodwill balance 31 December 2025	Headroom on impairment analysis 2025	Headroom on impairment analysis 2024
	£m	£m	£m	£m	£m	£m
UK & Europe	227.0	–	1.8	228.8	1,704.3	1,234.8
North America	568.5	140.8	(38.1)	671.2	1,294.6	889.2
Asia Pacific	10.3	–	–	10.3	31.0	–
Middle East	20.4	–	(1.4)	19.0	218.7	327.0
	826.2	140.8	(37.7)	929.3	3,248.6	2,451.0

Included above is the headroom on the groups of cash generating units (GCGUs) existing at the year end, which reflects where future discounted cash flows are greater than the underlying assets and includes all relevant cash flows. In all GCGUs there is sufficient headroom available (2024: all GCGUs except Asia Pacific had sufficient headroom).

The key quantifiable assumptions applied in the impairment assessment are set out below:

	Discount rate %	Discount rate %	Terminal growth rates %	Terminal growth rates %
	2025	2024	2025	2024
UK & Europe	9.8	10.1	2.0	2.1
North America	11.0	11.1	2.4	2.3
Asia Pacific	12.3	12.1	2.1	2.2
Middle East	11.1	11.4	2.6	2.5

Discount rate

Pre-tax discount rates derived from the Group's post-tax weighted average cost of capital have been used in discounting the projected cash flows. These rates are reviewed annually with external advisers and are adjusted for risks specific to the market in which the GCGU operates and risks specific to the Group; cash flow risks are considered within cash flows and not the discount rate.

Terminal growth rates

The value in use calculation includes a terminal value based on the projections for the fifth year of the five-year plan, with a growth rate assumption applied which extrapolates the business into perpetuity. The terminal growth rates are based on long-term inflation rates of the geographic market in which the GCGUs operate and therefore do not exceed the average long-term growth rates forecast for the individual markets. These are provided by external advisers and have not materially changed as compared with 2024.

Short-term growth rates

The annual impairment test is performed immediately prior to the year end, based initially on the Board-approved five-year plan. Short-term revenue growth rates used in each GCGU's five-year plan are based on internal data regarding our current contracted position, the pipeline of opportunities and forecast growth for the relevant market.

Short-term profitability is based on our historic experiences and requires a level of judgement. Where businesses have been poor performers, performance improvement has only been assumed where the Directors have assessed that an achievable plan is in place and all forecasts include cash flows relating to contracts where onerous contract provisions have been made.

As explained in note 3, the Directors consider certain sectors in which the Group operates to be more exposed to environmental risks than others. For example, changes in consumer attitudes to aviation or the use of private vehicles may have an impact on the Group's transport contracts. Currently, no adjustment to existing contracts is required, although Management will continue to monitor the potential impact of environmental risks.

Notes to the Consolidated Financial Statements continued

16. Goodwill continued

Sensitivity analysis

Reflecting the assumptions made in the estimation of future cash flows and the selection of appropriate discount rates and terminal growth rates, a number of plausible scenarios have been considered as part of the overall impairment assessment below.

Sensitivity	Impact
1% increase in discount rates combined with a 1% decrease in terminal growth rates	No impairment
No growth to cash flows outside the two-year budget period	No impairment
10% reduction in cash flows in the terminal year ¹	No impairment

1. Cash flows in the terminal year would need to reduce by 101% in the Middle East (£28.4m), 86% in North America (£172.0m), 85% in UK & Europe (£194.2m), and 35% in Asia Pacific (£5.1m) before an impairment would need to be recognised.

Key assumptions and sensitivities applied to testing goodwill allocated to the Asia Pacific GCGU

Whilst 2025 has seen a decline in Revenue in the Asia Pacific Division as a result of the successful transition out from providing onshore immigration services in Australia, and the sale of the Hong Kong operations in September 2025, the GCGU has experienced relatively unchanged levels of underlying operating profit. The 2025 five-year plan submitted by Divisional Management has seen improvement through a focus on operational excellence, a core priority of the business, including improvements across its contract portfolio. This has led to a reduced, but targeted pipeline portfolio focusing on bids on key new business and retaining key contracts.

Due to the history of underperformance of the Division in recent years, and the impairment booked in 2024, the Directors have risk adjusted the cash flows in the five-year plan submitted by Divisional Management used in the value-in-use assessment under IAS 36, which effectively assumes a continuation of historic performance to the Asia Pacific business. These adjustments remove the benefit of any further turnaround activity being undertaken in the Division and therefore value the business based on growth in the terminal year of 2.1%, the long-term inflation rate for the region.

The following risk adjustments have been made to the baseline forecast submitted by the Asia Pacific Division to reflect the Directors' assessment of certain key assumptions:

- New business win rates are at the five-year average of 7% by value, broadly in line with the average win rate in 2025, however this is lower than the average win rates assumed within the five-year plan submitted by the Division of 23%.
- Rebid and extension win rates by value align with the five-year average when excluding the loss of the immigration contract of 93% (2024: 94%) which is broadly in line with the levels experienced by the Division in 2025.

Noting the performance of the Division above, whilst the Directors have assessed the assumptions used are realistic, it is possible that a reduction in headroom would occur if any of the above key assumptions were adversely changed.

Factors which could lead to an impairment are:

- significant and prolonged underperformance relative to the forecast; and
- deteriorations in the economies in which the Group operates.

To support their assertions, the Directors have performed sensitivity analysis based on a scenario of a reduction on the fifth year cash flows. For AsPac, with a headroom of £31.0m, for the recoverable amount to fall below the carrying value it would require a 35% reduction of fifth year cash flows.

However, having performed a review of the market and identified areas where the business could be more efficient following the operational excellence programme, the Directors believe that sufficient opportunities exist to deliver the five-year plan and that win rates on new business can be improved. Whilst tangible cost savings are expected in the short term, it may take a longer period for an improvement in pipeline and win rates to be observed. The Directors will continue to monitor the win rates on new business within the Division, given the GCGU still represents the lowest headroom of £31.0m.

Notes to the Consolidated Financial Statements continued

17. Other intangible assets

	Acquisition related	Other		Total £m
	Customer relationships £m	Software and IT £m	Internally generated development expenditure £m	
Cost				
At 1 January 2025	218.1	136.1	48.1	402.3
Arising on acquisition	89.3	–	–	89.3
Additions - internal development	–	2.1	1.1	3.2
Additions - external	–	8.5	–	8.5
Reclassifications from/to other intangible asset categories	–	(0.6)	0.6	–
Disposals	–	(46.0)	(0.6)	(46.6)
Exchange differences	(7.8)	(1.5)	(0.2)	(9.5)
At 31 December 2025	299.6	98.6	49.0	447.2
Accumulated amortisation and impairment				
At 1 January 2025	143.5	114.4	43.0	300.9
Impairment charge	1.1	–	–	1.1
Amortisation charge - internal development	–	1.4	2.0	3.4
Amortisation charge - external	28.9	5.4	–	34.3
Disposals	–	(46.0)	(0.6)	(46.6)
Exchange differences	(6.0)	(1.8)	(0.3)	(8.1)
At 31 December 2025	167.5	73.4	44.1	285.0
Net book value				
At 31 December 2025	132.1	25.2	4.9	162.2

	Acquisition related	Other		Total £m
	Customer relationships £m	Software £m	Internally generated development expenditure £m	
Cost				
At 1 January 2024	202.8	132.8	57.6	393.2
Arising on acquisition	15.4	0.1	–	15.5
Additions - internal development	–	1.8	1.9	3.7
Additions - external	–	5.4	–	5.4
Disposals	(0.4)	(2.3)	(11.4)	(14.1)
Exchange differences	0.3	(1.7)	–	(1.4)
At 31 December 2024	218.1	136.1	48.1	402.3
Accumulated amortisation and impairment				
At 1 January 2024	114.2	110.2	53.2	277.6
Impairment charge	2.0	–	–	2.0
Amortisation charge - internal development	–	2.6	1.2	3.8
Amortisation charge - external	26.9	4.5	–	31.4
Disposals	(0.4)	(1.6)	(11.4)	(13.4)
Exchange differences	0.8	(1.3)	–	(0.5)
At 31 December 2024	143.5	114.4	43.0	300.9
Net book value				
At 31 December 2024	74.6	21.7	5.1	101.4

The net book value of internally generated intangible assets as at 31 December 2025 was £4.9m (2024: £5.1m) in development expenditure and £8.3m (2024: £2.1m) in software and IT.

Notes to the Consolidated Financial Statements continued

18. Property, plant and equipment, and right of use assets

	Land & Buildings Owned £m	Land & Buildings Leased £m	Leasehold Improvements Owned £m	Other Assets Owned ¹ £m	Other Assets Leased ¹ £m	Total £m
Cost						
At 1 January 2025	7.3	891.1	36.5	137.1	87.0	1,159.0
Arising on acquisition	–	6.4	1.8	0.4	–	8.6
Eliminated on disposal	–	(1.0)	–	(2.7)	–	(3.7)
Impairment	–	–	–	(0.1)	–	(0.1)
Additions	1.8	116.8	3.3	16.4	23.0	161.3
Reclassifications between categories	–	–	0.5	(0.5)	–	–
Disposals	(1.5)	(72.7)	(3.8)	(13.3)	(19.3)	(110.6)
Exchange differences	0.3	(1.9)	(1.3)	(2.1)	(0.3)	(5.3)
At 31 December 2025	7.9	938.7	37.0	135.2	90.4	1,209.2
Accumulated depreciation and impairment						
At 1 January 2025	3.0	414.8	24.1	97.0	48.4	587.3
Eliminated on disposal	–	(0.8)	–	(1.8)	–	(2.6)
Charge for the year - impairment	–	2.1	–	–	–	2.1
Charge for the year - depreciation	0.4	147.4	4.2	13.9	17.9	183.8
Reclassifications between categories	–	–	0.4	(0.4)	–	–
Disposals	(1.0)	(65.8)	(3.8)	(9.6)	(16.5)	(96.7)
Exchange differences	0.1	(0.8)	(1.1)	(1.5)	(0.4)	(3.7)
At 31 December 2025	2.5	496.9	23.8	97.6	49.4	670.2
Net book value²						
At 31 December 2025	5.4	441.8	13.2	37.6	41.0	539.0

1. Other assets include machinery, vehicles, furniture and equipment.

2. The net book value is shown on the balance sheet as £56.2m of owned assets in property, plant and equipment and £482.8m of leased assets in right of use assets.

The additions for leased land and buildings include £0.8m (2024: £2.0m) for dismantling provisions.

	Land & Buildings Owned £m	Land & Buildings Leased £m	Leasehold Improvements Owned £m	Other Assets Owned ¹ £m	Other Assets Leased ¹ £m	Total £m
Cost						
1 January 2024	4.1	737.1	35.9	132.1	87.1	996.3
Arising on acquisition	3.8	1.5	–	1.9	0.2	7.4
Additions	0.1	207.7	5.0	20.2	27.6	260.6
Reclassifications between categories	(0.5)	–	0.5	–	–	–
Disposals	(0.1)	(52.6)	(4.6)	(15.0)	(27.6)	(99.9)
Exchange differences	(0.1)	(2.6)	(0.3)	(2.1)	(0.3)	(5.4)
At 31 December 2024	7.3	891.1	36.5	137.1	87.0	1,159.0
Accumulated depreciation and impairment						
1 January 2024	2.9	333.8	25.0	99.9	49.5	511.1
Charge for the year - impairment	–	0.2	–	(0.4)	–	(0.2)
Charge for the year - depreciation	0.3	123.9	3.7	13.2	17.6	158.7
Disposals	(0.2)	(41.7)	(4.4)	(14.2)	(18.6)	(79.1)
Exchange differences	–	(1.4)	(0.2)	(1.5)	(0.1)	(3.2)
At 31 December 2024	3.0	414.8	24.1	97.0	48.4	587.3
Net book value²						
At 31 December 2024	4.3	476.3	12.4	40.1	38.6	571.7

1. Other assets include machinery, vehicles, furniture and equipment.

2. The net book value is shown on the balance sheet as £56.8m of owned assets in property, plant and equipment and £514.9m of leased assets in right of use assets.

Notes to the Consolidated Financial Statements continued

19. Inventories

	2025	2024
	£m	£m
Service spares, supplies, consumables and work in progress	20.0	24.1

20. Contract assets, trade and other receivables

	2025	2024
	£m	£m
Contract assets: Non-current		
Capitalised mobilisation and phase-in costs	4.5	–
Contract assets: Current		
Accrued income and other unbilled receivables	300.7	289.0
Capitalised bid costs	1.5	1.8
Capitalised mobilisation and phase-in costs	9.6	7.7
Other contract assets	1.2	1.5
	313.0	300.0

The Group's Consolidated Balance Sheet includes capitalised bid and phase-in costs that are realised as part of the normal operating cycle of the Group. These assets represent upfront investments in contracts which are recoverable and expected to provide benefits over the life of those contracts. Bid costs are capitalised only when they relate directly to a contract and are incremental to securing the contract. Any costs which would have been incurred whether or not the contract is actually won are not considered to be capitalised bid costs.

Contract costs can only be capitalised when the expenditure meets all three criteria identified in note 2. Movements in the period were as follows:

	2025	2024
	£m	£m
Capitalised other contract assets, bid and phase-in costs		
At 1 January	11.0	9.0
Additions	7.7	4.2
Amortisation	(2.3)	(2.0)
Reclassification	0.4	–
Exchange differences	–	(0.2)
At 31 December	16.8	11.0

Total trade and other receivables held by the Group at 31 December 2025 amount to £351.8m (2024: £357.8m).

	2025	2024
	£m	£m
Trade and other receivables: Non-current		
Prepayments	2.3	5.0
Long-term employee compensation plan receivable ¹	14.8	14.9
Other receivables	4.6	6.4
	21.7	26.3

1. Long-term employee compensation plan receivable reflects the assets held in trust to cover the long-term employee compensation plan financial liabilities shown in note 22. In 2024, long-term employee compensation plan amounts were presented within other receivables; the comparative information has therefore been re-presented to align with the current year presentation.

Other non-current receivables include advances and other non-trade receivables.

	2025	2024
	£m	£m
Trade and other receivables: Current		
Trade receivables	209.9	228.2
Prepayments	75.2	55.0
Amounts owed by joint ventures and associates	1.1	–
Other receivables	41.5	48.3
Insurance receivables	2.4	–
	330.1	331.5

Notes to the Consolidated Financial Statements continued

20. Contract assets, trade and other receivables continued

Other receivables primarily comprises pass-through costs including amounts recoverable for items such as utilities subsidies. Pass-through costs represent advanced deposits to suppliers for costs incurred on behalf of customers which are expected to be reimbursed in the normal course of business operation. Included in the current other receivables balance is a further £8.9m (2024: £18.0m) due from agencies of the UK Government. During the year insurance receivables has been recognised representing the reimbursement of claims for amounts recoverable from insurance providers.

The management of trade receivables is the responsibility of the reportable operating segments, although they report to the Group on a monthly basis on debtor days, debtor ageing and significant outstanding debts. The average credit period taken by customers is 16 days (2024: 17 days) and no interest was charged on overdue amounts in the current or prior reporting period.

	2025	2024
	£m	£m
Ageing of trade receivables		
Not due	166.7	183.4
Overdue by less than 30 days	20.9	29.2
Overdue by between 30 and 60 days	9.9	8.4
Overdue by more than 60 days	15.9	12.0
Allowance for doubtful debts	(3.5)	(4.8)
	209.9	228.2

Of the total overdue trade receivable balance, 56% (2024: 57%) relates to the Group's four major governmental customers (being the governments of the UK, US, Australia and the United Arab Emirates).

Each customer has an external credit score which determines the level of credit provided. However, the majority of the Group's customers have a sovereign credit rating as a result of being government organisations. Of the trade receivables balance at the end of the year, £51.0m (2024: £44.7m) is due from agencies of the UK Government, the Group's largest customer; £37.2m (2024: £27.8m) from the US Government; £16.3m (2024: £42.9m) from the Australian Government; £13.5m (2024: £18.1m) from the Government of the United Arab Emirates; and £11.2m (2024: £8.1m) from the Government of Saudi Arabia. There are no other customers who represent more than 5% of the total balance of trade receivables. The maximum potential exposure to credit risk in relation to trade receivables at the reporting date is equal to their carrying value. The Group does not hold any collateral as security.

An Expected Credit Loss (ECL) is recognised against contract assets, trade and other receivables only when the ECL is considered to be material and there is evidence that the credit worthiness of a counterparty may render balances irrecoverable. The Group does not have any material impairments associated with ECLs due to the sovereign credit rating of most customers and the amount of ECL recognised at 31 December 2025 was £nil (2024: £nil).

Specific impairments to trade receivables are based on estimated irrecoverable amounts and provisions on outstanding balances greater than 90 days old unless there is firm evidence that the balance is recoverable or is not covered by a credit note provision in unbilled receivables. The total amount of these impairments for the Group as at 31 December 2025 was £3.5m (2024: £4.8m).

	2025	2024
	£m	£m
Movements on the Group allowance for doubtful debts		
At 1 January	4.8	2.8
Arising on acquisition	–	1.5
Net (releases)/charges to income statement	(1.3)	1.0
Utilised	–	(0.1)
Exchange differences	–	(0.4)
At 31 December	3.5	4.8

Notes to the Consolidated Financial Statements continued

21. Cash and cash equivalents

	Sterling	Other currencies	Total	Sterling	Other currencies	Total
	2025	2025	2025	2024	2024	2024
	£m	£m	£m	£m	£m	£m
Total cash and cash equivalents	120.6	78.7	199.3	102.5	80.5	183.0

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments (money market funds) with a maturity of three months or less from the date of acquisition.

22. Contract liabilities, trade and other payables

	2025	2024
	£m	£m
Contract liabilities: Current		
Deferred income	87.1	37.5

	2025	2024
	£m	£m
Contract liabilities: Non-current		
Deferred income	84.6	60.7

The allocation of deferred income between current and non-current is presented on the basis that the current portion will unwind in the following 12 months through revenue. There were no material items in the current portion of deferred income in 2024 which did not unwind during the year.

The increase in the year reflects the mobilisation of new contracts where invoicing occurs during the mobilisation period but revenue is recognised over the life of the contract.

Total trade and other payables held by the Group at 31 December 2025 amount to £580.3m (2024: £616.5m).

	2025	2024
	£m	£m
Trade and other payables: Current		
Trade payables	97.8	92.3
Contingent consideration payable	2.7	3.2
Amounts owed to joint ventures	0.2	0.2
Long-term employee compensation plan payable ¹	3.9	6.7
Other payables ¹	153.9	154.6
Accruals	304.1	338.0
	562.6	595.0

1. In 2024, long-term employee compensation plan amounts were presented within other payables; the comparative information has therefore been re-presented to align with the current year presentation.

The long-term employee compensation plan payable represents the financial liability arising from certain employees' deferred short-term benefits, which have been transferred by the Group into a non-qualified defined contribution plan. These contributions are invested in an irrevocable trust and are not in scope of IAS 19 as there is no obligation to pay any additional amounts into the trust. The receivable for the trust asset is shown in note 20.

Other payables include sales and other direct taxes, payroll taxes, salaries and other non-trade payables.

The average credit period taken for trade purchases is 20 days (2024: 19 days).

	2025	2024
	£m	£m
Trade and other payables: Non-current		
Contingent consideration payable	4.4	6.2
Long-term employee compensation plan payable ¹	9.6	8.8
Other payables ¹	3.7	6.5
	17.7	21.5

1. In 2024, long-term employee compensation plan amounts were presented within other payables; the comparative information has therefore been re-presented to align with the current year presentation.

Notes to the Consolidated Financial Statements continued

23. Leases

Management estimates that the fair value of the Group's lease obligations approximates their carrying amount. The Group uses leases in the delivery of its contractual obligations and the services required to support the delivery of those contracts, including administrative functions. There are no material future cash outflows relating to leases in place as at 31 December 2025 that are not reflected in the minimum lease payments disclosed below and the Group does not have any leases to which it is contracted but which are not yet reflected in the minimum lease payments. Additionally, the Group does not have any material leases where payments are variable. Included in amounts payable under leases below are only those amounts which reflect. Management's view of the reasonably certain lease term in line with current operational requirements which are linked to the underlying contract with the customer. There are no material lease payments which would remain once an underlying contract ends as these contracts could either be novated to the new provider or terminated.

The total cash outflow for leases, excluding short-term leases and low-value leases, in the year was £181.8m (2024: £157.3m). This is presented in the Consolidated Cash Flow Statement as £158.9m (2024: £137.4m) relating to the capital element of the lease liability payments, with the remaining balance of £22.9m (2024: £19.9m) presented within interest paid.

	Minimum lease payments 2025 £m	Minimum lease payments 2024 £m
Amounts payable under leases		
Within one year	173.5	177.8
Between one and five years	300.1	306.8
After five years	52.8	75.3
Total undiscounted lease payments	526.4	559.9
Less: future finance charges	(22.0)	(29.9)
Present value of lease obligations	504.4	530.0
Less: amount due for settlement within one year (shown under current liabilities)	(167.1)	(168.3)
Amount due for settlement after one year	337.3	361.7

The following amounts are included in the Group's Consolidated Financial Statements in respect of its leases:

	Note	2025 £m	2024 £m
Additions to right of use assets	18	139.8	235.3
Depreciation charge on right of use assets	18	(165.3)	(141.5)
Net impairment on right of use assets	18	(2.1)	(0.2)
Net disposal of right of use assets	18	(9.7)	(19.9)
Net exchange differences on right of use assets	18	(1.0)	(1.4)
Carrying amount of right of use assets	18	482.8	514.9
Current lease liabilities	23	167.1	168.3
Non-current lease liabilities	23	337.3	361.7
Capital element of lease repayments		(158.9)	(137.4)
Interest expense on lease liabilities	12	(22.9)	(19.9)
Profit/(loss) on early termination of leases	9	0.6	(0.1)
Expenses relating to short term or low value leases	9	(2.8)	(3.0)

Notes to the Consolidated Financial Statements continued

24. Loans

	Total 2025 £m	Total 2024 £m
Loans are repayable as follows:		
On demand or within one year	–	38.8
Between one and two years	58.9	–
Between two and five years	82.5	122.2
After five years	263.5	115.4
	404.9	276.4
Less: amount due for settlement within one year (shown in current liabilities)	–	(38.8)
Amount due for settlement after one year	404.9	237.6

Fair value of loans

	Carrying amount 2025 £m	Fair value 2025 £m	Carrying amount 2024 £m	Fair value 2024 £m
Loans	404.9	411.4	276.4	263.2

The fair values are based on cash flows discounted using a market rate appropriate to the loan. All loans are held at amortised cost.

Loans subject to covenant

The principal financial covenant ratios are consistent across the US private placement loan notes and revolving credit facility, with a maximum Consolidated Total Net Borrowings (CTNB) to covenant EBITDA of 3.5 times and minimum covenant EBITDA to covenant net finance costs of 3.0 times, tested semi-annually. A reconciliation of the basis of calculation is set out in the additional information section on page 235. As set out in the going concern section in note 2, there are no indicators that the Group will have difficulty complying with the covenants for at least the next 12 months.

Analysis of Net Debt

The analysis below provides a reconciliation between the opening and closing positions in the balance sheet for liabilities arising from financing activities together with movements in derivatives relating to the items included in Net Debt. There were no changes in fair value noted in either the current or prior year.

	At 1 January 2025 £m	Cash flow ¹ £m	Acquisitions ² £m	Exchange differences £m	Non-cash movements ³ £m	At 31 December 2025 £m
Loans payable	(276.3)	(156.0)	–	26.5	0.9	(404.9)
Lease obligations	(530.0)	158.9	(6.4)	1.6	(128.5)	(504.4)
Liabilities arising from financing activities	(806.3)	2.9	(6.4)	28.1	(127.6)	(909.3)
Cash and cash equivalents	183.0	19.8	–	(3.5)	–	199.3
Derivatives relating to net debt	(6.5)	–	–	6.4	–	(0.1)
Net debt	(629.8)	22.7	(6.4)	31.0	(127.6)	(710.1)

1. In April 2025, we issued US\$250m (£193.2m) of US private placement loan notes to support the funding of the MT&S acquisition. The notes were split into three series of US\$100m, US\$75m and US\$75m with maturities of six, eight and ten years respectively. The weighted average interest rate on the new loan notes was fixed at 6.23%. The blended rate on US private placement loan notes in issue at the end of 2025 was 5.64% (December 2024: 4.88%).

2. Acquisitions represent the net cash/(debt) acquired on acquisition.

3. Non-cash movements on loans payable relate to movement in capitalised finance costs in the year. For lease obligations non-cash movements relate to the net impact of entering into new leases and exiting certain leases before the end of the lease term without payment of a cash termination cost.

Notes to the Consolidated Financial Statements continued

24. Loans continued

	At 1 January 2024	Cash flow	Acquisitions ¹	Exchange differences	Non-cash movements ²	At 31 December 2024
	£m	£m	£m	£m	£m	£m
Loans payable	(206.2)	(65.4)	–	(4.8)	0.1	(276.3)
Lease obligations	(453.7)	137.4	(1.5)	1.5	(213.7)	(530.0)
Liabilities arising from financing activities	(659.9)	72.0	(1.5)	(3.3)	(213.6)	(806.3)
Cash and cash equivalents	94.4	89.7	–	(1.1)	–	183.0
Derivatives relating to net debt	3.1	–	–	(9.6)	–	(6.5)
Net debt	(562.4)	161.7	(1.5)	(14.0)	(213.6)	(629.8)

1. Acquisitions represent the net cash/(debt) acquired on acquisition.

2. Non-cash movements relate to the net impact of entering into new leases and exiting certain leases before the end of the lease term without payment of a cash termination cost.

25. Provisions

	Employee related	Property	Contract	Claims	Other	Total
	£m	£m	£m	£m	£m	£m
At 1 January 2025	79.8	19.8	19.8	25.5	45.4	190.3
Arising on acquisition	–	–	0.2	–	1.0	1.2
Eliminated on disposal	(4.2)	–	–	–	–	(4.2)
Charge capitalised in right of use assets	–	0.8	–	–	–	0.8
Transferred to working capital	–	–	–	–	(1.6)	(1.6)
Charge gross insurance provisions with a separate reimbursement asset	–	–	–	2.4	–	2.4
Charged to income statement	14.5	2.5	9.1	9.0	13.1	48.2
Released to income statement	(0.7)	(0.8)	(0.8)	(4.3)	(5.9)	(12.5)
Utilised during the year	(19.2)	(1.3)	(3.3)	(5.0)	(7.6)	(36.4)
Exchange differences	(1.1)	0.6	–	–	1.1	0.6
At 31 December 2025	69.1	21.6	25.0	27.6	45.5	188.8
Analysed as:						
Current	46.5	8.3	12.2	5.9	40.1	113.0
Non-current	22.6	13.3	12.8	21.7	5.4	75.8
	69.1	21.6	25.0	27.6	45.5	188.8

Employee-related provisions include amounts for long-term service awards and terminal gratuity liabilities which have been accrued and are based on contractual entitlement, together with an estimate of the probabilities that employees will stay until rewards fall due and receive all relevant amounts. The provisions will be utilised over various periods driven by attrition and demobilisation of contracts, the timing of which is uncertain. There are also amounts included in relation to restructuring.

The majority of property provisions relate to leased properties and are associated with the requirement to return properties to either their original condition, or to enact specific improvement activities in advance of exiting the lease. Dilapidations associated with leased properties are held as a provision until such time as they fall due, with the longest running lease ending in October 2035.

A contract provision is recorded when a contract is deemed to be unprofitable and therefore is considered onerous. The present value of the estimated future cash outflow required to settle the contract obligations as they fall due over the respective contracts has been used in determining the provision.

Notes to the Consolidated Financial Statements continued

25. Provisions continued

Claims provisions relate to claims made against the Group. These claims are varied in nature, although they typically come from either the Group's service users, claimants for vehicle-related incidents, or the Group's employees. While there is some level of judgement on the amount to be recorded, in almost all instances the variance to the actual claim paid out will not individually be material; however, the timing of when the claims are reported and settled is less certain as a process needs to be followed prior to the amounts being paid. During the year there is a charge to present insurance provisions gross with a separate reimbursement asset recognised for amounts recoverable from insurance providers.

Included within other provisions:

- £19.7m relates to legal and other costs that the Group expects to incur over an extended period, in respect of past events for which a provision has been recorded, none of which are individually material.
- £25.8m relates to a provision in respect of a contingent liability recognised on the acquisition of EHC in 2024. The Directors have assessed that a present obligation exists in respect of the treatment of certain historic transactions and have measured the fair value of these as required by IFRS 3 Business Combinations notwithstanding that the outflow of economic benefits is not probable. This provision will be reassessed at each reporting date as the risk associated with the contingent liability in due course expires.

Individual provisions are only discounted where the impact is assessed to be significant. Currently, the effect of discounting is not material.

26. Capital and other commitments

	2025	2024
	£m	£m
Capital expenditure contracted but not provided		
Property, plant and equipment	4.5	3.3
Intangible assets	–	0.9

27. Contingent liabilities

The Group and its subsidiaries have provided certain guarantees and indemnities in respect of performance and other bonds, issued by its banks on its behalf in the ordinary course of business. The total commitment outstanding as at 31 December 2025 was £217.0m (2024: £278.4m).

The Group has guaranteed overdrafts, finance leases and bonding facilities of its joint ventures and associates up to a maximum value of £5.7m (2024: £5.7m). The actual commitment outstanding at 31 December 2025 was £5.7m (2024: £5.7m).

In the normal course of business, the Group may be requested by customers or relevant authorities to provide information in relation to operational incidents arising under certain contracts. In this context, the Group is currently engaged in a small number of such matters, which are at an early stage of engagement and are limited to the provision of information. Based on previous similar incidents, enquiries can be ongoing for several years. No claims have been asserted against the Group in respect of these matters and no findings or determinations have been made. Based on the information currently available, the Group does not expect these matters to have a material impact. Accordingly, no provision has been recognised as management does not consider that a present obligation exists at the reporting date.

The Group is also aware of other claims and potential claims which involve or may involve legal proceedings against the Group although the timing of settlement of these claims remains uncertain. The Directors are of the opinion, having regard to legal advice received and the Group's insurance arrangements, that it is unlikely that these matters will, in aggregate, have a material effect on the Group's financial position.

Notes to the Consolidated Financial Statements continued

28. Financial risk management

28 (a) Fair value of financial instruments

(i) Fair value hierarchy

The vast majority of financial instruments are held at amortised cost. The classification of the fair value measurement falls into three levels, based on the degree to which the fair value is observable. The levels are as follows:

Level 1: Inputs derived from unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs that are observable for the asset or liability, either directly or indirectly, other than quoted prices included within Level 1.

Level 3: Inputs are unobservable inputs for the asset or liability.

Based on the above, the derivative financial instruments held by the Group, the comparison fair values for loans and the long-term employee compensation plan as at 31 December 2025 are all considered to fall into Level 2. The contingent consideration and contingent liabilities on previous acquisitions are considered to fall into Level 3. Market prices are sourced from Bloomberg and third-party valuations. The valuation models incorporate various inputs including foreign exchange spot and forward rates and interest rate curves.

There have been no transfers between levels in the year.

The Group held the following financial assets which fall within the scope of IFRS 9 Financial Instruments at 31 December 2025:

	Carrying amount £m 2025	Comparison fair value £m 2025	Carrying amount £m 2024	Comparison fair value £m 2024
Financial assets - non-current				
Derivatives designated as FVTPL (Level 2)				
Forward foreign exchange contracts	0.3	0.3	–	–
Derivative instruments in designated hedge accounting relationships (Level 2)				
Forward foreign exchange contracts	0.3	0.3	–	–
Financial assets at fair value (Level 2)				
Long-term employee compensation plan ¹	14.8	14.8	14.9	14.9
Financial assets - current				
Cash and bank balances ²	199.3	199.3	183.0	183.0
Derivatives designated as FVTPL (Level 2)				
Forward foreign exchange contracts	0.3	0.3	0.8	0.8
Derivative instruments in designated hedge accounting relationships (Level 2)				
Forward foreign exchange contracts	0.2	0.2	–	–
Financial assets at amortised cost				
Trade receivables (note 20) ²	209.9	209.9	228.2	228.2
Amounts owed by joint ventures and associates	1.1	1.1	–	–

1. In 2024, long-term employee compensation plan amounts were presented within other receivables; the comparative information has therefore been re-presented to align with the current year presentation.
2. Management estimate that the carrying amounts of cash and trade receivables approximate to their fair value due to the short-term maturity of these instruments.

Notes to the Consolidated Financial Statements continued

28. Financial risk management continued

The Group held the following financial liabilities which fall within the scope of IFRS 9 Financial Instruments at 31 December 2025:

	Carrying amount £m 2025	Comparison fair value £m 2025	Carrying amount £m 2024	Comparison fair value £m 2024
Financial liabilities - current				
Derivatives designated as FVTPL (Level 2)				
Forward foreign exchange contracts	(0.2)	(0.2)	(6.4)	(6.4)
Derivative instruments in designated hedge accounting relationships (Level 2)				
Forward foreign exchange contracts	(0.1)	(0.1)	(0.2)	(0.2)
Financial liabilities at fair value (Level 2)				
Long-term employee compensation plan ¹	(3.9)	(3.9)	(6.7)	(6.7)
Financial liabilities at fair value (Level 3)				
Contingent consideration	(2.7)	(2.7)	(3.2)	(3.2)
Contingent liabilities on acquisition (note 25)	(25.8)	(25.8)	(24.9)	(24.9)
Financial liabilities at amortised cost				
Trade payables (note 22) ²	(97.8)	(97.8)	(92.3)	(92.3)
Amounts owed to joint ventures	(0.2)	(0.2)	(0.2)	(0.2)
Loans (note 24)	–	–	(38.8)	(38.0)
Financial liabilities - non-current				
Derivatives designated as FVTPL (Level 2)				
Forward foreign exchange contracts	(0.6)	(0.6)	(0.3)	(0.3)
Derivative instruments in designated hedge accounting relationships (Level 2)				
Forward foreign exchange contracts	(0.1)	(0.1)	(0.3)	(0.3)
Financial liabilities at fair value (Level 2)				
Long-term employee compensation plan	(9.6)	(9.6)	(8.8)	(8.8)
Financial liabilities at fair value (Level 3)				
Contingent consideration	(4.4)	(4.4)	(6.2)	(6.2)
Financial liabilities at amortised cost				
Loans (note 24)	(404.9)	(411.4)	(237.6)	(225.2)

1. In 2024, long-term employee compensation plan amounts were presented within other payables; the comparative information has therefore been re-presented to align with the current year presentation.

2. Management estimate that the carrying amounts of trade payables approximate to their fair value due to the short-term maturity of these instruments.

Notes to the Consolidated Financial Statements continued

28. Financial risk management continued

The following tables show the development of financial assets and liabilities categorised as Level 3:

	At 1 January 2025 £m	Acquisitions £m	Transfer between current and non-current £m	Unwind of discount £m	Cash Settlement £m	Exchange differences £m	At 31 December 2025 £m
Financial liabilities - current							
Contingent consideration	(3.2)	–	(2.0)	(0.2)	2.5	0.2	(2.7)
Contingent liabilities on acquisition	(24.9)	–	–	–	0.4	(1.3)	(25.8)
Financial liabilities - non-current							
Contingent consideration	(6.2)	–	2.0	(0.6)	–	0.4	(4.4)

	At 1 January 2024 £m	Acquisitions £m	Transfer between current and non-current £m	Unwind of discount £m	Cash Settlement £m	Exchange differences £m	At 31 December 2024 £m
Financial liabilities - current							
Contingent consideration	–	(2.4)	–	(0.8)	–	–	(3.2)
Contingent liabilities on acquisition	–	(26.7)	–	–	1.0	0.8	(24.9)
Financial liabilities - non-current							
Contingent consideration	–	(6.2)	–	(0.1)	–	0.1	(6.2)

The fair values of loans and lease obligations are based on cash flows discounted using a rate based on the borrowing rate associated with the liability.

The fair value of derivatives is calculated using a discounted cash flow approach applying discount factors derived from observable market data to actual and estimated future cash flows. Credit risk is considered in the calculation of these fair values.

The fair value of the contingent consideration is estimated by calculating the present value of the future expected cash flows.

(ii) Fair value of derivative financial instruments

The fair value of derivative financial instruments results in a net asset of £0.1m (2024: net liability of £6.4m) comprising non-current assets £0.6m (2024: nil), current assets of £0.5m (2024: £0.8m), current liabilities of £0.3m (2024: £6.6m) and non-current liabilities of £0.7m (2024: £0.6m).

	1 January 2025 £m	Movement in fair value of derivatives designated in hedge accounting relationships £m	Movement in fair value of derivatives not designated in hedge accounting relationships £m	31 December 2025 £m
Forward foreign exchange contracts	(6.4)	0.9	5.6	0.1

	1 January 2024 £m	Movement in fair value of derivatives designated in hedge accounting relationships £m	Movement in fair value of derivatives not designated in hedge accounting relationships £m	31 December 2024 £m
Forward foreign exchange contracts	3.0	(0.4)	(9.0)	(6.4)

Notes to the Consolidated Financial Statements continued

28. Financial risk management continued

The fair value of financial liabilities recognised at fair value through profit and loss is £0.2m (2024: £6.8m) and relates to derivatives that are not designated in hedge accounting relationships. The fair value of the derivatives and their credit risk adjusted fair value are not materially different and are approximately equal to the amount contractually payable at maturity due to the short tenure of the instruments.

28 (b) Financial risk

The Board is ultimately responsible for ensuring that financial and non-financial risks are monitored and managed within acceptable and known parameters. The Board delegates authority to the Executive team to manage financial risks. The Group's Treasury function acts as a service centre and operates within clearly defined guidelines and policies that are approved by the Board. The guidelines and policies define the financial risks to be managed, specify the objectives in managing these risks, delegate responsibilities to those managing the risks and establish a control framework to regulate treasury activities to minimise operational risk.

28 (c) Liquidity risk

(i) Credit facilities

The Group maintains committed credit facilities to ensure that it has sufficient liquidity to maintain its ongoing operations. As at 31 December, the Group's committed bank credit facilities and corresponding borrowings were as follows:

	Currency	Amount 2025 £m	Drawn 2025 £m	Utilised for bonding facility 2025 £m	Total facility available 2025 £m
Syndicated revolving credit facility	Sterling	350.0	–	–	350.0

	Currency	Amount 2024 £m	Drawn 2024 £m	Utilised for bonding facility 2024 £m	Total facility available 2024 £m
Syndicated revolving credit facility	Sterling	350.0	–	–	350.0

The Group has available a revolving credit facility with a maximum capacity of £350.0m and a five-year term ending November 2027. In addition, the facility provides an accordion facility of £100m which is uncommitted.

At 31 December 2025, the Group had £408.6m (2024: £279.2m) of US private placement loan notes which will be repaid as bullet repayments between October 2027 and April 2035.

(ii) Maturity of financial liabilities

The Group's financial liabilities will be settled on both a net and a gross basis over the remaining period between the balance sheet date and the contractual maturity date. The amounts disclosed below are the contractual undiscounted cash flows based on the earliest date on which the Group can be required to pay.

		On demand or within one year £m	Between one and two years £m	Between two and five years £m	After five years £m	Total £m
At 31 December 2025	Note					
Trade payables	22	97.8	–	–	–	97.8
Obligations under leases ¹	23	173.5	129.1	171.0	52.8	526.4
Loans ²	24	–	59.4	83.2	266.0	408.6
Future loan interest		23.0	22.7	56.0	38.8	140.5
Derivatives settled on gross basis:						
Outflow		447.9	15.7	25.3	1.7	490.6
Inflow		(448.1)	(15.8)	(25.2)	(1.6)	(490.7)
		294.1	211.1	310.3	357.7	1,173.2

1. The present value of lease obligations is £504.4m after deducting £22.0m of future finance costs.

2. Loans are stated gross of capitalised finance costs.

Notes to the Consolidated Financial Statements continued

28. Financial risk management continued

At 31 December 2024	Note	On demand or within one year £m	Between one and two years £m	Between two and five years £m	After five years £m	Total £m
Trade payables	22	92.3	–	–	–	92.3
Obligations under leases ¹	23	177.8	129.4	177.4	75.3	559.9
Loans ²	24	39.9	–	123.7	115.6	279.2
Future loan interest		13.4	12.3	28.8	19.3	73.8
Derivatives settled on gross basis:						
Outflow		971.5	9.5	26.7	0.9	1,008.6
Inflow		(965.8)	(9.4)	(26.2)	(0.8)	(1,002.2)
		329.1	141.8	330.4	210.3	1,011.6

1. The present value of lease obligations is £530.0m after deducting £29.9m of future finance costs.

2. Loans are stated gross of capitalised finance costs.

Gross cash flows in the table above relating to forward foreign exchange contracts total £448.1m (inflow) and £447.9m (outflow) on demand or within one year (2024: £965.8m (inflow) and £971.5m (outflow) on demand or within one year).

28 (d) Foreign exchange risk

(i) Transactional

It is the Group's policy to hedge material transactional exposures using forward foreign exchange contracts to fix the functional currency value of non-functional currency cash flows. At 31 December 2025, there were no material unhedged non-functional currency monetary assets or liabilities, firm commitments or highly probable forecast transactions.

(ii) Translational

Where possible, the Group will raise external funding to match the currency profile of its foreign operations, in order to mitigate translation exposure. If matched funding is not possible, currency derivatives are used to protect against movements in foreign exchange but are not designated in hedge accounting relationships. These are settled gross and are shown in 28 (c) (ii) maturity of financial liabilities.

(iii) Hedge accounting

For the purposes of hedge accounting, hedges are classified as either fair value hedges, cash flow hedges or hedges of net investments in foreign operations. Details of the Group's accounting policies in relation to derivatives qualifying for hedge accounting under IFRS 9 Financial Instruments can be seen in note 2.

The Group holds a number of forward foreign exchange contracts designated as cash flow hedges. These derivatives are hedging highly probable forecast foreign currency trade payments in the UK business. The net notional amounts are summarised by currency below:

	2025 £m	2024 £m
Sterling	(12.7)	9.4
US Dollar	12.7	(16.4)
Indian Rupee	–	7.0

All derivatives designated as cash flow hedges are highly effective and as at 31 December 2025, a £0.9m net fair value gain (2024: £0.4m net fair value loss) has been deferred in the hedging reserve. During the year to 31 December 2025, £0.9m of net fair value gain (2024: £0.4m loss) was transferred to the hedging reserve and £0.1m fair value loss (2024: £0.1m loss) was reclassified to the Consolidated Income Statement.

Notes to the Consolidated Financial Statements continued

28. Financial risk management continued

(iv) Currency sensitivity

The Group's currency exposures in respect of monetary items at 31 December 2025 that result in net currency gains and losses in the income statement and equity arise principally from movement in US Dollar and Indian Rupee exchange rates. The impact of a 10% movement is summarised below:

	Pre-tax profits gain/(loss) 2025 £m	Equity gain/ (loss) 2025 £m	Pre-tax profits gain/(loss) 2024 £m	Equity gain/ (loss) 2024 £m
US Dollar	(0.4)	1.3	(0.9)	(1.7)
Euro	(0.3)	–	(0.1)	–
Indian Rupee	–	–	–	0.7
	(0.7)	1.3	(1.0)	(1.0)

28 (e) Interest rate risk

The Group's policy is to minimise the impact of interest rate volatility on earnings to provide an appropriate level of certainty to cost of funds. Exposure to interest rate risk arises principally on changes to US Dollar and Sterling interest rates.

(i) Interest rate management

An analysis of financial assets and liabilities exposed to interest rate risk is set out below:

	Floating rate	Fixed rate	Weighted average interest rate	Floating rate	Fixed rate	Weighted average interest rate
	2025 £m	2025 £m	2025 %	2024 £m	2024 £m	2024 %
Financial assets						
Cash and cash equivalents	199.3	–	3.4	183.0	–	4.1

	Floating rate	Fixed rate	Weighted average interest rate	Floating rate	Fixed rate	Weighted average interest rate
	2025 £m	2025 £m	2025 %	2024 £m	2024 £m	2024 %
Financial liabilities						
US Dollar loans	–	408.6	5.4	–	279.2	4.9

Exposure to interest rate fluctuations is mitigated through the issuance of fixed rate debt. The rates on the US Dollar loans are fixed for the term of each loan. The loans will be repaid as bullet repayments between October 2027 and April 2035. Excluded from the above analysis is £504.4m (2024: £530.0m) of amounts payable under leases, which are subject to fixed rates of interest.

(ii) Interest rate sensitivity

The effect of a 100 basis point increase in Sterling Overnight Index Average (SONIA) rates on the net financial liability position (excluding leases) at the balance sheet date, with all other variables held constant, would have resulted in a £2.0m increase in pre-tax profit for the year to 31 December 2025 (2024: increase of £1.8m).

28 (f) Credit risk

The Group's principal financial assets are cash and cash equivalents, contract assets, and trade and other receivables.

Credit risk is the risk that a counterparty could default on its contractual obligations. In this regard, the Group's principal exposure is to cash and cash equivalents, derivative transactions and trade receivables.

The Group's contract asset and trade receivables credit risk is relatively low given that a high proportion of our customer base are government bodies with strong sovereign, or sovereign-like, credit ratings. However, where the assessed creditworthiness of a customer, government or non-government, falls below that considered acceptable, appropriate measures are taken to mitigate against the risk of contractual default using instruments such as credit guarantees.

The Group has not recorded any impairments related to contract assets or trade and other receivables due to credit risk during the year ended 31 December 2025 (2024: none).

Notes to the Consolidated Financial Statements continued

28. Financial risk management continued

The Group's Treasury function primarily transacts with counterparties that comply with Board policy. Where exceptions are approved due to local requirements, the Group's exposures are monitored and kept to an immaterial level. The credit risk is measured by way of a counterparty credit rating from any two recognised rating agencies. Pre-approved limits are set based on a rating matrix and exposures monitored accordingly. The Group also employs the use of set-off rights in some agreements.

The Group's policy is to provide guarantees for joint ventures and associates only to the relevant proportion of support provided by the partners. At 31 December 2025, the Group has issued guarantees in respect of certain joint ventures and associates as per note 27.

28 (g) Capital risk

Management's objective is to maintain a capital structure that supports the Group's strategic objectives. The Group's target leverage is 1x-2x net debt to EBITDA which enables execution of the Board's capital allocation priorities and includes but is not limited to supporting organic growth, reshaping the portfolio through mergers, acquisitions and disposals, optimising shareholder returns and maintaining an implied investment grade credit rating. This strategy is unchanged from the prior year.

Management reviews and approves, at least annually, a Treasury policy document which covers, inter alia, funding and liquidity risk, capital structure and risk management. This policy details targets for committed funding headroom, diversification of committed funding and debt maturity profile.

The Group plans to maintain sufficient funds and distributable reserves to allow payments of projected dividends to shareholders.

The following table summarises the capital of the Group:

	2025 £m	2024 £m
Cash and cash equivalents	(199.3)	(183.0)
Loans	404.9	276.4
Obligations under leases	504.4	530.0
Equity	873.6	842.5
Capital	1,583.6	1,465.9

29. Retirement benefit schemes

29 (a) Defined benefit schemes

(i) Characteristics and risks

The Group contributes to defined benefit schemes for qualifying employees of its subsidiaries. They consist of eight pre-funded defined benefit schemes and one unfunded defined benefit scheme as follows.

- The two UK funded schemes are Serco Pension and Life Assurance Scheme (SPLAS) and a non-contract specific section of the Railways Pension Scheme (RPS). The funding policy for the UK pre-funded schemes is to contribute amounts which will achieve 100% funding on a projected salary basis based on regular actuarial valuations.
- There are three non-UK schemes based in Switzerland and are available for the employees of ORS Service AG (ORS) which are part of a collective foundation. The contributions are shared equally between the employer and the employees.
- The Group has obligations in three funded public sector schemes in Australia and there is an unfunded scheme in Germany where the liabilities arising are recognised in full.

The Group made contributions under Admitted Body status for one section of the Local Government Pension Scheme until the relevant customer contract ended in March 2025 and the Admitted Body status was transferred to the new contracting entity.

Notes to the Consolidated Financial Statements continued

29. Retirement benefit schemes continued

Joint venture scheme

Under contractual arrangements, the Group's joint venture Merseyrail Services Holding Company Limited (Merseyrail) sponsors a section of the RPS, paying contributions in accordance with a Schedule of Contributions. There is no residual liability to fund any deficit at the end of the franchise period and there is no pension obligation on the balance sheet of the Group or Merseyrail. The costs associated with the scheme are included in profit from operations for Merseyrail shown in note 5 and are reflected in the share of results in joint ventures and associates net of interest and tax in the income statement. Therefore the disclosures in this note do not include Merseyrail.

Scheme funding

The normal employer contributions (excluding SPLAS deficit recovery payments) expected to be paid during the financial year for all schemes ending 31 December 2026 are £7.2m.

The assets of funded schemes are held independently of the Group's assets in separate trustee administered schemes. The trustees of each pension scheme are required by law to act in the interest of the scheme and of all relevant stakeholders in the scheme. The trustees of the pension schemes are responsible for the investment policy with regard to the assets of the scheme. The Group's schemes are valued by independent actuaries annually using the projected unit credit actuarial cost method for accounting purposes. This reflects service rendered by employees to the date of valuation and incorporates actuarial assumptions including discount rates to determine the present value of benefits, inflation assumptions, projected rates of salary growth and life expectancy of pension plan members. Discount rates are based on the market yields of high-quality corporate bonds in the country concerned. Net pension assets and liabilities in the different defined benefit schemes are not offset.

The schemes typically expose the Group to risks that impact the financial performance and position of the Group and may affect the amount and timing of future cash flows. The key risks are set out below:

- **Investment risk:** The schemes hold assets with which to discharge the future liabilities of these schemes. Any decline in the value of these investments directly impacts on the ability of the schemes to meet its commitments and could require the Group to fund this shortfall in future years. SPLAS's investment strategy aims to reduce volatility risk by better matching assets to liabilities and is based on the actuarial funding basis. 44% of the scheme's assets are annuity policies, which result in an insurer funding the future benefit payments to the relevant members and therefore eliminate the risk of changes in the future value of the benefits to the scheme. The investment strategy outside of the annuity has a benchmark allocation of 47% Liability Driven Investments (LDIs) and 28% Private Debt. The remaining 25% is split between short-dated credit and asset backed securities. The main asset classes that make up the LDI investments are gilts and corporate bonds with inflation and interest swap overlays and are therefore linked to the key drivers of the scheme's liabilities. The Group and trustees monitor the allocation over time, as the actual allocation will vary from above due to market movements, changing collateral requirements and cash flows for illiquid assets.
- **Interest risk:** The present values of the defined benefit schemes' liabilities are calculated using a discount rate determined by reference to high-quality corporate bond yields and therefore a decrease in interest rates will increase the schemes' liabilities. This will be partially offset by an increase in the fair value of the schemes' debt investments.
- **Longevity risk:** The present values of the defined benefit schemes' liabilities are calculated by reference to the best estimate of the mortality of the schemes' participants, both during and after their employment. An increase in the life expectancy of the schemes' participants will increase the schemes' liabilities.
- **Inflation risk:** The present values of the defined benefit schemes' liabilities are calculated to include the effect of inflation on future purchasing power based on estimations around inflation rates. Higher inflation will trigger larger annual benefits for the members and an increase in expected future inflation rates will increase the schemes' liabilities.
- **Salary risk:** The present values of the defined benefit schemes' liabilities are calculated by reference to the future salaries of the schemes' participants, as such, an increase in the salary of the schemes' participants will increase the schemes' liabilities.

Notes to the Consolidated Financial Statements continued

29. Retirement benefit schemes continued

Serco Pension and Life Assurance Scheme (SPLAS)

The largest non-contract specific scheme is SPLAS. The most recent full actuarial valuation of this scheme was undertaken as at 5 April 2024 and completed in July 2025. The actuarially assessed deficit for funding purposes at this time was £42m.

Pension obligations are valued separately for accounting and funding purposes and there is often a material difference between these valuations. As at 31 December 2025, the estimated actuarial deficit on a funding basis for SPLAS was £33m (2024: £52m) whereas the accounting valuation resulted in an asset of £7.8m (2024: £12.8m). The primary reason a difference arises is that IAS 19 accounting requires the valuation to be performed on the basis of a best estimate whereas the funding valuation used by the trustees uses more prudent assumptions.

The schedule of contributions for SPLAS was agreed in July 2025, with 13.8% of pensionable salaries for active employees due to be paid in regular contributions from 1 July 2025. Prior to this 44.3% of pensionable salaries for active employees was paid in regular contributions based on the prior full actuarial valuation. The schedule of contributions also determined that additional shortfall contributions were required and the Group has continued the commitment to make deficit recovery payments of £6.6m per year until to 31 March 2030 with no change since the prior full actuarial valuation.

(ii) Events in the year

Virgin Media case

In June 2025, the UK Government announced its intention to legislate to allow retrospective validation of affected amendments following the legal uncertainties arising from the Court of Appeal's decision in Virgin Media Limited v NTL Pension Trustees Limited. Draft provisions have been published and, if enacted as proposed, are expected to remove any material impact on the Group's obligations and therefore no adjustment has been made in the year. The legislation is anticipated to take effect during 2026.

Notes to the Consolidated Financial Statements continued

29. Retirement benefit schemes continued

(iii) Values recognised in total comprehensive income in the year

The amounts recognised in the Consolidated Financial Statements for the year are analysed as follows:

	2025 £m	2024 £m
Recognised in the income statement		
Current service cost - employer	7.5	7.1
Past service cost - employer	0.5	–
Administrative expenses and taxes	2.2	1.7
Recognised in arriving at operating profit	10.2	8.8
Interest income on scheme assets - employer	(48.2)	(47.5)
Interest cost on scheme liabilities - employer	47.4	45.6
Finance income	(0.8)	(1.9)
Total recognised in the income statement	9.4	6.9
	2025 £m	2024 £m
Included within the SOCI		
Actual return on scheme assets	7.1	(60.7)
Less: interest income on scheme assets	(48.2)	(47.4)
Net return on scheme assets	(41.1)	(108.1)
Effect of changes in demographic assumptions	1.0	2.1
Effect of changes in financial assumptions	25.6	63.9
Effect of experience adjustments	12.4	3.4
Total recognised in the SOCI	(2.1)	(38.7)

(iv) Balance sheet values

The assets and liabilities of the schemes at 31 December are:

	Fair value of scheme assets 2025 £m	Present value of scheme liabilities 2025 £m	Surplus/(deficit) 2025 £m	Fair value of scheme assets 2024 £m	Present value of scheme liabilities 2024 £m	Surplus/(deficit) 2024 £m
SPLAS ¹	780.5	(772.7)	7.8	822.8	(810.0)	12.8
ORS	91.4	(99.2)	(7.8)	83.2	(93.9)	(10.7)
RPS	57.1	(55.3)	1.8	58.4	(57.4)	1.0
Other schemes in surplus	–	–	–	4.0	(2.6)	1.4
Other schemes in deficit	1.2	(1.5)	(0.3)	1.1	(1.6)	(0.5)
Net retirement benefit asset²	930.2	(928.7)	1.5	969.5	(965.5)	4.0

- The SPLAS Trust Deed gives the Group an unconditional right to a refund of surplus assets assuming the gradual settlement of plan liabilities over time until all members have left the plan. Pension assets are deemed to be recoverable and there are no adjustments in respect of minimum funding requirements as economic benefits are available to the Group either in the form of future refunds or in the form of possible reductions in future contributions.
- The net retirement benefit asset (before tax) is split in the balance sheet between schemes in surplus totalling £9.6m (2024: £15.2m) reported in retirement benefit assets and schemes in deficit totalling £8.1m (2024: £11.2m) reported in retirement benefit obligations.

Notes to the Consolidated Financial Statements continued

29. Retirement benefit schemes continued

(v) Pension asset values

The schemes asset values at 31 December are:

	2025	2024
	£m	£m
Scheme assets at fair value		
Fair value of scheme assets – SPLAS		
Buy and maintain credit	–	17.8
Short-dated credit	36.5	31.9
Asset backed securities	60.2	38.0
LDIs	188.4	181.7
Private debt	136.9	143.5
Amounts held by insurance companies	347.6	385.8
Cash and other	10.9	24.1
Fair value of scheme assets – SPLAS	780.5	822.8
Pooled investment funds – RPS	57.1	58.4
Amounts held by insurance companies – ORS	91.4	83.2
Fair value of assets – Other schemes	1.2	5.1
Total fair value of scheme assets¹	930.2	969.5

1. There are no investments in the Group's own transferable financial instruments held as pension assets. No property pension assets are occupied, or other pension assets used by the Group.

As required by IAS 19 Employee Benefits, the Group has considered the extent to which the pension plan assets should be classified in accordance with the fair value hierarchy of IFRS 13 Fair Value Measurement.

- Buy and maintain credit are valued at fair value which is typically the Net Asset Value provided by the fund administrator and consist of Level 2 investments in bonds.
- Short-dated credit and asset-backed securities are value at fair value which is typically the net asset value provided by the fund administrator and consist of Level 2 investments in pooled investment vehicles.
- LDIs are valued at fair value which is typically the Net Asset Value provided by the fund administrator and consist of Level 2 investments in bonds and derivatives.
- Private debt funds have no observable market price and the valuation is based on the Net Asset Value provided by the fund administrator at 30 September adjusted for actual cash flows in the period to 31 December. Therefore, these investments are classified as Level 3.
- Pooled investment funds – Railway Pension Scheme are unitised fund investments in the non-contract specific section of the Railways Pension Scheme and are Level 2 or Level 3 based on the Net Asset Value provided by the fund administrator.
- Amounts held by insurance companies are valued at the equal and opposite of the defined benefit obligations that they insure and are classified as Level 3.
- Fair value of assets – Other schemes include investments in equity and bonds classified as Level 1.

Notes to the Consolidated Financial Statements continued

29. Retirement benefit schemes continued

(vi) Changes in the fair value of scheme assets and liabilities

The table below shows the movements in fair value of scheme assets and liabilities and shows where they are reflected in the financial statements.

	Fair value of scheme assets	Present value of scheme liabilities	Surplus/ (deficit)	Fair value of scheme assets	Present value of scheme liabilities	Surplus/ (deficit)
	2025	2025	2025	2024	2024	2024
	£m	£m	£m	£m	£m	£m
At 1 January	969.5	(965.5)	4.0	1,057.1	(1,032.6)	24.5
Current service cost - employer	-	(7.5)	(7.5)	-	(7.1)	(7.1)
Past service costs - employer	-	(0.5)	(0.5)	-	-	-
Administration expenses - employer	(2.2)	-	(2.2)	(1.7)	-	(1.7)
Plan settlement	(4.0)	4.0	-	-	-	-
Net interest on scheme assets and liabilities	48.2	(47.4)	0.8	47.5	(45.6)	1.9
Total recognised in the income statement	42.0	(51.4)	(9.4)	45.8	(52.7)	(6.9)
Return of plan assets	(41.1)	-	(41.1)	(108.1)	-	(108.1)
Effect of changes in demographic assumptions	-	1.0	1.0	-	2.1	2.1
Effect of changes in financial assumptions	-	25.6	25.6	-	63.9	63.9
Effect of experience adjustments	-	12.4	12.4	-	3.4	3.4
Total recognised in the SOCI	(41.1)	39.0	(2.1)	(108.1)	69.4	(38.7)
Contributions by employer	9.7	-	9.7	24.2	-	24.2
Total recognised in the cash flow statement	9.7	-	9.7	24.2	-	24.2
Contributions by employees	5.9	(5.9)	-	6.0	(6.0)	-
Change in member share	5.9	(5.9)	-	6.0	(6.0)	-
Benefits paid	(58.6)	58.6	-	(54.4)	54.4	-
Insurance premiums for risk benefits	(2.4)	2.4	-	(2.5)	2.5	-
Transfer in of accrued benefits	-	-	-	5.6	(5.6)	-
Foreign exchange	5.2	(5.9)	(0.7)	(4.2)	5.1	0.9
Other movements	(55.8)	55.1	(0.7)	(55.5)	56.4	0.9
At 31 December	930.2	(928.7)	1.5	969.5	(965.5)	4.0

(vii) Actuarial assumptions: SPLAS

The assumptions set out below are for SPLAS, which reflects 83% of total liabilities and 84% of total assets of the defined benefit pension scheme in which the Group participates. The significant actuarial assumptions with regards to the determination of the defined benefit obligation are set out below.

Significant actuarial assumptions	2025	2024
	%	%
Discount rate	5.55	5.50
Rate of salary increases	2.70	3.05
RPI Inflation	2.90	3.15
CPI Inflation - pre-retirement	2.20	2.55

Notes to the Consolidated Financial Statements continued

29. Retirement benefit schemes continued

	2025	2024
Post-retirement mortality ¹	years	years
Current pensioners at 65 - male	20.9	20.8
Current pensioners at 65 - female	23.6	23.6
Future pensioners at 65 - male	22.9	22.8
Future pensioners at 65 - female	25.7	25.7

1. The mortality assumptions have been updated to reflect the latest available mortality tables CMI_2024 (2024: CMI_2023).

Sensitivity analysis for SPLAS is provided below, based on reasonably possible changes of the assumptions occurring at the end of the reporting period, assuming all other assumptions are held constant. The sensitivities have been derived in the same manner as the defined benefit obligation as at 31 December 2025 where the defined benefit obligation is estimated using the Projected Unit Credit method. Under this method each participant's benefits are attributed to years of service, taking into consideration future salary increases and the scheme's benefit allocation formula. Thus, the estimated total pension to which each participant is expected to become entitled at retirement is broken down into units, each associated with a year of past or future credited service. The defined benefit obligation as at 31 December 2025 is calculated on the actuarial assumptions agreed as at that date. The sensitivities are calculated by changing each assumption in turn following the methodology above with all other things held constant. The change in the defined benefit obligation from updating the single assumption represents the impact of that assumption on the calculation of the defined benefit obligation.

Increase/(decrease) in defined benefit obligation of SPLAS	2025	2024
	£m	£m
Discount rate - 1.0% increase	(75.3)	(79.8)
Discount rate - 1.0% decrease	90.3	96.1
Inflation - 1.0% increase	56.0	57.6
Inflation - 1.0% decrease	(57.4)	(53.7)
Rate of salary increase - 1.0% increase	0.9	1.1
Rate of salary increase - 1.0% decrease	(0.8)	(1.0)
Mortality - one-year age rating	20.9	23.3

Management acknowledges that the method used of presuming that all other assumptions remain constant has inherent limitations given that a combination of changes is more likely, but it highlights the value of each individual risk and is therefore a suitable basis for providing this analysis.

The increase or decrease in the defined benefit obligation in the sensitivity table above would be offset by the corresponding movement in the scheme's assets. A 1% change in the long-term gilt yields consistent with the discount rates would result in an approximate offsetting movement of £60m (2024: £70m) in the scheme's LDI investment and a 1% change in long-term inflation expectation would result in an approximate offsetting movement of £40m (2024: £50m) in the scheme's LDI investment.

(viii) Actuarial assumptions: Other schemes

The other UK-based schemes are valued on a consistent basis to SPLAS. The non-UK-based schemes use a discount rate ranging from 1.30% to 5.56% (2024: 1.00% to 5.40%).

Notes to the Consolidated Financial Statements continued

29. Retirement benefit schemes continued

29 (b) Defined contribution schemes

The Group paid employer contributions of £94.3m (2024: £96.8m) into UK defined contribution schemes, foreign defined contribution schemes and foreign state pension schemes.

Serco participated in certain pre-funded defined benefit pension arrangements relating to contracts, including participations in public sector schemes, however, contractual protections are in place allowing actuarial and investment risk to be passed to the end customer via recoveries for contributions paid.

The nature of these arrangements varies from contract to contract but typically allow for the majority of contributions payable to the schemes in excess of an initial rate agreed at the inception to be recovered from the end customer, as well as exit payments payable to the schemes at the cessation of the contract, such that the Group's net exposure to actuarial and investment risk is immaterial. Cash contributions are recognised as pension costs and no asset or liability is shown on the balance sheet.

30. Share capital

	2025	2024
	£m	£m
Authorised, issued and fully paid		
1,002,743,103 (2024: 1,023,855,243) ordinary shares of 2p each	20.1	20.5

	2025	2024
	Number	Number
Number of shares at 1 January	1,023,855,243	1,103,545,966
Shares cancelled	(21,112,140)	(79,690,723)
Number of shares at 31 December	1,002,743,103	1,023,855,243

The Company has one class of ordinary shares which carry no right to fixed income.

31. Share premium account

	2025	2024
	£m	£m
At 1 January and 31 December	463.1	463.1

Notes to the Consolidated Financial Statements continued

32. Reserves

32 (a) Movements in other reserves

	Retirement benefit obligations reserve £m	Share-based payment reserve £m	Own shares reserve £m	Treasury shares £m	Hedging reserve £m	Translation reserve £m	Capital redemption reserve £m	Total other reserves £m
At 1 January 2024	(195.9)	103.9	(15.0)	–	(0.3)	(5.8)	2.8	(110.3)
Total comprehensive loss for the year	(31.0)	–	–	–	(0.3)	(18.6)	–	(49.9)
Shares purchased and held in own share reserve	–	–	(22.8)	–	–	–	–	(22.8)
Shares purchased and held in Treasury until cancelled	–	–	–	(141.3)	–	–	–	(141.3)
Cancellation of shares held in Treasury	–	–	–	141.3	–	–	1.6	142.9
Shares transferred to award holders on exercise of share awards	–	(17.0)	17.1	–	–	–	–	0.1
Expense in relation to share-based payments	–	15.2	–	–	–	–	–	15.2
Tax credit on items taken directly to equity	–	0.7	–	–	–	–	–	0.7
At 1 January 2025	(226.9)	102.8	(20.7)	–	(0.6)	(24.4)	4.4	(165.4)
Total comprehensive income/(loss) for the year	3.1	–	–	–	0.7	(21.6)	–	(17.8)
Shares purchased and held in own share reserve	–	–	(5.0)	–	–	–	–	(5.0)
Shares committed to be purchased and held in own share reserve	–	–	(21.3)	–	–	–	–	(21.3)
Shares purchased and held in Treasury until cancelled	–	–	–	(50.3)	–	–	–	(50.3)
Cancellation of shares held in Treasury	–	–	–	50.3	–	–	0.4	50.7
Shares transferred to award holders on exercise of share awards	–	(15.6)	19.5	–	–	–	–	3.9
Expense in relation to share-based payments	–	13.6	–	–	–	–	–	13.6
Tax credit on items taken directly to equity	–	5.0	–	–	–	–	–	5.0
At 31 December 2025	(223.8)	105.8	(27.5)	–	0.1	(46.0)	4.8	(186.6)

Notes to the Consolidated Financial Statements continued

32. Reserves continued

32 (b) Retirement benefit obligations reserve

The retirement benefit obligations reserve represents the actuarial gains and losses recognised in respect of annual actuarial valuations for defined benefit retirement schemes, the fair value adjustments on reimbursable rights and the related movements in deferred tax balances.

32 (c) Share-based payment reserve

The share-based payment reserve represents credits relating to equity-settled share-based payment transactions and any gain or loss on the exercise of share award schemes satisfied by own shares.

32 (d) Own shares reserve

The own shares reserve represents the cost of shares in Serco Group plc held by the Serco Group plc Employee Share Ownership Trust (ESOT) to satisfy awards under the Group's share plan schemes. At 31 December 2025, the ESOT held 4,043,139 (2024: 13,418,111) shares equal to 0.4% of the current allotted share capital (2024: 1.3%). The market value of shares held by the ESOT as at 31 December 2025 was £11.3m (2024: £20.3m). The ESOT is committed to purchase 8,000,000 shares, which were funded prior to 31 December 2025 and the expected cost of £21.3m is included in the own share reserve.

32 (e) Treasury shares

The Treasury shares reserve represents amounts paid to repurchase ordinary shares. On 7 August 2025, the Group announced its intention to repurchase ordinary shares with a value of up to £50m. The buyback programme took place between 11 August 2025 and 3 December 2025. During this period, the Group repurchased 21,112,140 shares at an average cost of £2.384 for total cost including fees of £50.3m. All shares purchased in 2025 have been cancelled.

32 (f) Hedging and translation reserve

The hedging and translation reserve represents foreign exchange differences arising on translation of the Group's overseas operations and movements relating to cash flow hedges.

33. Share-based payment expense

The Group recognised the following expenses related to equity-settled share-based payment transactions:

	2025	2024
	£m	£m
Long Term Incentive Plan	10.6	12.3
Deferred Bonus Plan	0.5	0.7
Equity Settled Bonus Plan	0.2	0.2
MyShareSave Plan	2.3	2.0
	13.6	15.2

There are no cash settled arrangements and all schemes are issued by Serco Group plc for eligible employees within the Group and its subsidiaries.

Long Term Incentive Plan (LTIP)

Under the LTIP, eligible employees have been granted conditional share awards. Awards vest after the performance period of two to three years and are subject to the achievement of certain performance measures, with the exception of non-performance awards. These non-performance awards are subject only to continued employment on vesting dates which vary from two to three years after the grant dates.

On the performance-related awards, the performance measures are Earnings per Share (EPS), Total Shareholder Return (TSR), Return on Invested Capital (ROIC) and measures linked to Strategic Objectives.

Notes to the Consolidated Financial Statements continued

33. Share-based payment expense continued

	Number of shares under award	Weighted average exercise price	Number of shares under award	Weighted average exercise price
	2025	2025	2024	2024
	thousands	£	thousands	£
Outstanding at 1 January	27,054	nil	28,341	nil
Granted during the year	11,578	nil	9,290	nil
Dividend equivalent granted during the year	720	nil	555	nil
Exercised during the year	(7,062)	nil	(8,364)	nil
Lapsed during the year	(4,361)	nil	(2,768)	nil
Outstanding at 31 December	27,929	nil	27,054	nil

The awards over shares outstanding at 31 December 2025 were all unvested and had a weighted average contractual life remaining of 1.3 years (2024: 1.3 years).

In the year, 11,578,394 grants were made, of which 1,519,916 were non-performance related. The remaining 10,058,478 awards were performance-based awards, split between the following performance conditions: EPS (25% weighting), average ROIC (25%) and relative TSR (20%), together with two growth measures aligned to our medium-term growth goals (total of 20% weighting split between the book-to-bill ratio and organic revenue growth), and an ESG scorecard (10%). The rewards, subject to market-based performance conditions (such as the TSR condition for these awards) were valued using the Monte Carlo Simulation model. For all other awards, the fair value is equal to the share price on the date of grant; no adjustment to the market price is required as the awards accrue dividend equivalents.

The Monte Carlo Simulation model is considered to be the most appropriate for valuing awards granted under schemes where there are changes in performance conditions by which the awards are measured, such as for the TSR-based awards.

The Monte Carlo Simulation model used the following inputs:

	2025
Weighted average share price	£1.59
Weighted average exercise price	nil
Expected volatility	21.9%
Average expected life (years)	2.67
Risk-free rate	3.80%

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous three years. The expected life used in the model has been adjusted, based on Management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The weighted average fair value of awards granted under this scheme in the year is £1.62 (2024: £1.74).

Performance Share Plan (PSP)

Under the PSP, eligible employees have been granted options or conditional share awards with an exercise price of two or zero pence. Awards vest after the performance period of two to three years and are subject to the achievement of certain performance measures, with the exception of non-performance awards. These non-performance awards are only subject to continued employment on vesting dates which vary from two to three years after the grant dates.

On the performance-related awards, the performance measures are Earnings per Share (EPS), Total Shareholder Return (TSR) and Return on Invested Capital (ROIC). If options remain unexercised after a period of 10 years from the date of grant, then the options expire.

Notes to the Consolidated Financial Statements continued

33. Share-based payment expense continued

	Number of options or shares under award	Weighted average exercise price	Number of options or shares under award	Weighted average exercise price
	2025	2025	2024	2024
	thousands	£	thousands	£
Outstanding at 1 January	2,978	0.02	4,357	0.02
Exercised during the year	(1,229)	0.02	(1,342)	0.02
Lapsed during the year	(115)	0.02	(37)	0.02
Outstanding at 31 December	1,634	0.02	2,978	0.02

Of these awards, 1,634,023 (2024: 2,978,436) were exercisable at the end of the year. The awards outstanding at 31 December 2025 had a weighted average contractual life remaining of 1.6 years (2024: 2.4 years). There were no new awards granted under the Performance Share Plan in the year.

Deferred Bonus Plan (DBP)

Under the DBP, eligible employees are entitled to participate in a voluntary bonus deferral, using up to 50% of their earned annual bonus to purchase shares in the Group at market price. In connection with this, the Group will make a matching share award, up to a maximum of two times the gross bonus deferred, which will vest provided they remain in employment for that period, the shares are retained for that period, and the performance measures have been met.

	Number of shares under award	Weighted average exercise price	Number of shares under award	Weighted average exercise price
	2025	2025	2024	2024
	thousands	£	thousands	£
Outstanding at 1 January	1,381	nil	1,875	nil
Granted during the year	194	nil	212	nil
Dividend equivalent granted during the year	4	nil	17	nil
Exercised during the year	(778)	nil	(723)	nil
Outstanding at 31 December	801	nil	1,381	nil

None of these awards were exercisable at the end of the year (2024: none). The awards outstanding at 31 December 2025 had a weighted average contractual life remaining of 1.0 years (2024: 0.9 years).

There were 193,998 new awards granted under the DBP in the year, with 100% of the deferred bonus subject to the same EPS performance conditions as the LTIPs. The fair value of these non-market performance awards is equal to the share price on the date of grant. No adjustment to the market price is required as the awards accrue dividend equivalents.

The weighted average fair value of awards granted under this scheme in the year is £1.52 (2024: £1.86).

Equity Settled Bonus Plan (ESBP)

Under the ESBP, eligible employees who are subject to a compulsory bonus deferral are granted share awards equivalent in value to the gross bonus deferred. The awards vest at the end of the deferral period and the awards are not subject to any performance or service conditions.

	Number of shares under award	Weighted average exercise price	Number of shares under award	Weighted average exercise price
	2025	2025	2024	2024
	thousands	£	thousands	£
Outstanding at 1 January	1,038	nil	1,209	nil
Granted during the year	120	nil	163	nil
Dividend equivalent granted during the year	4	nil	13	nil
Exercised during the year	(499)	nil	(347)	nil
Outstanding at 31 December	663	nil	1,038	nil

Notes to the Consolidated Financial Statements continued

33. Share-based payment expense continued

None of these awards were exercisable at the end of the year (2024: none). The awards outstanding at 31 December 2025 had a weighted average contractual life remaining of 0.9 years (2024: 0.9 years).

There were 120,036 new awards granted under the Equity Settled Bonus Plan in the year. The fair value of these non-performance awards is equal to the share price on the date of grant. No adjustment to the market price is required as the awards accrue dividend equivalents.

The weighted average fair value of awards granted under this scheme in the year is £1.59 (2024: £1.90).

UK and International save as you earn (MyShareSave)

MyShareSave scheme is open to employees in UK, USA, Canada, United Arab Emirates and Australia. Participating individuals are required to save 36 monthly payments over a maximum of a 48-month period and thus will have the option to buy shares at a discounted grant price. Participants can withdraw from the scheme at any time including after the vesting period has ended.

	Number of shares under award 2025 thousands	Weighted average exercise price 2025 £	Number of shares under award 2024 thousands	Weighted average exercise price 2024 £
Outstanding at 1 January	15,637	1.32	10,906	1.25
Granted during the year	–	–	6,349	1.42
Exercised during the year	(3,155)	1.26	(124)	1.26
Lapsed during the year	(1,939)	1.33	(1,494)	1.26
Outstanding at 31 December	10,543	1.34	15,637	1.32

Of these awards 826,232 (2024: 110,800) were exercisable at the end of the year. The awards outstanding at 31 December 2025 had a weighted average contractual life remaining of 1.8 years (2024: 2.5 years).

There were no new awards granted under the MyShareSave plan in the year.

34. Related party transactions

Transactions between the Group and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its joint venture undertakings and associates are disclosed below.

Transactions

During the year, Group companies entered into the following transactions with joint ventures and associates:

	Transactions 2025 £m	Current outstanding 2025 £m	Non-current outstanding 2025 £m	Transactions 2024 £m	Current outstanding 2024 £m	Non-current outstanding 2024 £m
Sale of goods and services						
Joint ventures	11.7	1.1	–	20.2	(0.2)	–
Associates	15.3	–	–	–	–	–
Other						
Loan to joint venture	–	–	–	10.0	–	–
Dividends received - joint ventures	22.9	–	–	30.8	–	–
Receivable from consortium for tax - joint ventures	8.3	4.3	9.0	9.6	9.4	10.1
Total	58.2	5.4	9.0	70.6	9.2	10.1

Sales of goods and services to joint ventures relate to services provided including administrative and back office activities to VIVO, while sales of goods and services to associates relates to contractual services provided on behalf of Khadamat. Joint venture receivable amounts outstanding have arisen from transactions undertaken during the general course of trading, are unsecured and will be settled in cash.

Notes to the Consolidated Financial Statements continued

34. Related party transactions continued

Remuneration of key Management personnel

The Directors of Serco Group plc had no material transactions with the Group during the year other than service contracts and Directors' liability insurance.

The remuneration of the key Management personnel of the Group is set out below:

	2025	2024
	£m	£m
Short-term employee benefits	11.4	8.3
Post-employment benefits	0.3	0.3
Termination benefits	0.5	0.1
Share-based payment expense	5.2	4.9
	17.4	13.6

The key Management personnel comprise the Executive Directors, Non-Executive Directors and members of the Group Executive Committee (2025: 23 individuals, 2024: 18 individuals).

Aggregate Directors' remuneration

The total amounts for Directors' remuneration were as follows:

	2025	2024
	£m	£m
Salaries, fees, bonuses and benefits in kind	4.2	3.5
Amounts receivable under long-term incentive schemes	2.8	2.8
Gains on exercise of share awards	2.3	1.9
	9.3	8.2

None of the Directors are members of the Group's defined benefit or money purchase pension schemes.

Further information about the remuneration of individual Directors is provided in the audited part of the Directors' Remuneration Report on pages 105 to 126.

Notes to the Consolidated Financial Statements continued

35. Notes to the Consolidated Cash Flow Statement

Year ended 31 December	Note	2025 £m	2024 £m
Profit before tax		201.5	97.0
Net finance costs		44.8	33.1
Operating profit for the year		246.3	130.1
Adjustments for:			
Share of profits in joint ventures and associates	5	(28.8)	(22.8)
Share-based payment expense	33	13.6	15.2
Impairment of intangible assets	17	1.1	2.0
Amortisation of intangible assets	17	37.7	35.2
Impairment of goodwill	16	–	114.5
Impairment/(reversal of impairment) of property, plant and equipment	18	0.1	(0.4)
Net impairment of right of use assets	18	2.1	0.2
Depreciation of property, plant and equipment	18	18.5	17.2
Depreciation of right of use assets	18	165.3	141.5
Loss on disposal of intangible assets	9	–	0.7
(Profit)/loss on early termination of leases	9	(0.6)	0.1
Profit on disposal of property, plant and equipment	9	(0.6)	(0.3)
Profit on disposal of subsidiaries	8	(4.7)	–
Decrease in provisions		(0.7)	(3.1)
Total non-cash items		203.0	300.0
Operating cash inflow before movements in working capital		449.3	430.1
Decrease/(increase) in inventories		3.7	(0.7)
Increase in receivables		(8.0)	(1.9)
Increase in payables		47.5	32.9
Movements in working capital		43.2	30.3
Cash generated by operations		492.5	460.4
Tax paid		(43.4)	(41.3)
Disposal-related costs paid	8	(2.3)	–
Non-cash R&D (expenditure)/credit		(0.1)	0.3
Net cash inflow from operating activities		446.7	419.4

Notes to the Consolidated Financial Statements continued

35. Notes to the Consolidated Cash Flow Statement continued

Below are the reconciliations of working capital items and provisions between the movements in the Consolidated Balance Sheet on page 153 and the table above.

	2025				2024			
	Inventories	Contract Assets, Trade and Other Receivables	Contract Liabilities, Trade and Other Payables	Provisions	Inventories	Contract Assets, Trade and Other Receivables	Contract Liabilities, Trade and Other Payables	Provisions
	2025	2025	2025	2025	2024	2024	2024	2024
	£m	£m	£m	£m	£m	£m	£m	£m
Balance sheet at 1 January	24.1	657.8	(714.7)	(190.3)	24.1	640.4	(662.2)	(170.3)
Balance sheet at 31 December	20.0	669.3	(752.0)	(188.8)	24.1	657.8	(714.7)	(190.3)
Movement per balance sheet	(4.1)	11.5	(37.3)	1.5	–	17.4	(52.5)	(20.0)
Arising on acquisition	–	(20.4)	6.5	1.2	–	(29.5)	9.0	27.0
Eliminated on disposal of a subsidiary	0.3	10.9	(15.6)	(4.2)	–	–	–	–
Movement on deferred consideration on acquisition	–	–	(1.7)	–	–	–	9.5	–
Movement on interest receivables/payables	–	(0.5)	3.0	–	–	(0.6)	3.0	–
Pension contributions in (shortfall)/excess of charge in income statement	–	–	(0.5)	–	–	–	15.4	–
Transfer from provision to working capital	–	1.6	(0.3)	(1.6)	–	–	–	–
Capitalised in right of use assets	–	–	–	0.8	–	–	–	2.0
Charge claims covered by third parties	–	(2.4)	–	2.4	–	–	–	–
Exchange differences	0.1	7.3	(1.6)	0.6	0.7	14.6	(17.3)	(5.9)
Movement per notes to the Consolidated Cash Flow Statement	(3.7)	8.0	(47.5)	0.7	0.7	1.9	(32.9)	3.1

36. Post balance sheet events

Dividends

Subsequent to the year end, the Board has recommended the payment of a final dividend in respect of the year ended 31 December 2025 of 3.05 pence per share. The dividend remains subject to shareholder approval at the Annual General Meeting and therefore no amounts have been recognised in respect of a dividend in these Consolidated Financial Statements.

Serco share buyback

The Group has announced its intention to commence a share buyback of up to £75m. Consistent with the Group's capital allocation policy, the objective of the programme is to provide additional returns to shareholders as well as aid the Group in meeting its medium-term leverage targets. The buyback programme is expected to complete by 31 July 2026 with the shares either held in treasury or cancelled.

Employee Share Ownership Trust

Subsequent to the year end, the Group's Employee Share Ownership Trust completed the purchase of 8m shares at the cost (including fees) of £23.8m. These shares were committed to be purchased prior to 31 December 2025 and £21.3m of the cost was funded in advance and included in the own share reserve at year end. These shares will be held in the own share reserve until they are transferred to award holders on the exercise of share awards.

Middle East conflict

As at the date of signing there has been no material impact on our business due to the recent events in the Middle East. Management continues to monitor events across the region very closely.

Company Balance Sheet

At 31 December	Note	2025 £m	2024 £m
Fixed assets			
Right of use assets	38	0.2	0.2
Investments in subsidiaries	39	2,052.5	2,052.5
		2,052.7	2,052.7
Current assets			
Debtors: amounts due within one year	40	16.8	11.5
Debtors: amounts due after more than one year	40	632.5	397.8
Corporation tax assets		12.3	17.9
Derivative financial instruments	44	0.7	1.1
Cash at bank and in hand		100.9	101.3
		763.2	529.6
Total assets		2,815.9	2,582.3
Creditors: amounts falling due within one year			
Trade and other payables	41	(145.9)	(155.2)
Loans	42	–	(38.8)
Corporation tax liability		(0.2)	–
Derivative financial instruments	44	(0.8)	(6.8)
Provisions	43	–	(6.6)
		(146.9)	(207.4)
Net current assets		616.3	322.2
Creditors: amounts falling due after more than one year			
Loans	42	(404.9)	(237.6)
Amounts owed to subsidiary companies		(1,245.0)	(1,013.5)
		(1,649.9)	(1,251.1)
Total liabilities		(1,796.8)	(1,458.5)
Net assets		1,019.1	1,123.8
Capital and reserves			
Called up share capital	46	20.1	20.5
Share premium account	47	463.1	463.1
Capital redemption reserve		4.7	4.3
Profit and loss account	48	475.6	571.6
Share-based payment reserve		83.1	85.0
Own shares reserve	49	(27.5)	(20.7)
Total shareholders' funds		1,019.1	1,123.8

The accompanying notes form an integral part of the financial statements.

The Company has not presented its own profit and loss account as permitted by Section 408 of the Companies Act 2006. The total loss for the year was £2.4m (2024: profit of £125.3m) and the total comprehensive loss for the year was £2.4m (2024: profit of £125.3m).

The financial statements were approved by the Board of Directors on 4 March 2026 and signed on its behalf by:

Anthony Kirby
Group Chief Executive

Nigel Crossley
Group Chief Financial Officer

Company Statement of Changes in Equity

	Share capital	Share premium account	Capital redemption reserve	Profit and loss account	Treasury shares reserve	Share-based payment reserve	Own shares reserve	Total shareholders' equity
	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2024	22.1	463.1	2.7	626.0	–	86.3	(15.0)	1,185.2
Total comprehensive income for the year	–	–	–	125.3	–	–	–	125.3
Dividends paid	–	–	–	(38.4)	–	–	–	(38.4)
Shares purchased and held in own share reserve	–	–	–	–	–	–	(22.8)	(22.8)
Shares purchased and held in Treasury	–	–	–	–	(141.3)	–	–	(141.3)
Cancellation of shares held in Treasury	(1.6)	–	1.6	(141.3)	141.3	–	–	–
Shares transferred to option holders on exercise	–	–	–	–	–	(17.0)	17.1	0.1
Awards over parent's shares made to employees of subsidiaries	–	–	–	–	–	8.9	–	8.9
Expense in relation to share-based payments	–	–	–	–	–	6.3	–	6.3
Tax credit on items taken directly to equity	–	–	–	–	–	0.5	–	0.5
At 1 January 2025	20.5	463.1	4.3	571.6	–	85.0	(20.7)	1,123.8
Total comprehensive income for the year	–	–	–	(2.4)	–	–	–	(2.4)
Dividends paid	–	–	–	(43.3)	–	–	–	(43.3)
Shares purchased and held in own share reserve	–	–	–	–	–	–	(5.0)	(5.0)
Shares committed to be purchased and held in own share reserve	–	–	–	–	–	–	(21.3)	(21.3)
Shares purchased and held in Treasury	–	–	–	–	(50.3)	–	–	(50.3)
Cancellation of shares held in Treasury	(0.4)	–	0.4	(50.3)	50.3	–	–	–
Shares transferred to option holders on exercise	–	–	–	–	–	(15.6)	19.5	3.9
Awards over parent's shares made to employees of subsidiaries	–	–	–	–	–	8.5	–	8.5
Expense in relation to share-based payments	–	–	–	–	–	5.0	–	5.0
Tax credit on items taken directly to equity	–	–	–	–	–	0.2	–	0.2
At 31 December 2025	20.1	463.1	4.7	475.6	–	83.1	(27.5)	1,019.1

Notes to the Company Financial Statements

37. Material accounting policies

The principal accounting policies adopted are set out below and have been applied consistently throughout the current and preceding year.

Basis of accounting

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council. These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of the UK-adopted International Financial Reporting Standards but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company has not presented its own profit and loss account as permitted by Section 408 of the Companies Act 2006. As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions.

The financial statements have been prepared on the historical cost basis and the going concern basis, except for the revaluation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services. The principal accounting policies adopted are the same as those set out in note 2 to the Consolidated Financial Statements, except as noted below.

Fixed asset investments

Investments held as fixed assets are stated at cost less provision for any impairment in value.

38. Right of use assets

Leased vehicles of £0.2m (2024: £0.2m) have been included on the balance sheet.

39. Investments held as fixed assets

Shares in subsidiary companies at cost	£m
At 1 January 2024, 1 January 2025, 31 December 2025	2,052.5

An impairment test has been performed at the year end by comparing the carrying amount of 100% of investments with the relevant subsidiary financial information to identify whether their net assets, being an approximation of their recoverable amount, are in excess of their carrying amount. No impairment resulted from this test.

A full list of subsidiaries and related undertakings is included in note 52 which forms part of the financial statements.

40. Debtors

	2025	2024
	£m	£m
Amounts due within one year		
Prepayments	0.5	0.4
Amounts owed by subsidiary companies	5.0	0.9
Prepaid intercompany interest	11.3	10.2
	16.8	11.5
Amounts due after more than one year		
Amounts owed by subsidiary companies	632.5	397.8

The expected credit loss provision against amounts owed by subsidiary companies is immaterial.

Notes to the Company Financial Statements continued

41. Trade and other payables

	2025 £m	2024 £m
Amounts due within one year		
Amounts owed to subsidiary companies	96.3	103.7
Trade creditors	1.3	0.2
Accruals and deferred income	48.0	51.2
Other creditors including taxation and social security	0.3	0.1
	145.9	155.2

42. Loans

	2025 £m	2024 £m
Loans are repayable as follows:		
On demand or within one year	–	38.8
Between one and two years	59.0	–
Between two and five years	82.5	122.2
After five years	263.4	115.4
	404.9	276.4
Less: amount due for settlement within one year (shown within current liabilities)	–	(38.8)
Amount due for settlement after one year	404.9	237.6

43. Provisions

	Contract £m
Amounts due within one year	
At 1 January 2025	6.6
Released to the income statement	(6.6)
At 31 December 2025	–

44. Derivative financial instruments

	Assets 2025 £m	Liabilities 2025 £m	Assets 2024 £m	Liabilities 2024 £m
Forward foreign exchange contracts	0.7	(0.8)	1.1	(6.8)
Analysed as				
Current	0.7	(0.8)	1.1	(6.8)

The Company holds derivative financial instruments in accordance with the Group's policy in relation to its financial risk management. More information is set out in note 28 of the Group's Consolidated Financial Statements.

Notes to the Company Financial Statements continued

45. Deferred tax

The movement in the deferred tax asset during the year was as follows:

	2025	2024
	£m	£m
At 1 January	–	–
Credit to profit and loss account	–	–
At 31 December	–	–

The deferred tax asset not recognised is as follows:

	2025	2024
	£m	£m
At 31 December		
Temporary differences on assets/liabilities	0.1	0.2
Share-based payments and employee benefits	0.5	1.0
Other temporary differences	1.6	2.9
Tax losses	46.3	46.3
	48.5	50.4

46. Called up share capital

	2025	2024
	£m	£m
Authorised, issued and fully paid		
1,002,743,103 (2024: 1,023,855,243) ordinary shares of 2p each	20.1	20.5

	2025	2024
	Number	Number
Number of shares at 1 January	1,023,855,243	1,103,545,966
Shares cancelled	(21,112,140)	(79,690,723)
Number of shares at 31 December	1,002,743,103	1,023,855,243

The Company has one class of ordinary shares which carry no right to fixed income.

47. Share premium account

	2025	2024
	£m	£m
Share premium account	463.1	463.1

48. Profit and loss

	2025	2024
	£m	£m
At 1 January	571.6	626.0
(Loss)/profit for the year	(2.4)	125.3
Equity dividends paid	(43.3)	(38.4)
Cancellation of shares held in Treasury	(50.3)	(141.3)
At 31 December	475.6	571.6

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the Company is not presented as part of these accounts. The total loss for the year was £2.4m (2024: profit of £125.3m) and the total comprehensive loss for the year was £2.4m (2024: profit of £125.3m).

The Company plans to maintain sufficient funds and distributable reserves to allow payments of projected dividends to shareholders.

Notes to the Company Financial Statements continued

49. Other reserves

Share based payment reserve

The share-based payment reserve represents credits relating to equity-settled share-based payment transactions and any gain or loss on the exercise of share award schemes satisfied by own shares.

Details of the share-based payment disclosures are set out in note 33 of the Group's Consolidated Financial Statements.

Treasury shares reserve

The Treasury shares reserve represents amounts paid to repurchase ordinary shares. On 7 August 2025, the Group announced its intention to repurchase ordinary shares with a value of up to £50m. The buyback programme took place between 11 August 2025 and 3 December 2025. During this period, the Group repurchased 21,112,140 shares at an average cost of £2.384 for total cost including fees of £50.3m. All shares purchased in 2025 have been cancelled.

Own share reserve

The own shares reserve represents the cost of shares in Serco Group plc held by the Serco Group plc Employee Share Ownership Trust (ESOT) to satisfy awards under the Group's share plan schemes. At 31 December 2025, the ESOT held 4,043,139 (2024: 13,418,111) shares equal to 0.4% of the current allotted share capital (2024: 1.3%). The market value of shares held by the ESOT as at 31 December 2025 was £11.3m (2024: £20.3m). The ESOT is committed to purchase 8,000,000 shares, which were funded prior to 31 December 2025 and the expected cost of £21.3m is included in the own share reserve.

50. Contingent liabilities

The Company and its subsidiaries have provided certain guarantees and indemnities in respect of performance and other bonds, issued by its banks on its behalf in the ordinary course of business. The total commitment outstanding as at 31 December 2025 was £153.5m (2024: £210.4m).

The Company is also aware of other claims and potential claims which involve or may involve legal proceedings against the Company although the timing of settlement of these claims remains uncertain. The Directors are of the opinion, having regard to legal advice received and the Company's insurance arrangements, that it is unlikely that these matters will, in aggregate, have a material effect on the Company's financial position.

The Company has a guarantee in place with the SPLAS Trustees in respect of any pension contribution obligations that remain unpaid after 30 days of being due from other Group entities, including the plan sponsor, up to a total of £200m (2024: £200m) less contributions made by the Group since April 2022. This guarantee runs until 2030 (2024: 2030).

The Company has guaranteed overdrafts, leases, and bonding facilities of its joint ventures and associates up to a maximum value of £5.7m (2024: £5.7m). The actual commitment outstanding at 31 December 2025 was £5.7m (2024: £5.7m).

51. Related party transactions

The Directors of Serco Group plc had no material transactions with the Company or its subsidiaries during the year other than service contracts and Directors' liability insurance. Details of the Directors' remuneration are disclosed in the Remuneration Report for the Group.

Transactions between the Company and its wholly-owned subsidiaries are not disclosed in this note as they are exempt from disclosure under FRS 101. The following transactions between the Company and subsidiaries that are not wholly owned, joint ventures and associates are set out below:

	Transactions 2025 £m	Current outstanding 2025 £m	Non-current outstanding 2025 £m	Transactions 2024 £m	Current outstanding 2024 £m	Non-current outstanding 2024 £m
Loan interest receivable	3.9	–	–	2.9	–	–
Loans to subsidiaries not wholly owned	12.2	–	(5.5)	(0.2)	–	(19.0)
Loan to joint venture	–	–	–	10.0	–	–
Receivables from consortium for tax - joint ventures	7.3	4.3	7.9	9.2	7.7	10.1
Total	23.4	4.3	2.4	21.9	7.7	(8.9)

Notes to the Company Financial Statements continued

52. List of subsidiaries and related undertakings

Company name	Serco Group ownership interest	Treatment	Registered office address
ACN 611 392 744 Pty Ltd	49%	Subsidiary	Level 6, 123 Epping Road, Macquarie Park, NSW 2113, Australia
AI Recruiting BV	100%	Subsidiary	Kapteynstraat 1, 2201 BB Noordwijk, The Netherlands
BRTRC Federal Solutions, Inc.	100%	Subsidiary	12930 Worldgate Drive, Suite 600, Herndon, VA 20170, United States
Cardinal Insurance Company Limited	100%	Subsidiary	Dorey Court, Admiral Park, St Peter Port, GY1 4AT, Guernsey
Clemaco Trading NV	100%	Subsidiary	Sint-Sebastiaanstraat 5, 8400 Oostende, Belgium
Climatize Engineering Consultants FZE	100%	Subsidiary	Building no. A4, Al Hamra Industrial Zone F-Z, Ras Al Khaimah (RAK), A4-901, United Arab Emirates
Climatize Engineering Consultants L.L.C	100%	Subsidiary	20th Floor, Rolex Tower, Sheik Zayed Road, Dubai, Dubai, United Arab Emirates
Confluent Innovations, L.L.C.	49%	Joint venture	5880 Innovation Drive, Dublin, OH 43016, United States
Decisive Analytics Corporation	100%	Subsidiary	12930 Worldgate Drive, Suite 600, Herndon, VA 20170, United States
Defence Contractor Management and Operations Limited	24.5%	Associate	Serco House, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire, RG27 9UY, United Kingdom
Djurgårdens Färjetrafik AB	50%	Joint venture	Svensksundsvägen 19, 111 49 Stockholm, Sweden
DMS Maritime Pty Limited	100%	Subsidiary	Level 23, 60 Margaret Street, Sydney, NSW 2000, Australia
European Homecare GmbH	100%	Subsidiary	22a, Schürmannstraße, Essen, 45136, Germany
Innu Serco Inc	49%	Joint venture	P.O. Box 1012, Station C, Happy Valley - Goose Bay, NL, A0P 1C0, Canada
Innu Serco Limited Partnership	49%	Joint venture	P.O. Box 1012, Station C, Happy Valley - Goose Bay, NL, A0P 1C0, Canada
International Aeradio (Emirates) L.L.C. - Abu Dhabi	49%	Subsidiary	Office no. 503, 5th Floor, Al Muhairy Building, Zayed The First Street, PO Box 3164 Abu Dhabi, United Arab Emirates
JB1 Properties Services Company L.L.C.	49%	Subsidiary	Alnahyan East 19, Ayad Alharazeen Building, Abu Dhabi, United Arab Emirates
Joint Integrated Range Solutions L.L.C.	49%	Joint venture	8337 W. Sunset Road, Suite 250, Las Vegas, NV 89113, United States
Khadamat Facilities Management L.L.C.	45%	Associate	The United Arab Emirates University, Al Jamea Street, Al Maqam District, PO Box 66718 Al Ain, United Arab Emirates
Lift BV	100%	Subsidiary	Kapteynstraat 1, 2201 BB Noordwijk, Netherlands
Mahani Technical Services, L.L.C.	49%	Joint venture	511 Duckwater Fall Road, Duckwater, NV, 89314, United States
Merseyrail Electrics 2002 Limited	50%	Joint venture	Rail House, Lord Nelson Street, Liverpool, Merseyside, L1 1JF, United Kingdom
Merseyrail Services Holding Company Limited ³	50%	Joint venture	St Andrews House, 18 - 20 St. Andrew Street, London, EC4A 3AG, United Kingdom
ORS Deutschland GmbH	100%	Subsidiary	Güterhallenstrasse 4, 79106 Freiburg, Germany
ORS España Servicios Sociales, S.L.	100%	Subsidiary	Avda Felipe II 1 7 1 ° Madrid 28009-Madrid, Spain
ORS Greece Monoprosopi A.E	100%	Subsidiary	280, Kifisias Ave., Chalandri, Greece
ORS Italia S.r.l	100%	Subsidiary	Piazza Annibaliano, 18 CAP 00198 Presso Studio Filippini & Ass, Italy
ORS Service AG	100%	Subsidiary	Röschibachstrasse 22, 8037 Zürich, Switzerland
ORS Service GmbH (Austria)	100%	Subsidiary	Leopold-Ungar-Platz 2, 1190, Döbling, Wien, Austria
ORS Slovakia s.r.o	100%	Subsidiary	Grösslingova 45, Bratislava, Slovakia
Priority Properties North West Limited	100%	Subsidiary	Serco House, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire, RG27 9UY, United Kingdom
Sapienza Consulting GmbH ²	100%	Subsidiary	Lise-Meitner-Straße 10, 64293 Darmstadt, Germany
Sapienza Consulting Holding BV	100%	Subsidiary	Kapteynstraat 1, 2201 BB Noordwijk, Netherlands

Notes to the Company Financial Statements continued

52. List of subsidiaries and related undertakings continued

Company name	Serco Group ownership interest	Treatment	Registered office address
Sapienza Consulting Limited	100%	Subsidiary	Serco House, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire, RG27 9UY, United Kingdom
Serco (Jersey) Limited	100%	Subsidiary	26 New Street, St. Helier, JE2 3RA, Jersey
Serco Australia Pty Limited ³	100%	Subsidiary	Level 23, 60 Margaret Street, Sydney, NSW 2000, Australia
Serco Belgium S.A.	100%	Subsidiary	1945 Chaussée de Wavre, 1160 Auderghem, Brussels, Belgium
Serco Caledonian Sleepers Limited	100%	Subsidiary	C/O Serco NorthLink Ferries Aberdeen Ferry Terminal, Jamieson's Quay, Aberdeen, United Kingdom, AB11 5NP
Serco Canada Inc.	100%	Subsidiary	37 Carl Hall Rd, North York, ON M3K 2B6, Canada
Serco Canada Marine Corporation	100%	Subsidiary	555 Legget Drive, Suite 400, Tower A, Ottawa, ON, K2K 2X3, Canada
Serco Citizen Services Pty Ltd	100%	Subsidiary	Level 23, 60 Margaret Street, Sydney, NSW 2000, Australia
Serco Corporate Services Limited	100%	Subsidiary	Serco House, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire, RG27 9UY, United Kingdom
Serco Czech Republic s.r.o.	100%	Subsidiary	Na Perštýně 342/1, Staré Město, Prague, 110 00, Czech Republic
Serco Defence Clothing Pty Ltd	100%	Subsidiary	Level 23, 60 Margaret Street, Sydney, NSW 2000, Australia
Serco Defence S.A.	100%	Subsidiary	1945 Chaussée de Wavre, 1160 Auderghem, Brussels, Belgium
Serco Defence Services Pty Ltd	100%	Subsidiary	Level 23, 60 Margaret Street, Sydney, NSW 2000, Australia
Serco Facilities Management Holdings Pty Limited	100%	Subsidiary	Level 23, 60 Margaret Street, Sydney, NSW 2000, Australia
Serco Facilities Management Pty Limited	100%	Subsidiary	Level 23, 60 Margaret Street, Sydney, NSW 2000, Australia
Serco Facilities Management Sub-Holdings Pty Limited	100%	Subsidiary	Level 23, 60 Margaret Street, Sydney, NSW 2000, Australia
Serco Ferries (Guernsey) Crewing Limited	100%	Subsidiary	St Martins House, Le Bordage, St Peter Port, GY1 4EA, Guernsey
Serco Ferries (HR) Limited	100%	Subsidiary	Serco House, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire, RG27 9UY, United Kingdom
Serco Gestion de Negocios S.L.U.	100%	Subsidiary	Calle José Lázaro Galdiano n° 4, 2° E, CP28036, Madrid, Spain
Serco Group Pty Limited ³	100%	Subsidiary	Level 23, 60 Margaret Street, Sydney, NSW 2000, Australia
Serco Holdings Limited ¹	100%	Subsidiary	Serco House, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire, RG27 9UY, United Kingdom
Serco Inc. ³	100%	Subsidiary	12930 Worldgate Drive, Suite 600, Herndon, VA 20170, United States
Serco Investments Holdings Limited	50%	Joint venture	Floor 24, Tower Al-Sila, Al-Mariya Island, Abu Dhabi, United Arab Emirates
Serco Italia S.p.A.	100%	Subsidiary	Viale dell'Astronomia no. 13 - 00144 Roma, Italy
Serco Leisure Operating Limited	100%	Subsidiary	Serco House, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire, RG27 9UY, United Kingdom
Serco Limited ³	100%	Subsidiary	Serco House, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire, RG27 9UY, United Kingdom
Serco Listening Company Limited ²	100%	Subsidiary	Serco House, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire, RG27 9UY, United Kingdom
Serco Luxembourg S.A.	100%	Subsidiary	8-10 Avenue de la Gare L-1610 Luxembourg
Serco Management L.L.C.	50%	Joint venture	Al Nahyan, East 25, Abu Dhabi, United Arab Emirates
Serco Maritime Services NV	100%	Subsidiary	Sint-Sebastiaanstraat 5, 8400 Oostende, Belgium
Serco MENA Regional Head Quarters L.L.C. O.P.C.	100%	Subsidiary	8793 Riyadh Front, Unit S7, King Khalid Int. Airport District, Riyadh 13413-3718, Kingdom of Saudi Arabia
Serco Netherlands B.V.	100%	Subsidiary	Kapteynstraat 1, 2201 BB Noordwijk ZH, Netherlands
Serco New Zealand (Asset Management Services) Limited	100%	Subsidiary	Level 4, KPMG Centre, 18 Viaduct Harbour Avenue, Auckland Central, Auckland, 1010, New Zealand

Notes to the Company Financial Statements continued

52. List of subsidiaries and related undertakings continued

Company name	Serco Group ownership interest	Treatment	Registered office address
Serco New Zealand Limited	100%	Subsidiary	Level 4, KPMG Centre, 18 Viaduct Harbour Avenue, Auckland Central, Auckland, 1010, New Zealand
Serco New Zealand Training Limited	100%	Subsidiary	Level 4, KPMG Centre, 18 Viaduct Harbour Avenue, Auckland Central, Auckland, 1010, New Zealand
Serco North America (Holdings), Inc.	100%	Subsidiary	1209 Orange Street, Wilmington, DE 19801, United States
Serco Nunavut Ltd	49%	Joint venture	Field Law, House 2436, PO Box 1734, Iqaluit, NU X0A 0H0, Canada
Serco Paisa Limited ²	50%	Joint Venture	80 Fenchurch Street, London, EC3M 4BY
Serco Pension Trustee Limited	100%	Subsidiary	Serco House, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire, RG27 9UY, United Kingdom
Serco Projects L.L.C.	49%	Joint Venture	Office Number 1904, 19th Floor, Serco Projects, The E18hteen, Alliance Business Center, Doha, PO BOX 23107, Qatar
Serco Safety Services L.L.C.	100%	Subsidiary	20th Floor, Rolex Tower, Sheik Zayed Road, Dubai, Dubai, United Arab Emirates
Serco S.a.r.l.	100%	Subsidiary	le Technoparc Gessien, 15 Rue Lumière, 01630 Saint-Genis-Pouilly, France
Serco SAS	100%	Subsidiary	Bourg en Bresse, Technoparc du pays de Gex, 15 rue Lumiere, 01630 Saint-Genis-Pouilly, France
Serco Saudi Arabia L.L.C.	100%	Subsidiary	Building No 7026, Postal Code 13458 Airport Road, King Khaled International Airport District, Kingdom of Saudi Arabia, Secondary No 2795, Riyadh, 13458, Saudi Arabia
Serco Saudi Firefighting L.L.C.	95%	Subsidiary	Building No 7026, Postal Code 13458 Airport Road, King Khaled International Airport District, Kingdom of Saudi Arabia
Serco Security Academy SAS	100	Subsidiary	14, Boulevard des Alliés, Calais, 62100, France
Serco Security Services SAS	100%	Subsidiary	15 Rue Lumière, Technoparc Pays de Gex, 01630 Saint Genis Pouilly, France
Serco Services GmbH	100%	Subsidiary	Lise-Meitner-Straße 10, 64293 Darmstadt
Serco Singapore Pte Limited	100%	Subsidiary	38 Beach Road, #29-11 South Beach Tower, Singapore, 189767
Serco Switzerland S.A.	100%	Subsidiary	86bis Route de Frontenex, 1208 Geneva, Switzerland
Serco Traffic Camera Services (VIC) Pty Limited	100%	Subsidiary	Level 23, 60 Margaret Street, Sydney, NSW 2000, Australia
Serco-IAL Limited	100%	Subsidiary	Serco House, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire, RG27 9UY, United Kingdom
Serco-IPS Corporation	100%	Subsidiary	12930 Worldgate Drive, Suite 600, Herndon, VA 20170, United States
Signature Data Solutions, LLC	49%	Joint venture	100 Quality Circle, Suite 200, Huntsville, AL 35806
Team X Defence Limited	50%	Joint venture	77 Kingsway, London, England, United Kingdom, WC2B 6SR
VectorOps, LLC	49%	Joint venture	7288 Hanover Green Dr Ste A, Mechanicsville, VA, 23111-1709, United States
Vivo Defence Services Limited ³	50%	Joint venture	First Floor, Neon Q10 Quorum Business Park, Benton Lane, Newcastle Upon Tyne, NE12 8BU, United Kingdom
Whitney, Bradley & Brown, Inc.	100%	Subsidiary	12930 Worldgate Drive, Suite 600, Herndon, VA 20170, United States

1. Serco Holdings Limited is directly owned by Serco Group plc. All other subsidiaries and associated undertakings are held indirectly via Group companies.

2. Companies in liquidation or with an active proposal for strike off as at 31 December 2025.

3. Companies key to the consolidated numbers, all of which are engaged in the provision of support services.

Other Information

- 232 Alternative Performance Measures
- 235 Debt Covenants
- 236 Glossary
- 238 Our Impact - Data Tables
- 244 Shareholder information

Alternative Performance Measures

Alternative Performance Measures (APMs) reconciliations

Overview

In general, APMs are presented externally to meet investors' requirements for further clarity and transparency of the Group's financial performance. The APMs are also used internally in the management of our business performance, budgeting and forecasting, and for determining Executive Directors' remuneration and that of other Management throughout the business.

APMs are non-IFRS measures. Where additional revenue is being included in an APM, this reflects revenues presented elsewhere within the reported financial information, except where amounts are recalculated to reflect constant currency. Where items of income or expense are being excluded in an APM, these are included elsewhere in our reported financial information as they represent actual income or expense of the Group, except where amounts are recalculated to reflect constant currency. As a result, APMs allow investors and other readers to review different kinds of revenue, profits and costs, and should not be used in isolation. Commentary included in the Group and Divisional Review, as well as the Consolidated Financial Statements and their accompanying notes, should be referred to in order to fully appreciate all the factors that affect our business. We strongly encourage readers not to rely on any single financial measure, but to carefully review our reporting in its entirety.

Definitions of the Group's APMs are shown in the glossary on pages 236 to 237 and the reconciliations for each measure are shown as follows:

Alternative revenue measures

A reconciliation of reported revenue to the alternative revenue measures is as follows:

Year ended 31 December	Statutory revenue	Statutory revenue	Organic revenue	Organic revenue	Revenue plus share of joint ventures and associates	Revenue plus share of joint ventures and associates
	2025	2024	2025	2024	2025	2024
	£m	£m	£m	£m	£m	£m
Alternative revenue measure at constant currency	4,954.8	4,787.3	4,810.1	4,767.8	5,469.6	5,291.8
Foreign exchange differences	(78.0)	–	(72.6)	–	(78.1)	–
Alternative revenue measure at reported currency	4,876.8	4,787.3	4,737.5	4,767.8	5,391.5	5,291.8
Impact of relevant acquisitions or disposals	–	–	139.3	19.5	–	–
Share of joint venture and associates	–	–	–	–	(514.7)	(504.5)
Reported revenue at reported currency	4,876.8	4,787.3	4,876.8	4,787.3	4,876.8	4,787.3

Alternative profit measures

A reconciliation of underlying operating profit to reported operating profit is as follows:

Year ended 31 December	2025	2024
	£m	£m
Underlying operating profit at constant currency	276.6	273.5
Foreign exchange differences	(5.0)	–
Underlying operating profit at reported currency	271.6	273.5
Amortisation and impairment of intangibles arising on acquisition	(30.0)	(28.9)
Exceptional item – Goodwill impairment	–	(114.5)
Profit on disposal of subsidiary	4.7	–
Reported operating profit at reported currency	246.3	130.1

Alternative Performance Measures continued

Alternative Performance Measures (APMs) reconciliations continued

Underlying EPS

A reconciliation of underlying EPS to reported EPS is as follows:

Year ended 31 December	2025 basic pence	2024 basic pence	2025 diluted pence	2024 diluted pence
Underlying EPS	17.31	16.97	16.93	16.67
Non-underlying items:				
Exceptional items, net of tax	–	(10.82)	–	(10.62)
Other non underlying items, net of tax	(2.93)	(1.98)	(2.86)	(1.95)
Reported EPS	14.38	4.17	14.07	4.10

Alternative cash flow measures

A reconciliation of net cash inflow from operating activities, free cash flow and trading cash flow is as follows:

Year ended 31 December	2025 £m	2024 £m
Net cash inflow from operating activities	446.7	419.4
Dividends received	22.9	30.8
Net interest paid	(40.3)	(28.5)
Disposal-related costs paid	2.3	–
Capitalised finance costs paid	(2.2)	(1.0)
Capital element of lease repayments	(158.9)	(137.4)
Proceeds from exercise of share options	3.9	0.1
Purchase of own shares for Employee Share Trust	(26.3)	(22.8)
Net expenditure on tangible and intangible assets	(28.8)	(33.1)
Free cashflow	219.3	227.5
Add back:		
Tax paid	43.4	41.3
Non-cash R&D expenditure/(credit)	0.1	(0.3)
Net interest paid	40.3	28.5
Capitalised finance costs paid	2.2	1.0
Trading cash flow	305.3	298.0
Underlying operating profit	271.6	273.5
Trading cash conversion	112 %	108.9 %

Alternative Performance Measures continued

Alternative Performance Measures (APMs) reconciliations continued

Free cash flow to adjusted net debt

A reconciliation from free cash flow to adjusted net debt is as follows:

Year ended 31 December	2025 £m	2024 £m
Free cash flow	219.3	227.5
Net cash outflow on acquisition and disposal of subsidiaries, joint ventures and associates	(250.7)	(20.8)
Disposal-related costs paid	(2.3)	-
Dividends paid to shareholders	(43.3)	(38.4)
Purchase of own shares	(50.3)	(141.3)
Loans repaid from joint venture	-	10.0
Capitalisation and amortisation of loan costs	0.9	-
Cash movements on hedging instruments	(8.9)	(13.1)
Foreign exchange gain/(loss) on adjusted net debt	29.4	(15.0)
Movement in adjusted net debt	(105.9)	8.9
Opening adjusted net debt - 1 January	(99.8)	(108.7)
Closing adjusted net debt - 31 December	(205.7)	(99.8)

Reported net debt to adjusted net debt

A reconciliation of adjusted net debt to reported net debt is as follows:

Year ended 31 December	2025 £m	2024 £m
Cash and cash equivalents	199.3	183.0
Loans payable	(404.9)	(276.4)
Lease liabilities	(504.4)	(530.0)
Derivatives relating to net debt	(0.1)	(6.4)
Reported net debt	(710.1)	(629.8)
Add back: Lease liabilities	504.4	530.0
Adjusted net debt	(205.7)	(99.8)

Underlying return on invested capital (ROIC)

Below is the calculation of Underlying ROIC:

Year ended 31 December	2025 £m	2024 £m
ROIC excluding right of use assets		
Non-current assets		
Goodwill	929.3	826.2
Other intangible assets - owned	162.2	101.4
Property, plant and equipment - owned	56.2	56.8
Interest in joint ventures	34.1	25.1
Contract assets, trade and other receivables	26.2	26.3
Current assets		
Inventories	20.0	24.1
Contract assets, trade and other receivables	643.1	631.5
Total invested capital assets	1,871.1	1,691.4
Current Liabilities - Contract liabilities, trade and other payables	(649.7)	(632.5)
Non-current liabilities - Contract liabilities, trade and other payables	(102.3)	(82.2)
Total invested capital liabilities	(752.0)	(714.7)
Invested capital	1,119.1	976.7
Two point average of opening and closing invested capital	1,047.9	1,043.8
Underlying operating profit 12 months	271.6	273.5
Underlying ROIC %	25.9%	26.2%

Debt Covenants

Debt covenants

The principal financial covenant ratios are consistent across the US private placement loan notes and revolving credit facility, with a maximum Consolidated Total Net Borrowings (CTNB) to covenant EBITDA of 3.5 times and minimum covenant EBITDA to covenant net finance costs of 3.0 times, tested semi-annually. A reconciliation of the basis of calculation is set out in the table below.

The covenants exclude the impact of IFRS 16 Leases on the Group's results.

	2025	2024
	£m	£m
For the year ended 31 December		
Operating profit	246.3	130.1
Remove: Exceptional items	-	114.5
Remove: Amortisation and impairment of intangibles arising on acquisition	30.0	28.9
Exclude: Share of joint venture post-tax profits	(28.8)	(22.8)
Include: Dividends from joint ventures	22.9	30.8
Add back: Net non-exceptional charges/(releases) to OCPs	8.3	5.7
Add back: Net covenant OCP utilisation	(3.3)	(2.7)
Add back: Depreciation, amortisation and impairment of owned property, plant and equipment and non-acquisition intangible assets	28.5	25.1
Add back: Depreciation, amortisation and impairment of property, plant and equipment and non-acquisition intangible assets held under finance leases – in accordance with IAS 17 Leases	3.9	4.4
Add back: Foreign exchange on investing and financing arrangements	(1.2)	(2.1)
Add back: Share-based payment expense	13.6	15.2
Pro-forma annualised impact of acquisition	11.7	-
Net other covenant adjustments to EBITDA	(15.3)	(15.0)
Covenant EBITDA	316.6	312.1
Net finance costs	44.8	33.1
Exclude: Net interest receivable on retirement benefit obligations	0.8	1.9
Exclude: Movement in discount on deferred consideration	(0.2)	(0.8)
Exclude: Foreign exchange on investing and financing arrangements	(1.2)	(2.1)
Other covenant adjustments to net finance costs	(22.8)	(19.6)
Covenant net finance costs	21.4	12.5
Adjusted net debt	205.7	99.8
Obligations under finance leases - in accordance with IAS 17 Leases	9.4	13.1
Recourse net debt	215.1	112.9
Add back: Disposal vendor loan note, encumbered cash and other adjustments	3.6	(3.7)
Covenant adjustment for average FX rates	10.5	(5.9)
CTNB	229.2	103.3
CTNB/Covenant EBITDA (not to exceed 3.5x)	0.72x	0.33x
Covenant EBITDA/Covenant net finance costs (at least 3.0x)	14.8x	25.0x

Glossary

Adjusted Net Debt

The Adjusted Net Debt measure more closely aligns with the covenant measure for the Group's financing facilities than reported net debt because it excludes all lease liabilities recognised under IFRS 16 Leases. Principally as a result of the Asylum Accommodation and Support Services Contract (AASC), the Group has entered into a significant number of leases which contain a termination option. The use of Adjusted Net Debt removes the volatility that would result from the estimation of lease periods and the recognition of liabilities associated with such leases where the Group has the right to cancel the lease. Though the intention is not to exercise the options to cancel the leases, it is available, unlike other debt obligations.

Colleagues

The number of colleagues is derived from the average number of persons employed and includes all individuals employed under contracts of service by the Group as disclosed in note 10 of the Financial Statements. This comprises permanent, part-time, and casual employees, and those with fixed term contracts. In contrast with the number of employees disclosed in note 10 of the Financial Statements, colleagues also includes self-employed contractors, other casual workers and employees of Trusts. This is because such colleagues fall within Serco's duty of care and are within the scope of a number of our KPIs. Employees of joint ventures where Serco is not the controlling shareholder and sub-contractors are excluded.

Constant currency

Constant currency is calculated by translating non-Sterling values for the year ended 31 December into Sterling at the average exchange rates for the prior year. Constant currency and reported currency are equal for the prior year numbers.

Employee engagement

We use a specialist third-party provider to run Viewpoint, our global employee engagement survey. The survey covers employees, excluding our joint ventures, and measures engagement in two key areas: how happy employees are working at Serco and their intention to recommend Serco to others. Our engagement score incorporates all respondents' perceptions and shows the overall average view of these two areas when we survey.

Exceptional items

IAS 1 Presentation of Financial Statements sets out disclosure requirements regarding fair representation of information and the composition, labelling, prominence and consistency of additional line items and subtotals in financial statements. IAS 1 paragraph 97 requires separate disclosure of the nature and amount of material items of income or expense. The Group uses the term 'exceptional items' to categorise those items which require disclosure under IAS 1 paragraph 97, but this is not a term defined by IFRS. A level of judgement is involved in determining what items are classified as exceptional items. Management considers exceptional items to be outside of normal practice of the business (i.e. the financial impact is unusual or rare in occurrence), and are material to the results of the Group by virtue of their size or nature, and are suitable for separate presentation and detailed explanation. There is a level of judgement required in determining which items are exceptional on a consistent basis and require separate disclosure.

Free Cash Flow (FCF)

Free cash flow is the net cash flow from operating activities adjusted to remove the impact of non-underlying cash flows from operating activities, adding dividends we receive from joint ventures and associates and deducting net interest, net capital expenditure on tangible and intangible asset purchases, capital elements of lease repayments and the purchase of own shares to satisfy share awards.

Invested Capital

Invested Capital represents the assets and liabilities considered to be deployed in delivering the trading performance of the business. Invested Capital assets are: goodwill and other intangible assets; property, plant and equipment; interests in joint ventures and associates; contract assets, trade and other receivables; and inventories. Invested Capital liabilities are contract liabilities, trade and other payables. Invested Capital is calculated as a two-point average of the opening and closing balance sheet positions. The Invested Capital of the Group used in underlying ROIC are for those items for which resources are or have been committed. This excludes right of use assets recognised under IFRS 16 Leases as many have termination options and commitments for expenditure in future years.

Lost Time Incident Frequency Rate (LTIFR)

Lost Time Incidents (LTIs) are incidents when personal injury accidents at work, or when travelling on company business, cause an employee to incur one or more working days (or shifts) absence as a result. LTIs are recorded from the date the incident occurred, not from when time was lost. The LTIFR is calculated using the total number of LTIs, normalised using the total number of hours worked in the period. This provides a view on the frequency of LTIs, regardless of movements in staff numbers, which is comparable across all areas where LTIs are incurred. Minor revisions can be made to prior reported performance based on data received post publication date.

Net debt

Net debt is a measure to reflect the net indebtedness of the Group and includes all cash and cash equivalents and any debt or debt-like items, including any derivatives entered into in order to manage risk exposures on these items. Net debt brings together the various funding sources that are included on the Group's Consolidated Balance Sheet and the accompanying notes. Net debt includes all lease liabilities, while Adjusted Net Debt is derived from net debt by excluding liabilities associated with leases.

Non-underlying items

Included in non-underlying items are

- exceptional items (see above)
- amortisation and impairment of intangibles arising on acquisitions, because these charges are based on judgements about the value and economic life of assets that, in the case of items such as customer relationships, would not be capitalised in normal operating practice.
- Profit or losses on disposal of subsidiaries are excluded, because such transactions represent discrete, non-recurring events outside the ordinary course of the Group's ongoing operating activities.

Glossary continued

Non-underlying tax

Non-underlying tax refers to the tax effects of non-underlying items, along with tax items that are themselves considered non-underlying because they arise from discrete, non-recurring events outside the Group's ordinary operating activities.

Order book

The order book reflects the estimated value of future revenue based on all existing signed contracts, excluding Serco's share of joint ventures and associates. It excludes contracts at the preferred bidder stage and excludes the award of new Multiple Award Contracts (MACs), Indefinite Delivery/Indefinite Quantity (IDIQ) contracts or framework vehicles, where Serco cannot estimate with sufficient certainty its expected future value of specific task orders that may be issued under the IDIQ or MAC. In these situations the value of any task order is recognised within the order book when subsequently won. The definition is aligned with IFRS 15 disclosures of the future revenue expected to be recognised from the remaining performance obligations on existing contractual arrangements and therefore excludes unsigned extension periods and option periods in our US business. Order intake is the value of business which has been won during the year and typically includes Serco's share of order intake from its joint ventures and option periods in our US business.

Organic

Organic measures exclude the impact of relevant acquisitions (MT&S, European Homecare and Climatize) or disposals (Serco Hong Kong and Khadamat). The prior year figures are recalculated on a consistent basis with the relevant acquisitions or disposals removed in the current or prior year and therefore may not agree to the organic revenue previously reported.

Pipeline of large new bid opportunities

Pipeline of large new bid opportunities reflects the estimated aggregate value at the end of the reporting period of new bid opportunities with Annual Contract Value (ACV) greater than £10m and which we expect to bid and be awarded within a rolling 24-month timeframe. It does not include re-bids or extensions of existing business and the Total Contract Value (TCV) of individual opportunities is capped at £1bn; also excluded is the potential value of framework agreements, prevalent in the US in particular where there are numerous arrangements classed as IDIQ. In this case only the potential value of any individual task order is included.

Revenue plus share of joint ventures and associates

This alternative measure includes the share of revenue from joint ventures and associates for the benefit of reflecting the overall change in scale of the Group's ongoing operations, which is particularly relevant for evaluating Serco's presence in market sectors such as Defence and Transport. The alternative measure allows the performance of the joint venture and associate operations themselves, and their impact on the Group as a whole, to be evaluated on measures other than just the post-tax result.

Trading cash conversion

In order to calculate an appropriate cash conversion metric equivalent to UOP, trading cash flow is derived from FCF by excluding capitalised finance costs, interest, non-cash Research and Development expenditure and tax items. Trading cash conversion therefore provides a measure of the efficiency of the business in terms of converting profit into cash before taking account of the impact of capitalised finance costs, interest, non-cash R&D expenditure, tax and non-underlying items.

Underlying Earnings Per Share (EPS), diluted

Underlying EPS reflects the Underlying Operating Profit measure after deducting underlying net finance costs and tax. It takes into account any non-controlling interests share of the result for the period, and divides the remaining result that is attributable to the equity owners of the Company by the weighted average number of ordinary shares outstanding, including the potential dilutive effect of share options, in accordance with IFRS. Underlying net finance costs and tax are used to calculate Underlying EPS to remove the impact of typical non-recurring or out of period items.

Underlying Operating Profit (UOP)

Underlying Operating Profit is defined as IFRS Operating Profit excluding non-underlying items (as described above). Consistent with IFRS, it includes Serco's share of profit after interest and tax of its joint ventures and associates.

Underlying Return on Invested Capital (ROIC)

ROIC is calculated as UOP for the period divided by the Invested Capital balance (as described above).

Our Impact - Data Tables

2025 Impact performance and data disclosure

Here we share select ESG data points relevant to our ESG Framework. A larger suite of ESG data is available in our 2025 ESG Data Book, which is available on the Impact section on our website. The ESG Data Book is supported by two basis of reporting documents, which set out our reporting approach including the criteria we apply to our non-financial reporting. One covers the scope of our Environment (Planet) indicators, and the second our Social and Governance (People, Place and Governance) indicators.

We have engaged Grant Thornton UK LLP to provide independent, limited assurance over selected Social and Governance KPIs, shown below, in accordance with ISAE 3000 (revised) for the year ended 31 December 2025. Grant Thornton has issued an unqualified opinion over the data and the full assurance report is available on our website. Accenture provide independent, reasonable assurance over our Environmental KPIs in accordance with ISO 14064-3:2019 for the period 1 October 2024 to 30 September 2025, and their assurance statement is also available on our website.

Trend key: ● Positive ● Steady ● Negative ○ New (no comparison)/non-indicator (statement)

Externally assured: GT = Grant Thornton UK LLP Acc = Accenture

Indicator/Disclosure	Units	2024	2025	2025 versus 2024	Var %	Trend	Externally Assured	Notes
People								
Safe operations: Health and safety is a core business priority for Serco. Our people serve society in some of the most physically and psychologically demanding situations and environments on the planet. The following KPIs enable us to monitor safety consistently across the business while maintaining sharp focus on key areas of risk.								
Lost Time Incidents	Number	475	370	-105	-22	●	GT	1
Lost Time Incident Frequency Rate (LTIFR)	Per 1m hours worked	4.89	3.60	-1.29	-26.38	●	GT	2
Fatalities (work related)	Number	1	0	-1	-100	●	GT	
Fatal Incident Frequency Rate (FIFR)	Per 1m hours worked	0.01	0.00	-0.01	-100	●	GT	

Safety and wellbeing - notes and commentary

- Number of Lost Time Incidents has been included this year related to ambition set out in 2024.
- 2024 values restated to reflect adjustments to 2024 data identified in 2025 (3 additional Lost Time Incidents).

Indicator/Disclosure	Units	2024	2025	2025 versus 2024	Var %	Trend	Externally Assured	Notes
People continued								
Diverse workforce and inclusive workplace: At Serco, we are working to create fairer and more inclusive environments for all colleagues, and the communities that we serve. The following KPIs demonstrate progress against our DEI commitments, aligned to reporting requirements.								
Age profile - Serco Group plc Board								
16-24	%	0.0	0.0	0.0	0.0	○		
25-40	%	0.0	0.0	0.0	0.0	○		
41-54	%	10.0	9.1	-0.9	-9.0	○		
55-64	%	60.0	54.5	-5.5	-9.2	○		
65+	%	30.0	36.4	6.4	21.3	○		
Undisclosed	%	0.0	0.0	0.0	0.0	○		

Our Impact - Data Tables continued

Indicator/Disclosure	Units	2024	2025	2025 versus 2024	Var %	Trend	Externally Assured	Notes
Gender diversity - Global Leadership Team - women	%	34.6	34.0	-0.6	-1.7	●	GT	
Gender diversity - Global Executive Committee and direct reports - women	%	42.2	40.9	-1.3	-3.1	●	GT	
Gender diversity - Serco Group All other employee levels - women	%	43.8	45.0	1.2	2.7	●	GT	
Gender diversity - All other employee levels - women	Number	20,711	20,134	-577	-2.8	○	GT	1
Gender diversity - All other employee levels - men	Number	26,532	24,437	-2,095	-7.9	○	GT	1
Gender diversity - All other employee levels - not disclosed	Number	94	123	29	30.9	○	GT	1
UK Gender Pay Gap (Median)	%	5.16	4.25	-0.91	-17.64	●	GT	
Ethnicity - All employees								
Asian	%	5.0	5.9	0.9	18.0	○	GT	
Black	%	5.7	6.7	1.0	17.5	○	GT	
Mixed	%	1.8	2.0	0.2	11.1	○	GT	
Other	%	5.9	6.3	0.4	6.8	○	GT	
White	%	39.8	45.6	5.8	14.6	○	GT	
Undisclosed	%	41.9	33.4	-8.5	-20.3	○	GT	

Our Impact - Data Tables continued

Indicator/Disclosure	Units	2024	2025	2025 versus 2024	Var %	Trend	Externally Assured	Notes
Colleague experience: We are committed to supportively maintaining a resilient and motivated workforce in a challenging world. We monitor colleague engagement through metrics aligned to our annual colleague engagement survey, as well as through broader measures aligned to colleague experience, including attraction and retention.								
Colleague engagement: All areas	Avg. score	72	71	-1	-1.4	●	GT	
New hires	Number	16,670	13,551	-3,119	-18.7	○	GT	
Staff turnover	%	30.8	33.9	3.1	10.1	●	GT	
Staff turnover - voluntary	%	21.1	18.6	-2.5	-11.8	●	GT	
Colleagues covered by collective bargaining agreements	%	42.4	38.4	-4.0	-9.4	●	GT	

People - notes and commentary

- Gender diversity across Serco at all employee levels is influenced by contract wins and losses.

Indicator/Disclosure	Units	2024	2025	2025 versus 2024	Var %	Trend	Externally Assured	Notes
Place								
Community impact: Serco and our people are committed to supporting local communities not just through the services we deliver but through volunteering, corporate donations and sponsorship, The Serco Foundation and The Serco People fund.								
Community Investment	£ Number	359,040	315,215	-43,825	-12	●	GT	1
Serco Foundation - grants made	£ Number	56,476	621,507	565,031	1000	●	GT	2
Serco Foundation - charities supported	Number	6	45	39	650	●	GT	2
Serco People Fund - grants made	£ Number	568,108	549,959	-18,149	-3	●	GT	3
Serco People Fund - colleagues supported	Number	359	347	-12	-3	●	GT	3

Place - notes and commentary

- Community Investment KPI included for 2025. This includes monetary donations, gifts-in-kind and cash equivalent of employee volunteering in paid time.
- For more information on the Serco Foundation, go to www.sercofoundation.org.
- For more information on the Serco People Fund, go to www.sercopeoplefund.org.

Our Impact - Data Tables continued

Indicator/Disclosure	Units	2022 Restated	2024 Restated	2025	2025 versus 2024	Var %	Trend	Externally Assured	Notes
Planet									
Carbon dioxide equivalent (Scope 1 and 2) market-based Scope 2 - Total Group	tCO ₂ e	42,400	30,008	28,873	-1,135	-4	●	Acc	1, 2
Total UK	tCO ₂ e	21,744	16,609	15,500	-1,109	-7	●	Acc	1
Total Rest of World	tCO ₂ e	20,656	13,399	13,373	-26	0	●	Acc	1
Carbon dioxide equivalent (Scope 1 and 2) location-based Scope 2 - Total Group	tCO ₂ e	50,237	42,072	35,839	-6,233	-15	●	Acc	1
Total UK	tCO ₂ e	28,921	24,403	19,993	-4,410	-18	●	Acc	1
Total Rest of World	tCO ₂ e	21,316	17,669	15,846	-1,823	-10	●	Acc	1
Combustion of fuels and operation of facilities (Scope 1) - Total Group (all fuel types)	tCO ₂ e	34,533	30,008	28,873	-1,135	-4	●	Acc	1
Total UK (all fuel types)	tCO ₂ e	21,531	16,609	15,500	-1,109	-7	●	Acc	1
Total Rest of World (all fuel types)	tCO ₂ e	13,002	13,399	13,373	-26	0	●	Acc	1
Combustion of fuels and operation of facilities (Scope 1) - Total Group (all fuel types)	MWH	139,417	126,911	127,775	864	1	●	Acc	1
Total UK (all fuel types)	MWH	86,782	73,338	70,881	-2,457	-3	●	Acc	1
Total Rest of World (all fuel types)	MWH	52,635	53,573	56,894	3,321	6	●	Acc	1
Scope 2 - Grid electricity purchased/acquired for own use (market-based) - Total Group	tCO ₂ e	7,866	0	0	0	0	●	Acc	1
Total UK	tCO ₂ e	213	0	0	0	0	●	Acc	1
Total Rest of World	tCO ₂ e	7,653	0	0	0	0	●	Acc	1
Scope 2 - Grid electricity purchased/acquired for own use (location-based) - Total Group	tCO ₂ e	15,704	12,064	6,966	-5,098	-42	●	Acc	1
Total UK	tCO ₂ e	7,390	7,794	4,493	-3,301	-42	●	Acc	1
Total Rest of World	tCO ₂ e	8,313	4,270	2,473	-1,797	-42	●	Acc	1
Scope 2 - Grid electricity purchased/acquired for own use - Total Group	MWH	56,275	48,271	33,739	-14,532	-30	●	Acc	1
Total UK	MWH	38,071	37,645	25,398	-12,247	-33	●	Acc	1
Total Rest of World	MWH	18,203	10,626	8,340	-2,286	-22	●	Acc	1
Headcount intensity (Scope 1 and 2) market-based Scope 2	tCO ₂ e/ FTE	0.73	0.57	0.52	-0.05	-8.77	●	Acc	1, 3
Headcount intensity (Scope 1 and 2) location-based Scope 2	tCO ₂ e/ FTE	0.86	0.80	0.64	-0.16	-20.00	●	Acc	1, 3
Financial intensity (Scope 1 and 2) market-based Scope 2	tCO ₂ e/ per £m revenue	9.33	6.24	5.92	-0.32	-5.13	●		1, 3
Financial intensity (Scope 1 and 2) location-based Scope 2	tCO ₂ e/ per £m revenue	11.05	8.74	7.35	-1.39	-15.90	●		1, 3
Total energy consumption Scope 1 and 2 - Total Group	MWH	195,692	175,181	161,513	-13,668	-8	●	Acc	1

Our Impact - Data Tables continued

Indicator/Disclosure	Units	2022 Restated	2024 Restated	2025	2025 versus 2024	Var %	Trend	Externally Assured	Notes
Planet continued									
Total UK	MWH	124,853	110,982	96,279	-14,703	-13	●	Acc	1
Electricity consumption, renewable sources	%	66.9	100.0	100.0	0	0.0	●	Acc	1, 4
Electricity consumption, renewable sources	MWH	37,638	48,271	33,739	-14,532	-30	●	Acc	1, 4
Electricity consumption, non-renewable sources	MWH	18,637	0	0	0	0	●	Acc	1, 4
Fuel consumption, renewable sources	%	2.45	4.33	6.53	2.20	50.81	●	Acc	1, 4
Fuel consumption, renewable sources	MWH	3,415	5,501	8,340	2,839	52	●	Acc	1, 4
Fuel consumption, non-renewable sources	MWH	136,002	121,410	119,435	-1,975	-2	●	Acc	1, 4
Scope 3 supply chain	tCO ₂ e	447,722	428,507	453,160	24,653	6	●	Acc	2, 6, 8
Suppliers with science-based targets	%	NA	15	10	-5	-33	●		6
Scope 3 business travel and fuel-and energy-related	tCO ₂ e	29,830	28,818	22,181	-6,637	-23	●	Acc	1, 7
Transition to greener fleet - proportion of hybrid and electric vehicles	%	25	35	39	4	11	●		4
Proportion of operating locations exposed to 1:100 year climate-related hazard - flooding	%	12	12	12	0	0	●		5
Impact of carbon taxes and levies - electricity and gas	£'000	781	988	818	-170	-17	●		4
Operations covered by certified ISO 14001 EMS - by revenue	%	28	28	28	0	0	●		9
Operations covered by certified ISO 50001 EMS - by revenue	%	0.5	0.9	0.9	0	0	●		9

Planet - notes and commentary

Our reporting year for greenhouse gas (GHG) emissions is one quarter behind our financial year, namely 1 Oct 2024 to 30 Sept 2025. See our Planet Basis of Reporting Supplement for information on our reporting boundary and methodologies, available on the Impact section on our website. We quantify and report GHG emissions using the financial control approach in line with the World Resources Institute's Greenhouse Gas Protocol Corporate Accounting and Reporting Standard. We report all material emission sources for which we consider ourselves responsible and have set our materiality threshold at 5%. We have recalculated and restated emissions and associated energy data for 2022-2024 to account for structural changes, data improvements and changes to GHG calculation methodologies, in line with our base year emissions recalculation policy and best practice to ensure a meaningful and accurate comparison of emissions data over time. 2022 is the base year for our Net Zero targets which were validated by the Science Based Targets initiative in 2024.

- 2022-2024 data recalculated and restated in line with our base year emissions recalculation policy and best practice. Significant changes included data improvements to North America fleet data due to telematics data availability, revised business travel emissions calculation methodology for North America reviewed by Accenture, updated air travel emission factors, as well as smaller data, methodology and emission factor updates and errors.
- SBTi target: We have reduced Scope 1 and 2 emissions by 32% in 2025 versus our restated 2022 base year, with reductions resulting from a focus on operational and energy efficiency, maintaining 100% renewable sourced electricity, switching to greener fleet and fuels, and improvement in data quality. TCFD: Linked to disclosed risks on carbon pricing and reputation.
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- TCFD: Linked to disclosed risks on carbon pricing and reputation. Internal target to retain 100% renewable sourced electricity.
- TCFD: Linked to disclosed risk from extreme weather based on 2022 analysis. Considering further physical climate risk analytics support in 2026.
- SBTi target: 95% of suppliers by emissions to have science-based targets by 2028. Drop from 15% in 2024 to 10% in 2025. Supplier engagement campaigns are ongoing noting changes to SBTi Net Zero Standard are anticipated to include a focus on relevance and influence rather than percentage thresholds. TCFD: Linked to disclosed opportunity on Net Zero enabling services and carbon pricing.
- SBTi target: 25% reduction in business travel and fuel and energy-related Scope 3 emissions by 2030. In 2025, our emissions decreased by 26% vs 2022, significant changes in air travel emission factors contributed to this reduction as well as our new global travel and expenses policy.
- For many companies Scope 3 emissions form the majority of emissions with supply chain categories (Purchased Goods and Services, Capital Goods and Upstream Transportation and Distribution) collectively being the most significant. In 2025, we introduced Green Project Technologies, a leading supply chain technology platform supporting the measurement of Scope 3 supply chain emissions and scalable supplier engagement.
- All contracts are required to comply with our Serco Management System and environmental requirements, which align with ISO 14001. At many of our contracts we also operate within customer ISO 14001 certified management systems. A smaller proportion of our contracts have certified ISO 50001 management systems, as only our more energy-intensive operations benefit from this standard. TCFD: Linked to disclosed risk on reputation.

Our Impact - Data Tables continued

Streamlined energy and carbon reporting commentary

We continue to support energy-saving activity across our customers and our own assets. For example, where we deliver facilities management services, we continue to seek to embed energy efficiency measures such as the investment in a new energy management system in 2025 in the UK. Our ongoing focus and transition to electric vehicles and more efficient internal combustion engine vehicles is vital to help meet our Science Based Targets and reduce associated energy consumption. At our NorthLink Ferries contract, one of our most energy and carbon intensive, we have mandatory ship energy efficiency management plans in place and monitoring systems to support efficiencies and reporting requirements. We have prepared the Aberdeen vessels to accept shore power from a renewable energy tariff following the commitment of funding from Caledonian Maritime Assets Limited (CMAL) and the Port of Aberdeen to install shore power facilities for Serco's two passenger ferries. This initiative is expected to be operational in 2026 and removes the need to run oil-fired generators to power the vessels when docked, reducing carbon emissions, improving air quality, and reducing noise. Preliminary discussions have also been held with relevant stakeholders on alternative low-carbon fuels for use later in the life of the vessels; we will continue to review these options in future.

Indicator/Disclosure	Units	2024	2025	2025 versus 2024	Var %	Trend	Externally Assured	Notes
Governance								
Ethics and integrity: A better future can only be achieved on a firm foundation of integrity and fair, ethical behaviour. We strive to hold firm to our Values and act with integrity in all that we do. We monitor a broad range of KPIs to demonstrate our positive reporting culture and our commitment to investigate each Speak Up allegation thoroughly, confidentially and in a manner to prevent retaliation.								
Colleague engagement: Ethical Standards	Avg. score	76	76	0	0	●	GT	
Colleague engagement: Psychological Safety	Avg. score	74	71	-3	-4	●	GT	1
Speak Up Case rate	Per 100 employees	1.30	1.15	-0.15	-11.54	●	GT	
Speak Up cases reported anonymously	%	60.5	54.1	-6.4	-10.6	●	GT	
Speak Up closed case substantiation rate	%	38.8	45.4	6.6	17.0	●	GT	2
Substantiated Speak Up cases with corrective action taken	%	93	93	0	0	●	GT	
Prosecutions for corrupt behaviour	Number	0	0	0	0	●		
Prosecutions for anti-competitive behaviour	Number	0	0	0	0	●		
Lobbying payments	£'000	392	262	-130	-33	○	GT	3
Respecting human rights: We have zero tolerance to pursue activity that breaks any law relating to human rights; and we believe that we can contribute positively to upholding human rights through the services we deliver. We closely monitor cases reported through Speak Up and ensure effective screening of modern slavery within our supply chain.								
Prosecutions for human rights violations (including indigenous, modern slavery, etc.)	Number	0	0	0	0.0	●	GT	
Case rate substantiated human rights and modern slavery Speak Up cases	Per 100 employees	0	0	0	0.0	●	GT	
Tier 1 supplier enhanced modern slavery assessment completion	%	7.5	16.9				GT	4
Data protection and information security: We are committed to delivering secure services and protecting the data we collect, store and process. Our core KPIs focus not only on significant data breaches but also complaints we receive, in line with the GRI framework.								
Substantiated complaints received from data protection regulators	Number	2	6	4	200	●	GT	5
Significant data breaches	Number	0	0	0	0	●	GT	

Governance - notes and commentary

1. Colleague engagement: Psychological Safety replaced Colleague engagement; Reporting Unethical Conduct' question used in prior years.
2. The calculation for Speak Up closed case substantiation rate has been adjusted in 2025 to remove 'referred' cases to better align with comparable benchmarks, both 2024 and 2025 adjusted to reflect this change.
3. We use lobbyists to perform advocacy or interact with Public Officials on behalf of Serco. All lobbyists are subject to due diligence prior to being engaged. They operate to an agreed contract in line with local laws, including standard clauses covering a range of compliance matters, and stating services and fees. Payments are reviewed to ensure compliance with contracts.
4. Tier 1 supplier enhanced modern slavery assessment completion calculation adjusted to align both numerator and denominator on suppliers onboarded in the current year. It has not been possible to recalculate 2024 value thus no variance/trend shown.
5. Globally, in 2025, we have had six substantiated complaints from data protection regulators; four in the UK relating to subject access requests and two in Asia Pacific relating to minor data breaches.

Shareholder information

Our website

The Company's website, www.serco.com, provides access to share price information as well as sections on managing your shareholding online, corporate governance and other investor relations information.

Shareholder queries

Our share register is maintained by our Registrar, Equiniti. Shareholders with queries relating to their shareholding should contact Equiniti directly either via the website below using the 'Help' section or by post or telephone:

Equiniti
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA
United Kingdom

Telephone: +44 (0)371 384 2932
Lines are open 8.30am to 5.30pm Monday to Friday (excluding public holidays in England and Wales)

Website: www.shareview.co.uk

American Depositary Receipts (ADRs)

Serco has established a sponsored Level I ADR programme. Serco ADRs are traded on the US over-the-counter market (SCGPY). For queries relating to your ADR holding, please contact our ADR depository bank:

Deutsche Bank Trust Company Americas
Peck Slip Station
PO Box 2050
New York NY10272-2050
USA

Telephone: +1 866 249 2593 (toll-free within USA)
+1 718 921 8124 (from outside USA)

Email: adr@equiniti.com

Website: www.adr.db.com

Managing your shares online and electronic communications

Shareholders can manage their shareholding including updating contact details online and receive their communications electronically for speed and security.

Please register at www.shareview.co.uk

Unsolicited mail and shareholder fraud

Shareholders are advised to be wary of unsolicited mail or telephone calls offering free advice, to buy shares at a discount or offering free company reports. For further information on how shareholders can be protected from investment scams visit www.fca.org.uk/scamsmart

Sharegift

If you have a very small shareholding that is uneconomical to sell, you may want to consider donating it to Sharegift (Registered Charity no.1052686), a charity that specialises in the donation of small, unwanted shareholdings to good causes. You can find out more by visiting www.sharegift.org or by calling +44 (0)207 930 3737.

Dividend

The Directors are recommending a final dividend of 3.05 pence per ordinary share in respect of the year ended 31 December 2025 to be paid on 8 May 2026 to shareholders on the register as at 10 April 2026, subject to approval by shareholders at the 2026 AGM.

Shareholders are encouraged to receive dividends directly to their bank or building society as it enables you to receive your dividend in your account on the payment day; it is a more efficient and secure way of receiving your payment; and it helps reduce the volume of paper in a dividend mailing.

Mandate forms are available at www.shareview.co.uk

Financial calendar

The following dates have been announced or are indicative:

2026 AGM: 22 April 2026

Final dividend:

- Ex-dividend date: 9 April 2026
- Record date: 10 April 2026
- Payment date: 8 May 2026

Serco's registered office

Serco House, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire, RG27 9UY United Kingdom.

The Company was registered in England and Wales no. 02048608.

Notification of major interests in shares

Email: cosec@serco.com

External Auditor

Ernst & Young LLP

Legal Disclaimer

This Annual Report and Accounts contains statements which are, or may be deemed to be, "forward-looking statements" which are prospective in nature. All statements other than statements of historical fact are forward-looking statements. Generally, words such as expect, "anticipate", "believe", "estimate", "may", "could", "should", "will", "continue", "aspire", "aim", "plan", "target", "goal", "ambition", "intend" or, in each case, their negative or other variations or comparable terminology identify forward-looking statements. By their nature, these forward-looking statements are subject to a number of known and unknown risks, uncertainties and contingencies, and actual results and events may differ materially from those currently anticipated in such statements. Factors which may cause future outcomes to differ from those foreseen or implied in forward-looking statements include, but are not limited to: general economic conditions and business conditions in Serco's markets; contracts awarded to or lost by Serco; customers' acceptance of Serco's products and services; operational problems; the actions of competitors, trading partners, creditors, rating agencies and others; the success or otherwise of partnering; changes in laws or governments or to governmental regulations; regulatory or legal actions, including the nature of any enforcement action or remedies sought or imposed; the receipt of relevant third party and/or regulatory approvals; exchange rate fluctuations; the development and use of new technology; changes in public expectations or behaviour and other changes to business conditions; wars and acts of terrorism; cyber-attacks; climate change and related regulatory developments; and pandemics, epidemics or natural disasters. Many of these factors are beyond Serco's control or influence. Forward-looking statements are not guarantees of future performance.

For a description of the principal risks and uncertainties that may affect Serco's business, financial performance or results of operations, please refer to the Principal Risks and Uncertainties set out in this Annual Report and Accounts. These forward-looking statements are based on information available, and assumptions made, as of the date of this Annual Report and Accounts and have not been audited or otherwise independently verified. Past performance should not be taken as an indication or guarantee of future results and no representation or warranty, express or implied, is made in relation to future performance or otherwise. Except as required by any applicable law or regulation (including under the UK Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority), Serco expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this Annual Report and Accounts to reflect any change in Serco's expectations or any change in events, conditions or circumstances on which any such statement is based after the date of this Annual Report and Accounts, or to keep current any other information contained in this Annual Report and Accounts. Accordingly, undue reliance should not be placed on the forward-looking statements. Any references in this Annual Report and Accounts to other reports or materials, including website addresses, are for the reader's interest only. Neither the content of Serco's website nor any website accessible from hyperlinks from Serco's website, including any materials contained or accessible thereon, are incorporated in or form part of this Annual Report and Accounts. Serco is subject to the regulatory requirements of the Financial Conduct Authority of the United Kingdom.



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The paper is Carbon Balanced with World Land Trust, an international conservation charity, who offset carbon emissions through the purchase and preservation of high conservation value land. Through protecting standing forests, under threat of clearance, carbon is locked-in, that would otherwise be released.



[serco.com](https://www.serco.com)

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