MORGAN SINDALL GROUP

Annual Report 2025

For more information visit **morgansindall.com**

We are the partnerships, fit out and construction services group.

Our record performance in 2025 is a result of the energy and commitment of our empowered teams, together with our deeply held Core Values.

Our leadership in sustainability has been recognised with an ESG rating of AAA from MSCI[1] and an A– climate rating from CDP.

1 MSCI is a provider of decision support services for the global investment community; its environmental, social and governance (ESG) ratings are used by the majority of our major shareholders. CDP is a charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.

2025 in numbers

Strong operating performance

Revenue
£5,018.6m
(2024: £4,546.2m)

Operating profit (adjusted*)
£225.7m
(2024: £162.6m)

Operating profit
£224.9m
(2024: £162.0m)

Secured workload
£11,972.2m
(2024: £11,419.3m)

Financial strength and shareholder returns

Profit before tax (adjusted*)
£232.6m
(2024: £172.5m)

Profit before tax
£231.8m
(2024: £171.9m)

Average daily net cash
£367.6m
(2024: £374.2m)

Total dividend per share
158p
(2024: 131.5p)

Social and environmental value

Reduction in Scope 1 and 2 carbon emissions since 2019[1]
55%
(2024: 44%)

CDP Climate score
A–
(2024: A)

Apprentices, sponsored students and professional learning[2]
1,045
(2024: 1,087)

Lost time incident rate[3]
0.18
(2024: 0.23)

Materiality
Our annual report aims to provide our investors with the information they need to make decisions, for example on whether to buy, hold or sell our shares, how to vote on their shares and whether to engage with our Board on any issue. We have included information we believe is material to these decisions and presented it in a way that we believe is fair, balanced and understandable. We recognise that this report will be read by a variety of other stakeholders, including employees, our supply chain, clients and partners, funders and performance bond issuers, analysts and regulators. Where we believe that a topic is material to many of them, based on our latest materiality assessment (see page 35), we either include it in this report or refer to other reports and information on our website. We believe this approach meets the requirements of company law, the UK Corporate Governance Code, the Companies Act 2006 and UK-adopted international accounting and reporting standards, and that we go beyond these requirements where we feel it is useful for the reader.

* See note 28 to the consolidated financial statements for alternative performance measure definitions and reconciliations.
1 The 2019 baseline for Scope 1 and 2 emissions was 20,903 tonnes CO_2e. This figure represents our UK and European operations. See Appendix on page 185 for emission scope definitions.
2 Includes number of apprentices, sponsored students and employees undertaking national vocational and professional qualifications.
3 Number of lost time incidents x 100,000 divided by the number of hours worked. Lost time incidents are those resulting in absence from work for a minimum of one working day, excluding the day the incident occurred.

Chief executive's statement

A decade of strong organic growth delivered through our decentralised and empowered businesses

Values- and performance-led culture

Over the last 10 years, we have delivered an 18% CAGR[1] for adjusted profit before tax. This has been delivered by our decentralised operating model through each of our five empowered businesses, based on our vision to harness the energy of our teams to achieve the improbable. Our performance is a result of their huge commitment, together with our deeply held Core Values, as they have responsibly overcome challenges and taken advantage of opportunities with pace and agility, while making their businesses even better.

Over the last year, we achieved significant growth in adjusted profit before tax, up 35% to £233m from the prior year. We also continued to make significant strategic progress across the wide number of sectors the Group operates in, entering 2026 with a record level secured order book and work at preferred bidder stage up 17% to £19.1bn from the prior year. As a result, the improved outlook has given us the confidence to increase the medium-term targets for both the Mixed Use Partnerships and Infrastructure divisions.

Our balance sheet, which is supported by a substantial average daily cash position, continues to allow us to focus on making the right decisions to drive long-term sustainable growth while also supporting strong returns to shareholders in the year, with the full-year dividend increasing by 20% to 158p per share.

Our strategy for long-term growth

Our ability to take a long-term view has been underpinned by the strong organic profitable growth we have enjoyed over the last decade, achieved through agility and decisions made over the short term to benefit the long term.

I am pleased to report that, during 2025, Mixed Use Partnerships converted eight sizeable schemes, previously at preferred bidder stage, to signed development agreements, followed by the appointment as preferred developer for eight sizeable new schemes during the year. Importantly, the division was successful in securing funding applications for a number of schemes that will now start on site during 2026.

Despite the private housing market continuing to be subdued, the Partnership Housing division secured sizeable partnership schemes during the year, including Cardiff Council, Vale of Glamorgan Council and Barnet Council to collectively deliver 3,000 homes over the next decade, while also being appointed as preferred developer by Druids Heath regeneration scheme with Birmingham City Council to build around 3,500 new homes over the next two decades.

1 Compound annual growth rate.

Our Total Commitments

Our responsible business strategy continues to enable our long-term growth ambitions as we prioritise delivering social and environmental value. In 2025 we retained our MSCI AAA ESG rating for the fifth consecutive year and achieved an A– for CDP Climate, while also supporting the development and safeguarding of our people and partners.

Board changes

I am delighted to welcome Peter Harrison as our new chair, succeeding Michael Findlay who retired from the Board in July 2025 after nine years of service. I would like to thank Michael personally for being such a great, supportive chair.

Our outlook for 2026

Looking ahead, and despite some of the current headwinds in the housing market, we remain positive for the year ahead and are on track to deliver an outcome for 2026 which is in line with revised expectations as set out in our trading update released on 12 February 2026.

John Morgan
Chief Executive

Our businesses

Specialists in our chosen markets

Partnerships

Partnership Housing

Revenue

£903m

LOVELL

Partnerships with local authorities and housing associations. Mixed-tenure developments, building/developing homes for open market sale and for social/affordable rent, design and build house contracting, and limited refurbishment.

lovell.co.uk

Mixed Use Partnerships

Revenue

£52m

MUSE

Transforming the urban landscape through partnership working and the development of large forward-funded multi-phase sites and mixed-use placemaking.

museplaces.com

Fit Out

Fit Out

Revenue

£1,784m

overbury

Fit out and refurbishment in commercial, central and local government offices, as well as further education.

overbury.com

Morgan Lovell

Office interior design and build services direct to occupiers.

morganlovell.co.uk

Construction Services

Construction

Revenue

£1,159m

MORGAN SINDALL CONSTRUCTION

Education, healthcare, commercial, industrial, leisure and retail markets.

morgansindallconstruction.com

Revenue

£212m

MORGAN SINDALL PROPERTY SERVICES

Planned maintenance services for social housing and the wider public sector.

morgansindallpropertyservices.com

Infrastructure

Revenue

£935m

MORGAN SINDALL INFRASTRUCTURE

Nuclear, energy, defence, rail, water, highways and aviation markets.

morgansindallinfrastructure.com

BakerHicks.

Infrastructure includes the BakerHicks design activities based out of the UK and Switzerland.

bakerhicks.com

Market conditions

Despite some of the current market headwinds, we remain confident of the strength of the markets in which we operate over the medium and long term

The fundamentals for the fit out market continue to remain favourable, while UK construction and partnership programmes are expected to benefit from the recent government investment commitments announced in the June 2025 Spending Review and subsequent Autumn Budget together with the continued supportive market environment within the energy infrastructure sector. These investments are expected to support both government and regulatory target objectives over the medium to long term, noting that the pace of delivering against these commitments will be key.

Elsewhere, following a year of slow housing and apartment sales activity in the private housing market, a gradual pace of recovery is expected over the forthcoming year as affordability constraints are expected to slowly ease with the lowering of interest rates, while planning reforms progress at a moderate pace.

Against the backdrop of the affordable home targets set out by the government in 2024, we welcomed the investment commitments made in the Spending Review to support the delivery of these targets over the medium term. Of note was the launch of the National Housing Bank, which includes £16bn of new public investment to unlock and bring forward large and complex sites at pace through the provision of infrastructure finance and guarantees, while also unlocking private investment. This was followed by an established Affordable Homes Programme, with the UK government's commitment to invest £39bn over 10 years. Importantly, the social housing sector will also benefit from a 10-year rent settlement that allows landlords to raise rents by 1% above inflation, providing housing associations with both medium- and long-term visibility over revenue and therefore supporting earlier investment planning decisions.

In Fit Out, business and market changes impacting tenants continue to be a robust and supportive driver, ranging from more regular lease events with a resurgence of refurbishments and retrofit schemes, to prioritising the need for sustainability and energy efficiency from high-quality offices, together with more flexible and collaborative workspaces.

In other well-established sectors for the Group, the Spending Review announced an increase in planned spending commitments in defence, transport, nuclear, energy and education, providing several attractive long-term bidding opportunities for Construction, Infrastructure and Partnership Housing.

2026 outlook

Looking ahead, and despite some of the current headwinds in the housing market, we remain positive for 2026 and are on track to deliver an outcome in line with our revised expectations set out in our trading update released on 12 February 2026.

The 2026 outlook for each division is detailed in the operating review on pages 21 to 33.

Business model

A decade of strong organic growth enabling continued investment over the medium and long term

Our Group offers a unique range of housing, mixed-use placemaking, fit out and construction services to public sector, regulated-industry and commercial partners and clients.

We operate in specialist markets where there is strong demand, high barriers to entry and potential for growth in the medium and long term.

See page 6 for detail on our divisions' services and markets, and pages 7 and 21 to 33 for an update on their respective business environments

For information on how we manage and sustain our resources, see pages 11 to 13 (our stakeholders); 34 to 46 (responsible business strategy and performance); 16 to 18 (financial review); 21 to 33 (operating review); and 47 to 55 (managing risk)

Our sources of competitive advantage

A strong culture
A strong culture underpins our decentralised approach. Our people are focused on the customer, partner and end-user experience, as well as the potential impacts of our activities on the environment and wider society.

Decentralised philosophy
Our businesses are empowered to be innovative, entrepreneurial, agile and responsive. Each business is a trusted brand with extensive experience in its field and a strong track record. The diversity of our offering protects the Group against the cyclical nature of our markets.

Collaborative relationships with clients and partners
Partnerships with local authorities, housing associations, landowners and private enterprises to deliver long-term schemes; long-term client relationships and repeat business achieved through our commitment to delivering exceptional projects.

People
The knowledge, skills and experience of talented people who are passionate about what they do and trusted to make decisions.

Supply chain partners
A national network of suppliers and subcontractors with local knowledge. Each division has its own pool of suppliers, mitigating risk across the Group.

Financial strength
The Group's strong cash balance enables us to make sound decisions for its long-term development, while also enhancing its competitive advantage and future work-winning.

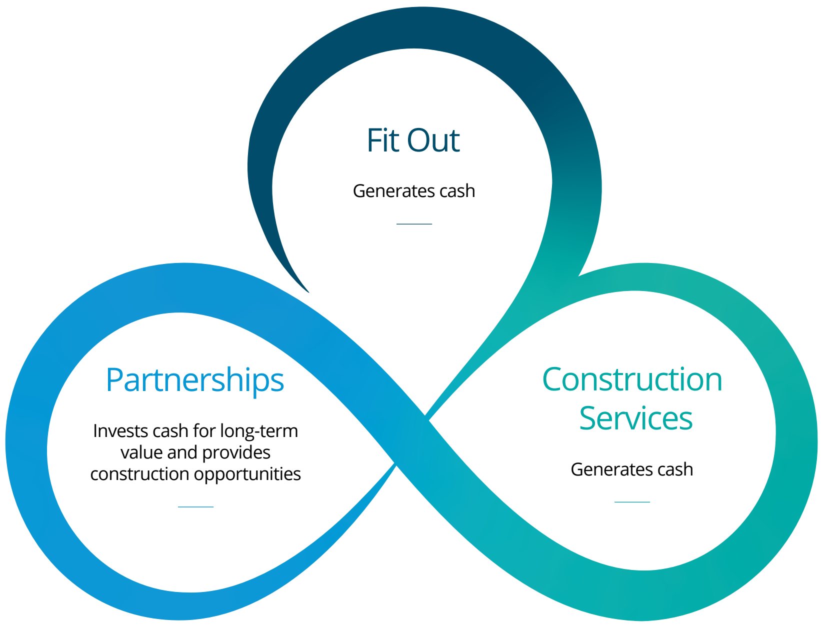
Sustainable and responsible solutions
Ability to deliver energy-saving, carbon-reducing projects and buildings.

Business model continued

Driving organic long-term growth

We use cash from our fit out and construction services activities to invest in long-term housing and mixed-use schemes delivered through partnerships.

More detail on investment in our partnership activities can be found on page 20.



Value we create

Transforming the built environment:
New housing, schools and colleges, commercial and critical services infrastructure, mixed-use urban places, and property services for social housing.

High-quality projects
91%
Perfect Delivery

Helping our people succeed
728
promoted internally

Supporting our supply chain
98.4%
invoices paid within 60 days

Social value
£1.9bn
as determined by the Social Value Portal (see page 45 for detail)

Environmental value
55%
reduction in Scope 1 and 2 carbon emissions since 2019

Shareholder returns
158p
total dividend per share

Purpose, values and strategy

Focused on exceeding our stakeholders' expectations

Purpose

Harnessing the energy of our people to achieve the improbable.

We are a group of complementary but very different businesses and every project is unique.

Through our highly decentralised philosophy, our people have the responsibility and authority to make the right decisions at pace.

We encourage our people to think differently and find better ways of doing things. This way we can keep exceeding our stakeholders' expectations, even as those expectations increase.

Values

Our Core Values define our culture and drive our purpose and strategy.

The energy of our talented teams, together with our deeply held Core Values, enables us to exceed our stakeholders' expectations.

See page 79 for how the Board monitors our culture and the degree to which it is embedded

Strategy

Long-term organic growth for the Group through the exceptional performance of our businesses.

Achieve quality of earnings by selecting the right projects aligned to our core strengths

Excel in project delivery for our customers and end users

Secure long-term workstreams, underpinned by our teams' strong and lasting client and partner relationships

Deliver on our Total Commitments to being a responsible business:

- protecting people
- developing people
- improving the environment
- working together with our supply chain
- enhancing communities

Maintain financial strength, especially in adverse economic conditions, with a strong balance sheet, significant levels of cash and attractive dividend policy, and by investing in partnership activities to enable long-term growth

See pages 14 and 15 for our performance against our strategic priorities and pages 48 to 54 for our principal risks

Our stakeholders

Understanding our stakeholders' priorities

We develop long-term relationships through close working and communication. The Board engages directly with our people, shareholders and analysts; our divisions manage their relationships with their people, supply chain, clients, partners and local communities. The executive directors are kept informed of the divisions' stakeholder engagement via regular divisional board meetings and update the Board as appropriate.

Our people

The passion, expertise and empowerment of more than 8,500 employees enable us to achieve the improbable for our stakeholders.

How the Group engaged

Our divisions undertake a variety of employee engagement activities which include surveys, conferences and forums for gathering ideas and innovations.

Examples of actions taken during the year in direct response to feedback include the following:

- Mixed Use Partnerships launched a 'Great Things' engagement inbox and newsletter that reinforces the division's values and sense of community, and is preparing to launch 'Appraisd', a bespoke learning and development portal.
- Fit Out employees were asking for more one-on-one time with their line managers and the division has reinstated annual performance development plans (PDPs) that will cover wellbeing as well as career development. Fit Out will be reviewing its PDP guidance in 2026 to clarify purpose and expectations.
- Construction heard from employees that they wanted continued support with their technical, management and leadership capabilities. The division is addressing this through performance management processes, 360-degree feedback, coaching/mentoring, and a suite of formal technical training, early careers and management and leadership programmes.

How the Board engaged

All non-executive directors, including the chair, engage with employees as part of our annual strategy review, through meetings and site visits. Each non-executive is matched with a division on an annual rotational basis, enabling fresh perspectives and insights which they can share with the Board. Divisional managing directors and other internal experts present at Board meetings, and each year the Board meets informally with representatives from two divisions.

In 2025, some of our non-executives met with c.70 employees at our 2025 senior management conference, which provided an opportunity for multiple discussions with employees without their managers or executive directors present. Jen Tippin, in her role as remuneration committee chair, attended a meeting of the Group's HR forum to gain a better understanding of any concerns raised by employees and to discuss remuneration across the Group.

No issues arose from discussions with employees in 2025 that impacted the Board's principal decisions. The meetings provided evidence of a culture of openness and transparency, and confirmed that employees feel engaged and consider our Core Values to be a true differentiator for the business.

See pages 36 to 39 for more information on our engagement with our people during the year

Our stakeholders continued

Supply chain

Our national network of selected suppliers and subcontractors are aligned to our values, and we regard them as strategic, long-term partners. Our strong relationships with our supply chain help us achieve superior project delivery and can give us a competitive advantage.

How the Group engaged

We engage through many channels, including site inductions, toolbox talks and data platforms. Through these channels we seek to convey our culture, values and standards and provide information on upcoming projects, procurement prospects and other relevant information. Discussion topics are varied but include safety, wellbeing and our approach to legal obligations such as data security and modern slavery. We offer our supply chain constructive feedback and, where needed, guidance on performance against set criteria.

Supply chain engagement events were hosted by divisions during 2025 to share ideas and strengthen relationships. The divisions continued to collaborate with their supply chains to drive carbon reduction.

How the Board engaged

The Board reviews the divisions' health and safety statistics and strategies and actions to prevent modern slavery. The executive directors are updated on supply chain relationships, including payment practices, at their monthly divisional board meetings and refer any significant issues to the Board, including how the divisions continue to support their supply chains to help mitigate the risk of insolvency.

See pages 43 and 44 for more information on our engagement with our supply chain during the year

Clients and partners

Our clients come from the public, commercial and regulated sectors and our partners include local authorities, landowners and housing associations. We also consider the needs and interests of the end users of the spaces and infrastructure we create. Securing work through partnerships, frameworks and repeat business is key to our organic growth strategy.

How the Group engaged

Regular dialogue with our clients and partners before and during our projects is essential so that we can understand and deliver their objectives. Our decentralised approach means we can tailor our services and solutions and respond quickly to clients from different sectors, with different needs.

Partnership Housing stepped in for a client for whom a number of projects had been affected by their original contractors going into administration, leaving developments incomplete or with significant issues. The division worked with the client to investigate and resolve the issues while remaining as close as possible within the client's budget. The client described Partnership Housing as "open and honest in their valuations… they honour what they say they are going to do."

Fit Out's growing international client base was asking for more effective ways of monitoring the progress of their projects. The division has expanded its use of digital tools, such as drone flythroughs, 3D surveys, timelapse photography and its ProjectPLUS tool, to help its clients stay connected and involved. This has improved transparency, strengthened trust and assisted clients and their consultant teams in making real-time decisions.

How the Board engaged

Executive directors are kept informed of client and partner relationships at their monthly divisional board meetings and update the Board on matters such as key contracts or new relationships.

Our stakeholders continued

Local communities

We aim to create social and economic value for those who live or work near our projects. Local residents are a potential source of recruits and local suppliers provide valuable local knowledge.

How the Group engaged

Dedicated community liaison teams engage with local residents before and during projects. We run schemes that offer training, employability skills and work opportunities and partner with schools to promote construction as a career option. We also support local charities and take part in local charitable events.

Mixed Use Partnerships' English Cities Fund joint venture invited students from a local primary school to contribute ideas for a new park at Manor Road Quarter in Canning Town. The students' brief was to think about how the park could promote movement and wellbeing, and their input inspired the inclusion of an outdoor gym and skate park. The park also features rain gardens, wildlife habitats, planted terraces and picnic areas.

How the Board engaged

The executive directors are kept informed of community initiatives at their monthly divisional board meetings and update the Board on any matters of interest.

See pages 45 and 46 for more information on our engagement with local communities during the year

Shareholders

Our shareholders provide funds for investment in long-term growth. We value the stewardship of our institutional investors and the views of all shareholders and analysts.

How the Board engaged

We make clear and quantitative statements about our key performance indicators (KPIs) and objectives to enable shareholders to understand the performance of the business. We update them regularly if these change. The executive directors deliver live full- and half-year results presentations, with a video link to enable those unable to attend in person to take part in a live Q&A. We encourage shareholders to attend our annual general meeting (AGM) and vote, and to submit questions to the directors in advance if they are unable to attend. The Board receives copies of reports from Institutional Shareholder Services, the Investment Association, Glass Lewis and Pensions & Investment Research Consultants ahead of our AGM each year.

In 2025, our new chair, Peter Harrison, proactively offered meetings to all major shareholders and met with any shareholder who requested a meeting, while our remuneration committee chair, Jen Tippin, consulted with shareholders on proposed changes to our remuneration policy and implementation. See our chair's statement on page 71 and directors' remuneration report on page 98 for more information.

Our executive directors held 55 meetings with shareholders during the year, including discussions around our 2024 performance and strategy and our 2025 half-year results. They also hosted a capital markets day in May and met with an additional 39 shareholders and potential investors at conferences in the UK, the US and Germany.

Investors asked to learn more about the Group's partnerships activity; our half-year results presentation included updates from the respective managing directors of Partnership Housing and Mixed Use Partnerships. The half-year results roadshow and subsequent shareholder meetings elicited good conversations around our cash and balance sheet, and shareholders were supportive of the Group continuing to maximise investment in organic partnership activities. The executive directors shared feedback from their meetings with the rest of the Board.

Funders and performance bond issuers

Our funders and performance bond issuers provide us with access to competitively priced banking, performance bonding and debt facilities. Performance bonds, often known as surety bonds, are issued by a third party to guarantee completion of a contract.

How the Group engaged

Our chief financial officer and director of tax and treasury meet regularly with our banks and performance bond issuers, including following the full- and half-year results, to update them on the Group's performance and discuss any expectations they may have.

In 2025, we secured the extension of our committed loan facilities (totalling £180m) from 2027 to 2028 (see page 17 for further detail).

How the Board engaged

The Board receives reports from our chief financial officer on any updates relating to the Group's funding arrangements. The Board also receives a monthly update on our bonding facilities.

Key performance indicators

Continuing to make strategic progress

Achieve quality of earnings

Partnership Housing operating margin

8%
Medium-term target

25	**4.7%**
24	4.2%
23	3.6%

Partnership Housing return on average capital employed[1,2] (last 12 months)

Up towards
25%
Medium-term target

25	**10%**
24	11%
23	12%

Mixed Use Partnerships return on capital employed[2] (last 12 months)

Up towards
25%
Medium-term target

25	**(4)%**
24	2%
23	15%

Fit Out operating profit

£80m–£100m
Medium-term target[3]

25	**£139.9m**
24	£99.0m
23	£71.8m

Construction operating margin[4]

3.0%–3.5%
Medium-term target

25	**3.2%**
24	3.0%
23	2.7%

Construction revenue

In excess of
£1.5bn
Medium-term target[5]

25	**£1,159.2m**
24	£1,044.1m
23	£966.6m

Infrastructure operating margin

3.75%–4.25%
Medium-term target

25	**4.0%**
24	3.7%
23	4.3%

Infrastructure revenue

In excess of
£1bn
Medium-term target

25	**£935.3m**
24	£1,047.0m
23	£886.7m

Targets shown are those in place during 2025. See pages 21 to 33 for commentary on performance and targets going forward

1 Before exceptional building safety credit of £0.6m (2024: charge of £2.7m). See note 2 of the consolidated financial statements.
2 Return on average capital employed = (adjusted operating profit plus interest from joint ventures) divided by average capital employed.
3 Target updated on 29 July 2025 from £60m–£85m.
4 Before exceptional building safety charge of £1.7m (2024: credit of £0.1m).
5 Target updated on 29 July 2025 from £1bn.

Key performance indicators continued

Excel in project delivery

Projects achieving Perfect Delivery[6]

25	**91%**
24	91%
23	92%

The divisions are responsible for driving Perfect Delivery on their projects. Results are regularly monitored, reported and reviewed at divisional board level.

Secure long-term workstreams

Workload secured for the next three years

25	**£11,972.2m**
24	£11,419.3m
23	£8,920.2m

We monitor our secured workload for the current year and beyond as well as the pipeline of projects for which we are 'preferred bidder' (where we have been verbally awarded the project but there is no formal contract or letter of intent in place).

Maintain financial strength

Average daily net cash

25	**£367.6m**
24	£374.2m
23	£281.7m

Maintaining significant levels of cash gives us a real competitive advantage. Our cash levels are monitored on a daily basis.

Deliver on our Total Commitments

Reduction in Scope 1 and 2 carbon emissions[7] from 2019 baseline of 20,903 tonnes CO_2e

60%

2030 target

25	**55%**
24	44%
23	45%

Reduction in Scope 3 carbon emissions[7] from 2020 baseline of 1,603,880 tonnes CO_2e[8]

42%

2030 target

13% increase	25
13% increase	24

Number of training days[9] per year per employee

6 days

2030 target

25	**3.9 days**
24	3.2 days
23	3.2 days

Lost time incident rate[10]

0.18

2030 target

25	**0.18**
24	0.23
23	0.24

Percentage of invoices paid within 30 days[11]

80%

2030 target

25	**70.5%**
24	61.5%
23	68.8%

Social value generated in 2025[12]

£1.9bn

Social value generated since 2023

£6.5bn

(2024: £4.6bn)

See pages 34 to 46 for commentary on performance against our Total Commitments

6 Perfect Delivery status is granted to Fit Out, Construction and Infrastructure projects that clients have confirmed meet all four service criteria specified by the division.

7 Scope 1 and 2 carbon emissions data covers our UK and European operations. See Appendix on page 185 for emissions scope definitions.

8 Scope 3 carbon emissions data covers our UK and European operations. In 2025, we rebaselined our 2020 Scope 3 emissions across all relevant categories and restated our 2024 figure to apply new methodologies, assumptions and data points. Our previously reported baseline was 1,300,271 tCO_2e. Our Scope 3 emissions increased by 0.7% between 2024 and 2025. Read more about our methodology on page 185.

9 A training day is a minimum of six hours' training.

10 Number of lost time incidents x 100,000 divided by number of hours worked. Lost time incidents result in absence from work for a minimum of one working day, excluding the day the incident occurred.

11 Within the last six months of the year.

12 In 2025, we onboarded all divisions onto the Social Value Portal (SVP). This is the first year we have aligned the SVP with our annual reporting cycle, although we have been tracking our contribution on the platform since October 2023.

Financial review

The Group achieved a record performance in 2025, delivered through our decentralised businesses supported by our empowered and high-quality teams

The quick read...

- Adjusted* operating profit up 39%
- Adjusted* profit before tax up 35%
- Strong balance sheet supported by significant daily cash and committed bank loan facilities
- High-quality order book of £12.0bn, with a further £7.1bn at preferred bidder stage
- Total dividend up 20% to 158.0p per share

Kelly Gangotra
Chief Financial Officer

Financial performance

Revenue for the year increased 10% to £5,018.6m (2024: £4,546.2m), with adjusted* operating profit increasing 39% to £225.7m (2024: £162.6m). This resulted in an adjusted* operating margin of 4.5%, an increase of 90 basis points (bps) compared with the prior year (2024: 3.6%). Reported operating profit was up 39% to £224.9m (2024: £162.0m). Details on performance by division are shown on pages 21 to 33.

The net finance income reduced to £6.9m (2024: £9.9m), as a result of interest rates lowering during the year. Reported profit before tax was £231.8m, up 35% (2024: £171.9m), while adjusted* profit before tax was £232.6m, up 35% (2024: £172.5m). This resulted in an adjusted* profit before tax margin of 4.6%, an increase of 80bps compared with the prior year (2024: 3.8%).

The tax charge for the year was £56.9m (2024: £40.2m), which equated to an effective tax rate of 24.5% and was slightly lower than the UK statutory rate of 25% (2024: 23.4%), primarily due to amounts relating to prior-year items. The adjusted* tax charge is £58.7m (2024: £42.0m), which equated to an effective adjusted tax rate of 25.2%. Almost all of the Group's operations and profits are in the UK, and we maintain an open and constructive working relationship with HMRC.

Reported basic earnings per share was 372.1p (2024: 281.4p), while adjusted* earnings per share increased 33% to 370.0p (2024: 278.8p). The total dividend for the year increased 20% to 158.0p per share (2024: 131.5p).

	2025	2024	Change
Revenue	**£5,018.6m**	£4,546.2m	+10%
Operating profit – reported	**£224.9m**	£162.0m	+39%
Operating profit – adjusted*	**£225.7m**	£162.6m	+39%
Profit before tax – reported	**£231.8m**	£171.9m	+35%
Profit before tax – adjusted*	**£232.6m**	£172.5m	+35%
Basic earnings per share – reported	**372.1p**	281.4p	+32%
Earnings per share – adjusted*	**370.0p**	278.8p	+33%
Year-end net cash*	**£531.2m**	£492.4m	+£38.8m
Average daily net cash	**£367.6m**	£374.2m	–£6.6m
Total dividend per share	**158.0p**	131.5p	+20%

* See note 28 to the consolidated financial statements for alternative performance measure definitions and reconciliations.

Financial review continued

Financing facilities

During 2025, the Group maintained a total of £180m of available bank facilities, of which £165m matures in October 2028 and £15m in June 2028. No drawings on the facilities were made during the year. The banking facilities are subject to financial covenants, all of which were met throughout the year.

In the normal course of our business, we arrange for financial institutions to provide client guarantees (performance bonds) to provide additional assurance to the clients that the contracted works will be carried out. We pay a fee and provide a counter-indemnity to the financial institutions for issuing the bonds. As of 31 December 2025, contract bonds in issue under uncommitted facilities covered £290.8m (2024: £194.9m) of our contract commitments.

Further information on the Group's capital management strategy and use of financial instruments is given in note 26 to the consolidated financial statements.

Tax strategy

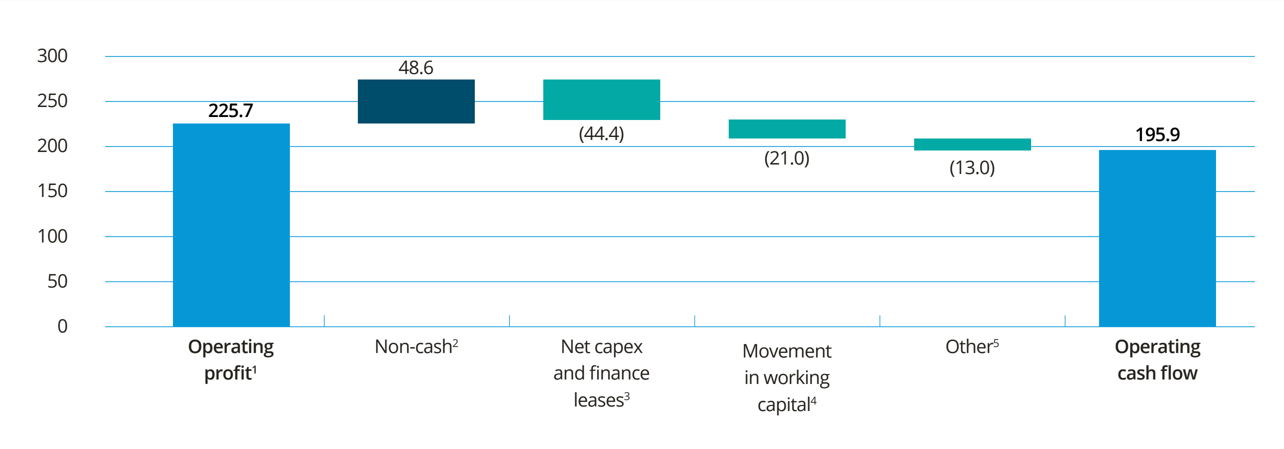
The Group's tax strategy, which is approved by the Board, is published on our website.

Net cash

Operating cash flow* in the year was an inflow of £195.9m (2024: inflow of £134.8m), after a net decrease in working capital of £21.0m (2024: £33.8m net decrease) as the Group continued to support investments in our partnership activities, which amounted to £124.6m during the year. Overall, there was a net cash inflow for the year of £38.8m, resulting in closing net cash of £531.2m (2024: £492.4m).

The average daily net cash* for the year was £367.6m (2024: £374.2m), which has continued to provide significant balance sheet strength while enhancing our competitive advantage and future work-winning efforts.

Operating cash flow* (£m)



1 Adjusted – before intangible amortisation of £0.4m and exceptional building safety charge of £0.4m.

2 Includes depreciation £35.8m, impairment of property, plant and equipment £3.5m and share option expense £10.8m; less the reversal of impairment of joint ventures £1.2m and share of underlying net profits of joint ventures £0.3m.

3 Includes repayment of lease liabilities £28.3m, purchases of property, plant and equipment £16.0m, purchases of intangibles £0.6m; less proceeds on disposal of property, plant and equipment £0.5m.

4 Adjusted – before exceptional building safety debtors increase of £5.9m.

5 Decrease in provisions £16.0m, increase in building safety debtors £5.9m and dividend received from joint ventures £4.7m; less exceptional building safety provision decrease £7.3m and gain on disposal of property, plant and equipment £0.3m.

* See note 28 to the consolidated financial statements for alternative performance measure definitions and reconciliations.

Financial review continued

Net working capital

Net working capital is defined as 'inventories plus trade and other receivables (including contract assets), less trade and other payables (including contract liabilities) adjusted'. The Group's negative net working capital (excluding non-cash movements[3]) reduced by £12.4m to £(104.2)m, as shown below:

	2025 £m	2024 £m	Change £m
Inventories	**603.3**	476.0	+127.3
Trade and other receivables[1]	**769.9**	664.2	+105.7
Trade and other payables[2,3]	**(1,477.4)**	(1,256.8)	–220.6
Net working capital	**(104.2)**	(116.6)	+12.4

1 Adjusted to exclude building safety receivable of £17.5m (2024: £11.6m) and capitalised arrangement fees and accrued interest receivable of £1.8m (2024: £2.3m).
2 Adjusted to exclude accrued interest payable of £0.4m (2024: £0.5m).
3 Movements in trade and other payables also include the non-cash movements relating to the unwinding of discounting on land creditors (£2.4m) and other smaller non-cash movements.

Movements in the net working capital include increased investment in the Group's partnership activities, offset by slower sales activity, particularly the Partnership Housing division.

Paying promptly

Paying our supply chain on time is essential and makes us attractive to work for, and we aim to pay our suppliers as promptly as possible. We do not use any supplier finance arrangements. Our divisions have reported the following data under the payment practices regulations for the six months to 31 December 2025:

Invoices paid within 60 days	**2025 %**	2024 %
Partnership Housing	**98**	96
Mixed Use Partnerships	**97**	97
Fit Out	**98**	98
Construction and Infrastructure[1]	**98**	98
Property Services	**99**	99

1 The Construction and Infrastructure divisions form a single legal entity for which this data is reported.

Provisions

In the year, Group provisions reduced by £16.1m to £89.4m, of which £56.9m relates to the building safety provisions (excluding provisions relating to joint ventures).

Secured workload

The Group's secured workload[1] at 31 December 2025 was £11,972.2m, an increase of 5% on the prior year end (2024: £11,419.3m). The divisional split is shown below:

	2025 £m	2024 £m	Change %
Partnership Housing	**2,330.2**	2,174.0	+7%
Mixed Use Partnerships	**4,614.6**	4,084.9	+13%
Fit Out	**1,311.7**	1,438.9	–9%
Construction	**1,112.2**	951.8	+17%
Property Services	**714.4**	887.1	–20%
Infrastructure	**1,889.9**	1,883.1	–
Inter-divisional orders	**(0.8)**	(0.5)	–
Total	**11,972.2**	11,419.3	+5%

1 The secured workload is the sum of the committed order book, the framework order book and (for the partnership divisions only) the Group's share of the gross development value of secured schemes (including the development value of open market housing schemes). The committed order book represents the Group's share of future revenue that will be derived from signed contracts or binding letters of intent. The framework order book represents the Group's expected share of revenue from the frameworks on which we have been appointed. This excludes prospects where confirmation has been received as preferred bidder only, with no formal contract or binding letter of intent in place.

Kelly Gangotra
Chief Financial Officer

Capital allocation

We are committed to maintaining a strong balance sheet and holding significant cash balances at all times

The quick read...

- Our capital allocation framework is based on a hierarchy of priorities
- A strong balance sheet enhances our competitive advantage and future work-winning, while also providing a buffer against any economic downturn
- Investment in our partnership activities, within capital-efficient structures, to accelerate organic expansion remains a strategic priority
- Our dividend cover is expected to be 2.0x–2.5x
- Bolt-on acquisitions, primarily in Partnership Housing, will be considered if they complement our existing growth strategy

The Board's single, overarching principle governing capital allocation is a commitment to maintain a strong balance sheet and to hold significant net cash balances at all times. This will provide a stable and firm foundation for the Group to make sound decisions for our long-term development, thereby enhancing our competitive advantage and future work-winning.

As stated in the financial review on pages 16 and 17, our net cash at 31 December 2025 was £531m (2024: £492m) and the average daily net cash for the year was £368m (2024: £374m). The year-end cash position included £37m held in jointly controlled operations or held for future payment to designated suppliers.

Over the course of 2025, the lowest net cash balance on any one day in the year was £270m (2024: £293m). Of this, £43m was held in jointly controlled operations or held for future payment to designated suppliers. The Board uses this net cash balance on the lowest day of the year as the initial reference point from which it then considers its application of its capital allocation hierarchy. This allows it to balance the needs of all stakeholders while enhancing the Group's market competitiveness and capabilities and maintaining our financial strength.

Our capital allocation hierarchy is set out below.

A. Maintaining a strong balance sheet

(i) to enhance our competitive advantage and win future work

Fundamental to our organic growth strategy is engaging in long-term partnerships with our public and private sector clients, whether through joint ventures or other arrangements in our partnership activities, or through frameworks in construction services activities.

When assessing the suitability of long-term partners, potential clients across our entire business portfolio are increasingly looking for security and assurance of long-term solvency and the availability of cash resources to ensure their partners can fulfil their long-term contractual obligations. We consider a strong balance sheet and significant levels of net cash to be a key market differentiator and a competitive advantage when bidding for and winning work to support the future growth of the business.

(ii) to ensure downside protection – maintaining a 'buffer' in the event of a macro downturn

Maintaining significant levels of net cash is considered as key to offsetting any potential consequence of a future downturn in the economy and reduction in revenue in the activities of Fit Out and our construction services divisions.

These activities operate with a negative working capital model, which in turn can lead to cash outflows in the event of declines in revenue. Maintaining a net cash 'buffer' therefore allows us to continue with our strategy of disciplined contract selectivity and prudent approach to risk management throughout the whole economic cycle.

Capital allocation continued

B. Maximising investment in our partnership activities to drive sustainable growth

Significant opportunities are expected to arise through the medium and long term to invest in the existing partnership businesses to support and accelerate the organic growth of their activities, which remains a strategic priority:

- For Partnership Housing, the growth potential remains substantial despite the market headwinds experienced over the last 12 to 24 months. The medium-term target is for an operating margin of 8% and for return on capital to be up towards 25% on an annual basis. The capital employed has increased significantly over the last five years, up from an average of £150.9m in 2020 to an average of £445.7m in 2025. The scalability of the partnership housing model provides the potential to further increase the capital employed above current levels over the medium term.
- In Mixed Use Partnerships, longer-term development activities across multi-phase sites and placemaking are targeted to generate return on capital up towards 30% on an annual basis over the medium term. The capital employed in this division is expected to be less capital-intensive relative to Partnership Housing. In 2025, the division's average capital employed was £125.1m. Further, a more capital-efficient structure is expected from Mixed Use Partnerships' current secured development order book, as well as those at preferred bidder stage, together with its identified pipeline of future opportunities. As a result, the capital employed in the division is expected to increase modestly over the medium term.

C. Ordinary returns to shareholders

Ordinary dividends are an important component of shareholder returns. The Board has previously formally adopted a dividend policy such that dividend cover is expected to be in the range of 2.0x–2.5x on an annual basis.

D. Investment by acquisition to accelerate sustainable growth

Any acquisition activity will likely be targeted towards our partnership activities, primarily Partnership Housing. The focus would be on opportunities to complement our existing organic growth strategy by acquiring pre-existing partnership development schemes, land options, positions in existing schemes from third parties or businesses which can complement or reinforce the division's position in the partnerships sector.

Other potential acquisition opportunities across our construction and fit out activities would only be considered where they would accelerate growth through the existing divisional structure and capabilities.

E. Special returns to shareholders

The Board will continue to assess the needs of the business and the optimum balance sheet structure within the context of our overarching principle governing capital allocation and the hierarchy A–D as described above. Any capital then deemed surplus to these requirements may be returned to shareholders.

Such returns would be in the form of either share buybacks or special dividends, with the method of distribution to be determined by the Board at the time based on prevailing conditions.

Operating review

Partnership Housing

We have delivered a strong and resilient performance despite slow levels of activity in the housing market. We have also continued to grow our long-term partnerships with the public sector through the award of a number of large strategic schemes.

Steve Coleby
Managing Director

Revenue
(£m)

+5%

25	**£903.1m**
24	£861.2m
23	£837.5m

Operating profit[1]
(£m)

+16%

25	**£42.0m**
24	£36.1m
23	£30.5m

Operating margin
(%)

+50bps

25	**4.7%**
24	4.2%
23	3.6%

Average capital employed[1,2]
(last 12 months) (£m)

+£107.9m

25	**£445.7m**
24	£337.8m
23	£254.5m

Capital employed[1,2]
at year end (£m)

+£133.2m

25	**£451.9m**
24	£318.7m
23	£234.4m

Return on capital employed[1,3]
(last 12 months) (%)

25	**10%**
24	11%
23	12%

The quick read...

- Strategy to invest in long-term partnerships with the public sector has been underpinned by growth in the secured order book and preferred bidder work
- Demand for contracting activities with the public sector has remained strong
- Stronger margins achieved in both mixed-tenure and contracting activities
- Solid profit growth expected in 2026

Throughout the year, challenging market conditions continued to impact the private housing market as consumer confidence continued to be adversely affected. Notwithstanding this, the division delivered a resilient and strong performance as it continued to invest and grow its long-term partnerships with local authorities and housing associations with momentum. Notable appointments in the year included being preferred developer on the Druids Heath regeneration scheme with Birmingham City Council to build around 3,500 new homes over the next two decades, and progression of partnership agreements with Barnet Council and Cardiff Council and Vale of Glamorgan Council to deliver 3,000 new homes over the next 10 years.

1 Before exceptional building safety credit of £0.6m (2024: charge of £2.7m). See note 2 of the consolidated financial statements.
2 Capital employed is calculated as total assets (excluding goodwill, intangibles and cash) less total liabilities (excluding exceptional building safety provisions, corporation tax, deferred tax, inter-company financing and overdrafts).
3 Return on average capital employed = (adjusted operating profit plus interest from joint ventures) divided by average capital employed.

Operating review continued
Partnership Housing

Demand for contracting with the public sector has remained strong, shielding the impact from lower open market sales activity within the mixed-tenure activities, where the division has been successful in optimising construction of the contracted affordable homes on mixed-tenure sites to maintain activity.

For the year, revenue was up 5% to £903m (2024: £861m), driven by contracting which was up 13% to £638m (71% of divisional total) compared with the prior year. Mixed-tenure revenue declined by 11% to £265m (29% of divisional total) compared with the prior year.

Despite the revenue mix profile, both contracting and mixed-tenure activities achieved stronger margins over the year, led by the contract type and the mix of development schemes delivered, resulting in operating profit increasing by 16% to £42.0m (2024: £36.1m) with an operating margin of 4.7% (2024: 4.2%).

As the business continued with its strategy to optimise investment in partnership opportunities for future growth, capital invested in housing and apartment products launched in the London market over the course of the year has been impacted by slower sales activity as a result of low consumer sentiment affected by ongoing affordability constraints. Reflective of both factors, the average capital employed for the last 12-month period increased by £107.9m to £445.7m (2024: £337.8m). The capital employed at the end of the year was £451.9m, an increase of £133.2m on the prior year (2024: £318.7m). As a result of the higher average capital employed, the overall return on capital employed for the last 12-month period reduced slightly to 10% (2024: 11%).

The division continues to maintain a high-quality secured order book, through ongoing successful client engagement leading to work being awarded through two-stage tenders, frameworks or direct negotiation. The secured order book at the year end was £2,330m, 7% higher than the prior year end (2024: £2,174m) and, with 60% of its total value for 2027 and beyond, providing long-term visibility of workload.

Mixed tenure

Good progress was made with the strategy of increasing the number and size of mixed-tenure sites. At the year end, the division had 70 active mixed-tenure sites at various stages of construction and sales, up from 66 at the prior year end, with an average of 172 open market units per site (up from 166 at the prior year end). Average site duration is 55 months, providing long-term visibility of activity.

During the year, 1,531 units were completed across open market sales and social housing (including through joint ventures) compared with 1,808 units in 2024, noting that the number of open market sales within this declined by 10% to 785. Encouragingly, the average sales price increased by 11% to £262k (2024: £237k) due to the geographical and product type mix profile.

Of the total divisional order book, the amount relating to mixed-tenure activities increased by 18% to £1,541m (2024: £1,310m). In addition, the amount of mixed-tenure business at preferred bidder stage, or already under development agreement but where land has not been drawn down, was £1,283m at the year end (2024: £1,200m).

Notable work won in the year included a 2,500-home, 27-development partnership with Cardiff and Vale of Glamorgan Councils, 500 homes with Barnet Council for phase 1 of their Grahame Park estate, and an 820-home scheme in Barnstaple in partnership with LiveWest. Preferred developer status was awarded by Birmingham City Council, to partner with them on the 3,500-home development in Druids Heath, and by North Yorkshire Council as their development partner for over 800 homes across North Yorkshire. In addition, Partnership Housing was appointed master developer for a 1,000-home development in Barnsley West.

Our strategy in action

Sustainable urban living and long-term community value

Partnership Housing, with Tirion Homes and the Welsh government, transformed a major brownfield site at Royal Victoria Court, Newport into a modern residential community. Previous attempts to regenerate the site had stalled and the Welsh government facilitated a partnership approach to take it forward.

Of the 528 new homes, 234 were affordable for rent through Tirion and 30 available for low-cost home ownership through local registered social landlord, Hedyn; 119 of the 264 open market homes were sold through the Help to Buy Wales scheme. The development included an eco park, providing green space while absorbing excess rainwater, reducing flood risk, providing natural habitats and enhancing biodiversity.

Off-site construction, such as energy-efficient closed panel timber frames for the 214 apartments, sped up the delivery of the much-needed new homes. The £100m development achieved an average build rate of 13 homes per month and created over 850 new jobs for local people.

264
new affordable and low-cost homes

Operating review continued

Partnership Housing

During the year, the division's existing partnership with Suffolk County Council achieved a key milestone by commencing its first project in Newmarket, while the first two sales outlets opened from its partnership with West Sussex County Council. Elsewhere, good progress continued to be made on other mixed-tenure schemes, in partnerships with Abri, Clarion Housing, Flagship Housing, L&Q, Repton Property Developments (owned by Norfolk County Council), Riverside Group, the Borough Council of King's Lynn & West Norfolk, Together Housing Group, Peabody, Pobl Group, and Homes England.

Contracting

The division continued to experience robust levels of demand with clients awarding work either through frameworks or direct negotiation. The total number of equivalent units built increased by 12% to 3,687, up from 3,299 in the prior year. Of the total divisional order book, the contracting secured order book declined by 9% to £789m (2024: £863m), of which c.40% is for 2026 and beyond – noting that £1,482m of contracting work was at preferred bidder stage, providing confidence of a sizeable ongoing workload for the forthcoming periods.

Key contracting schemes awarded included a c.£50m scheme with Guinness Homes in Southend; an £18m scheme with EMH Group to build phase 2 at Standard Hill in Leicestershire; the £51m phase 7 at Perrybrook, Gloucester with Platform Housing Group; a £31m Extra Care scheme in Norfolk for Saffron Housing Trust; a £19m follow-on phase at Barne Barton, Plymouth for Clarion Housing; the £12m Crick Road phase 3 for Monmouthshire County Council; a £10m development for Thirteen Group near Spencerbeck Farm in Ormsby; and a £21m refurbishment contract at Hospital Close for Leicester City Council. The division is also preferred bidder for phase 1 of a scheme in Thanet for Riverside, valued at around £70m.

Divisional outlook

Partnership Housing's medium-term targets are to generate a return on average capital employed up towards 25% and to deliver an operating margin of 8%.

Looking ahead to 2026, we remain thoughtful over the pace of demand recovery with regard to open market sales and expect the return of consumer confidence to be gradual. Solid profit growth is expected in the year, while the return on average capital employed is expected to be in line with 2025 levels, reflecting a modest return of demand while we continue to invest.

We continue to remain confident over the medium-term fundamentals of the sector and well positioned to support the government's affordable home plans across the country over the forthcoming years.

The average capital employed is expected to increase up towards c.£490m to £550m, reflecting the increased scale of the business and the stage of its developments.

Operating review continued

Mixed Use Partnerships

We made significant progress in the year through expensed investment in schemes starting on site in 2026, and by securing new long-term development agreements to deliver placemaking in the future.

Phil Mayall
Managing Director

Revenue (£m)

25	**£51.6m**
24	£90.5m
23	£185.3m

Operating profit[1] (£m)

25	**£(5.3)m**
24	£1.5m
23	£14.8m

Average capital employed[2] **(last 12 months)** (£m)

+£38.2m

25	**£125.1m**
24	£86.9m
23	£98.6m

Capital employed[2] **at year end** (£m)

+£57.2m

25	**£151.6m**
24	£94.4m
23	£79.7m

Return on capital employed[3] **(last 12 months)** (%)

25	**(4)%**
24	2%
23	15%

1 Before exceptional building safety credit of £0.6m (2024: credit of £5.9m). See note 2 of the consolidated financial statements.
2 Capital employed is calculated as total assets (excluding goodwill, intangibles and cash) less total liabilities (excluding exceptional building safety provisions, corporation tax, deferred tax, inter-company financing and overdrafts).
3 Return on average capital employed = (adjusted operating profit plus interest from joint ventures) divided by average capital employed.

The quick read...

- Operating performance impacted by costs invested in schemes planned to start on site in 2026
- Successful conversion of eight preferred bidder schemes into partnership agreements
- Medium-term target for return on capital upgraded to 30% from 2026

As expected, in the year Mixed Use Partnerships reported a loss, which included increased investment expenditure in schemes yet to start on site and in schemes which represent future opportunities for the division. Notwithstanding this, the division generated profits from a land sale at Basford in Crewe, as well as profits from schemes on site including offices for the Ministry of Defence in Blackpool, the Willohaus and C2 buildings in Salford, Stroudley Walk, and a travel hub in Prestwich.

Importantly, the division continued to build on its prior-year successes by converting eight schemes previously at preferred bidder stage to signed development agreements, with six sizeable schemes at preferred bidder stage at the end of 2025.

Capital invested in a London scheme which launched its apartment products during 2025 into a weak London market impacted returns for the division due to low consumer sentiment affected by ongoing affordability constraints. Reflective of this and the trading performance during the year, the return on capital employed for the last 12 months was significantly down on the prior year, based on average capital employed of £125.1m.

Operating review continued

Mixed Use Partnerships

At the end of the year, the division's order book amounted to £4,615m, 13% ahead of the prior year end (2024: £4,085m), reflecting the success the division has had in converting a number of preferred bidder schemes into new and secured long-term partnership agreements. These include agreements with:

- Wakefield Council, to accelerate delivery of the city's regeneration plans;
- West Northamptonshire Council, for the regeneration of Greyfriars in Northampton through ECF, the division's joint venture with Homes England and Legal & General;
- Hull City Council, for the 850-home East Bank Urban Village, also through ECF;
- Wythenshawe Community Housing Group and Manchester City Council, to advance delivery of the first phases of new homes in Wythenshawe town centre;
- Stevenage Borough Council, to develop a masterplan and vision for Station Gateway in Stevenage, through ECF;
- Durham County Council, to deliver the first phase of the Durham Innovation District at Aykley Heads; and
- Salford City Council, to regenerate Eccles town centre.

In the second half of the year, the division was selected as preferred bidder by Bristol Temple Quarter LLP for Temple Meads West and St Philip's Marsh; and by Gateshead Council for the regeneration of the Baltic Quarter, through ECF. Since the year end, also through ECF, the division was appointed by Westmorland and Furness Council as strategic development partner for Marina Village, Barrow.

During the year, as part of the mixed-use regeneration scheme at Talbot Gateway in Blackpool, the division completed a 215,000 sq ft workplace for the Department for Work and Pensions and began construction on a 53,000 sq ft workplace for the Ministry of Defence. Construction also started on a four-storey travel hub as part of the first phase of the Prestwich Village regeneration; and infrastructure works began at Weston M6, a commercial and business park in Crewe designed to prioritise the health and wellbeing of employees and visitors.

Progress continued across other active schemes, including two in Salford through ECF: C2, a residential building containing 196 build-to-rent homes, and Willohaus, an affordable Passivhaus apartment building. At Stroudley Walk in Bromley-by-Bow, the first phase of affordable homes was handed over.

The ECF partnership secured planning approval for a number of developments, including the first phase of the St Helens town centre regeneration; Stockport 8, a 'walkable neighbourhood' with green space and leisure facilities; a world-leading acoustics facility as part of the Crescent Salford masterplan; and Smithgate, a new city centre neighbourhood in Wolverhampton. Working with local authority partners, the division also secured planning approval for the regeneration of Oldham town centre, a new culture hub in Wythenshawe and 244 affordable homes in Horsham. ECF submitted planning applications during the year for a new city centre neighbourhood in Bradford and 185 new homes as part of Crescent Salford. Planning applications were submitted by Mixed Use Partnerships for Slough's North West Quadrant and Mell Square in Solihull.

Mixed Use Partnership's Habiko partnership with Pension Insurance Corporation and Homes England announced its first two sites, Chester and Warrington, for the delivery of 590 new affordable, sustainable homes.

The division's development portfolio included seven projects on site at the end of the year, totalling £205m gross development value (GDV), with a further 17 planned to start in 2026 with a GDV of £448m.

Divisional outlook

Given the Board's increased confidence in the long-term prospects for this division, the medium-term target for Mixed Use Partnerships has been increased to generate a return on capital up towards 30%.

While the division has experienced a substantial increase in its development order book for a number of long-term sizeable schemes over the last two years, profits (and the resulting return on capital employed) in 2026 are expected to be modest as the division prioritises the number of schemes starting on site. The average capital employed for the year is expected to be between c.£125m and £140m.

Our strategy in action

Contributing towards London's affordable housing targets

Mixed Use Partnerships reached the first milestone at Stroudley Walk in Bromley-by-Bow, London with the completion of 82 affordable homes for rent.

The new mixed-use neighbourhood is being delivered in partnership with Poplar HARCA, the Greater London Authority (GLA) and the London Borough of Tower Hamlets. Once complete, the development will provide a total of 274 homes (115 affordable), a reimagined high street with shops and civic spaces, a new pocket park and part-pedestrianised public space, and community spaces including a café and community kitchen.

A proportion of the new homes include sensory-friendly features to help provide a calm and comfortable environment, in response to an identified local housing need.

The new homes at Stroudley Walk will make a valuable contribution towards the GLA's housing delivery targets, and support the mayor's vision for accessible, high-quality housing across London.

Operating review continued

Fit Out

Fit Out delivered another significant and market-leading performance in the year, underpinned by consistent operational delivery and an enhanced customer experience.

Chris Booth
Managing Director

Revenue
(£m)

+37%

25	**£1,783.9m**
24	£1,300.3m
23	£1,105.2m

Operating profit
(£m)

+41%

25	**£139.9m**
24	£99.0m
23	£71.8m

Operating margin
(%)

+20bps

25	**7.8%**
24	7.6%
23	6.5%

The quick read...

- Significant growth in both revenue and operating profit
- Continued laser focus on both project delivery and customer experience
- Secured order book 9% lower than the prior year, reflecting normalisation following a change in the competitive environment

Fit Out delivered another market-leading performance in the year, enjoying significant growth for both revenue and operating profit. With revenue increasing by 37% to £1,784m (2024: £1,300m), operating profit was up 41% to £139.9m (2024: £99.0m), resulting in further margin expansion to 7.8% (2024: 7.6%) as the division continued to benefit from exceptional volumes in a transitional competitive environment together with operational leverage. The excellent performance delivered in the year is underpinned by consistent operational delivery and an enhanced customer experience, complemented by a high-quality workload through disciplined and focused bidding, which in turn supports the division's strong brand reputation and market position.

The overall balance of the business has been reasonably consistent over recent years, with any movements in geography, type of work and sectors served not indicative of any longer-term trends.

The London region continued to generate a strong proportion of the division's revenue, accounting for 75% of revenue (2024: 72%), while other key regions accounted for the balance of revenue, reinforcing Fit Out's focused but agile approach to its markets and understanding of its own capabilities and skills.

There was no significant change to the market sectors served. The commercial office market remained the largest, contributing 87% of revenue (2024: 86%), with higher education amounting to 4% of revenue (2024: 6%), government/local authority representing 6% (2024: 6%), and other sectors covering the remaining 3% of revenue (2024: 2%).

In terms of type of work delivered in the year, 88% related to traditional fit out work (2024: 86%), while 12% related to design and build (2024: 14%). The proportion of revenue generated from the fit out of existing office space was 73% (2024: 82%), with the remainder attributable to the fit out of new office space. Of the fit out of existing office space, 49% of the work was refurbishment 'in occupation' compared with 51% where work was performed in non-occupied space.

At the year end, the secured order book was £1,312m, a reduction of 9% from the previous year end (2024: £1,439m), reflecting the normalisation in volumes for the period ahead. Of this total, £1,220m (93%) relates to 2026, 11 points higher than it was at the same time last year for the 12-month look ahead.

Operating review continued
Fit Out

Commercial

Notable projects won in London during the year included HSBC (592,000 sq ft); Clifford Chance at Aldermanbury Square (320,000 sq ft); Octopus Group on Giltspur Street (90,000 sq ft); Standard Chartered Bank near Moorgate (78,000 sq ft); Dentons UK and Middle East (77,500 sq ft); Morgan Lewis on Fleet Street (76,000 sq ft); and Premier League Studios at One Olympia (73,000 sq ft).

Key regional project wins included Bank of New York in Manchester (200,000 sq ft); CooperVision in Southampton (164,000 sq ft); YASA in Bicester (87,000 sq ft); two projects for Arm, in Cambridge (110,000 sq ft) and Manchester (70,000 sq ft); British Airways in Newcastle (77,000 sq ft); and Aviva in Bristol (65,000 sq ft).

Commercial fit out projects on site or completed in London included Citi in Canary Wharf; PwC at More London (380,000 sq ft); A&O Shearman at 2 Broadgate (355,000 sq ft); Latham & Watkins on Leadenhall Street (277,000 sq ft); Unilever in Kingston-upon-Thames (182,000 sq ft); Travers Smith (155,000 sq ft); JLL at 1 Broadgate (90,000 sq ft); Aviva at 80 Fenchurch Street (109,000 sq ft); two projects for Deloitte at New Street Square (totalling 99,500 sq ft); Wise in Worship Square (83,000 sq ft); and a prior phase of works for Standard Chartered Bank near Moorgate (55,000 sq ft). Outside London, work continued or completed for a global financial services provider in Northampton (185,000 sq ft) and Lloyds Banking Group, Birmingham (151,000 sq ft).

Science and research and higher education

Key projects won in the year included Begbroke Science Park for the University of Oxford (28,000 sq ft) and Queen Mary University of London (25,000 sq ft). A 310,000 sq ft project for British Land at 1 Triton Square in London was completed.

Design and build

Significant design and build projects won or on site included lab and research facilities for Riverlabs in Ware (137,000 sq ft); 200 Aldersgate for Savills IM (106,000 sq ft); EDF in Bristol (78,000 sq ft); and Monster Energy Europe in Uxbridge (53,000 sq ft).

Frameworks

Notable projects won through frameworks and corporate partnerships included £46.1m of works for the Mayor's Office for Policing and Crime (MOPAC). The future order book with MOPAC is £51.3m.

Divisional outlook

The medium-term target for Fit Out is to deliver an average annual operating profit of £80m–£100m.

Based on the timing of projects in the order book and the current visibility of future workload for the forthcoming year, the division is expected to have another strong year in 2026, with profits lower than 2025 but still significantly above the top end of the medium-term target range.

Our strategy in action

Helping our client achieve their quality and sustainability goals

Rabobank wanted their new UK headquarters at Sixty London Wall to reflect their commitment to innovation and wellbeing, support flexible ways of working, meet ambitious environmental targets and be delivered to a high standard.

The new multifunctional workspace features bespoke curved elements and high-quality finishes. To ensure precision in delivery, Fit Out produced full-size mock-ups, organised factory visits for the client and architects, including to a veneer workshop, and created templates for all trades to follow.

The division introduced sustainable alternatives to materials, such as plywood, and reused a significant amount of existing materials, such as ceiling tiles.

The new offices were completed in just 33 weeks, achieving Perfect Delivery. The project is targeting BREEAM Outstanding and WELL Platinum ratings.

Operating review continued

Construction

Construction delivered another strong performance, driven by disciplined contract selectivity through to operational delivery and prudent risk management.

Pat Boyle
Managing Director

Revenue (£m)

+11%

25	**£1,159.2m**
24	£1,044.1m
23	£966.6m

Operating profit[1] (£m)

+20%

25	**£37.0m**
24	£30.9m
23	£25.9m

Operating margin[1] (%)

+20bps

25	**3.2%**
24	3.0%
23	2.7%

1 Before exceptional building safety charge of £1.6m (2024: credit of £0.1m). See note 2 of the consolidated financial statements.

The quick read...

- Strong performance for both revenue and operating profit
- Significant proportion of work for the public sector, delivered through existing frameworks, directly negotiated or through a two-stage procurement process
- Another strong year of work-winning, with secured order book and work at preferred bidder stage up 20%
- Integration of Property Services into Construction successfully completed on 1 January 2026

Construction's revenue increased by 11% to £1,159m (2024: £1,044m), while operating profit increased by 20% to £37.0m (2024: £30.9m), resulting in an expansion to its operating margin by 20bps to 3.2% (2024: 3.0%), which is in the middle of its targeted range for operating margin of 3.0% to 3.5%. The strong profit performance was driven by improving the overall quality of earnings from disciplined contract selectivity through to operational delivery and handover, together with prudent risk management in its order book.

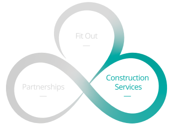
Throughout the year, the division maintained its strong momentum in winning new work, with the secured order book at £1,112m, 17% ahead of the prior year (2024: £952m). Of the total, £885m (80% by value) is secured for 2026; this compares with £771m (81% by value) of work which was secured for the year ahead at the start of last year.

In addition to Construction's secured order book, there continues to be a significant amount of suitable work available in the market aligned to the sectors that the division operates in, much of which is being generated through negotiated or existing frameworks. At the end of the year, the division had £1,452m of work at preferred bidder stage (2024: £1,179m), providing confidence of a sizeable ongoing workload for the forthcoming year.

Education

In the second half of the year, Construction was appointed to the Department for Education's (DfE) framework for projects over £12m in the North and South of England. Additionally, the division secured five lower-value lots (£4.4m to £12m) across various regions.

Project wins during the year included the new £103m Ardrossan Community Campus in Scotland for North Ayrshire Council, which will provide educational facilities for over 1,400 pupils as well as community facilities; a £35m replacement building for Llangatwg Comprehensive School in Neath; a £29m extension and refurbishment of Grade II listed Appleby Grammar School in Appleby-In-Westmorland, Cumbria for the DfE; a £26m, three-storey teaching block at Villiers High School in Ealing; and a £17.6m facility for the University of Salford's Acoustics Department, including anechoic (non-echoing) chambers and lab space.



Operating review continued

Construction

The division also secured a number of primary school projects: the £27.4m Balmuildy Primary School and Early Years Centre in Bishopbriggs for East Dunbartonshire Council; the £16.5m Orchard View Primary Academy in Aylesbury, the third school delivered as part of the growing Kingsbrook development; the £14.8m Great Haddon Primary School in Peterborough; and the £13.5m Birchington Church of England Primary School for the DfE in Kent.

Completions included the £64.9m King Henry VIII 1,900-place all-through school in Abergavenny; the £59m transformation of a former Debenhams site into the University of Gloucester's new City Campus; the £39m Callerton Academy in Newcastle upon Tyne; the £26.7m Ravensdale special educational needs and disabilities (SEND) school in Mansfield; the £21m new build and refurbishment of the University of Central Lancashire's School of Veterinary Medicine; and the £13m Rosherville Church of England Academy in Northfleet, Kent.

Healthcare

Project wins included two refurbishment projects totalling £13.1m for St Richard's Hospital in Chichester for University Hospitals Sussex NHS Trust: the Same Day Emergency Care unit and a stroke unit. Work started on a £35m theatre and ward expansion at Harrogate District Hospital and an £18m imaging centre at Milton Keynes University Hospital.

Completions included a £25m diagnostic centre for Norfolk and Norwich University Hospital; an £11.2m extension for Grange University Hospital's emergency department in Cwmbran; and a £9m redevelopment of Bradford Royal Infirmary's maternity department.

Other sectors

The division secured a series of projects totalling £30m for the Scottish Fire and Rescue Service; a £52m contract to provide retail, residential and commercial units in Bideford, Devon; and a project to construct a £12m operations and maintenance building in Great Yarmouth as part of the Norfolk Offshore Wind Zone.

In leisure, wins included the £24.5m Bishop Auckland leisure centre, via Alliance Leisure and the UK Leisure Framework; the £29.4m Outer West Leisure Centre for Newcastle City Council; and the £17.3m refurbishment of the Princess Royal Theatre for Neath Port Talbot Council, funded by the Levelling Up Fund. Significant completions included a £32m waste recycling centre for Walsall Metropolitan Council; three fire station refurbishments totalling £33.5m; and a £37m refurbishment of Hammerstone Road train depot in Manchester.

Divisional outlook

The medium-term target for Construction is to deliver an operating margin between 3.0% and 3.5% per annum with an annual revenue target in excess of £1.5bn.

For 2026, based on its secured order book and projects at preferred bidder stage, together with the timing of projects being delivered, the division's operating margin is expected to be in the middle of the target range and revenues are expected to make continued progress towards £1.5bn.

Our strategy in action

A transformational forestry facility for Scotland

The £22.3m Newton Tree Nursery near Elgin represents Forestry and Land Scotland's largest ever single infrastructure investment. The new 12,500 sq m glasshouse, together with cold storage, distribution, operations and administration facilities, will increase the organisation's tree-growing capacity from 7 million to 25 million trees a year, supporting Scotland's climate ambitions.

Efficient use of energy and resource was central to the project. Local Scottish timber was used in construction of the offices, the building design incorporates low-energy technology, and the seedlings are irrigated with water from boreholes and ponds, avoiding new demand on the mains water system.

Advanced off-site modular systems were used for the glasshouse installation, and an innovative approach to ground preparation eliminated the need for traditional cement stabilisation, saving 958 tonnes of carbon emissions.

25m trees

growing capacity

Operating review continued

Property Services

We delivered a modest operating profit in 2025, following the successful completion of our business remediation plan in the prior year.

Pat Boyle
Managing Director

Revenue[1]
(£m)

–5%

25	**£212.5m**
24	£223.2m
23	£185.2m

Operating profit/(loss)[1]
(£m)

n/a

25	**£2.0m**
24	£(17.8)m
23	£(16.8)m

Operating margin[1]
(%)

n/a

25	**0.9%**
24	(8.0)%
23	(9.1)%

1 Before intangible amortisation of £0.4m (2024: £0.5m). See note 2 of the consolidated financial statements.

Following the completion of the business remediation programme at the end of 2024, the division delivered a modest profit in the year of £2.0m (2024: operating loss £(17.8)m).

Revenues were down by 5% to £212m (2024: £223m), with a secured order book at £714m, down 20% from the prior year (2024: £887m), as the division focused its efforts on operational delivery across its existing contract portfolio, as well as rebalancing its maintenance activities more towards planned work.

During the year, Property Services secured a £4.5m facilities management contract with Thames Valley Police to deliver maintenance and repairs to over 350 buildings. The contract is for three years, with an option to extend for a further two years.

The planned maintenance business continued to win work under the Department for Energy Security and Net Zero's Warm Homes: Social Housing Fund and was awarded places on the Fusion 21 and South East Consortium decarbonisation frameworks, each valued at £1bn. In addition, a partnering contract was secured with The Guinness Partnership, building on planned maintenance works awarded in 2024. The contract is worth up to £120m over the next 15 years.

Given the alignment of its ongoing activities to Construction, the division has now fully integrated into the Construction division from 1 January 2026 and will no longer report as a separate division.

As part of L&Q's Major Works Investment Programme, residents at Steve Biko Court in Westminster are now benefiting from warmer, quieter and more energy-efficient homes. Funded through the Social Housing Decarbonisation Fund, 23 homes were retrofitted to achieve an EPC rating of C, supporting L&Q's commitment to meet this standard across its portfolio by 2028. Residents are expected to save an average of £337 per year on energy bills.

Operating review continued

Infrastructure

During the year we started early planning and design activities on a high number of projects secured through large, recently awarded frameworks while maintaining high-quality project delivery.

Simon Smith
Managing Director

Revenue[1]
(£m)

–11%

25	**£935.3m**
24	£1,047.0m
23	£886.7m

Operating profit[1]
(£m)

–3%

25	**£37.2m**
24	£38.5m
23	£38.5m

Operating margin[1]
(%)

+30bps

25	**4.0%**
24	3.7%
23	4.3%

1 Design results are reported within Infrastructure.

The quick read...

- High volume of planning and design activities in the early phases for a number of recently awarded frameworks
- Positions secured on National Grid's Electricity Transmission Partnership and Sellafield Infrastructure Delivery Partnership
- Medium-term target for revenue increased up towards £1.5bn from 2026

Following its strong work-winning successes over the last two years, Infrastructure's trading performance over 2025 for both revenue and profits reflected the high proportion of projects at the early contractor involvement stage from those recently awarded large frameworks, while still ensuring it maintained high-quality operational delivery across its existing contract portfolio. Revenue decreased by 11% to £935m (2024: £1,047m) with operating profit declining marginally by 3% to £37.2m (2024: £38.5m), while operating margin expanded by 30bps to 4.0% (2024: 3.7%), in the middle of the target range of 3.75%–4.25%.

Infrastructure's order book of £1,890m remained in line with the prior year (2024: £1,883m) and continues to remain long term in nature, with a further £657m at preferred bidder stage, noting that around 98% of its order book is derived through frameworks. The division remains focused and well positioned to deliver long-term sustainable infrastructure solutions for its customers in its key sectors, namely nuclear, energy, defence, rail, water and highways. Its markets have significant long-term committed investment programmes in place, largely driven by government and regulatory objectives. Clients are continuing to award large long-term frameworks with their delivery partners, awarding projects focused on delivering strategic outcomes over the term of the framework.

Operating review continued
Infrastructure

Nuclear
The division was appointed as electrical distribution partner on the Sellafield Infrastructure Delivery Partnership; the contract, which was awarded to three partners, has a total value of £2.9bn across its life cycle, with an initial nine-year term and an option to extend for a further six years. Decommissioning works for Sellafield continued during the year as part of the Infrastructure Strategic Alliance and the £1.6bn Programme and Project Partners contract. Work also progressed at Clyde in Scotland under the Defence Infrastructure Organisation framework.

Energy
Significant growth was achieved in the energy sector during the year. Key awards included a position on National Grid's new £8bn Electricity Transmission Partnership to deliver vital substation work in the North West region and construction works on the Tilbury to Grain project as part of National Grid's Great Grid Partnership to upgrade electricity infrastructure. Additionally, the division was appointed by Scottish Power Energy Networks as sole contractor for substation and overhead line upgrades on the Denny to Wishaw network, which will enable an additional 1,000 MW of green energy to flow through Scotland's central belt. Project completions included the grid supply point project for SSEN at Gremista on Shetland (see below).

Rail
Good progress was made on a number of projects, including the £22m roof replacement at Liverpool Street Station, which will allow more natural light into Britain's busiest station, and restoration works on the River Plym viaduct in Devon, both under Network Rail frameworks.

Works also progressed on upgrades to Beckton Depot and Surrey Quays station for Transport for London; and the delivery of six new stations over 18 miles of track on the Northumberland Line for Northumberland County Council, which is leading the scheme in collaboration with the Department for Transport, Network Rail and Northern Trains.

Water
Work completed on the 16-mile West section of the Thames Tideway Tunnel, a 10-year project, delivered in joint venture. The tunnel as a whole protects the Thames by diverting 34 of the most-polluting sewage outflows and aims to reduce sewage spills into the river by 95%.

For Wessex Water, the team began work on several combined sewer overflow projects as part of the AMP8 Framework awarded in 2024. The year marked the 30th anniversary of the division's collaborative relationship with Welsh Water, with a focus on completing schemes under the AMP7 Framework in advance of transitioning to AMP8.

Highways and aviation
Work continued on the £87m M27 project as part of National Highways' Concrete Roads Programme to repair or replace the concrete surface of motorways and major A roads in England.

Infrastructure re-entered the aviation market with the award of a place on Gatwick Airport's Construction Framework. The framework is valued at c.£270m in total, with project values ranging between £3m and £20m, and is expected to run for four years with an option, subject to scope, to extend by a further two years.

Our strategy in action

Bringing renewable energy to Shetland

Infrastructure built a new grid supply point at Gremista in Shetland for SSEN, linking to the Kergord substation and connecting the islands for the first time to the mainland power grid. The project has removed Shetland's dependence on diesel energy as a primary source, enabling access to renewable power and supporting decarbonisation.

The team constructed two grid transformer buildings, with 132 kV/33 kV transformers and associated equipment, and a control building. They also installed 11 km of underground ducting and cabling between Gremista and Kergord.

Infrastructure achieved a Green Apple Award while working on the project, for its 'Sow, Grow and Share' campaign. The team engaged with c.950 children from 15 schools, teaching them about biodiversity, plant growing and how gardening and nature can boost physical and mental wellbeing.

59-tonne
transformers installed

Operating review continued

Infrastructure

Design

The BakerHicks design business experienced growth in the power sector during the year with the award of its first project in mainland Europe, to design cable sectioning and monitoring stations for two major high-voltage direct current (HVDC) corridors in Germany. In the UK, work progressed on various network reinforcement projects, subsea cabling installation in Shetland and data centre upgrades in London. BakerHicks also provided design and assurance services to key original equipment manufacturers and contractors on the Eastern Green Link 1 and 2 Schemes, one of the largest electrical infrastructure projects to be delivered in the UK.

In nuclear, the business was reappointed to UKAEA's Embedded Engineering Resource Framework, a four-year programme supporting fusion energy research. In aviation, BakerHicks was the BIM (building information modelling) lead on Manchester Airport's Terminal 2 Departures East project, supporting refurbishment works and construction of a new pier as part of the £1.3bn transformation. The final BIM model will provide an asset management tool for Manchester Airport Group.

In life sciences, BakerHicks completed the Riverlabs research facility in Hertfordshire (see below), while in defence, work began at RAF Leeming on a new headquarters and training facility for Yorkshire Universities Air Squadron. Public sector projects progressed at HMP Highpoint in Suffolk (a £300m expansion) and HMP Highland, aiming to be Scotland's first net zero prison, using modular and renewable technologies. In education, work continued on Perth High School, an £80m Passivhaus facility for 1,600 pupils, and completed at St Sophia's Primary School in East Ayrshire, the UK's first EnerPHit-certified school, which was shortlisted for a Building Innovation Award.

Divisional outlook

The increased medium-term target for Infrastructure is to deliver annual revenues towards £1.5bn, while its operating margin target remains unchanged, between 3.75% and 4.25% per annum.

For 2026, based on the timing of projects and the projected type of work, Infrastructure's operating margin is expected to be in the middle of the target range, while revenues are expected to be closer to £1bn. This is underpinned by the division's continued focus on long-term client relationships, disciplined contract selectivity, risk management and project delivery.

Our strategy in action

State-of-the-art research facility designed to be fit for the future

BakerHicks worked alongside sister company Morgan Lovell to deliver 100,000 sq ft of cutting-edge Containment Level 2 (CL2) laboratory space for the 28-acre Riverlabs life science campus in Ware, Hertfordshire. CL2 laboratories are designed for the safe handling of medium-risk biological agents. The new facility is split into three 33,000 sq ft specialised science and research spaces, and has transformed three floors of a former GSK building into a flexible, future-proofed environment designed to be easily reconfigured to CL3 as required by tenants.

BakerHicks delivered RIBA Stage 2 and 3 multi-disciplinary design services for both Cat A (landlord's base condition) and Cat B (customised for tenants) fit out and refurbishment works. This included assessing existing mechanical and electrical systems, providing a new central plant, and undertaking civil and structural works such as a rooftop plant area, goods lift installation, atrium floor infill and extensive site engineering.

100,000 sq ft

of laboratory space

Responsible business strategy and performance

Creating shared value through responsible growth and sustainable project delivery

Our approach

As a leading partnerships, fit out and construction services group, we are well positioned to support the UK's long-term housing, development and infrastructure needs while creating lasting value for people and the environment.

Our projects affect many aspects of daily life, from essential infrastructure such as energy and transport to built spaces where people live, work, learn and connect. As such, we recognise the duty we have to deliver our work responsibly and in ways that align with government objectives for housing, job creation, regeneration and net zero. Guided by our Core Values (see page 10), we maintain high standards of responsible business conduct across our divisions.

Our responsible business strategy underpins our commercial growth ambitions by targeting operational improvements that strengthen our performance, embed sustainable principles into project delivery and create lasting social value for stakeholders, communities and wider society. Through our Total Commitments, which include our science-based target to achieve net zero across our business and value chain by 2045, we are delivering sustainable growth, amplifying our impact and accelerating the shift towards a resilient, prosperous and low-carbon economy.

Our strategy

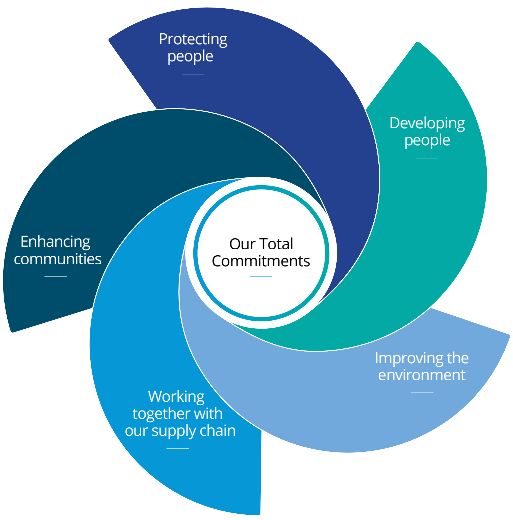
Our five Total Commitments address the Group's most material ESG priorities. These priorities are not standalone – they are integrated into our divisional strategies, embedded in our project delivery and at the core of our social value framework. This focus ensures that responsible business is central to our operational approach and commercial strategy, to scale our impact in ways that align with our growth ambitions and customer needs.

In 2025, to ensure consistency and prioritisation of key ESG issues, we conducted a double materiality assessment with stakeholders which looked at the Group's material impact on people and the environment as well as sustainability factors that are financially material to the Group (see page 35 for details). The outcomes of the process confirmed that while our existing Total Commitments remain relevant, some priorities have broadened and require renewed focus.

Therefore, while we will retain our current environmental metrics, including our near- and long-term science-based targets, we will review our other Total Commitment metrics and targets in 2026. This will help ensure we continue to progress against our ESG priorities while addressing the evolving needs of our stakeholders.

Our Total Commitments

Our five Total Commitments drive ESG action across the Group by targeting our key material priorities.



Protecting people
Lost time incident rate[1]
0.18
(2024: 0.23)

Working together with our supply chain
Invoices paid within 30 days
70.5%
(2024: 61.5%)

Developing people
Training days per employee
3.9 days
(2024: 3.2 days)

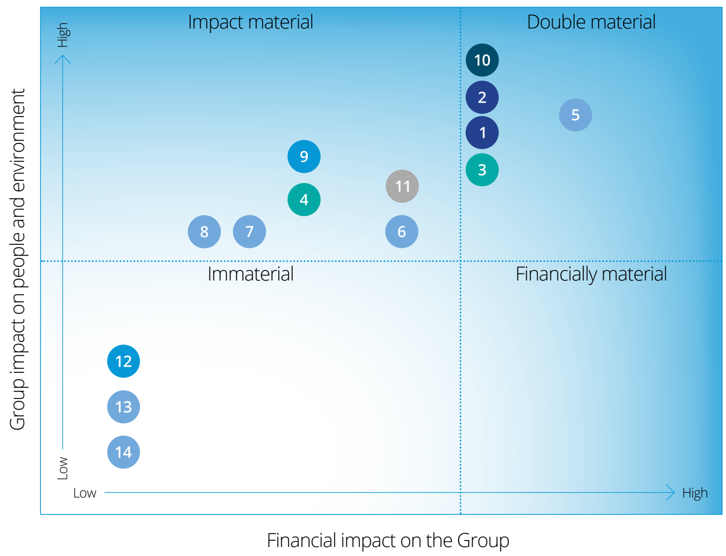
Enhancing communities
Social value delivered[3]
£6.5bn
(2024: £4.6bn)

Improving the environment
Scope 1 and 2 emissions reduction[2]
55%
(2024: 44%)

1 Number of lost time incidents x 100,000 divided by hours worked. Lost time incidents are those resulting in absence from work for a minimum of one working day, excluding the day the incident occurred.
2 From 2019 baseline of 20,903 tonnes CO_2e. See Appendix on page 185 for emission scope definitions.
3 Total social value contribution since October 2023 as tracked by SVP. In 2025, we generated £1.9bn in social value through completed projects tracked through SVP.

Responsible business strategy and performance continued

Double materiality assessment



In 2025, we conducted a double materiality assessment using a robust and proportionate application of the double materiality principle. As a UK-listed business, we are not required to adhere to the Corporate Sustainability Reporting Directive (CSRD); however, our 2025 process applied the European Sustainability Reporting Standards (ESRS) implementation guidelines to align with current best practice reporting standards.

Our assessment involved detailed desk research, an online survey completed by 2,124 internal and external stakeholders, as well as in-depth interviews and workshops to identify material topics and their key impacts, risks and opportunities.

Identified topics were evaluated from two perspectives: (i) the impact they have on society and the environment (impact materiality), and (ii) the business risks and opportunities that arise from them (financial materiality). A ranking was then applied to each topic to bring together the double materiality assessment (see matrix, left). A description of our material topics and where they sit across our value chain can be found below.

Total Commitment	Material topics	Description	Value chain impact
Protecting people	1 Health, safety and wellbeing	Prioritising physical and mental health, safety and wellbeing across every site and project to foster a culture of care and deliver safe spaces.	< ○ >
	2 Fair employment rights	Ensuring high-quality working conditions, fair pay and strong workplace benefits while working to eliminate modern slavery across the supply chain.	< ○
Developing people	3 Training, skills and development	Investing in inclusive training and skills development opportunities for all to attract and retain top talent, close skills gaps and secure project delivery.	< ○
	4 Inclusive and diverse workforce	Embracing inclusion and diversity to level the playing field, attract new talent and create a culture of innovation to challenge the status quo.	< ○ >
Improving the environment	5 Net zero, energy use and climate	Contributing solutions that accelerate net zero, improve operational efficiency, facilitate a just transition and build climate resilience.	< ○ >
	6 Water use	Managing water use responsibly, preventing spillages and preserving freshwater ecosystems in the communities where people live and work.	< ○ >
	7 Nature and biodiversity	Integrating nature-positive principles into projects to support biodiversity, natural habitats and conservation.	< ○ >
	8 Resource use and circular economy	Embracing circular principles, reducing exposure to scarce resources, unlocking customer efficiencies and cost savings, and addressing embedded carbon.	< ○ >
Working with our supply chain	9 Resilient supply chain	Building lasting relationships with our supply chain partners to enhance trust, reduce risk, embed sustainability principles and ensure reliable project delivery.	<
Enhancing communities	10 Social value, community cohesion and wellbeing	Delivering measurable social and economic value through our projects to support community cohesion, improved health, education, employability and wellbeing.	< ○ >
Governance	11 Responsible business and governance	Upholding consistently high standards of ethics and conduct to ensure compliance, while retaining strong relationships to maintain our reputation.	< ○
	Immaterial topics		
	12 Wider supply chain	While some topics fell outside the materiality threshold, we will continue to monitor them on an ongoing basis to take appropriate action where necessary.	<
	13 Air pollution		< ○ >
	14 Deforestation		<

Key
< Upstream
○ Operational
> Downstream

Responsible business strategy and performance continued

Protecting people

We are committed to safeguarding our people and partners by fostering a culture built on safety, compliance and respect. Through our focus on care, collaboration and empowerment, we promote safe practices and positive behaviours that protect people at every stage of their journey with us.

The quick read...

- Over 94% of projects remained accident-free
- Lost time incident rate target of 0.18 met five years ahead of 2030 ambition
- Leading indicators reinforced to improve safety engagement and drive positive interventions

Strengthening our safety culture

The health, safety and wellbeing of our people and contractors working on our projects is our first priority. Despite performance improvements across key metrics, we were deeply saddened by the loss of a contractor at Mill Road, Cambridge in July 2025, and our thoughts are with their family, friends and colleagues. The site was immediately closed to ensure a detailed regulatory investigation could be conducted by the authorities, followed by a phased reopening. As of December 2025, the incident remained under investigation and we are cooperating with all lines of enquiry.

Our protecting people forum met monthly during the year to drive cross-divisional learning and share best practices that reinforce our safety-first culture. Discussions were supported by the continued roll-out of our health and safety data management system, which is enabling divisions to promptly identify risks and take immediate action to implement improvements at scale.

In 2025, divisions continued to develop their health and safety strategies, processes and targets, with supporting campaigns to promote them. Infrastructure formalised its 'Just and Fair' culture, reinforcing every employee's role in creating positive behaviours; BakerHicks progressed its '100% Safe Together' strategy, introducing eight new risk standards, a comprehensive health and wellbeing framework and a support network; and Construction adopted leading safety indicators targeting project design, leadership and engagement to further strengthen performance. All of our UK divisions hold ISO 45001 Occupational Health and Safety Management Systems accreditation and ISO 9001 Quality Management accreditation.

Lost time incident rate (LTIR)

0.18

(2024: 0.23)

Positive safety interventions

>36,000

(2024: >43,000)

Measuring our progress

In 2025, we continued to take proactive steps to reinforce safety across our divisions, delivering measurable progress against core KPIs. Our LTIR[1] fell to 0.18, surpassing our 2025 target of 0.21 and hitting our 2030 target. Our LTIR performance is linked to the large number of positive safety interventions during the year as well as our established culture of near-miss reporting.

Our accident frequency rate continued to decline, with 94% of projects accident-free and over 95% RIDDOR[2]-free (2024: 91%). We also maintained a high rate of subcontractor safety training to ensure consistent alignment to Group standards.

	2025	2024
Lost time incidents	**110**	122
Lost time incident rate[1]	**0.18**	0.23
RIDDOR[2] incidents	**25**	34
RIDDOR-free project days (%)	**95**	91
Accident frequency rate[3]	**0.04**	0.06

1 Number of lost time incidents x 100,000 divided by hours worked.
2 The Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013.
3 Number of accidents x 100,000 divided by average number of people on-site.

While these results demonstrate progress, we know that safety demands constant vigilance and ongoing improvement. We remain committed to learning from every incident, sharing insights across the Group and driving better outcomes through collaboration, positive intervention and data-driven decisions.

Fit Out launched 'Safely Delivered' as part of its Perfect Delivery model to ensure that safety is planned, monitored and managed at every project phase.

Responsible business strategy and performance continued

Protecting people

Promoting responsible behaviours

We empower our divisions to establish targeted health and safety programmes tailored to the unique nature of their projects, including appropriate and effective onboarding and technical training. Divisions also promote positive behaviours so that near misses become opportunities for learning and improvement. In 2025, proactive steps were taken to reduce incidents by implementing more than 36,000 positive safety interventions across the Group focused on incident prevention.

During the year, Fit Out embedded health, safety and wellbeing into its Perfect Delivery model through the launch of 'Safely Delivered'. The initiative ensures that safety is planned, monitored and managed at every project phase, backed by cultural initiatives and training. The division also implemented universal health and safety supply chain standards and a new safety management system with open-book assessments and progressive supplier scoring to identify and minimise risk.

Investment in behavioural training also remained a priority. Construction rolled out its immersive virtual-reality-based safety training to over 2,000 employees, while Infrastructure launched a programme to 'put health back into health and safety', which will become part of its leadership syllabus in 2026. Meanwhile, BakerHicks focused on starting positive safety conversations and Partnership Housing developed a bespoke underground service safety film supported by regular audits.

Supporting physical and mental wellbeing

Our focus on wellbeing promotes physical and mental health as well as social and financial security to ensure that our colleagues, partners and their families have access to resources that strengthen their long-term resilience, health and happiness.

We provide comprehensive wellbeing packages, including 24/7 virtual GP access for colleagues and their families and employee assistance programmes that offer immediate mental health support, counselling and guidance on financial, legal and medical matters. Lifestyle and wellbeing assessments with personalised plans further empower individuals to achieve their health goals. During the year, 82% of Group employees received private medical insurance and 100% of eligible employees were covered by life insurance. In 2025, Construction and Infrastructure maintained their Investors in People's 'We Invest in Wellbeing' accreditations, with Property Services also aligning for the first time.

Our commitment to wellbeing extends beyond our employees to include the people who use the spaces we build and develop. All divisions continue to deliver WELL Building-, BREEAM- or DREAAM-rated projects that incorporate health and wellbeing design principles – such as fresh air, water, nourishment, light, fitness, comfort and mind – into building design and functionality.

Upholding human rights and fair employment practices

We are committed to upholding the highest standards of business ethics and conduct to ensure that our employees and value chain partners are treated with dignity, care and respect. Our human rights policy is guided by internationally recognised standards, including the UN Guiding Principles on Business and Human Rights, the Universal Declaration of Human Rights and International Labour Organization Standards.

To ensure alignment across the Group, our Code of Conduct sets clear expectations for how we engage with clients, colleagues, suppliers and communities, consistently reinforcing ethical behaviour and accountability at every level. The Code is supplemented by our Supplier Code of Conduct. Our annual modern slavery statement details actions to eliminate all forms of human trafficking and forced labour in our business and supply chain. Our divisions take action to reduce the risk of modern slavery and promote awareness; for example, Construction developed a solar panel procurement policy in 2025 to ensure that solar panels are sourced without conflict minerals or forced labour.

We continue to encourage our people and contractors to report any concerns or instances of non-compliance. In 2025, we received 34 reports through our confidential and independently operated whistleblowing service, 'Raising Concerns', and six reports through other channels. Our investigations found no instances of modern slavery within our business or supply chain.

Infrastructure's 'Healthy Hearts and Minds' campaign delivered over 2,000 wellbeing assessments to help employees monitor and manage their wellbeing.

Responsible business strategy and performance continued

Developing people

Our employees are the lifeforce behind our organisation, driving excellence to exceed stakeholder expectations. Through our decentralised structure, we empower divisions to make agile decisions that reflect the evolving needs of their teams. This includes building capacity and developing the skills needed to support long-term growth.

The quick read...

- Employees participated in over 32,000 training days
- New leadership training strengthened core skills
- New pathways opened for the next generation of workers to enter the workplace

Becoming an employer of choice

Our purpose is to harness the energy of our people to achieve the improbable. To deliver this consistently, we provide a wide range of learning and development opportunities, competitive benefits, attractive rewards and award-winning wellbeing initiatives to all our staff to help us retain and attract top talent.

Divisional HR leads meet monthly at our developing people forum to share best practice, learning and key actions to drive engagement. In 2025, emphasis was placed on broadening our range of wellbeing initiatives, targeting pay equity and providing new development opportunities to support future leaders and attract the next-generation workforce.

Accreditation is a critical way to embed actions that improve our attractiveness to prospective employees. In 2025, several divisions maintained their Investors in People accreditation: Construction retained its Platinum status, with Infrastructure, Partnership Housing and Mixed Use Partnerships maintaining Gold status. Mixed Use Partnerships also retained its Great Place to Work accreditation for a fourth consecutive year.

We pay the real living wage or above as minimum practice, and two of our divisions are accredited Living Wage Foundation employers. We also respect our employees' right to freedom of association and collective bargaining and in 2025, 2.6% of our employees were covered under a relevant scheme.

Training days per employee

3.9 days

(2024: 3.2 days)

Total training days

>32,000

(2024: 26,000)

Investing in training, skills and career development

Talented people are key to our success. By investing in their skills, knowledge and expertise, we continue to innovate and exceed the expectations of our stakeholders. In 2025, employees completed more than 32,000 training days consisting of on-the-job learning, formal courses, e-learning modules and structured education programmes (2024: 26,000 days). On average, training days per employee also increased to 3.9 days (2024: 3.2 days).

Attracting and developing senior leaders remains a key priority. In 2025, a new Developing Business Leadership Programme was launched to strengthen the confidence and capabilities of future leaders, encouraging them to develop their strategic skills while leveraging our brand, culture and expertise to drive further innovation. Within the divisions, Fit Out developed its 'First 5 Female Development Programme' to accelerate female leadership, Construction continued its 'Developing Personal Leadership' focus, and Infrastructure evolved its 'Reach Higher' ethos to help high-potential individuals progress into senior roles.

As well as attracting new talent, it is important to nurture and retain our existing talent, and in 2025 we focused on enhancing internal recruitment and divisional skills sharing. Infrastructure's focus on internal redeployment saved the business £1.3m in recruitment fees while enabling it to retain key skills. The division is also launching a new internal applicant tracking system in 2026 to further enhance candidate selection and efficiency.

Looking ahead, we will continue to assess the quality and impact of our training and development initiatives while strengthening the expertise of senior leadership teams. In addition, we will be reviewing our developing people metrics to ensure that they drive increased engagement, retention and inclusivity.

Mixed Use Partnerships retained Great Place to Work accreditation for a fourth consecutive year.

Responsible business strategy and performance continued

Developing people

Supporting employability and early careers

With the construction industry requiring an estimated one million additional workers by 2032 to meet the UK government's ambitions for homebuilding, infrastructure and clean energy jobs, it is vital that we continue to attract new talent to secure the skills needed for future project delivery.

To onboard the next generation of workers, our divisions provide high-quality structured apprenticeships, graduate programmes, sponsored placements and earn-and-learn opportunities. In 2025, our direct employment of apprentices increased to 466 (2024: 458) and our teams continued to deliver a best-in-class range of educational and engaging work opportunities.

	2025	2024
Apprentices	466	458
New graduates recruited	69	71
Students sponsored	44	41
5% Club total number of employees	579	570
5% Club coverage across the Group[1]	7.0%	7.0%

1 Based on total number of UK employees at 31 December 2025.

In 2025, we surpassed the 5% Club's benchmark for employment of apprentices, graduates and sponsored students, with 7% of our employees in earn-and-learn roles. Our social impact teams also invested in local projects relating to employability and early careers, youth education and upskilling for NEETs (young people not in education, employment or training) to help young people find pathways into work (see pages 45 and 46).

Building an inclusive and diverse workforce

To secure future capacity and attract new talent, it is vital that we break down traditional barriers to entry to our industry. We want to shift perceptions around the built environment sector by showcasing the broad range of vibrant career opportunities available to people of all experience and backgrounds.

To foster an open, dynamic and inclusive culture, we are passionate about enhancing female representation and ethnic diversity across the Group and wider industry. Historically, the sector has struggled to attract and retain diverse talent, which we are taking active steps to change through our focus on inclusivity and equal opportunities for all.

In 2025, 27% of our workforce were women, including 33% female direct reports to the Group management team and 42.9% women on the Board. Eleven percent of our people self-reported as being from an ethnic minority background (see page 83 for more detailed diversity data). Our divisions have continued to work towards building a more diverse workforce and leadership team. This included broadening inclusive recruitment efforts, setting up resource networks for minority groups, delivering conscious inclusion training, providing effective and equitable career development opportunities for all, and taking measures to reduce our gender, ethnicity and disability pay gaps. In 2025, Infrastructure developed a new job architecture framework and salary benchmarks, while BakerHicks held calibration meetings to ensure equitable pay categories for all staff and Construction set a 2030 target to reduce its gender pay gap to less than 1%.

Supporting underrepresented groups

We continue to participate in national partnerships that promote the construction industry to new, diverse and underrepresented talent, with divisions collaborating with partners like Women into Home Building, the Construction Inclusive Coalition and Inclusive Employers. Our partnerships with BuildForce UK and Building Heroes deliver training and career opportunities to skilled former service personnel. In 2025, all our divisions achieved Gold accreditation from the Armed Forces Covenant in recognition of this work.

We give full and fair consideration to applicants and employees with disabilities and make reasonable adjustments to support them in their roles. In 2025, 4% of our employees reported having a disability, with several divisions achieving Level 1 and 2 Disability Confident Employer accreditation to enhance access and inclusivity.

Case study

Delivering apprenticeships of the future

The construction industry has long struggled to bridge the gap between academic study and real-world application. To address this, Construction joined forces with Nottingham Trent University to develop a pioneering block release Level 6 Chartered Surveyor Degree Apprenticeship.

Launched in 2025, the unique programme helps apprentices to 'earn as they learn' by working towards a degree and chartership while receiving hands-on work experience from the division. The first cohort successfully completed their studies in December 2025, and a new Level 4 'Construction Site Supervisor' programme will be launched in 2026.

The dynamic syllabus sets a new benchmark for apprenticeships by raising academic quality and strengthening professional standards simultaneously. This is not only helping to close the construction skills gap, but is also securing a sustainable pipeline of future leaders for the industry.

"Since starting the apprenticeship, my expectations have been far exceeded. With Morgan Sindall, I received on-site learning from experts to support my studies. It's given me new confidence and real skills to set me up for the future."

2025 cohort apprentice

Responsible business strategy and performance continued

Improving the environment

Our scale, expertise and role in shaping the built environment enable us to support the UK's transition to a low-carbon economy. We are committed to achieving net zero by 2045 and to collaborating with our customers and partners to deliver solutions that support nature, create natural capital and facilitate a just transition.

The quick read...

- Reduced Scope 1 and 2 emissions by 55% since 2019 while helping clients decarbonise their activities
- Improved environmental data capture to enhance analysis and drive performance
- Deployed CarboniCa intelligence tool on 211 projects
- Increased our internal carbon charge to £110 per tonne

Our net zero pathway and progress

Our science-based targets commit us to achieving net zero across our operations and value chain by 2045. This includes a 90% reduction in Scope 1, 2 and 3 emissions against a 1.5°C scenario, while using high-quality offsets for the remaining 10% of residual emissions. Our roadmap includes interim 2030 targets to reduce Scope 1 and 2 emissions by 60% and Scope 3 emissions by 42%.

As of 2025, we remain on track to meet our direct emissions reduction targets. To date, we have achieved a 55% reduction in Scope 1 and 2 emissions against a 2019 baseline. Through improvements in operational efficiency, our carbon intensity has also reduced to 1.9 (2024: 2.6). We are also on track to transition to an electric company car fleet by 2030, with 99% of company cars now hybrid or electric. Following improvements to our reporting methodology, our Scope 3 emissions increased in 2025, with further work needed to accelerate progress (see page 41).

During the year, we retained our MSCI AAA ESG rating and achieved an A– for CDP Climate. We were also named as a 2025 European Climate Leader by the *Financial Times* and a Low Carbon Leader by Sustainalytics for our climate transition strategy.

Scope 1 and 2 carbon emissions reduction (from 2019 baseline)[1]

55%

(2024: 44% reduction)

Scope 3 carbon emissions increase (from 2020 baseline)[2]

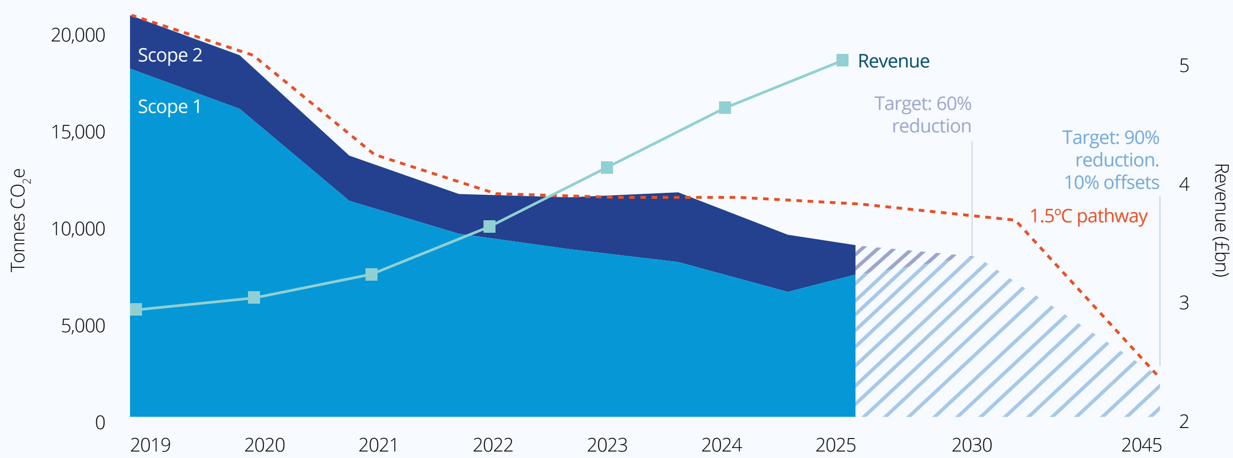
13%

(2024: 13% increase)

1 Our 2019 Scope 1 and 2 emissions baseline is 20,903 tonnes CO_2e.
2 In 2025, we rebaselined our 2020 Scope 3 emissions to 1,603,880 tonnes CO_2e and revised our 2024 Scope 3 figure of 1,314,055 tonnes CO_2e to 1,804,591 tonnes. This has resulted in a 13% increase in our Scope 3 emissions since 2020. See page 62 for more information, and the Appendix on page 185 for definitions.

Direct emissions reduction pathway

Our pathway to achieving a 60% reduction in direct Scope 1 and 2 emissions by 2030. See page 62 for a full breakdown of Group emissions.



Responsible business strategy and performance continued

Improving the environment

In accordance with our decentralised approach, our divisions undertake initiatives to address their own carbon-reduction targets and environmental KPIs throughout the year.

Our climate action panel meets quarterly to provide performance updates and share best practice. To ensure consistency in our approach, all sites maintained ISO 14001 certification for environmental management in 2025. The Group also continued to apply an internal carbon charge to divisions to encourage decarbonisation efforts. In 2025, the charge increased to £110 per tonne CO_2e emitted (2024: £90). Capital generated is invested in natural capital projects that support our net zero target (see page 42).

Enhancing data collection and disclosure

During the year, we enhanced our internal environmental data platform and processing to enable our divisions to receive timely, consolidated performance data from the thousands of UK-wide projects they work on. A new data platform will be launched in 2026 to further automate and streamline data sets. This will allow for more frequent reporting and analysis to guide strategic action and targeted initiatives that will further accelerate progress.

To further improve the transparency of our reporting and drive progress against our carbon reduction targets, we rebaselined our Scope 3 emissions data to reflect improvements to divisional reporting methodologies and scope (see page 62 for full data and the Appendix on page 185 for our methodology). We also continued to encourage divisions to externally assure their Scope 3 emissions data. While this work has strengthened data integrity, it has resulted in a 13% increase in our Scope 3 emissions against our revised 2020 baseline. We acknowledge the work ahead and remain committed to accelerating efforts across our value chain to reduce our wider impacts, and meet our net zero target.

Decarbonising our direct operations

Our divisions continued to implement initiatives to reduce direct emissions in line with our 2030 and 2045 science-based targets. The majority of our Scope 1 and 2 emissions come from purchased electricity, emissions from our Group fleet, and bulk fuel used for on-site generators, cabins and machinery. Decarbonisation activities therefore focus on energy reduction, obtaining energy from renewable resources, and using alternative fuels.

In 2025, 63% of our electricity came from renewable sources (2024: 56%). Fit Out uses 100% renewable energy for its offices, including those with landlord-controlled supply, and in 2025, installed a new energy-efficient heating and cooling system to further enhance operational efficiency. The use of energy monitoring and reduction systems also yields both environmental and financial benefits. For example, Construction's use of Gaia Smart Energy software has helped to save c.260,000 kWh of electricity, representing a £70,000 cost saving. Partnership Housing, Construction and Infrastructure also worked with measurable energy to install smart sockets which reduce wasted energy in real time to save a further 80,500 kWh.

Construction and Infrastructure continued to promote on-site carbon reduction and sustainable decision-making through their '10- and 20-tonne challenge', an initiative to incentivise project teams to reduce emissions by at least 10 tonnes of carbon. Since 2021, Construction has avoided over 62,000 tonnes CO_2e through the initiative. Further savings were achieved in the year through the adoption of new innovations, including Construction's use of the first fully battery-powered pile-driving rig in the UK and Infrastructure's adoption of hydrogen cell technology to reduce on-site diesel use (see case study below).

In 2025, Fit Out supported its design and furniture teams by providing knowledge and skills to deliver low-carbon fit outs. This included bespoke training and a 'low-carbon cheat sheet' to provide best practice benchmarks for different fit out elements. The division will publish further guides in 2026 for furniture, mechanical and electrical systems, and new materials. The guides will feature data on product emissions, embodied carbon, responsible sourcing, and material inputs and reuse to drive sustainable decision-making.

In 2026, we will launch our Materials+ database, designed by Fit Out, to help teams quickly and effectively determine the sustainability attributes of products and the impact of materials used across our construction and refurbishment projects.

Case study

Infrastructure deploys on-site hydrogen power to lead the way to net zero

In 2025, Infrastructure advanced its net zero ambitions by introducing hydrogen-powered technologies across its sites to deliver major carbon reduction and cost savings.

At its Sellafield site in Cold Fell, Cumbria, a cutting-edge hydrogen and solar lighting tower cut fuel use by 75%, achieving zero-emissions lighting. Alongside a hydrogen-powered forklift and other innovations, these steps support the goal of a diesel-free site by 2030. This milestone marks the first ever use of hydrogen equipment at a nuclear decommissioning site, made possible through years of collaboration between plant teams, supply chain partners and Sellafield Ltd.

Hydrogen fuel cell technology also powered the division's roof replacement project at Liverpool Street Station, using half the amount of emissions that a diesel power source would use, while also reducing noise and fumes. Higher upfront costs were offset by refuelling savings to create a win-win for the division, its partners and surrounding businesses.

Responsible business strategy and performance continued

Improving the environment

The database will inform sustainable design and procurement, aligned to project requirements and customer aspirations.

Helping our clients decarbonise

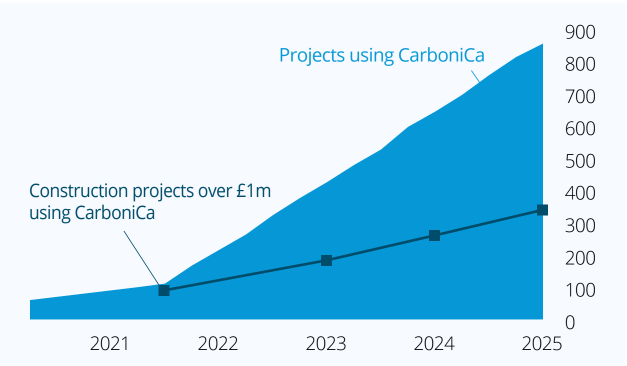
Decarbonising the built environment requires a fundamental shift in how we select materials and partner with our supply chain. We are committed to delivering our project work in ways that accelerate the transition to a low-carbon economy, empower our customers to make more sustainable choices and encourage our suppliers to improve both material choices and transparency.

Scope 3 emissions account for c.99% of the Group's carbon footprint, with the most significant impact generated from the products and services we procure, including embodied carbon in materials, as well as estimated carbon emitted from use of the buildings, homes and infrastructure we develop. In 2025, our Scope 3 emissions were 1,817,157 tonnes CO_2, which represents a 13% increase from our revised 2020 baseline. Read more about our performance on page 62.

During the year, we continued to promote the use of CarboniCa, an intelligent tool which enables teams, clients and suppliers to manage and reduce embodied and operational carbon emissions of built assets. Since 2021, CarboniCa has been deployed on over 840 projects across the Group and has been aligned to the RICS standard and BREEAM accreditation. The software works by measuring the entire project life cycle (A–D) according to EN 15978 standards to produce a report that recommends carbon reduction measures and compares building performance with industry targets set by bodies such as RIBA and LETI (London Energy Transformation Initiative). In 2025, CarboniCa was aligned with the second edition of the RICS standard, with third-party verification from Anthesis Group. The tool was used to prototype artificial intelligence (AI) functionality in carbon assessments as part of Innovate UK's BridgeAI programme.

To further support onboarding to CarboniCa, a two-tier educational functionality was built into the platform in 2025 with funding support from Innovate UK: CarboniCa Engage and CarboniCa Immerse. The first tier is a design and construction decisions quiz, and the second is an interactive tutorial package consisting of four modules and supporting videos on how to complete a whole-life carbon assessment, how to reduce embodied carbon in assets, a deep dive into carbon databases and Environmental Product Declarations (EPDs), and tips to understand operational energy.

Number of projects using CarboniCa



In 2025, BakerHicks helped clients save over 6,000 tonnes of carbon emissions by using CarboniCa to influence project design in line with its commitment to reduce embodied carbon intensity of all new buildings and major retrofits by 50% by 2030. The business also achieved PAS 2080 certification for managing whole-life carbon in buildings, and received a Climate Action Award at the 2025 Cytiva Sustainability Conference.

Across our divisions, sustainable certification continues to play a role in reducing our direct and indirect environmental impact. In 2025, 81 sustainable certifications were achieved on projects, including BREEAM assessments, LEED, SKA and WELL ratings.

Efficient resource use and circularity

We are committed to reducing waste by working with our partners and supply chain to embed circular solutions that achieve zero avoidable waste on our sites. Where viable, we reuse on-site materials, purchase reused goods and identify innovative ways to reduce material inputs. For example, we work with Pallet Loop to use durable FSC-certified pallets. Adopted by Fit Out, Construction and Partnership Housing, a total of c.38,000 pallets were collected in 2025 to prevent 7,660 m^3 of waste being sent to landfill. Divisions also participated in Community Wood Recycling, a UK enterprise to collect and repurpose waste wood from construction sites. Construction and Partnership Housing saved a total of c.523 tonnes of wood in the year from its waste stream, equivalent to 260 tonnes in avoided emissions.

In response to increased client demand, Fit Out has prioritised reuse of materials, such as lighting, furniture, floor finishes, raised access flooring and ceilings, across many of its projects. Low-carbon glass and sustainable lighting were also used to help customers cut carbon and costs. Meanwhile, Infrastructure's rail team won an award for their use of low-carbon steel on a project to upgrade Surrey Quays Station, avoiding 200 tonnes of carbon.

Creating natural capital

To reach our 2045 net zero target, we will use credible UK-certified offsets on residual emissions. Our strategy is to invest in high-quality natural capital projects and offsets that contribute to a healthier climate for local communities. By the end of 2025, work on our legacy natural capital projects had either been completed or brought to a close. From the Dorn & Glyme Woodlands project completed at the Blenheim Estate in 2024, we expect to receive c.20,000 of the site's Peatland Carbon Units.

In 2025, divisions continued to complete biodiversity net gain (BNG) assessments on all new projects. This includes measuring the impact our projects have on waterways, habitats and hedgerows while developing plans to leave the site with a 10% biodiversity improvement or greater. Divisions continued to exceed this target in 2025, with Construction achieving an average BNG of 38% across projects completed in the year.

During the year, Fit Out created a nature impact register in line with the Taskforce on Nature-related Financial Disclosures (TNFD), while Construction launched a Carbon and Nature Champions Forum to accelerate nature-based solutions. Divisions also delivered nature projects, habitat restoration work, conservation initiatives, greening and rewilding schemes as part of project delivery and our social value focus (see page 46).

Responsible business strategy and performance continued

Working together with our supply chain

We rely on our supply chain partners to deliver successful projects. To build strong relationships, we collaborate with our suppliers to provide practical support and best practice guidance to align their activities to our high standards of ethics, compliance and sustainability.

The quick read...

- Expanded our Morgan Sindall Supply Chain Family to 423 members
- Paid 98.4% of invoices within 60 days in the last six months of 2025
- Continued to collaborate with the Supply Chain Sustainability School to educate suppliers on ESG topics
- Identified ways to collaborate with our suppliers to reduce Scope 3 emissions

Building strong relationships

We depend on our suppliers to deliver high-quality solutions and services that help us exceed our stakeholders' expectations. By forging close relationships with preferred partners, we are securing our supply chain, building trust and establishing strong standards of ethics, conduct and sustainability.

In 2025, we continued to deepen engagement with our Morgan Sindall Supply Chain Family of preferred suppliers, which grew to 423 members (2024: 416). These partners benefit from tailored training, on-site support and dedicated relationship management teams as part of their elevated status. In 2025, 77% of Group spend by value was with Supply Chain Family members, reinforcing the strength of our close partnership.

To maintain dialogue and collaboration, divisions hosted supplier events throughout 2025, creating new opportunities to engage with suppliers and promote sustainability. Construction's North East and Cumbria region hosted its first 'Getting Connected' event, inviting regional contractors to share insights, collaborate and strengthen relationships. Infrastructure held a 'Future Fuels' event to spotlight and promote emerging supply chain technologies for sustainable innovation.

Our commitment to paying suppliers promptly remains a key metric for building trust. In the last six months of 2025, 70.5% of invoices were paid within 30 days (meeting our 2025 target) and 98.4% were settled within 60 days (2024: 97.7%). Our 2030 target is to ensure that 80% of invoices are paid within 30 days.

Aligning suppliers to our standards

Small- to medium-sized enterprises (SMEs) represent a significant share of our procurement activity, allowing us to work with agile local teams across our regions. We recognise that these businesses often need support to align their activities with our high standards of business conduct. We therefore focus on providing a broad range of educational resources, training and onboarding guidance.

In 2025, 64% of Group spend was with regional SMEs (2024: 62%), reinforcing our commitment to generating social value by supporting small businesses and reducing our environmental footprint by prioritising regional sourcing.

To further support SMEs, our divisional procurement teams run their own supplier relationship management programmes that focus on helping suppliers drive continuous improvements across key areas of performance, including health, safety and the environment.

Invoices paid within 30 days

70.5%

(2024: 61.5%)

Supply Chain Family members

423

(2024: 416)

Attendees at Construction's 'Getting Connected' Supply Chain Family event in Newcastle, May 2025.

Responsible business strategy and performance continued

Working together with our supply chain

Driving sustainability through collaboration

In 2025, we advanced climate-focused initiatives by conducting annual supplier surveys, hosting workshops and providing tools for smaller suppliers to support low-carbon procurement. These actions are helping suppliers adopt more sustainable practices, which, in turn, contribute to our own decarbonisation objectives.

Our partnership with the Supply Chain Sustainability School (SCSS) remains pivotal for delivering climate education and upskilling our partners to reduce emissions. By the end of 2025, 2,853 suppliers were SCSS members (2024: 2,835), of which 628 participated in sustainability workshops and learning events (2024: 591).

In 2025, divisions conducted supplier sustainability questionnaires to gain insight into the maturity of value chain approaches and to identify opportunities to provide upskilling. Construction launched its updated carbon maturity framework, leading the way as the first contractor to use the Carbon Reduction Code for the Built Environment (CRCBE) to help our supply chain evidence climate progress. To date, 276 Supply Chain Family members are involved, with over 60 companies progressing in maturity – from training employees in carbon literacy to measuring and reporting emissions, setting targets and delivering performance improvements.

Fit Out also ran a questionnaire to map manufacturers and subcontractors to its carbon maturity framework. Additional work was undertaken to assess biodiversity impacts, including questions relating to recycled content, dye use, manufacturing locations and water use to build a clear picture of sustainable supply chain sourcing. Furthermore, Construction has drafted waste minimum standards for suppliers, which are set to reduce waste intensity significantly. See page 42 for more on how we work with our supply chain to reduce waste on our projects.

Decarbonising our value chain

Finding ways to reduce embodied carbon in the materials we source remains a key focus to meet our long-term Scope 3 emissions reduction targets. To address this, Mixed Use Partnerships embedded key net zero carbon and circular economy KPIs into its contractor procurement decision-making process in 2025. The division also conducted its first UKNZCBS[1] Pilot at a residential development in Stockport, which focused on reducing embodied emissions to align to the standard by using CarboniCa to identify sustainable material alternatives.

In 2025, we continued to onboard our major suppliers towards automated Scope 3 emissions reporting by using invoices to calculate embodied carbon in real time. This is helping us to build a clearer Scope 3 emissions profile for purchased goods and services, transport and distribution, fuel and energy-related activities and use of sold products, among other categories.

Throughout the year, divisions continued to work with suppliers and partners to use CarboniCa while participating in project initiatives such as the 10- and 20-tonne challenges to help identify and reduce emissions as part of project design (see page 41).

1 UK Net Zero Carbon Buildings Standard.

Reducing risk and improving safety

As part of our rigorous selection process, our divisions screen suppliers and subcontractors using detailed pre-qualification questionnaires (PQQs) which include mandatory questions relating to health and safety practices and performance.

Our PQQ process is supported by a supplier onboarding platform which allows us to identify, vet and engage a pool of more than 50,000 pre-qualified suppliers using a range of industry standards, regulations and risk criteria, including safety and wellbeing. In doing so, we are able to reduce project risk and improve supplier performance, particularly relating to safety and wellbeing. See pages 36 and 37 for more detail on our health and safety approach and performance.

Cyber security awareness and education also remain a key focus. We take part in the National Cyber Security Centre (NCSC) Industry 100 scheme and work closely with the Department for Science, Innovation and Technology to partner on best practices to reduce cyber risk in the supply chain (see page 53).

Around 300 suppliers, partners and contractors attended an Infrastructure-led 'Future Fuels' event to showcase innovative new low-carbon technologies.

Responsible business strategy and performance continued

Enhancing communities

We want all our projects to leave a positive and lasting legacy by creating social value for local communities. To deliver this consistently, we are quantifying our social impact to better understand how and where we are creating shared value and what we can do to further support the communities surrounding our projects.

The quick read...

- Added £1.9bn to our social value contribution, as reported and validated by the Social Value Portal
- Developed our enhancing communities framework to target activities across core impact areas
- Partnered with clients, local community groups and charities to enhance community health, wellbeing and employment

Our strategy

We are committed to delivering our projects in ways that leave a lasting positive legacy on society – one that prioritises wellbeing, community and sustainable growth while aligning to the delivery of a just transition. We also want to support the government's goal to build 1.5 million homes by 2029 while contributing to infrastructure, education and job-creation needs.

Our customers across the public and private sectors want to understand how and where projects will deliver social value, with social, economic, community and environmental impact now making up an increasing proportion of competitive proposals, bids and tenders.

To track and measure our contribution, our divisions utilise a wide range of third-party-verified tools to measure and quantify the value projects generate for clients, suppliers, contractors and communities. By adopting a blended approach, teams can tailor their approach to customer needs, targeting initiatives and activities that will deliver the most impact. In 2025, we used platforms like YemeTech to analyse local needs and identify where to target social value activities. We also continued to work with the Social Value Portal (SVP) to quantify our social value contribution. SVP is an independent organisation that measures and reports social and economic value generated using the National Themes, Outcomes and Measures (TOMs) System™ to quantify the value our activities generate for local people, communities and wider society.

To drive further action across the Group, our social value forum meets quarterly to discuss priorities and initiatives. In 2025, this led to the launch of a new enhancing communities framework that structures social value activities across three pillars that are most closely aligned to our Total Commitment priorities: (i) providing employment, training and skills; (ii) building climate-ready communities; and (iii) improving social and economic wellbeing. Moving forward, we will report our progress against each of these areas on an annual basis.

Measuring our social value contribution

With the diverse nature of our businesses and project work, we recognise that quantifying the social, economic, community and environmental impact of our activities remains a challenge. To ensure consistency in our approach, we onboarded all divisions onto SVP for the first time in 2025. We also aligned our process with the Group's reporting cycle to disclose our annual social value contribution, rather than the cumulative total delivered since reporting to the portal from October 2023.

In 2025, the Group delivered over £1.9bn in social value using SVP and the TOMs System™. Our Group Data Validation score achieved an 'Established Grade'. Since October 2023, we have logged more than £6.5bn in social value via the portal.

With our new enhancing communities framework now in place, we will disclose our annual social value breakdown across our three pillars via 15 TOMs metrics. These figures can be found in our responsible business data sheet. We will also monitor and report our community contribution via the following metrics:

	2025
Social value delivered (£)	**1.9bn**
Amount of money fundraised and sponsored (£)	774k
Projects with a social value commitment (%)	79
Projects designed with a local needs analysis (%)	63

Social value delivered on SVP in 2025

£1.9bn

Social value delivered on SVP since 2023

£6.5bn

(2024: £4.6bn)

Providing employment, training and skills

We are passionate about working with schools and colleges to support and inspire the next-generation workforce. By leveraging our expertise, we want to help apprentices, students and graduates build important skills that help them find effective pathways into employment, including careers in construction.

Our divisions work with schools, colleges and universities across the country, hosting events and workshops and using their two days of volunteering leave to deliver skill-sharing days to help young people thrive. In 2025, Partnership Housing engaged over 16,000 young people through 'meaningful employer encounters', helping deliver one of the Gatsby Benchmarks, a framework for quality careers guidance used by 90% of UK schools and colleges.

Responsible business strategy and performance continued

Enhancing communities

In 2025, Fit Out welcomed seven T-level students on 45-day placements and employees volunteered a total of 2,520 hours to help students gain insights into real-life project delivery to help support their qualifications in design, planning and quantity surveying. Meanwhile, BakerHicks collaborated with over 30 schools, colleges and universities to support activities related to science, technology, engineering and mathematics (STEM).

We also take pride in helping local residents secure employment, whether in our divisions, our supply chain or with our partners. In 2025, Partnership Housing supported 471 armed forces learners through its national partnership with Building Heroes, providing structured placements and on-site learning. This initiative has resulted in a 48% transition into construction-related employment for participants.

The SVP determined that our focus on employment, training and skills delivered c.£200m in social value during the year. Read about how we support employability, early careers and underrepresented groups on page 39.

Building climate-ready communities

With the demand for green skills in construction set to be among the highest across all sectors over the next decade, it is essential that we support skills development to bring our people and communities along on the climate journey to help deliver a just transition. We also want to help local communities prepare for and mitigate the risks posed by a changing climate.

To spearhead an equitable transition to a low-carbon economy, Construction's pioneering Just Transition programme has invested £300,000 in six post-industrial areas across the UK to support communities by co-creating programmes that enable them to benefit from the transition. Focus areas include upskilling and creating new job opportunities for retrofit and green skills, developing local financial literacy, supporting and empowering economically disempowered individuals, and helping women and children in areas of abrupt de-industrialisation to re-imagine their futures. The six initiatives have been expert-informed to deliver long-term benefit and adopt a place-based approach to systemic change. Further investments will be made in 2026.

With projects across the UK, we have a significant opportunity to enhance community wellbeing and the natural environment. Drawing on our natural capital projects and BNG activities, we are committed to creating thriving green spaces on and around our project sites. For example, in 2025, Construction launched its 'Community Nature Wellbeing Challenge' to encourage each of its regions to deliver at least one nature-focused initiative each year, with a corresponding wellbeing improvement. For information on our climate strategy, separate from our social value initiatives, see pages 40 to 42.

Improving social and economic health and wellbeing

By partnering with our clients, suppliers, local community groups and businesses, we seek to enhance social and economic wellbeing to create inclusive and resilient communities. In 2025, the SVP calculated that our improving social and economic wellbeing activities generated c.£1.8bn in social value, predominantly through our supply chain spend with SMEs and local businesses.

In 2025, 64% of Group spend was with regional SMEs (2024: 62%), which includes several family businesses, new ventures and enterprises, as well as businesses that are closely connected to the regional community network. This enables us to enhance our local impact by supporting local economic development and supporting jobs (see page 39).

During the year, Infrastructure's rail team delivered over £1.13m in social value across two major projects. Measured by the Rail Social Value Tool (RSVT), this work directly boosts the social and economic wellbeing of local communities through spend, employment and job creation.

Read about how we are improving social and economic wellbeing for our people on page 37, and supporting local economies through our work with supply chain partners on pages 43 and 44.

To read more about our social value impact, access our 2025 Social Value Portal report in the responsible business section of our website. Additional detail can be found on divisions' websites (see page 6)

Case study

Delivering £6m in social value at a historic site

The Cocoa Works (phases 1 and 2) is a transformative regeneration project led by Partnership Housing. Located on the iconic former Terry's Chocolate Factory site in York, the project aims to revitalise the area by delivering high-quality housing and infrastructure for residents via 425 new homes, commercial space and community facilities that preserve the site's rich heritage.

Since August 2023, the project has created a meaningful economic uplift, with over £5.9m in social and local economic value generated. This includes substantial engagement with micro-, small- and medium-sized enterprises, totalling more than £7.1m in contract spend.

To deliver additional value in line with our enhancing communities focus, 10 team members donated 78 hours of community volunteering time to support a local woodland litter pick-up and built a garden at a local school to enhance green spaces surrounding the site and support local wellbeing.

Managing risk

We have a clear governance framework in place for managing risk throughout our operations

Our risk governance model, shown below, ensures that our principal risks and robust internal controls are under regular review at all levels.

Our operational teams are highly skilled in their fields and valued for their ability to identify and manage the risk embedded in our day-to-day operations. Their mix of knowledge and experience is invaluable at all key stages, from project selection, through bidding to project delivery. A detailed system of delegated authorities allows our people the ability to perform while at the same time being responsible and accountable for their actions through our decentralised business model. Our senior management teams at divisional and Group level, aided by our internal reporting process, maintain oversight to ensure that all decisions and actions remain in line with our expectations and risk appetite.

Risk governance

Top-down
Define risk appetite; identify, assess and mitigate risk at corporate level

Group Board
Responsible for setting the Group's risk appetite and ongoing risk management, including assessing principal and emerging risks.

Audit committee
Assists the Board in monitoring risk management and internal controls and by formally reviewing Group and divisional risk registers.

Divisional boards
Identify risks facing their businesses and take measures to mitigate the impacts. Senior managers take ownership of specific risks and ensure that appetite levels are not exceeded.

Risk committee
Chaired by the CFO, members are heads of Group functions: legal, company secretarial, health and safety, ESG, IT, finance, audit, tax and treasury. Reviews Group/divisional risk registers before presentation to the Board and audit committee. Ensures inherent and emerging risks across the Group are identified and managed appropriately.

Cross-divisional working groups
Dedicated to topics such as health and safety, HR, IT security, social value and climate action. Meet regularly to discuss matters arising, taking action where necessary via established authorities and reporting lines.

Detailed risk reviews
Conducted twice a year by each division, recording significant matters in their risk registers. Each risk is evaluated, before and after the effect of mitigation, as to likelihood of occurrence and severity of impact on strategy.

Strategic planning
Objectives and strategies are set to align with the risk appetite defined by the Board. Any changes are reviewed at monthly Group and divisional Board meetings to ensure matters are addressed in an ongoing and timely manner.

Delegated authorities
Approval of material decisions – such as project selection, tender pricing and capital requirements – is assigned to appropriate levels of management up to and including the Board.

Divisional reporting
Divisional risk registers highlight risks and mitigations embedded in day-to-day operations for which every employee has some responsibility. Significant risks are monitored via rigorous reporting and communicated to the Board and delegated authorities.

Internal audit
Group head of audit and assurance reviews and collates the divisional risk registers and draws from them when compiling the Group risk register. An annual review across the Group focuses on significant projects, themes, trends and areas of concern.

Bottom-up
Identify, monitor, report and mitigate risk at operational level

Managing risk continued

Principal risks

Our principal risks are those we consider the most significant in terms of potential impact to the business and have been extensively reviewed.

The Board recognises that our culture is essential to our success as a decentralised business, as is ethicality, legal compliance and adherence to relevant standards and regulations.

In its annual review of the Group's risk appetite, the Board noted that our markets remain structurally secure. Our business model continues to be supported by strong levels of investment from the public, private and regulated sectors, particularly in partnership developments, commercial office fit out, critical infrastructure, schools, health and other construction-related activity.

The Board considered the increasing threat posed by cyber attacks and the need to maintain robust cyber security defences and appropriate business continuity planning arrangements. Over the past year, challenging market conditions and subdued consumer confidence have continued to impact the private housing market. Elsewhere, uncertainty in the wider macroeconomic landscape has been impacted by ongoing global conflicts and rising tariffs. The Group's strong financial health and current strategy make it well positioned to navigate these issues, with the Board monitoring them closely during 2026 and appropriate action being taken should the need arise.

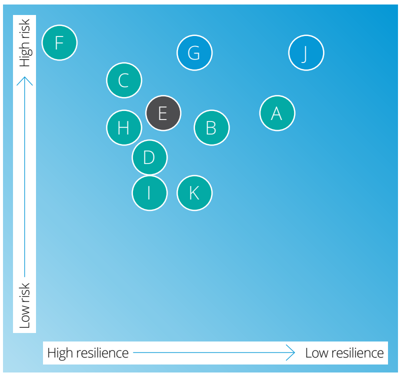
The chart below indicates our risk appetite and velocity (the speed at which the risk would impact the Group).

This review should be read in conjunction with the viability statement on pages 66 and 67.

Risk appetite and velocity

Principal risk	Risk appetite	Risk velocity	Risk category	Internal/ external risk	Strategic priority
A. Economic change and uncertainty	Medium		Strategic	External	
B. Exposure to the UK residential market	Medium		Strategic	External	
C. Health and safety incident	Low		Operational	Internal	
D. Talent attraction and retention	Medium		People	External and internal	
E. Partner insolvency or other performance and compliance issues	Low		Financial and operational	External and internal	
F. Inadequate funding	Low		Financial	Internal	
G. Mismanagement of working capital and investments	Low		Financial	Internal	
H. Poor contract selectivity	Medium		Operational	Internal	
I. Poor project delivery	Low		Operational	Internal	
J. Cyber attack	Low		Operational	External and internal	
K. Climate change	Low		Strategic, operational and financial	External	

Risk severity and resilience



Increase Stable Decrease

Risk velocity

Within three months

Within one year

Over a year

Strategy key

Achieve quality of earnings

Excel in project delivery

Secure long-term workstreams

Maintain financial strength

Deliver on our Total Commitments

Managing risk continued

Principal risks

Strategic risk

A. Economic change and uncertainty

Risk description

Growth and investor and market confidence are vulnerable to ongoing uncertainties. There could be fewer or less profitable opportunities in our chosen markets, including a decline in construction activity caused by macroeconomic shifts and/or reduced demand for our developments.

Allocating resources and capital to declining markets or less attractive opportunities would reduce our profitability and cash generation.

Responsibility:
The Board

Change in risk:

Update on risk status

- Sustained operational delivery, a high-quality order book and a strong balance sheet underpin our competitive position in our sectors and give confidence to our clients, employees and supply chain.
- The diversity of our operations together with the high-quality secured order book and preferred bidder status achieved across all of our divisions provide a level of insulation against difficult market conditions, with Construction in particular delivering a robust performance and Fit Out significantly exceeding expectations.
- The government is continuing to invest in areas that complement our strategy, including affordable housing, education, health, critical infrastructure and town regeneration.
- In a volatile market, our strong balance sheet allows us to remain agile, continue to take long-term decisions and respond to opportunities.

Mitigation

- Our business model is designed to provide a mix of earnings across different market cycles. The diversity of our operations protects against fluctuations in individual markets while our decentralised approach enables our divisions to respond quickly to change.
- The Board regularly reviews the economic environment to assess whether any changes to the outlook justify a reassessment of our risk appetite or business model.
- We stress-test our business plan against the current economic outlook to ensure our financial position is sufficiently flexible and resilient.
- We are strategically focused on a high-quality order book underpinned by a strong balance sheet and financial strength.
- A high proportion of our secured workload is with public sector and regulated entities via long-term arrangements, with a healthy level of demand and typically preferential terms.
- We continue to be very selective, and our procurement routes, margins, contract terms and secured workload remain favourable.

B. Exposure to the UK residential market

Risk description

The UK housing sector is strongly influenced by government stimulus and consumer confidence.

Inflationary and interest rate pressures could challenge scheme viability, slowing down decision-making and project commencement.

If mortgage availability, affordability or consumer confidence is reduced, this could impact on demand and make existing schemes difficult to sell and future developments unviable, reducing profitability and tying up capital.

Responsibility:
The Board, executive directors and divisional senior management teams

Change in risk:

Update on risk status

- While inflation and interest rates have been generally falling, with an improvement in mortgage availability, uncertainty remains in the market and affordability for first-time buyers is impacting demand.
- In these challenging open market conditions, our business model has enabled us to pivot to contracting activities for affordable housing with largely public sector clients, to help mitigate the risk.
- In Mixed Use Partnerships, there are short-term viability challenges to navigate due to build cost pressures. Our model and expertise allow us to work through this with our partners and, where necessary, seek additional grant funding and sources of finance with better terms.
- Constrained planning remains slow, despite the government's planned reforms to address the issue, and has the potential to delay our schemes. In the medium to long term, improvements in the system will enable further efficiencies and increase the speed at which we bring developments forward.

Mitigation

- A rigorous three-stage formal appraisal process is undertaken before committing to development schemes and capital commitments.
- We work closely with public sector partners and government agencies such as Homes England to secure extra development funding if required.
- On selected large-scale residential schemes, we seek to forward sell and/or fund sections to targeted institutional investors to reduce risk.
- Our residential portfolio has a wide geographical spread, protecting against regional market variations, and is geared towards providing an affordable product.
- Rather than building up a land bank, we target option agreements with landowners that limit and/or defer long-term exposure and boost return on capital employed.
- We regularly monitor and forecast our pipeline of development opportunities and secured workload, which includes monitoring key UK statistics such as unemployment, lending and affordability.
- For a large proportion of current schemes, we have the ability to slow (or accelerate) build rates should the need arise.
- Our partnership model provides resilience by allowing us to flex scheme phasing, timing, tenure mix and funding structures to suit varying market scenarios. The model can be de-risked by increasing the proportion of contracting work in Partnership Housing, forming strategic joint ventures and increasing the proportion of affordable units.

Managing risk continued

Principal risks

Operational risk

C. We cause a major health and safety incident and/or adopt a poor safety culture

Risk description

Our first priority is to protect the health, safety and wellbeing of our key stakeholders and the wider public. Health and safety will always feature significantly in the risk profile of a construction business as we carry out a significant portion of our work in public areas and complex environments.

Accidents could result in legal action, fines, insurance claims, delays and, in the worst case, a fatality. Poor health and safety performance could also impact our reputation and ability to secure future work.

Responsibility:
The Board, divisional senior management teams, protecting people forum

Change in risk:

Update on risk status

- Our overall health and safety performance data has improved compared with previous years. However, our vigilance and commitment to high health and safety standards remain and we continually look for ways to drive improvement.
- In 2025, our Group protecting people forum continued to meet monthly to share learnings, review trends and insights from accidents and also consider policies and standards.

Mitigation

- The Board is responsible for health and safety and it is a key topic for discussion at every Board meeting.
- Individuals in each division and on the Board are given specific responsibility for health and safety matters.
- Our Group protecting people forum meets regularly, with representatives from all divisions sharing best practice and exchanging information on emerging risks.
- Safety leaders from across the divisions hold monthly meetings focusing on addressing and learning from issues and opportunities as they arise.
- We have a well-established health, safety and wellbeing framework in place which is reviewed annually to ensure it remains fit for purpose. The framework includes policies, risk assessments and method statements, regular communications, leadership site visits and audits.
- We report on the implementation of leading indicators and monitor and report near-miss incidents and incidents that could potentially have resulted in serious injury. Any incidents are investigated and root causes analysed.
- Our regular health and safety training includes behavioural change, housekeeping on site, and leadership engagement in driving site standards.
- Each division's health and safety policy is communicated to all its employees, and senior managers are appointed to ensure the policies are implemented.
- We have major incident management and business continuity plans in place, which are periodically tested and reviewed.
- All divisions are accredited to ISO 45001 for occupational health and safety.
- We continue to offer our colleagues a range of benefits that promote physical and mental wellbeing.

See pages 36 and 37 for more information about our commitment to protecting people

People risk

D. We fail to attract and retain the talent we need to maintain and grow the business

Risk description

If we fail to attract and retain the talent required to excel in project delivery and meet our clients' and other stakeholders' expectations, this could damage our reputation and our ability to secure future work and meet our targets.

Skills shortages in the construction industry will remain an issue for the foreseeable future.

Responsibility:
The Board, divisional senior management teams

Change in risk:

Update on risk status

- Our current success is helping us attract and retain people. Our voluntary staff turnover rate was 10% in 2025, compared with 11% in 2024.
- We have ambitious growth plans and recognise that we will need to recruit and retain a quality workforce to achieve our targets, facing competition from peers and against the backdrop of an ageing population working in the industry.
- We remain focused on providing new employees with a robust onboarding and induction programme, covering our decentralised structure, culture and values, development programmes and wider wellbeing and benefits packages.
- We are responding to the challenge of an ageing employee population through succession planning, promoting from within, and investing in training.
- We are also continuing with our work to improve our inclusion and diversity (see page 39).
- It is recognised that the sector as a whole has work to do in terms of attracting talent and being the first choice for young people.

Mitigation

- We empower our people through our decentralised business model and give them responsibility together with clear leadership and support.
- We offer them a strong Group culture and attractive benefits, working environments, technology and wellbeing initiatives to help improve their working lives.
- We conduct employee engagement surveys and monitor joiner and retention metrics, including voluntary staff turnover.
- We carry out annual appraisals that provide two-way feedback on performance, and conduct exit interviews when people leave.
- Our succession planning includes identifying and developing skills needed for the future.
- We provide training and development to build skills and experience, such as our leadership development and graduate, trainee and apprenticeship programmes.

See pages 38 and 39 for more information about our commitment to developing people

Managing risk continued

Principal risks

Financial and operational risk

E. Partner insolvency or other performance and compliance issues

Risk description

Poor selection and inadequate due diligence could lead to the insolvency of a key client, subcontractor, joint venture partner or supplier, delaying project works and incurring the costs of finding a replacement.

Appointing partners with the wrong behaviours could lead to quality issues, or safety or other serious compliance breaches.

Responsibility:

The Board, divisional senior management teams

Change in risk:

Update on risk status

- Following some well-publicised failures in the mainstream contractor market, supply chain insolvency risk has largely been contained.
- Some partners may have been trading with stretched finances following the pandemic, the unwind of government measures introduced to support business recovery, the VAT reverse-charge initiative and, more recently, employers' National Insurance increases.
- Where supply chain failures have occurred, they have been disruptive but manageable, with costs being absorbed at project level by utilising contingency and/or, in a small number of instances, a reduction in margin which has not been material to the Group.
- We have nurtured close relationships with our supply chain as part of a long-term strategy, sharing our values and desired behaviours, so that we can provide an offering our clients can rely on to deliver a quality product compliant with relevant building standards, laws and regulations.

Mitigation

- Our business model and order book are predominantly focused on the public sector, regulated industries and commercial customers in sound market sectors, reducing the likelihood of a material customer failure.
- We carry out rigorous due diligence preconstruction, particularly on commercial clients and key supply chain partners, including a focus on payment behaviours, cash terms and profiling, and likely liquidity outcomes. Where necessary, we may obtain additional security in the form of guarantees, bonds, escrows and/or more favourable payment terms, or, in some cases, decline a project.
- Formal due diligence is carried out when selecting joint venture partners, including seeking protection in the event of default by one of the partners. Joint ventures require executive director approval.
- We work with preferred or approved suppliers where possible, which aids visibility of both financial and workload commitments. We use supply chain credit checks but the information is somewhat historical. Our relationships with our suppliers mean we can monitor the situation in real time, by gaining transparency and understanding their levels of exposure, and our operational teams are highly alert to early signs of stress. This gives us a better chance of stepping in if needed.
- Our strategy has been to reduce payment days and our supply chain partners regard us as dependable and responsible. We do not hold cash in the form of retention from our preferred supply chain partners, which helps reduce their cash flow pressures and likelihood of failure.
- Our business model reduces the concentration of supply chain risk as our divisions operate in different markets and geographical regions, using local supply chains.
- Our predominantly negotiated and two-stage procurement routes[1] allow us to select appropriate supply chain partners for our projects. This enables predictable outcomes for the Group, our clients and our supply chain.
- We rigorously monitor work in progress, debts and retentions.

1 Negotiated and two-stage procurement routes allow us early engagement in the project and greater visibility, influence and certainty over pricing and programming.

Financial risk

F. Inadequate funding

Risk description

A lack of liquidity could impact our ability to continue to trade, or restrict our ability to achieve market growth or invest in partnership schemes.

Responsibility:

Executive directors, Group tax and treasury director, divisional senior management teams

Change in risk:

Update on risk status

- The Group has £180m of undrawn committed revolving credit facilities, which have been extended to 2028.
- During the reporting period and for the foreseeable future, our average net daily cash continues to be healthy and supports the strong conversion of Group profits to cash as we continue to invest in partnership activities.
- Our balance sheet provides assurance to our stakeholders, allowing us to continue investing in partnership schemes while remaining selective in construction.

Mitigation

- We have a Group-led disciplined capital allocation process for significant project-related capital, which takes into consideration future requirements and return on investment.
- We monitor our cash levels daily and conduct regular forecasting of future cash balances and facility headroom.
- Our long-term cash forecasts are regularly stress-tested.

Managing risk continued

Principal risks

Financial risk

G. Mismanagement of working capital and investments

Risk description

Poor management of working capital and investments leads to insufficient liquidity and funding problems.

Responsibility:
Executive directors, divisional senior management teams

Change in risk:

Update on risk status

- As a result of a subdued housing market, we have seen work in progress levels increase on a small number of our open market developments, which we continue to monitor closely.
- Our ongoing focus on working capital management has enabled us to maintain levels similar to prior years while maintaining payment practices that are favourable to our supply chain.
- Our strong balance sheet and cash position continue to support investment in strategic partnership schemes and protect against economic downturn, allowing us to make the right long-term decisions.
- Our cash position is not supported by any form of supply chain debtor finance and gives a clear indication of our financial health.
- We continue to maintain a positive momentum in cash management in construction due to a combination of improved returns, cash optimisation and cash conversion.
- Our average net daily cash for the period demonstrates our disciplined working capital management.

Mitigation

- Our delegation and limits of authority procedures require that capital and investment commitments are notified and signed off at key stages with the relevant senior-level approval.
- The divisions have robust cost–value reconciliations in place at project level which are updated monthly and provide visibility of work in progress. Management review meetings focus on overdue work in progress, debtors and retentions.
- We reinforce a culture in our bidding and project teams of focusing on cash returns to ensure they meet expectations.
- We monitor cash levels daily and produce regular cash forecasts.
- We manage our capital on partnership schemes efficiently, for example through phased delivery, institutional and government funding solutions, and forward funding where possible.

Operational risk

H. Poor contract selectivity

Risk description

In a volatile market where competition is high, a division might accept a contract outside its core competencies or for which it has insufficient resources. If a contract is incorrectly bid, this could lead to contract losses and an overall reduction in gross margin. It might also damage our relationship with the client and supply chain, leading to a reduction in work volumes.

There is also a risk that we fail to win sufficient profitable work to achieve our targets.

Responsibility:
Executive directors, divisional senior management teams

Change in risk:

Update on risk status

- Our order book consists of a high proportion of public sector and regulated-industry clients with typically healthier risk profiles and is secured in limited competition, allowing us to continue selecting the right projects.
- We have not changed the sectors or markets we operate in and are therefore unlikely to engage in a project outside our capability. Generally, we avoid tendering for single-stage, fixed-price, lump sum work.
- Input cost pressures have eased, with newer projects benefiting from more realistic client budgets and greater pricing stability in the supply chain. However, client budgets, while more aligned to inflation, remain stretched, which results in extended preconstruction periods.
- We continue to maintain sensible contingency levels, and some contracts contain mechanisms for passing through inflationary costs, particularly on the essential and critical infrastructure work we carry out.

Mitigation

- It is part of our strategy and culture to be selective in our work by targeting optimal markets, sectors, clients and projects.
- We limit our participation in open market bids, securing a large proportion of our projects via framework or partnership arrangements with repeat clients who share our values. This provides a high probability of predictable and successful outcomes.
- When bidding, we aim for negotiated and two-stage procurement routes that allow us early engagement and collaboration, including the early identification of the most appropriate supply chain delivery partners.
- Our divisions select projects according to pre-agreed types of work, project size, contract terms and risk profile. A multi-stage process of bid review and approval includes tender review boards, risk profiling and a system of delegated authorities to ensure approval at appropriate levels of management.
- We profile the skills and capabilities required for the project to ensure that we allocate the right people.
- Our divisions have processes in place to select supply chain partners who match our expectations in terms of quality, sustainability and availability.
- We conduct a robust review of our pipeline and bids at key stages, including rigorous due diligence and risk assessment, and obtain senior-level approval in accordance with the Group's delegation and limits of authority procedures.

Managing risk continued

Principal risks

Operational risk

I. Poor project delivery

Risk description

Failure to deliver projects on budget and on time that meet client expectations could incur costs that erode profit margins, lead to the withholding of cash payments and impact working capital. It may also result in reduction of repeat business and client referrals.

Changes to the scope of works and contract disputes could lead to costs being incurred that are not recovered, loss of profitability and delayed receipt of cash.

Not understanding the project risks may lead to poor delivery and could result in reputational damage and loss of opportunities.

Ultimately, we may need to resort to legal action to resolve disputes, which can prove costly with uncertain outcomes as well as damaging relationships.

Responsibility:
Executive directors, divisional senior management teams

Change in risk:

Update on risk status

- Inflationary pressures have eased and newer projects are benefiting from client budgets more aligned with the impacts of inflation; however, in some instances it can take time to remodel a scheme to ensure it is viable and this can lengthen the preconstruction period.
- There is a recognised shortfall in the construction labour market, exacerbated by impacts from Brexit. However, in the short term, while we have seen issues, we are managing the situation with our supply chain.
- We have responded to the Building Safety Act, which primarily deals with building regulations and fire safety, with Construction, Partnership Housing and Mixed Use Partnerships having updated their methodology to ensure that project specifications remain compliant. This includes a complete refresh of design management and procedures and increased on-site scrutiny and records, as well as engagement of independent fire consultants on more complex schemes.
- We continue to actively engage with the Ministry of Housing, Communities and Local Government with regard to the Building Safety Act, and have committed to rectifying issues with appropriate remedial activity, which is being undertaken and expenditure provided for. Some of this may be recoverable, but will take time to resolve.

Mitigation

- Our focus on project selectivity, the quality of our order book and our close engagement with our supply chain partners help reduce the probability of poor performance.
- We have well-established systems of measuring and reporting project progress and estimated outturns through robust project cost–value reconciliations that take into account contract variations and their impact on programme, cost and quality, with management review meetings to closely monitor performance.
- The strength of our supply chain relationships and preference to work with selected partners reduces the probability of project failure and helps to ensure we deliver predictable outcomes. Maintaining good supply chain relationships has helped us navigate labour and/or materials availability issues.
- Where legal action is necessary, we notify the Board, take appropriate advice and make suitable provision for costs.
- A programme of internal project audits is used to highlight areas of improvement and share best practice and lessons learned.
- Various Perfect Delivery[1] initiatives focus on improvements in product quality and predictability as well as the client experience.
- Regular formal and informal stakeholder feedback allows us to intervene when required and refine our offering to provide exceptional outcomes.
- We continue to use and enhance our digital project management tools and commercial metrics that highlight areas for focus and provide early warnings, enabling early intervention in the construction cycle.

1 Perfect Delivery status is granted to Fit Out, Construction and Infrastructure projects that meet all four client service criteria specified by the division.

Operational risk

J. Cyber attack

Risk description

The Group, one of its divisions or a supplier could become the victim of a cyber attack, leading to potential sensitive data loss, loss of key systems, fines, prosecution and, in a worst case, the inability to do business.

Responsibility:
The Board, divisional senior management, IT security steering group (reporting to the chief financial officer)

Change in risk:

Update on risk status

- In response to an increasing number of cyber attacks on UK businesses, we have elevated our cyber security posture.
- We have re-certified to ISO 27001, the government's Cyber Essentials Plus, Secure by Design and were the first organisation to be certified under the new Ministry of Defence Cyber Certification scheme.
- We have continued to enhance our visibility of security events and 'indicators of compromise'.
- The Board has agreed a rolling security strategy, supported by continuous improvement and review. This ensures we remain aware of emerging risks and changes to the threats we face.
- We have continued to run workshops hosted by industry experts to educate key stakeholders around incident response best practices, focusing on business, technical and legal impacts of a major incident. We have increased the number of network and systems penetration tests that we undertake on an annual basis.
- Data/business intelligence, digital construction and AI are at the forefront of our technology investment. To support the seamless delivery of these new technologies, we have also delivered our next-generation, modern data network. This improves the security of our network and enhances access to cloud services.
- We have continued to invest in cloud platforms to expand functional capabilities and resilience and have prepared for the expected acceleration to cloud-hosting away from data centres on the premises.

Mitigation

- We have a dedicated Group team focused on providing a stable and resilient IT environment. Our Group head of information security and compliance presents an update to the Board on a biannual basis to ensure oversight and challenge.
- Our IT security steering group provides governance and oversight of the Group's cyber strategy, resources and funding.
- We have business continuity and disaster recovery plans in place, which were reviewed during the year.
- We adopt best practices to secure our people and data. Endpoint protection tools are deployed and monitored to safeguard devices from malware, unauthorised access and data breaches. Multi-factor authentication is applied to enhance security and prevent unauthorised access from our devices and key systems.
- We commission an external industry expert to conduct regular cyber risk analysis on devices used on our network. The data collected is independent of our other security systems and acts as an audit of our security controls and their effectiveness.
- We engage with industry-leading partners to adopt appropriate technologies to protect the Group.
- We run regular audits using different parties (both technical and non-technical) to confirm that our controls remain effective. Audit reports are shared with the IT security steering group.
- We train all our employees in data protection and information security, including awareness and responsibilities.
- We follow the National Cyber Security Centre's guidance on third-party risk management and perform ongoing risk assessments of our digital supply chain partners.

Managing risk continued

Principal risks

Operational and financial risk

K. Climate change

Risk description

More extreme weather events could impact our operations through increased costs, project delays and supply chain disruption.

Limited advances in technology and issues with data availability and accuracy could impact our ability to take effective action in response to climate change and result in slower progress towards our carbon reduction targets.

Changes to environmental or climate legislation could lead to increased project costs and potential compliance breaches if we do not manage this risk effectively.

Responsibility:

Executive directors, divisional senior management teams

Change in risk:

Update on risk status

- Momentum behind climate and social value action remains significant across the Group, with clients requesting more information and evidence of activity in tenders to win work.
- While the timing, status and metrics used to identify climate-related risks and opportunities remain unchanged from 2024, mitigating actions have been updated in our Task Force on Climate-related Financial Disclosures (TCFD) statement to reflect initiatives and progress made across the Group in 2025.

Mitigation

- The Group adheres to the 11 recommendations of the TCFD and has commenced alignment to the International Sustainability Standards Board (ISSB) IFRS S2 Climate-related Disclosures.
- A Group double materiality assessment was undertaken in 2025 to evaluate sustainability topics from two perspectives: (i) the impact they have on society and the environment and (ii) the business risks and opportunities that arise from them (see page 35 for more detail). The process reconfirmed net zero, energy use and climate as a material issue, which will drive continued strategic action around climate change risk and mitigation. We have a Group-wide carbon reduction plan in place that includes science-based targets. In addition, each division has its own KPIs and action plans and provides updates on progress at quarterly climate action panel meetings.
- A central data platform has been established to ensure continued effectiveness of ESG data, capture and quality.
- Divisional environmental and social value leads help to collate and coordinate data and implement relevant climate initiatives.
- Our carbon and social value data is subject to internal and independent external validation.

Managing risk continued

Emerging risks

While our principal risks address shorter-term issues, our strategic planning includes identifying emerging risks that may affect our ability to deliver our objectives over the medium to longer term.

We review any matters likely to impact strategy as part of our twice-yearly review of our internal risk management process and our monthly Board reporting.

The following emerging risks are currently being tracked and monitored by the Board. The Board is satisfied with progress being made in these areas, although it will continue to revisit them as matters develop.

Long-term scarcity of skilled labour in the industry (including 'green' skills)

Issue/risk

This is a UK-wide issue which, while the sector works to broaden its appeal as a career option, will require considerable government and sector collaboration to resolve. There is a need for clean energy and green skills across technical, professional and innovation roles, and the number of people employed in renewable, wind, solar and nuclear is expected to double to 860,000 in five years. Additionally, the government expects skilled construction and building trades to require almost three times as many clean energy workforce jobs by 2030. A skills shortage could impact our ability to deliver long-term growth and/or disrupt project delivery. It could lead to the ultimate resizing of the industry and the Group.

Comment/outlook

- Government commitments to build a new network of colleges that will receive substantial investment to train future builders, electricians, carpenters and plumbers, as well as a further funding programme over four years to train up to 60,000 construction workers, are positive for the industry.
- We continue to manage some short-term issues, largely mitigated by our predominant two-stage procurement approach, which helps with longer-term labour resourcing and planning.
- We engage with schools and local communities to encourage people to join the industry and provide training and work opportunities. Our inclusion and diversity initiatives help make the industry more attractive and increase the talent pool.
- Off-site, modular and new methods of construction help reduce on-site resource needs.
- Technology plays its part in reducing the need for site-based resource and attracting people into the industry but will require some upskilling to be undertaken.

AI and technology's advancing pace

Issue/risk

We could suffer compliance breaches as a result of employees using unapproved AI tools and other emerging technology without due consideration and understanding of the risks involved. We must adapt to (or adopt) new ways of working, invest in technology or develop skills and/or supply chain relationships to allow us to compete in the future marketplace. If we fail to embrace AI or other innovative technologies to increase efficiency for the Group and our clients, this could result in a loss of competitive advantage and a reduced ability to secure repeat business.

Comment/outlook

- AI, machine learning, IoT (Internet of Things), augmented reality, robotics, exoskeletons, 3D printing and virtual reality are evolving within the sector.
- We have implemented new AI guardrails that will help us apply governance around the use of AI and avoid regulatory breaches while benefiting from efficiencies. This has involved blocking hundreds of riskier AI websites, implementing pop-ups for users reminding them not to upload business data to AI sites, issuing updated guidance on acceptable use and rolling out training.
- We continue to develop and manage new technological tools and ideas that allow us to remain competitive in our markets, including evolving the use of data analytics, business intelligence tools and other business systems.
- Microsoft collaboration tools provide our employees with easy access to systems at home, on site or on the move, and strengthen our cyber security.

Climate reporting

Task Force on Climate-related Financial Disclosures (TCFD)

Our TCFD reporting is aligned with the requirements of UK Listing Rule 6.6.6(8) by including climate-related financial disclosures consistent with the 11 TCFD recommendations. Our Group-level disclosures also represent the reporting requirements of our subsidiaries, including Morgan Sindall Construction & Infrastructure Ltd, Lovell Partnerships Limited and Overbury plc.

We comply with the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 and Limited Liability Partnerships (Climate-related Financial Disclosure) Regulations 2022 (referred to as 'UK CFD'). Where possible, we have continued to utilise TCFD guidance, including the TCFD technical supplement and the 'Guidance for All Sectors' in section C of the TCFD Annex.

We have commenced alignment with ISSB's IFRS S1and S2 Climate-related Disclosure standards, with initial disclosures included within this section and on page 35 which highlights our double materiality assessment (DMA) process. We will seek to align our climate reporting to the UK Sustainability Reporting Standards (UK SRS) once guidance is released to further enhance data transparency and comparability.

TCFD recommendation	UK CFD alignment	2025 reference
Governance		
(A) Describe the Board's oversight of climate-related risks and opportunities.	Description of the governance arrangements of the company or LLP in relation to assessing and managing climate-related risks and opportunities.	▪ See TCFD governance on page 57. ▪ See responsible business committee report on pages 93 and 94. ▪ See audit committee report on pages 88 and 90.
(B) Describe management's role in assessing and managing climate-related risks and opportunities.		
Strategy		
(A) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.	Description of (i) the principal climate-related risks and opportunities arising in connection with the operations of the company or LLP, and (ii) the time periods by reference to which those risks and opportunities are assessed.	▪ See TCFD strategy on pages 57 and 58. ▪ See our responsible business strategy and performance section on pages 34 to 46 for progress against our Total Commitments, including 'Improving the environment'. ▪ See page 35 for details of our DMA, which helped to identify and prioritise material topics, including those relating to climate change, net zero progress, energy and climate adaptation.
(B) Describe the impact of climate-related risks and opportunities on the organisation's business, strategy and financial planning.	Description of the actual and potential impacts of the principal climate-related risks and opportunities on the business model and strategy of the company or LLP.	
(C) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2ºC or lower scenario.	Analysis of the resilience of the business model and strategy of the company or LLP, taking into consideration different climate-related scenarios.	
Risk management		
(A) Describe the organisation's process for identifying and assessing climate-related risks.	Description of how the company or LLP identifies, assesses and manages climate-related risks and opportunities.	▪ See TCFD risk management on page 61 and strategy on pages 57 and 58. ▪ See the managing risk section on page 54 for our Group risk management process. ▪ See the audit committee report on page 90 for how we manage risk across our divisions.
(B) Describe the organisation's processes for managing climate-related risks.		
(C) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.	Description of how processes for identifying, assessing and managing climate-related risks are integrated into the overall risk management process in the company or LLP.	
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.	KPIs used to assess progress against targets used to manage climate-related risks and realise climate-related opportunities and a description of the calculations on which those KPIs are based.	▪ See TCFD metrics and targets on page 61. ▪ See the Group's non-financial KPIs on page 15. ▪ See our GHG emissions on page 62, reported in line with the Streamlined Energy and Carbon Reporting (SECR) regulation. ▪ See details of our performance against our science-based targets covering Scope 1, 2 and 3 emissions (pages 40 to 42). ▪ See our responsible business data sheet on our website for additional metrics monitored across all Total Commitments.
(B) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.		
(C) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Description of the targets used by the company or LLPs to manage climate-related risks and to realise climate-related opportunities and performance against those targets.	

Climate reporting continued

TCFD

Governance

The chart below summarises our climate governance framework, which is fully integrated into our wider corporate governance structure (detailed on page 75).

Group Board

- Has oversight of Group climate-related matters, including approval of the net zero strategy, Transition Plan and TCFD statement.
- Ultimate responsibility for climate-related matters sits with the chief executive. Our chief financial officer presents the Group's climate plans and performance to investors.
- Considers climate-related risks and opportunities at least once a year as part of its annual risk and strategic review, while also monitoring performance against climate objectives.
- Continues to evaluate the inclusion of ESG factors, including climate change, in remuneration.

Responsible business committee[1]

- Assists the Board in managing climate-related risks and opportunities to meet net zero targets and execute our Transition Plan. Our chief financial officer attends all meetings during the year. See the responsible business committee report on page 93.

1 Committee dissolved 24 February 2026.

Audit committee

- Reviews the TCFD statement on behalf of the Board and considers climate-related risks and opportunities twice annually through the Group's risk register review. See the audit committee report on page 87.

Group management team

- Our cross-functional management team is responsible for agreeing our approach to managing climate change across our divisions.
- Led by our chief financial officer, the team holds responsibility for delivering our climate strategy and sets climate-related targets, objectives and investment requirements in line with data, information and recommendations received from divisional environmental managers; the Group management team also holds strategic oversight for our divisional boards.
- Our climate action panel, led by the head of ESG and sustainability, meets with divisional environmental leads up to four times a year to share progress against the Group's net zero ambitions, and to deliver best practice guidance to mitigate climate risk and enhance impact.

Strategy

Scenario analysis

Our scenario analysis uses two scenarios: the first aligns with the Paris Agreement (RCP2.6) and the second is an unmitigated 'business-as-usual' response (RCP8.5), to identify transition risks and opportunities associated with the shift to a low-carbon economy across the short, medium and long term. These timelines are linked to our business strategy and financial planning, as detailed below:

Short term

0–1 year

We identify climate change as a principal risk and conduct biannual divisional risk reviews. Climate risks and opportunities are considered in project bids and planning. Our KPI performance is monitored annually.

Medium term

1–3 years

We issue an annual three-year viability statement aligned with Group budgeting to ensure resources for continued operations. Climate risks were also assessed as part of our DMA process and transition planning.

Long term

3+ years

We assess long-term climate transition risks and opportunities associated with a near- and long-term science-based target and physical climate risks through strategic planning, scenario analysis and emerging risk disclosure.

In 2023, we conducted a quantitative scenario analysis to estimate financial ranges for climate-related risks and opportunities identified as 'high likelihood' (≥30% chance of occurring over the short, medium or long term if unmitigated) in our previous qualitative analysis. These risks were found to be immaterial when compared with the Group's financial reporting materiality threshold of £8.5m and, where mitigated, we do not expect any of the identified transition risks to translate into a financially material impact in the short to medium term. Our assessment outlined that climate-related opportunities rank higher than risks due to the service-based nature of our business; however, further analysis is required.

To assess physical climate risk, we assessed a sample of project locations using the Sust Global platform in 2024, evaluating long-term climate risks to 2050 under multiple scenarios (RCP8.5/SSP5, RCP4.5/SSP2, RCP2.6/SSP1). The platform draws on high-resolution satellite data and the latest climate models (CMIP6) to assess risks from flood, sea level rise, cyclone, heatwave, wildfire and water stress. Findings indicated low overall climate risk across sampled assets, with heatwaves identified as a medium risk.

Climate reporting continued

TCFD

Initial financial implications, including potential 'value of risk' from high-impact events, were considered but deemed immaterial. As a business we do not own any long-term assets and we secure terms and conditions of projects prior to investment, which therefore reduces our exposure. We do however recognise that we may need to invest in further mitigation to combat disruption to our operations and those of our customers and supply chain partners (particularly under a >4°C scenario) over the long term. Further analysis is needed to understand broader climate risks across our supply chain over a wider sample of projects.

Due to the evolving governmental and societal response to climate change, limited data availability and changing climate disclosure requirements, we are unable to determine the full future economic impact of climate-related risks and opportunities on our business model (see page 142). We have therefore continued to assess climate risks and opportunities identified in our original qualitative analysis as part of our wider risk management process.

Decarbonisation and resilience

We have a resilient business strategy that is poised to respond well to changing market conditions and take advantage of the transition to a low-carbon economy. Our net zero science-based targets commit us to reducing our Scope 1 and 2 emissions by 60% by 2030 and 90% by 2045, as well as our Scope 3 emissions by 42% by 2030 and 90% by 2045. Steep emission reductions combined with residual offsetting will enable us to reach a net zero position, aligned to a 1.5ºC scenario as defined by the Science Based Target initiative (SBTi) by 2045.

In 2024, we published our first Transition Plan, which details the key actions we are taking to meet our science-based targets, while also mitigating risks and maximising climate opportunities. The Plan is structured around the five disclosure elements of the Transition Plan Taskforce (TPT) guidance and can be found on our website. In 2025, our divisions continued to implement their own carbon reduction plans and initiatives to progress our improving the environment Total Commitment (see pages 41 and 42 for more details). At Group level, we have focused on identifying our sustainability impacts, risks and opportunities through a detailed DMA (see page 35), as well as improving our climate-related data capture and quality, by developing an internal platform to capture environmental performance metrics, including carbon, on a quarterly basis (see page 41).

Our divisions have been contributing to an internal carbon charge since 2021 and, in 2025, we increased it to £110 per tonne of CO_2e (2024: £90). Our quantitative analysis shows that if a high external carbon tax were imposed, this would not be a material tax burden (>£3m per year) for the Group; however, having an internal charge mitigates this risk for our divisions and allows us to support nature-based projects and purchase future carbon removals as required.

Identified climate-related risks and opportunities

Transition

	Description and impacts	2025 initiatives and progress	Metrics monitored
1. Legal			
Timing of risk: Long term **Movement of risk:** Stable **Status of risk:** High	Increasing legislation aimed at mitigating climate change in the form of carbon taxes could result in new operational costs for the Group.	▪ Increased internal carbon charge to encourage carbon reduction activity. ▪ Continued to implement initiatives to reduce emissions such as sourcing low-carbon materials and renewable energy.	▪ Scope 1, 2 and 3 emissions (tonnes CO_2e). ▪ Internal carbon charge (£/tonne CO_2e). ▪ % of electricity purchased from renewable sources.
	Regulatory requirement to report Scope 3 emissions based on direct data from suppliers in place of revenue-based estimation could lead to enhanced costs of calculation.	▪ Increased third-party verification of our Scope 3 inventory across divisions. ▪ Increased use of CarboniCa across projects to capture whole-life emissions. ▪ Continued to engage suppliers through the Supply Chain Sustainability School (SCSS).	▪ Scope 3 carbon emissions (tonnes CO_2e). ▪ % of verified Scope 3 emissions. ▪ Subcontractors (by spend) providing their own carbon data. ▪ Number of projects using CarboniCa.
	Adopting immature products or services that may result in legal proceedings against the Group.	▪ Design teams continued to take a precautionary approach to adopting new technologies. ▪ Engaged with insurance providers, legal firms and suppliers to prevent legacy defects and reduce risk. ▪ Piloted experimental technologies on a material scale.	▪ Number of projects using CarboniCa. ▪ Number of projects achieving sustainability accreditation (including BREEAM, LEED or SKA). ▪ % of timber sourced using sustainable sourcing certification standards such as FSC and PEFC.
	Increased focus on carbon, particularly operational carbon, may lead to litigation if space does not perform as designed.	▪ Continued implementation of CarboniCa across projects. ▪ Post-occupancy evaluations.	▪ Scope 1 and 2 carbon emissions (tonnes CO_2e). ▪ Number of projects using CarboniCa. ▪ Number of projects achieving sustainability accreditation (including BREEAM, LEED or SKA).

● Increase ● Stable ● Decrease

Climate reporting continued

TCFD

Transition

	Description and impacts	2025 initiatives and progress	Metrics monitored
2. Regulatory			
Timing of risk: Medium **Movement of risk:** **Status of risk:** High	Changes to regulation to address new efficiency standards, climate adaptation or the ban of certain sites or materials could increase operational costs and lengthen project timelines or increase delays.	▪ Continued to participate in trade associations and conduct periodic assessments of emerging regulations. ▪ Continued to prioritise sustainable procurement practices. ▪ Implemented improved decommissioning and recycling practices.	▪ Number of projects achieving sustainability accreditation (including BREEAM, LEED or SKA). ▪ % of hybrid or electric vehicles in fleet. ▪ % of waste diverted from landfill. ▪ % of electricity purchased from renewable sources.
	New sector-wide standards to be met for construction projects may result in losing members of the supply chain who are not quick enough to adapt.	▪ Construction developed a supply chain carbon maturity framework aligned to the Carbon Reduction Code. ▪ Conducted supplier audits, conferences, workshops and training for the supply chain on low-carbon design, waste and materials.	▪ Scope 3 carbon emissions (tonnes CO_2e). ▪ Number of suppliers registered with the SCSS and the number attending dedicated training and workshops. ▪ Subcontractors (by spend) providing their own carbon data.
Timing of opportunity: Short to medium term **Movement of opportunity:** **Status of opportunity:** High	Supportive government incentives to develop low-carbon solutions to meet net zero targets are implemented, leading to tax incentives and competitive advantage.	▪ Property Services continued to work under the Department for Energy Security and Net Zero's Social Housing Fund. ▪ Stricter Energy Performance Certificate requirements. ▪ Continued to promote and develop green skills in line with the government's ambitions to increase clean energy jobs.	▪ Number of projects achieving sustainability accreditation (including BREEAM, LEED or SKA). ▪ % of revenue from sustainable projects.
3. Reputational			
Timing of risk: Long term **Movement of risk:** **Status of risk:** Low	Risk of losing our competitive position on climate, which leads to failure to win contracts, secure lending or attract investors.	▪ Continued to transparently disclose progress against our science-based targets while enhancing internal data collection and verification processes. ▪ Conducted a DMA to evolve strategy in line with stakeholder expectations. ▪ Continued to pursue carbon reduction through divisional initiatives and CarboniCa implementation. ▪ Maintained strong scores among ESG rating agencies.	▪ % reduction of Scope 1 and 2 emissions since 2019 baseline. ▪ % reduction in Scope 3 emissions since 2020 baseline. ▪ Number of projects achieving sustainability accreditation (including BREEAM, CEEQUAL, LEED or SKA). ▪ Number of projects using CarboniCa. ▪ MSCI and CDP scores. ▪ Award wins.
4. Technological			
Timing of risk: Medium term **Movement of risk:** **Status of risk:** Low	Increased costs or scarcity of latest low-carbon technologies to contribute to our decarbonisation efforts lead to slowdown in decarbonisation progress and increased operational costs.	▪ Improved business case for clients and bids to showcase low-carbon project options and implement CarboniCa. ▪ Developed divisional carbon reduction plans and are implementing circular solutions across sites. ▪ Construction published regenerative twin research findings to demonstrate and replicate carbon savings across projects.	▪ Internal carbon charge (£/tonne CO_2e). ▪ % of hybrid or electric vehicles in fleet. ▪ % of electricity purchased from renewable sources.

Increase Stable Decrease

Climate reporting continued
TCFD

Transition

	Description and impacts	2025 initiatives and progress	Metrics monitored
5. Market and resource efficiency			
Timing of risk: Medium term **Movement of risk:** Stable **Status of risk:** High	Demand for low-carbon materials (e.g. timber, innovative steel, insulation, air source heat pumps) results in supply chain bottlenecks or increased costs.	▪ Launching our Materials+ database to understand carbon impact and cost of materials in our supply chain. ▪ Continued to strengthen relationships with the Morgan Sindall Supply Chain Family to gain favourable terms and secure fixed prices. ▪ Increasing reuse across projects to reduce demand.	▪ Number of projects achieving sustainable accreditation (including BREEAM, LEED or SKA). ▪ % of timber sourced using sustainable sourcing certification standards such as FSC and PEFC.
Timing of risk: Long term **Movement of risk:** Stable **Status of risk:** Medium	Market favouring improving existing structures over new builds.	▪ Increased revenue across Construction and Fit Out divisions in 2025. ▪ Construction and Infrastructure continuing to reduce carbon through '10- and 20-tonne challenges'. ▪ Cultivated fit out, retrofit and regeneration segments of business.	▪ Revenue from Fit Out, Construction and Infrastructure. ▪ Number of projects achieving sustainable accreditation (including BREEAM, LEED or SKA). ▪ Number of projects using CarboniCa.
Timing of opportunity: Short to medium term **Movement of opportunity:** Stable **Status of opportunity:** High	Greater demand and requirements for low-carbon builds or requirement that new construction be net zero, including use of recycled materials and retrofit demand to adapt to warmer climate.	▪ Identifying waste hotspots at preconstruction phase to design out waste. ▪ Continued to support our clients to decarbonise and provide solutions.	▪ Number of projects achieving sustainability accreditation (including BREEAM, LEED or SKA). ▪ Number of homes retrofitted under government-funded environmental or social initiatives. ▪ % of revenue from sustainable projects.
	Demand for climate-adaptable or resilient assets or for building assets to withstand the physical impacts of climate change (e.g. highway improvements, water capacity and rail extensions).	▪ Fit Out have developed low-carbon design guides and an internal reuse app. ▪ Switching to low-carbon materials and increasing reuse of materials. ▪ Measuring biodiversity net gain across projects and incorporating greenscaping into designs.	▪ Revenue from infrastructure, construction and design, and repair and maintenance services for wastewater. ▪ Revenue from engineering and construction services for railway infrastructure. ▪ Number of biodiversity net gain projects.
	Using low-emission energy such as renewable energy or alternative fuels reduces energy costs and improves energy security.	▪ Procuring green energy across offices and sites. ▪ Incentivising electric vehicle use and installing smart and intelligent energy monitoring on sites.	▪ % of hybrid or electric vehicles in fleet. ▪ % of electricity purchased from renewable sources.

Physical

	Description and impacts	2025 initiatives and progress	Metrics monitored
6. Chronic and acute			
Timing of risk: Medium to long term **Movement of risk:** Stable **Status of risk:** Medium	Vulnerabilities due to increasing extreme weather events, specifically heatwaves and prolonged wet seasons leading to project delays, increased risk of re-work, supply chain disruption and increased costs or sales prices.	▪ Negotiated contracts continued to consider extreme weather to protect the Group and assets. ▪ Designing and implementing passive and active design measures, such as raised floors, solar shading, natural vegetation and wind resistance structures. ▪ Aligning with Passivhaus principles for energy efficiency and thermal comfort and implementing nature-based solutions.	▪ Number of projects achieving sustainable accreditation (including BREEAM, LEED or SKA). ▪ Number of homes retrofitted under government-funded environmental or social initiatives. ▪ Number of biodiversity net gain projects.
	Increase in unviable land, such as greenbelts and flood plains, reducing availability of building plots, as well as saturated ground causing site run-off and pollution events, limited access to sites, delays or damage to materials.	▪ Conducting project risk assessments and ongoing due diligence. ▪ BakerHicks supports clients with climate risk mapping to guide site layout and emergency access. ▪ Applying PAS 2080 for adaptation and integrating BREEAM resilience into specifications.	▪ Number of projects achieving sustainable accreditation (including BREEAM, LEED or SKA). ▪ Number of homes retrofitted under government-funded environmental or social initiatives. ▪ Number of biodiversity net gain projects.

Increase Stable Decrease

Climate reporting continued

TCFD

Risk management

Climate change is a principal risk for the Group and is therefore managed through our Group risk governance framework and integrated into our wider risk management framework (detailed on pages 47 to 55). Climate-related risks and opportunities are identified and assessed at least twice yearly at a Group and divisional level, based on likelihood and severity. Emerging risks are also reviewed regularly, alongside horizon scanning, to consider changes in regulation, legislation and policy.

At an operational level, identification of climate-related risks and opportunities begins early in the process, starting at the bidding stage, by assessing project viability, costs, budgets and environmental requirements. CarboniCa is also applied across the project design phase to calculate the whole-life carbon impact of the project and to suggest lower-carbon alternatives to teams, designers, clients and supply chain partners. Once a project starts, we conduct a risk assessment and carry out further due diligence to identify additional ways of reducing carbon.

Metrics and targets

Our metrics and targets help us to manage the climate-related risks and opportunities outlined on pages 58 to 60. The table below includes some of the key metrics we monitor annually. As we move closer to align with ISSB S2 and the UK Sustainable Reporting Standards, we will look to enhance the operational and financial metrics we disclose in the future.

We also report our GHG emissions as part of our compliance with the UK's SECR, found on page 62. A full breakdown of our environmental metrics and associated data can also be found in our responsible business data sheet, which is published annually on our website alongside our annual report. Details of our science-based targets and progress can be found on page 40, and non-financial KPIs on page 15.

Climate-related metrics and targets

	Key external metrics	2025	2024	2023
1. Legal **2. Regulatory**	Scope 1, 2 and 3 carbon emissions (tonnes CO_2e)	**1,826,634**	1,816,275[1]	1,618,943
	Internal carbon charge (£/tonne CO_2e)	**£110**	£90	£70
3. Reputational	% reduction against Scope 1 and 2 science-based targets	**55%**	44%	45%
	Number of projects achieving BREEAM, LEED and SKA or other sustainable certifications	**81**	160	161
4. Technological **5. Market and resource efficiency**	% of hybrid or electric vehicles in Group fleet[2]	**99%**	98%	64%
	Number of new projects using CarboniCa	**211**	218	280
	% of electricity purchased from renewable sources	**63%**	56%	70%
	% of waste diverted from landfill	**93%**	97%	94%

1 Our 2024 Scope 1, 2 and 3 historical data has been restated due to improvements to our Scope 3 methodology. See footnote 2 on page 40 for more detail.
2 Includes company car fleet only; excludes company vans.

Climate reporting continued

Streamlined Energy and Carbon Reporting (SECR)

GHG reporting improvements

Our direct GHG emissions reporting for Scope 1 and 2 has been independently assured since 2010 in accordance with the requirements of Toitū's accredited organisational GHG programme: Toitū 'carbonreduce'. This programme is based on, and fully incorporates, the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (2015) and ISO 14064–1:2018 Specification with Guidance at the Organization Level for Quantification and Reporting of Greenhouse Gas Emissions and Removals. Where relevant, the inventory is aligned with the GHG emissions protocol methodology.

The data reported in our SECR table below corresponds with our financial year (1 January to 31 December 2025) and includes all areas for which we have operational control in the UK and Europe. The materiality threshold has been set at 5% with all operations estimated to contribute more than 1% of the total emissions included. The allowance built into the 'carbonreduce' accreditation also permits +/–5% variance in the gross emissions total in case a miscalculation is discovered following a carbon audit.

As Scope 3 emissions account for c.99% of our total carbon footprint, it is important that we monitor and track these emissions accurately. The complexity of our value chain has meant that our Scope 3 methodology has been reliant on estimates, for example using annual procurement spend on materials, using revenue-based assumptions and applying estimated emission factors. In 2025, we strengthened this process by updating our methodology (see pages 41 and 185). Our use of CarboniCa continues to strengthen inputs to improve data accuracy across key categories.

This work is also enabling us to increase the proportion of externally assured Scope 3 emissions data from our divisions. We anticipate this coverage to increase further in 2026 and we will continue to work with divisions to achieve full coverage of their Scope 3 emissions across all relevant categories.

We report our carbon emissions using a location-based methodology as this aligns to our science-based targets; however, this means that progress shown against our emissions reduction targets does not take into account the percentage of electricity that we source from renewables and instead relies on the UK's grid decarbonisation. In 2025, 63% of our electricity was from renewable sources. A breakdown of this data and our market-based emissions can be found in our 2025 responsible business data sheet, available on our website.

Increasing energy efficiency

Our focus on energy efficiency is evidenced through our improved energy intensity, which has declined from 38.4 in 2019 to 12.6 in 2025 (see below).

In 2024, we submitted our action plan for the Energy Savings Opportunity Scheme (ESOS) Phase 3 covering the period December 2023 to December 2027. This year, we have reported progress against our action plan, which includes increasing our use of smart energy monitoring systems, such as Gaia Smart Energy and measurable.energy, both of which have led to significant savings across project sites (see page 41). A further focus has been on implementing energy-efficient solutions through design optimisation, including reducing the use of energy-intensive materials where applicable. Divisions also took action to increase renewable energy capture, with Partnership Housing increasing solar production across its offices and sites by 462,000 kWh.

These actions continue to support our journey towards net zero in line with our Transition Plan. Further detail on our progress and performance can be found on pages 40 to 42, and in the responsible business section of our website.

GHG emissions (tonnes CO_2e)[1]	**2025**	2024	Baseline[2]
Scope 1 emissions – Direct emissions	**6,504**	8,056	18,124
Scope 2 emissions – Indirect emissions	**2,973**	3,628	2,779
Scope 1 and 2 emissions – Total	**9,477**	11,684	20,903
Scope 3 emissions – Other indirect emissions[3]	**1,817,157**	1,804,591	1,603,880
Scope 1, 2 and 3 emissions – Total	**1,826,634**	1,816,275	1,624,783
Carbon intensity – Scope 1 and 2 per £m revenue	**1.9**	2.6	6.8
Carbon intensity – Scope 1, 2 and 3 per £m revenue	**364**	400	528
Revenue	**£5,018.6m**	£4,546.2m	£3,071.3m

1 Includes GHG emissions associated with our UK and European operations. See Appendix on page 185 for Scope 1, 2 and 3 emission definitions and our responsible business data sheet on our website for a full breakdown of our environmental data.

2 Our baseline for Scope 1 and 2 emissions is 2019 and baseline year for Scope 3 is 2020. In 2025, we rebaselined our Scope 3 emissions to apply new methodologies and assumptions. See Appendix on page 185 for more information.

3 In 2025 we revised our 2024 Scope 3 emissions figure. See footnote 2 on page 40 for additional information.

	2025	2024	2019
Energy use[1] – MWh	**63,135**	87,602	118,004
Energy intensity – energy use per £ revenue	**12.6**	19.2	38.4

1 Includes energy use from electricity, heat, steam and cooling, and fuel consumption from boilers, furnaces, generators and transportation (including company cars and private vehicle mileage). Energy figures include both our UK and European operations.

Section 172 statement

Making informed decisions

The Board's objective is to promote the Group's success for the benefit of all stakeholders, in line with the directors' duties set out in section 172 of the Companies Act 2006. The Board has direct responsibility for, or receives information for consideration on, the section 172 matters listed here.

How our directors perform their duties

- The Board sets the Group's purpose, values and strategy and ensures they are aligned with our culture.

See page 79

- The Board reviews the Group's strategy and conducts strategy reviews with each division, to ensure the long-term sustainable success of the business with good outcomes for all our stakeholders.

See page 77

- The Board sets the Group's risk appetite, assesses the principal risks that could impact on our strategy, performance and stakeholders, and reviews the mitigations we have in place.

See page 78

- The Board engages directly or indirectly with our stakeholders, monitors the impact of our activities on them, and takes their interests and priorities into account when making decisions.

See pages 11 to 13, 71 and 76 to 78

- The Board monitors our performance against our five Total Commitments to our stakeholders and wider society.

See page 71

- Directors and senior managers undertake training on directors' duties and other relevant topics.

See page 81

How the directors have had regard to Section 172 matters

Non-financial and sustainability information statement

We aim to comply with the non-financial and sustainability reporting regulations contained in sections 414CA and 414CB of the Companies Act 2006. Our divisions communicate Group and divisional policies to their employees and supply chains. Our due diligence with regard to environmental matters, employees and social matters is driven by our Total Commitments, which are a strategic priority for the Group (see page 10).

	Policies	Due diligence, impacts and principal risks
Environmental matters	▪ For our climate-related financial disclosures, see pages 56 to 61. ▪ Environmental policy, published on our website: provides a framework for the effective management of our environmental activities across the Group. ▪ Code of Conduct and Supplier Code of Conduct, published on our website: commit to protecting and improving the environment. ▪ Sustainable procurement policy: commits to being socially and environmentally conscientious in our procurement.	Due diligence, pages 40 to 42. Impacts, pages 40 to 42 and 62. Principal risks, page 54.
Employees	▪ Code of Conduct: commits to conducting business in an open and ethical way in line with our Core Values and Total Commitments. ▪ Group health, safety and wellbeing management policy framework: includes our occupational health, safety and wellbeing policy, which commits to providing a healthy and safe working environment for our employees and others affected by our work. ▪ Divisional health and safety policies: cover all employees and extend to our subcontractors and suppliers working on our projects. ▪ Group inclusion and diversity policy: promoting a dynamic and open workplace that nurtures an engaged and talented team reflective of the communities we serve.	Due diligence, pages 11, 36 to 39, 50, 69, 76, 79, 82, 94, 98 to 99, 101, 123. Impacts, pages 11, 36 to 39. Principal risks, page 50.
Social matters	▪ We are committed to providing a better built environment for all, and our services include urban regeneration, social housing and critical infrastructure. A large proportion of our work is for the public sector and therefore falls under the Public Services (Social Value) Act 2012. ▪ Sustainable procurement policy: commits to being socially and environmentally conscientious in our procurement.	Due diligence, pages 13, 45 and 46. Impacts, pages 13, 45 and 46. While social matters are not regarded as a principal risk, each division carries out regular risk assessments to identify any areas of its business and markets that may be susceptible to risk, and embeds appropriate procedures in its day-to-day operations.
Human rights	▪ Human rights policy, published on our website. ▪ Code of Conduct and Supplier Code of Conduct (see page 37). ▪ Modern slavery statement, published on our website. ▪ Whistleblowing procedure (see page 37).	Due diligence, pages 37 and 79. Impacts, pages 12 and 37. See also our modern slavery statement on our website. Human rights breaches are not considered a principal risk; however, information on how we manage this risk can be found in our modern slavery statement.

Non-financial and sustainability information statement continued

	Policies	Due diligence, impacts and principal risks
Anti-corruption and anti-bribery	▪ Code of Conduct and Supplier Code of Conduct: state that we will not tolerate any form of bribery or corruption. ▪ Group anti-fraud policy, published on our website: setting out the Group's zero-tolerance approach to all forms of fraud. ▪ Bribery Act guidance note: provides guidance on the Bribery Act 2010 and how it is relevant to the Group. ▪ Group-wide dealing policy: clarifies to all employees regulations relating to the misuse of inside information. ▪ Dealing code: states directors' and others' obligations to comply with market abuse regulation. ▪ Competition law compliance policy: clarifies requirements under the Competition Act 1998 and Enterprise Act 2002. Each division provides its employees with guidelines tailored to the division's activities.	Due diligence, pages 90 and 91. Impacts: there was no evidence of any systemic bribery or corrupt activity in 2025. We do not regard corruption and bribery as a principal risk to the Group.

Copies of our policies are available on our website or can be obtained from the Group's company secretary on request. Our business model is set out on pages 8 and 9 and our non-financial KPIs on page 15.

Non-financial data collection

In 2025, we continued to review the means and methodologies used to collect and report non-financial data across our five Total Commitments (see page 34). In 2026, we are launching a new data collection platform through which all divisions' ESG metrics will be collated, monitored and reviewed. This will ensure improved reliability, accountability and transparency of the Group's non-financial and ESG performance data.

The sources of our non-financial KPI data, as reported on page 15, are listed below:

- Lost time incident rate: calculated in accordance with industry standards and reviewed monthly by divisional teams, the Group management team and the Board.
- Training days: recorded directly from each division's automated HR system and verified by appointed employees.
- Carbon emissions: all Scope 1 and 2 data is independently verified (see page 62). See pages 41 and 62 for how we are addressing the collection of wider Scope 3 emissions data.
- Payment of supply chain: we report our payment to suppliers in accordance with the Prompt Payment Code, and the data is checked by our Group finance team (see pages 18 and 43).
- See pages 45 and 46 for how we measure social value on our projects.

Going concern and viability statement

Going concern

The Group's business activities, together with the factors likely to affect our future development, performance and position, are set out in this strategic report.

As at 31 December 2025, the Group had net cash of £531.2m and committed banking facilities of £180m, of which £15m matures in June 2028 and £165m matures in October 2028. The directors have reviewed the Group's forecasts and projections, which show that we will have a sufficient level of headroom within facility limits and covenants over the period of assessment which the directors have defined as the date of approval of the 31 December 2025 financial statements through to 28 February 2027. After making enquiries, including the review of sensitivities for plausible downside scenarios to the forecasts, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to prepare the annual financial statements on the going concern basis. See page 142 for the going concern basis of preparation in the consolidated financial statements.

Viability

As required by Provision 31 of the UK Corporate Governance Code, the directors have assessed the prospects and financial viability of the Group and have 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 the assessment.

This assessment took account of the Group's current position and the potential financial and reputational impact of the principal risks (as set out on pages 48 to 54) on the Group's ability to deliver its business plan. This assessment describes and tests the significant solvency and liquidity risks involved in delivering the strategic objectives within our business model.

The assessment has been made using a period of three years commencing on 1 January 2026, which is in line with the Group's budgeting cycle. This gives good visibility of future work as the majority of the Group's workload falls within three years and enables more specific forecasting as the Group's contracts follow a life cycle of three years or less. There is inherently less visibility over the expected workload beyond three years, and increased uncertainty around the forecasted costs to deliver. Consequently, it is deemed most appropriate to perform its medium-term planning over a three-year period.

The directors have compiled cash flow projections incorporating each division's detailed business plans with an overlay of Group-level contingency. At Group level, the base case financial projections assume revenue growth and improvements in both profit margin and return on capital employed in line with the Group's strategy and medium-term targets.

As per the business model, operating cash flows are assumed to broadly follow forecast profitability in the Group's construction activities, but are more independently variable in partnerships, driven by the timing of construction spend and programmed completions on schemes.

The base case business plan includes the Group maintaining positive net cash for the entirety of the period reviewed, with no drawings under its loan facilities. The Group has £180m of committed revolving credit facilities, undrawn at 31 December 2025, of which £15m is committed until June 2028 and £165m is committed until October 2028. For the purposes of testing viability, it is assumed that equivalent facilities are available past these maturities.

The impact of a number of plausible downside scenarios on the Group's funding headroom (including financial covenants within committed bank facilities) have been modelled with consideration of the Group's principal risks that could have a direct impact on operational cash flows.

The table on page 67 gives an overview of the scenarios modelled and the mapping to the relevant Group's principal risks.

There are no individual scenarios which are considered to materially impact the Group's viability, and our assessment included modelling the financial impact on the business plan of a severe downside scenario where the impact of a reasonably plausible combination of the divisional risks were applied in aggregate.

In the event of this severe collection of scenarios occurring, there is still a reasonable expectation that the Group will be able to continue in operation and meet its liabilities.

In addition, the Board has considered a range of potential mitigating actions that may be available if this worst-case collection of scenarios arose. These primarily include a reduction in investment in working capital and a reduction in the dividend.

As part of the sensitivity analysis, the directors also modelled a scenario that stress-tests the Group's forecasts and projects to determine the scenario under which the headroom would exceed the committed bank facilities. The model showed that the Group's operating profit would need to deteriorate substantially for the headroom to exceed the committed facilities. The directors consider there is no plausible scenario where cash inflows would deteriorate this significantly.

Based on the results of its review and analysis, the Board has 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 its assessment until 31 December 2028.

Assessing the Group's prospects beyond the review period, the directors consider that demand will remain strong across all divisions. The Group has maintained a healthy balance sheet, has a strong order book and operates a resilient and prudent business model.

Going concern and viability statement continued

Scenario	Principal risk mapping
Reduced revenue and margins in our construction and fit out businesses The cash performance of our construction and fit out businesses is correlated to the levels of revenue and margin achieved by each division. We have modelled a scenario of reduced revenue that could be caused by changes in the UK economic conditions or the insolvency of a key client/partner. In addition to this, we have modelled reduced profit margins which may result from increased inflation, inefficiencies that could be a result of poor project selection, poor project delivery, resourcing issues, health and safety issues, and the impact of disruption that could be caused by cyber activity or climate change.	▪ Economic change and uncertainty ▪ Partner insolvency or other performance and compliance issues ▪ Poor contract selectivity ▪ Poor project delivery ▪ Health and safety incident ▪ Talent attraction and retention ▪ Cyber attack ▪ Climate change
Working capital deterioration in our construction and fit out businesses We have modelled a scenario including a deterioration of working capital in our construction and fit out businesses that could be caused by delays in receiving payments from customers and also having to pay suppliers earlier.	▪ Mismanagement of working capital and investments ▪ Partner insolvency or other performance and compliance issues
Reduction in open market sales values and sales pace in Partnership Housing We have modelled a scenario where there is a reduction in the open market housing sales values and a slowdown in the sales pace caused by further changes and uncertainty in the UK economic conditions, exposure to the UK residential market or poor project delivery.	▪ Economic change and uncertainty ▪ Exposure to the UK residential market ▪ Poor project delivery
Project delays or viability concerns, and cost increases in Mixed Use Partnerships We have modelled a scenario where there were project delays or cancellations in respect of Mixed Use Partnerships and also reduced margins. This scenario could be the result of further changes and uncertainty in the UK economic conditions, including changes in the UK residential market, and also inefficiencies that could be a result of poor project delivery, resourcing issues, health and safety issues, or the impact of disruption that could be caused by cyber activity or climate change.	▪ Economic change and uncertainty ▪ Exposure to the UK residential market ▪ Partner insolvency or other performance and compliance issues ▪ Poor project delivery ▪ Health and safety incident ▪ Talent attraction and retention ▪ Cyber attack ▪ Climate change
Higher developers' pledge expenses We have modelled a scenario where we incur higher than expected expenses in respect to our obligations under the building safety developers' pledge, but these costs are not fully recovered through contractual remedies.	▪ Poor project delivery (including changes to contracts and contract disputes) ▪ Health and safety incident ▪ Mismanagement of working capital and investments
Severe downside case We have modelled a scenario where all of the scenarios above combined at the same time to represent a severe downside scenario.	▪ All of the above

This strategic report was approved by the Board and signed on its behalf by:

John Morgan
Chief Executive
24 February 2026

Governance

In this section

The UK Corporate Governance Code

As a UK-listed company, our governance structure is based on the UK Corporate Governance Code.

The Company has applied all the Principles, and complied with all Provisions, of the 2024 UK Corporate Governance Code (the 'Code') that were applicable to the 2025 reporting period. The Code is available on the Financial Reporting Council's website at frc.org.uk.[1]

In line with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, further information on how the directors have performed their duties under section 172 of the Companies Act 2006 (the 'Act') is contained in the strategic report.

1 Provision 29, which requires the Board to make a declaration on the effectiveness of our material controls, does not come into force until 1 January 2026 and is therefore not applicable to the 2025 reporting period. In this year's annual report, we have disclosed our continuing preparations for compliance with Provision 29 (see page 92). We intend to report in full on Provision 29 in our 2026 annual report.

Board leadership and company purpose

A. Board effectiveness	The Board provides effective leadership by setting a strategy to deliver our purpose and underpinning it with strong governance. It oversees the Group's performance, using key financial and non-financial indicators to ensure that long-term value is generated for our stakeholders and wider society. The Board is committed to a culture of decentralisation that encourages entrepreneurialism across the divisions. It ensures that sufficient resources are in place to maximise opportunities and that the future success of the Group is safeguarded through an effective framework of risk management and internal control. The audit committee supports the Board in its oversight of risks and internal controls to enable the Board to set the Group's risk appetite. **See strategic report on pages 4 to 67, Board review on page 76 to 79, and audit committee report on pages 86 to 92**
B. Purpose, values, strategy and culture	The Board is responsible for establishing and promoting our purpose, values and strategy and ensuring they are aligned to our culture. The Board assesses and monitors culture, including how the desired culture has been embedded, through regular meetings with divisional management, analysis of cultural indicators and conversations with employees throughout the Group. **See purpose, values, strategy and culture on page 79**
C. Board decisions	The Board's principal decisions focus on areas that are material to the Group as a whole in the context of the Group's strategy and objectives. In its discussions, the Board takes into consideration the issues that are key to our stakeholders and any potential impact of their decisions. **See the Board's principal decisions on pages 77 and 78 and outcome of stakeholder double materiality survey on page 35**
D. Engagement with shareholders and stakeholders	The Board recognises that effective engagement with our stakeholders is critical to the long-term resilience of the business. It engages directly with employees and shareholders and is kept fully informed via the executive directors of any material issues or feedback relating to other stakeholders. **See strategic report on pages 11 to 13**
E. Oversight of workplace policies and practices and workforce engagement	The Board approves the Code of Conduct and all key Group policies to ensure they are consistent with our Core Values and support long-term sustainable success. The internal audit team monitors compliance with our policies and reports any areas of non-compliance to the audit committee. Employees also have access to our raising concerns/whistleblowing service, which the Board reviews biannually. The Board has adopted an alternative method for employee engagement to the Code's three suggested options. Given the structure and culture of our business and the size of our Board, all our non-executive directors share responsibility for employee engagement. This allows them to meet a broad range of employees each year through a mix of group and one-to-one discussions, including without management present. The Board considers that this remains an appropriate way for it to engage most effectively with a large number of people across our decentralised business. **See strategic report on page 11 and pages 64 and 65**

Division of responsibilities

F. Role of the chair	The chair is responsible for the overall effectiveness of the Board, promoting a culture of openness and debate at meetings and facilitating effective contribution by all non-executives. The chair and committee chairs work with the company secretary to set meeting agendas in line with their terms of reference and to ensure that directors receive accurate, timely and clear information ahead of each meeting. These measures support constructive relations and well-informed and transparent decision-making. Our chair, Peter Harrison, was independent on appointment when assessed against the circumstances set out in Provision 10 of the Code.
G. Board composition	Our Board consists of a majority of independent directors. The nomination committee reviews the composition of the Board and future succession plans to ensure that there remains an appropriate balance of executive and non-executive directors such that no individual or group of individuals is in a position to dominate its decision-making. The tenure of directors is regularly reviewed to maintain independence and ensure regular refreshment of the Board. There is a clear division of responsibilities between the chair, chief executive and senior independent director, as summarised on our website. **See nomination committee report on page 81**

The UK Corporate Governance Code continued

Division of responsibilities continued

H. Role of non-executives	When making new appointments, the Board ensures non-executives have sufficient time to meet their responsibilities of providing challenge, guidance and advice to the Board. New directors are asked to disclose any significant commitments they have, together with an indication of the time involved, to enable the Board to assess whether they will be able to devote the time necessary to their role. After appointment, prior approval must be sought before additional appointments are accepted so that the Board can assess any potential conflicts and the additional demands on the director's time. **See Board biographies on page 74**
I. Company secretary	The Board has access to the advice and services of the company secretary, who is responsible for advising the Board on all governance matters. There are agreed procedures by which directors can take independent professional advice, at the expense of the Company, on matters relating to their duties. The appointment and removal of the company secretary is a matter for the Board as a whole.

Composition, succession and evaluation

J. Succession planning and appointments	Succession planning and the process for Board appointments is led by the nomination committee to ensure orderly succession to both Board and senior management positions. During the year, Peter Harrison was appointed as the new chair, replacing Michael Findlay who had completed his nine-year term. **See nomination committee report on pages 81 and 82**
K. Board composition and skills	The nomination committee reviews and updates the Board skills matrix to identify the skills and experience required by future appointments. The skills matrix was reviewed and updated during the year following Peter Harrison's appointment. **See nomination committee report on page 81**
L. Board performance review	The 2025 Board, committee and individual performance reviews were carried out internally by the chair. The senior independent director led the chair's performance review. In accordance with the Code requirements, an external review was carried out in 2023 by Longwater Partners and the next external review is planned for 2026. **See nomination committee report on pages 84 and 85**

Audit, risk and internal control

M. External and internal audit and integrity of financial statements	The audit committee oversees the Company's relationship with the external auditor, Ernst & Young LLP, and annually reviews its independence and effectiveness. The head of audit and assurance reports directly to the audit committee at each meeting on the activities and findings of the internal audit function. The committee reviews the financial reporting in detail and monitors the integrity of the financial and narrative statements. **See audit committee report on pages 86 to 92**
N. Fair, balanced and understandable assessment	The audit committee advises the Board on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. **See audit committee report on pages 88 and 89**
O. Risk management and internal control framework	The Board monitors the Group's risk management and internal control framework and carries out an annual review of its effectiveness. It conducts a robust assessment of the Group's principal and emerging risks and sets the Group's risk appetite to align with our long-term strategic objectives. The audit committee assists the Board in these activities. **See audit committee report on pages 87 and 90 to 92**

Remuneration

P. Remuneration objectives and key responsibilities	The remuneration committee is responsible for determining the remuneration policy and ensuring executive remuneration is designed to align with the Company's purpose and drives the right behaviours to support our strategy and promote long-term sustainable success. **See directors' remuneration report on pages 95 to 101**
Q. Remuneration policy	Our current remuneration policy was approved by shareholders at the 2023 AGM and is due for renewal at the 2026 AGM. The remuneration committee sets the remuneration of the chair and executive directors within the approved policy. No director is involved in deciding their own remuneration outcome. **See proposed forward-looking remuneration policy on pages 102 to 111**
R. 2025 remuneration outcomes	The remuneration committee exercises independent judgement and discretion when authorising remuneration outcomes, taking into consideration the performance of the Company, individual performance and wider company pay policy. **See directors' remuneration report on page 99 and annual report on remuneration on pages 112 to 114**

Chair's statement

I am pleased to present our corporate governance report for the year ended 31 December 2025. This report provides detail on how the Board operates to benefit shareholders and other stakeholders.

First, on behalf of the Board, I would like to extend our sincere thanks to Michael Findlay for his outstanding leadership and invaluable contribution as chair. He retired from the Board in July after nine years of service.

Since joining the Board in May and ahead of assuming the role of chair, I took the opportunity to visit our divisions and engage with their teams to deepen my understanding of the business. I was hugely impressed by the strength of our culture – evident in the quality of our leadership, the operational discipline across the Group, and the commitment and professionalism of our people. I look forward to working closely with the Board and management to uphold the reputation they have established with our partners and customers and to ensure we continue to deliver a positive impact for our many stakeholders.

2025 was a year that validated our business strategy and focus on execution: the Group delivered another record set of results, despite the ongoing uncertainties in the economic environment. The Board was impressed by the responsiveness of the executive team in reacting to opportunities, and their excellent delivery. Looking ahead, we remain committed to maintaining this momentum by continuing to invest in partnerships and through driving further innovation across our operations. The Board will continue to play an important role in ensuring that our governance framework supports sustainable growth, resilience and long-term value creation.

We have once again delivered a strong performance in our external ESG ratings, something which is highly valued by our customers (see page 40). With less than five years remaining to achieve our medium-term KPIs, the Board will continue to oversee the continuing refinement of our strategy and focus on the areas that matter most to our stakeholders and to our business. These commitments reflect our determination to deliver not only financial performance but also positive environmental and social outcomes. For further details, see responsible business strategy and performance on pages 34 to 46.

Of the many things that are special within Morgan Sindall, our people stand out. On behalf of the Board, I would like to thank our colleagues for these great achievements.

Board succession and diversity

The Board and the nomination committee have continued to prioritise succession planning and Board composition. During the year, we refreshed our Board inclusion and diversity policy and approved a Group-wide policy to support divisions in developing their own frameworks to further embed inclusive practices into their operations. While progress has been made, we recognise that improving diversity across our industry remains a significant challenge. Each division remains committed to driving inclusion and diversity at all levels, including initiatives to help strengthen diversity in our senior leadership roles.

Board performance review

During the fourth quarter of the year, we conducted an internally facilitated Board performance review (the outcomes are set out on page 85). This review assessed the Board's effectiveness, with a particular focus on the key areas identified in last year's annual report. An externally facilitated review will be undertaken in 2026. Following discussions after completion of the review process, the Board agreed at its meeting in February this year to dissolve the responsible business committee. This decision reflects consideration to the size of the Board and the desire to increase effectiveness by avoiding duplication of oversight, as well as the evolving regulatory landscape. Driving progress on our Total Commitments remains central to our strategy and to our ability to secure future work and deliver long-term social value. Responsibility for monitoring performance against these commitments will rest with the Board, supported by the audit committee.

Stakeholder engagement

I am keen to listen carefully to the views of our stakeholders. I have met with many of our largest shareholders to understand their areas of focus and to share the Board's priorities for the future. In addition, the chair of the remuneration committee wrote separately to the major shareholders and proxy advisory firms to invite their input as part of the remuneration committee's triennial review of the directors' remuneration policy ahead of the new policy being put forward to shareholders at this year's AGM (see page 98). The discussions with shareholders covered a range of topics, including succession planning, capital allocation, the proposed remuneration policy, risk management and ESG. The feedback from these engagements was that overall shareholders are supportive of our approach and strategy, including the proposed remuneration policy. The valuable views received from those meetings were discussed at the Board and at the remuneration committee.

Our AGM will be held in May, at which we look forward to welcoming shareholders in person. Shareholders are also invited to submit questions in advance of the meeting by email. Further details on the AGM can be found on page 121 and in our AGM circular issued along with this annual report.

Peter Harrison
Chair
24 February 2026

Board overview

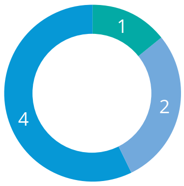
A strong leadership team delivering value for our stakeholders

Board diversity

As at 31 December 2025

Role

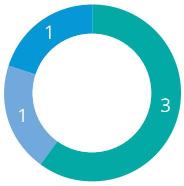
- Chair
- Executive
- Non-executive



Total number of directors: 7

Chair and non-executive director tenure

- 0–3 years
- 4–6 years
- 7–9 years



Total number of directors: 5

Gender diversity

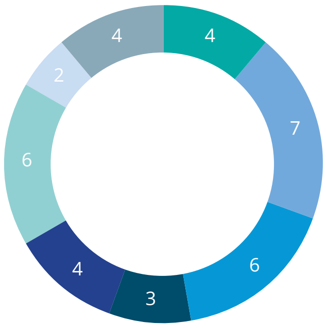
Ethnic diversity

Total number of directors: 7

The Board's experience

As at 31 December 2025

The Board's experience



- Industry knowledge/experience
- Strategy development
- Financial expertise
- Responsible business (ESG)
- IT/cyber security
- Risk management
- Complex supply chain management
- External FTSE 350 board experience

More information on Board and senior leadership diversity can be found on pages 82 and 83.

Board attendance

	Board	Audit	Responsible business	Nomination	Remuneration
Total in 2025	**10**	**3**	**3**	**3[6]**	**4**
Peter Harrison[1]	7		1[2]	2	
John Morgan	10		1[2]	3[2]	
Kelly Gangotra	10	3[2]	3[2]	3[2]	
David Lowden[3]	9	2	1[2]	2	3
Jen Tippin[4]	9	3	1[2]	3	4
Sharon Fennessy	10	3	1[2]	3	
Mark Robson[4]	9	3[2]	3	3	4
Michael Findlay[5]	7	2[2]	2	2	1[2]

In 2025, the Board held four additional meetings, primarily to discuss and review the Group's performance and approve stock market announcements, and the remuneration committee held one additional meeting as part of their triennial review of the forward-looking directors' remuneration policy. The Board also allocated time at the end of each of the six scheduled meetings during the year for the chair and other non-executive directors to meet without the executive directors present. No material issues were raised at any of these meetings.

1 Peter Harrison attended all Board and nomination committee meetings during the year since his appointment date. He attended the May Board meeting, AGM and nomination committee meeting by invitation.
2 Attended by invitation.
3 David Lowden was unable to attend the meetings held on 24 February 2025 due to a change in the original meeting date which conflicted with a prior commitment.
4 Jen Tippin and Mark Robson were unable to attend one unscheduled Board call in June due to prior commitments that could not be changed at short notice.
5 Michael Findlay stepped down from the Board on 28 July 2025. He attended all scheduled Board and nomination committee meetings prior to his resignation date.
6 An additional subcommittee meeting of the nomination committee was held in January 2025 to finalise the approval of Peter Harrison's appointment and the related stock exchange announcement (not included in the attendance figures above).

Our Board

An experienced Board committed to delivering value for our stakeholders

The Board consists of the chair, two executive directors and four non-executive directors, each bringing a range of skills, experience, knowledge and background to Board discussions.

Each Board member has considerable experience in strategy development and implementation, corporate governance and regulatory requirements, which enables them to discharge their responsibilities and promote the long-term sustainable success of the Group.

The non-executive directors are responsible for providing independent oversight, constructively challenging the executive directors and monitoring delivery of the Group's strategy within the risk and control framework set by the Board.

As at the date of this report, 57% of our Board (excluding the chair) are considered by the Board to be independent according to the criteria set out in the Code. None of the non-executive directors, including the chair, had any previous connection with the Company or its executive directors on appointment. Our chair was considered independent on his appointment when assessed against the circumstances set out in Provision 10 of the Code. No cross-directorships exist between any of the directors.

Brief biographical details and skillsets of the directors in office at 31 December 2025 and the date of this report are set out below.

Board of directors

Peter Harrison
Chair

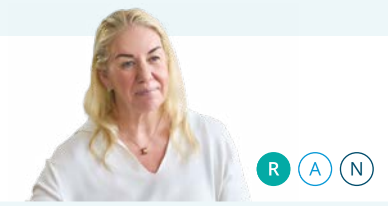
John Morgan
Chief Executive

Kelly Gangotra
Chief Financial Officer

Sharon Fennessy
Non-executive Director

David Lowden
Senior Independent Director

Mark Robson
Non-executive Director



Jen Tippin
Non-executive Director

Board committees

- A Audit committee
- N Nomination committee
- R Remuneration committee
- RB Responsible business committee (dissolved February 2026)
- ● Committee chair

The executive directors are supported by our Group management team in implementing the strategy and policies approved by the Board.

The Group management team includes the divisional managing directors and the general counsel and company secretary. Full details of Group management team membership and biographies are available on our website.

Our Board continued

Peter Harrison
Chair

Appointed: May 2025

Independent on appointment: Yes

Skills and experience: Peter has spent his career in asset and wealth management, serving in both executive and non-executive roles. He was Group CEO at Schroders plc until November 2024, prior to which he was global head of investment. Prior to this he had leadership roles at RWC Partners, Deutsche Bank and JP Morgan. Peter has served as a non-executive director of various organisations, including The Investment Association (also as chair), FCLT Global, Greencoat Capital and Blue Orchard. He has served as a member of the Takeover Panel and on the advisory board of Antler, a venture capital firm.

Contribution to long-term success: The Board benefits from Peter's extensive experience in running a complex business, including his expertise in capital markets, finance, governance, risk, technology, climate change and human resource management. His contribution assists the Group in pursuing its strategy, maximising the value of the business, and delivering long-term sustainable value for all our stakeholders. Peter's leadership of the Board encourages open debate by all Board members and effective decision-making by drawing on each director's skills, experience and knowledge.

Current external roles: Peter is currently a non-executive director and member of the audit and workplace and culture committees at Lazard Inc. and chair of Business in the Community. He is also a member of The Economy Honours Committee and the UK Capital Markets Industry Taskforce. During the year he served on the Advisory Board of the Water Commission.

John Morgan
Chief Executive

Appointed: October 1994

Independent: No

Executive responsibilities: John leads the Group, developing and implementing the strategy and policies approved by the Board, embedding values and culture, and driving inclusion and diversity throughout the business.

Skills and experience: John co-founded Morgan Lovell in 1977, which merged with William Sindall plc in 1994 to form Morgan Sindall Group plc. He instituted and champions the Group's decentralised business model that empowers the divisions to challenge the status quo and keep innovating and winning in their respective markets.

Contribution to long-term success: The Board benefits from John's in-depth knowledge and experience of property and construction. His significant leadership and people management skills continue to drive forward the Group's strategy to ensure quality of earnings and grow the business organically for the benefit of all our stakeholders. John is responsible for ensuring that career opportunities within the Group are accessible to people from a variety of backgrounds so that we can recruit the best people from a wide pool of talent.

Current external roles: John does not currently hold any external appointments.

Kelly Gangotra
Chief Financial Officer

Appointed: May 2024

Independent: No

Executive responsibilities: Kelly leads the Group's financial strategy and has overall responsibility for corporate reporting, finance, IT, ESG and responsible business, procurement, taxation and treasury. She contributes to the development and implementation of the strategy and policies approved by the Board. Kelly is chair of the risk committee.

Skills and experience: Kelly was the healthcare sector chief financial officer at Halma plc between 2022 and 2024. Prior to that, she was CFO for Skanska UK, having previously been finance director from 2012 to 2015 and executive vice president between 2015 and 2022.

Contribution to long-term success: The Board benefits from Kelly's extensive financial and commercial leadership experience in the construction and property sectors and her track record as a CFO working in a decentralised business. Her expertise supports the chief executive and the Board in maintaining the Group's financial resilience and strong balance sheet as the business continues to develop and grow.

Current external roles: Kelly does not currently hold any external appointments.

Sharon Fennessy
Non-executive Director

Appointed: January 2024

Independent: Yes

Skills and experience: Sharon is a fellow of the Institute of Chartered Accountants. She has an extensive background in corporate finance, treasury and investor relations. Sharon's previous experience includes John Lewis Partnership plc, where she was non-executive member of the risk and audit committee, and Diageo plc, where she was most recently group controller and prior to that head of investor relations, group treasurer and finance and strategy director for Western Europe. Before joining Diageo, Sharon held a number of senior finance leadership positions at Nortel Networks, in multiple locations across Europe and the US.

Contribution to long-term success: The Board benefits from Sharon's wide knowledge in finance, audit and treasury as well as her strong strategic and commercial experience.

Current external roles: Sharon is currently appointed as a non-executive director and member of the remuneration and audit committees at Gowan Group Limited.

David Lowden
Senior Independent Director

Appointed: September 2018

Independent: Yes

Skills and experience: David is a highly experienced non-executive director and chair of UK-listed companies in several sectors. He has experience in both financial and general management through his prior executive roles of finance director and chief executive at Taylor Nelson Sofres plc, where he supported growth and profitability through the efficient design of business operations and appropriate use of systems and processes. David's public board experience includes prior roles as chair of Page Group plc, chair of Huntsworth plc, chair of the audit and risk committee at William Hill plc, and chair of the audit committee at Cable & Wireless Worldwide plc.

Contribution to long-term success: David's strong strategic understanding and financial, marketing and commercial skills, gained through his many years' experience working in international businesses, are invaluable to the Board as the Group pursues its strategy for growth.

Current external roles: David is currently chair of the board of Diploma plc and chair of the board of Capita plc, having previously been the senior independent director.

Mark Robson
Non-executive Director

Appointed: September 2024

Independent: Yes

Skills and experience: Mark was the Group CFO at Howden Joinery Group plc for 16 years, where he also served as deputy CEO. His expertise in the City and corporate finance, in addition to his operational experience, was instrumental in driving the company's turnaround and exceptional value creation. He is highly experienced in leading complex changes involving mergers, demergers, flotations and joint ventures. Mark qualified as a chartered accountant with PwC. He gained extensive international experience earlier in his career as a CFO in various ICI businesses as well as with Delta plc, where he was Group CFO.

Contribution to long-term success: Mark's experience is key to maintaining the Group's strong balance sheet and growing order book. His ability to identify and execute profitable growth in competitive environments supports our strategy for the positive development of profit before tax based on an understanding of the dynamics and opportunities in our businesses.

Current external roles: Mark is currently appointed as a non-executive director at Grafton plc, where he is chair of the audit and risk committee and a member of the nomination and remuneration committees.

Jen Tippin
Non-executive Director

Appointed: March 2020

Independent: Yes

Skills and experience: Jen has extensive strategic and commercial experience developed through her career in financial services and in the engineering and airline sectors. She has wide experience in business leadership and transformation, human resources, efficiency, sourcing, supply chain management and property, together with a deep understanding of customer experience. Jen has previously been group chief operating officer for NatWest Group and has sat on the boards of City University, Lloyds Bank Corporate Markets, the Financial Services Skills Commission and Kent Community NHS Foundation Trust.

Contribution to long-term success: The Board benefits from Jen's strengths in consumer-facing markets, and her insights into IT, people and complex supply chain management are relevant to the Group's strategy to deliver long-term sustainable value to our stakeholders. Her knowledge and understanding of remuneration and related corporate governance issues enable her as chair of the remuneration committee to lead on the Group's remuneration philosophy to ensure that we motivate and retain executive directors of the calibre required to deliver our strategy.

Current external roles: Jen is a non-executive director of HMRC, where she is chair of the customer service committee and a member of the nomination committee. She is also a member of the board of City HR Association Limited.

Governance framework

Our governance framework supports our long-established philosophy of decentralisation and ensures there is supervision at appropriate levels of the organisation to drive performance and manage risks and opportunities. Our divisions are given autonomy to operate in the way that best serves their respective stakeholders and allows them to respond quickly and effectively to changes in their markets. We believe this approach remains fundamental to the divisions delivering their business strategies and contributing to the long-term success of the Group.

The Board

The Board, assisted by its committees, is responsible for:

- determining overall strategy and long-term objectives to align with our purpose;
- ensuring that the divisions have appropriate strategies and resources in place and a culture that drives the right behaviours;
- overseeing material social and environmental risks and opportunities;
- approving the annual business plan and budget;
- determining risk appetite and principal risks;
- overall corporate governance arrangements, including a framework of prudent and effective controls that enable risk to be assessed and managed;
- approving the financial results statements, annual report and accounts and other statutory announcements;
- remuneration strategy; and
- considering all policy matters relating to the Company's activities, including any major changes of policy.

The full list of matters that are required to be brought to the Board for consideration is available on our website.

Role of the chair and senior independent director

The chair is responsible for the overall effectiveness of the Board and for promoting a culture of openness and debate at meetings which supports well-informed and transparent decision-making through constructive dialogue. The chair is supported by the senior independent director, who is available to the other directors and shareholders where necessary. To ensure accountability and oversight, there is a clear division of responsibilities between the chair, chief executive and senior independent director, set out in writing, approved by the Board and summarised on our website.

Board committees

The Board delegates certain matters to its committees. The Board and committees are supported by the company secretary, who provides advice and assistance, particularly in relation to corporate governance and training and induction. The appointment and removal of the company secretary is a matter for the Board as a whole.

Audit committee

Monitors the integrity of the financial and narrative statements. Maintains the relationship with the external auditor and reviews the effectiveness of the external and internal audit functions. Reviews the Group's risk management and internal control framework.

Chair:
Sharon Fennessy

Membership:
David Lowden
Jen Tippin

See page 86

Nomination committee

Oversees Board and committee composition and inclusion and diversity. Monitors leadership and succession needs for the Board and the wider Group. Oversees the annual Board performance review process.

Chair:
Peter Harrison

Membership:
Sharon Fennessy
David Lowden
Mark Robson
Jen Tippin

See page 80

Remuneration committee

Responsible for recommending overall remuneration policy and setting remuneration for our executive directors and members of the Group management team.

Chair:
Jen Tippin

Membership:
David Lowden
Mark Robson

See page 95

Responsible business committee[1]

Oversees the Group's responsible business strategy, targets and performance and monitors progress against our Total Commitments.

Chair:
Mark Robson

Membership:
Lisa Minns

1 Committee dissolved 24 February 2026

See page 93

Chief executive

The chief executive, supported by the chief financial officer, is responsible for leadership of the Group, developing and implementing strategy, managing overall Group performance and ensuring an effective leadership team.

Group management team

Supports the executive directors in implementing strategy and policies approved by the Board and ensuring our culture, Core Values and Total Commitments are embedded. The team meets regularly to consider strategic and operational matters affecting the Group as a whole, including strategy, risk and the Group budget.

See page 73

Divisions

Each division operates autonomously with its own management board that includes the chief executive and chief financial officer. The divisions are responsible for setting their own five-year strategic plans and annual budgets for sign-off by the Board, for their operational performance and for managing relationships with their stakeholders.

See pages 21 to 33 for further information on each division's performance during the year

Risk committee

Assists the Board and audit committee in reviewing Group and divisional risk registers and ensuring inherent and emerging risks across the Group are identified and managed appropriately.

See page 47

Cross-divisional protecting people and HR forums, IT security steering group, and climate action, supply chain and social value panels

Divisional representatives meet on a regular basis to focus on specific topics and share ideas and best practice. The forums assist the Board and Group management team in ensuring that good governance is adopted at all levels of the Group.

Board review

Key activities of the Board in 2025

Board meeting agendas combine regular reviews of performance against the Group's values and strategic priorities with deep dives into specialised topics and presentations from divisional teams. In addition, internal and external experts are invited to lead detailed discussions into our progress in particular areas, such as health and safety, environmental and social value, and cyber security. Internal experts include our head of information security, Group procurement director, head of ESG and sustainability, and head of audit and assurance, while external experts include our auditors and remuneration advisers.

Strategy

- Review of executive reports covering market updates, commercial and financial performance, implementation of divisional strategies and divisional performance, including against medium-term targets and KPIs
- Approval of upgrades to medium-term targets for Mixed Use Partnerships, Fit Out, Construction and Infrastructure
- Divisional and Group strategy review and Board strategy session (see page 77 for further detail)
- Responsible business performance updates
- Review of responsible business strategy and approval of focus areas, including approval of Group double materiality assessment

Governance

- Participation in and review of the Board performance review and agreement of future actions
- Review of the gender pay gap report
- Board approval of new/updated policies: remuneration policy, Board inclusion and diversity policy, Group inclusion and diversity policy, Group environmental policy and anti-fraud policy
- Review of Board's skills matrix
- Board succession planning and induction of the new chair
- Review of the directors' conflicts of interest register

Financial and operational matters

- Approval of the results for the year ended 31 December 2024
- Recommendation of final dividend for the year ended 31 December 2024
- Review of 2025 half-year results and approval of announcement
- Declaration of 2025 interim dividend
- Approval of trading updates
- Review of insurance arrangements
- Risk appetite review (see page 78 for further detail)
- Capital allocation review
- Group budget approval (see page 78 for further detail)
- Updates on tax and treasury matters and approval of tax strategy
- Approval of Property Services being incorporated into Construction for 2026 financial reporting

Employees

- Health and safety reviews
- Biannual review of the channels through which employees can raise concerns, whistleblowing reports and investigation outcomes
- Review of employee engagement activities, including activities to support their physical, mental and financial wellbeing
- Informal divisional meetings with Mixed Use Partnerships, Fit Out and BakerHicks
- Attendance at senior management conference
- Review of results of 2024 cultural assessment to understand how well our culture is embedded across the Group
- Non-executive directors' meetings with employees from across the divisions during the strategy review process in order to gain an understanding of culture and employees' views

Risk and compliance

- Modern slavery statement approval
- Risk appetite review
- Biannual update on information security, including in-depth presentations on cyber risk management
- IT strategy and risk update
- Board and committee performance review
- Review of Delegated and Limits of Authority Procedures (delegated authorities) to ensure they remain appropriate for the divisions and the risks faced by the Group

Shareholder engagement

- Review of AGM investor feedback
- 2025 AGM
- Review of analyst and proxy voting feedback
- Review of investor roadshow feedback following half- and full-year results
- Engagement by the chair following his appointment with our largest institutional investors
- Engagement by the remuneration committee with our largest institutional investors and proxy advisory firms during the triennial review of the directors' remuneration policy

Board review continued

Principal decisions

The following tables give an overview of the Board's principal decisions during the year. In line with our governance framework and decentralised approach, the Board normally makes a limited number of decisions that are material to the Group as a whole. To ensure its decision-making is robust, the Board will consider the Group's purpose, strategic priorities and long-term success, recognising that, while it seeks to balance the requirements of our different stakeholders, each decision will not necessarily result in a positive outcome for every stakeholder group.

Strategy review

Factors considered	The Group's success depends on maintaining relationships with all our key stakeholders and ensuring we keep pace with changes in our target markets. In approving strategy, the Board recognises its duties and responsibilities to our shareholders and other key stakeholders and ensures that their views and priorities are considered.
Action taken	▪ Comprehensively reviewed progress against strategy, tracking performance against agreed KPIs. ▪ Reviewed divisional medium-term targets, including each division's contribution to the overall Group strategy and long-term strategic plan. ▪ Discussed market trends and the macroeconomic environment, referring to comparative data and client insight. ▪ Attended presentations by each divisional managing director on their strategic plan, including meetings with employees and visits to some of their projects. ▪ Reviewed each division's contribution to the Total Commitments and monitored the Group's progress in implementing our responsible business strategy, including our performance against climate targets and net zero plans. ▪ Reviewed the Group's long-term financial outlook and assessed and prioritised growth opportunities. ▪ Considered whether the level of provision made for the Group's obligations under the Building Safety Act remained appropriate.
Outcome	As a result of the strategy review process, the Board concluded that: ▪ our strategy would remain unchanged, focusing on organic growth across the divisions and in particular maximising investment in our partnership activities. The Board agreed it would invite senior representatives from Partnership Housing and Mixed Use Partnerships to present to the Board in 2026; ▪ we remain committed to maintaining a strong balance sheet and significant net cash levels, and the capital allocation policy remains appropriate and will remain unchanged; ▪ the divisions' medium-term targets remained appropriate following the increases for Mixed Use Partnerships, Fit Out, Construction and Infrastructure announced with the full-year 2024 results and increases for Fit Out and Construction announced with the half-year 2025 results but would be kept under review (increased targets for Mixed Use Partnerships and Infrastructure were subsequently approved at the February 2026 Board meeting); ▪ following Property Services' return to a modest profit and its integration into the Construction division, the Board will continue to monitor progress; ▪ our Total Commitments remain appropriate; however, the results of our double materiality assessment will inform potential refinements to ensure continued relevance; ▪ succession planning throughout the Group remains a focus area as well as ensuring we continue to build an inclusive and diverse workforce; and ▪ our strategy remains appropriate, supported by a sustainable business model designed to manage risks and capture opportunities.

Annual strategy review process

Each non-executive director is allocated one or two divisions.	→ The divisions are allocated on a rotational basis each year so that the Board learns about the concerns and issues of all divisions' stakeholders.
The non-executive meets with the managing director and senior team of their allocated division to review: ▪ recent operational and financial performance, including risk management and safety; ▪ market and pipeline of opportunities; ▪ culture; ▪ adequacy of resources to deliver on strategy; ▪ employee engagement; ▪ outlook and medium-term targets; and ▪ initiatives to assess the impact of operations on the environment and to deliver social value to local communities.	→ The non-executive meets with their allocated division's employees without managers present and visits one or two live projects where they can engage with a mix of employees, subcontractors and suppliers. The wider management teams of the division are also invited on a rotational basis to meet the Board in a less formal meeting each year, which provides an opportunity for the non-executives to engage with employees outside the formal strategy review process. These meetings enable the non-executives to assess the division's contribution to the Group's long-term success as well as its impact on its key stakeholders.
The non-executive, chair, chief executive and chief financial officer hold a meeting with the divisional managing director.	→ The non-executive provides feedback to the divisional managing director on their strategic plan, including how stakeholders have been taken into consideration.
The Board holds a strategy day in October where the non-executives each present a summary of their observations and opinions on their allocated divisions' strategic plans.	→ The non-executives provide feedback to the rest of the Board from their respective divisional reviews. The Board as a whole reviews and approves the divisional strategic plans and the Group strategy.

Board review continued

Determining the Group's risk appetite

Factors considered	The Board refers to our risk appetite when setting our strategic priorities and targets, making decisions, and allocating resources. In agreeing risk appetite, the Board considers the key risks that could impact our business model, strategy or reputation. It takes into consideration the expectations of our stakeholders, particularly those identified in the principal risks section on pages 48 to 54. The Board recognises that a prudent and robust approach to risk mitigation must be balanced with some flexibility. This is to ensure that our divisions are not restricted in embracing business opportunities appropriate to their markets and expertise while securing high levels of customer satisfaction and maintaining the Group's reputation.
Action taken	▪ Confirmed that, through the activities of the audit committee, a robust assessment of the principal and emerging risks facing the Group, including those that would threaten our business model, future performance and solvency, had been carried out and that the effectiveness of our systems of internal control and risk management had been reviewed. ▪ Considered any changes to the Group's principal and emerging risks that could impact our long-term strategic plans. ▪ Reviewed progress being made in respect of Provision 29 of the Code and preparation for the 2026 annual report, when the Board intends to make its first declaration on the effectiveness of material controls. ▪ Reviewed and approved the Group's updated delegated authorities. ▪ Considered the balance and breadth of our activities to ensure we have a reasonable level of protection against risks arising from uncertainties in the macroeconomic environment. ▪ Monitored any risks arising that lie outside or towards the upper end of our risk appetite so that they could be managed appropriately. ▪ Reviewed general market conditions and key trends to identify and assess future risks and opportunities. ▪ Requested that the risk appetite statement be reviewed and updated to take account of the increasing external cyber threat.
Outcome	The Board's review of risk appetite conducted during the year concluded: ▪ the net level of risk for cyber attacks had increased during the period and currently sits outside the Board's risk appetite. Continued oversight of this risk will remain a Board priority; ▪ key areas of focus remain our culture, health and safety, oversight of IT and cyber, including business continuity planning, project selectivity, working capital management and supply chain solvency; ▪ our governance framework, structures and policies, such as our delegation and limits of authority procedures, adequately reflect our approach with regard to specified risks; ▪ the government's June Spending Review and subsequent Autumn Budget remained highly supportive of the sectors and markets in which the Group operates, and we are well placed to respond to the commitments included within the Budget. However, these matters will be kept under review, particularly given the pace at which action might be taken to fulfil these commitments; and ▪ overall, the Group has the right controls, strategy and risk mitigation measures in place and our risk appetite and framework remain appropriate for providing the business with medium- to long-term resilience.

Reviewing our risk appetite

Audit committee review – August and December 2025	The audit committee assists the Board by formally reviewing twice a year the Group and divisional risk registers and risk management and internal control processes, including conducting deep dives into key topics (see page 87 and pages 90 to 92).
Board review – October and December 2025	Following its review of the Group risk register, five-year strategic plan and three-year budget period, the Board considers the Group's established risk appetite statements, which broadly cover strategic, tactical, operational and compliance objectives, to compare current levels of risk in these categories with our risk appetite and risk tolerance levels. The Board then agrees any actions to be taken for future monitoring as a result of changes to net risk levels. Our integrated approach to risk management (see page 47) facilitates our annual assessment of the Group's long-term viability. See pages 66 and 67 for our approach to assessing long-term viability, incorporating scenario modelling based on relevant principal risks.

Setting the Group budget

Factors considered	In reviewing the budget for 2026, the Board considers the impact on our employees, suppliers, clients, shareholders and wider stakeholders to ensure we are managing our finances and have the appropriate resources to deliver against our strategy.
Action taken	▪ Tracked performance of the Group budget against agreed KPIs. ▪ Reviewed Group and divisional budgets, which form the basis for setting the overall Group budget. ▪ Reviewed market conditions, in particular current economic uncertainty and key trends that support the Group's future growth (see page 7). ▪ Reviewed the contribution that the budget will make to delivering our five-year strategic plan.
Outcome	Approved the Group budget, ensuring that we have sufficient resources and that targets are suitably stretching but achievable and will contribute to the Group's long-term growth.

Board review continued

Purpose, values, strategy and culture

The Board ensures we maintain a positive culture so that we can attract and retain talent and achieve the highest levels of productivity and performance. This is vital to retaining a competitive market presence and achieving our purpose and strategy.

Our culture has developed from our long-held Core Values, which form the basis of our Group Code of Conduct. The Code of Conduct is designed to ensure that our employees understand the need to act responsibly and maintain our reputation when working and interacting with our stakeholders. The Code of Conduct and supporting policies are approved by the Board.

1 How culture is embedded by the divisions

- Recruitment processes
- Induction and mandatory e-learning, including on our Code of Conduct
- Objective-setting, development plans and remuneration policies
- Leadership development programmes
- Annual conferences and other internal communications
- Employee share plan participation
- Ensuring our suppliers meet the expected standards of behaviour set out in our Supplier Code of Conduct

2 How the Board promotes the desired culture and monitors the degree to which culture and values are embedded

- Regular meetings with management
- Inviting employees to present at Board and committee meetings
- Non-executive directors' meetings and discussions with a wide range of employees during the strategy review process and without senior management present enable the directors to strengthen their assessment of cultural alignment and the degree to which it is consistently reflected across the divisions
- Whistleblowing feedback and any external or internal audit reports of possible breaches of the Code of Conduct
- Considering meeting papers to identify any areas of concern, for example:
  - people statistics, including employee turnover, internal promotions, absenteeism and diversity
  - health and safety performance
  - client/partner feedback and satisfaction scores
- Investor feedback
- External ESG ratings

3 Looking behind the stats

The Board reviews activities and initiatives by our divisions in the following areas to ensure they are on the right track to achieving desired outcomes:

- succession planning and talent development;
- health, safety, physical, mental and financial wellbeing;
- inclusion and diversity;
- employee engagement, such as survey participation, feedback and follow-up actions; and
- remuneration, to ensure that it aligns with our values and encourages desired behaviours.

4 Outcomes

The Board was satisfied that:

- engagement levels across the Group remain strong, with employees demonstrating a willingness to speak up. This is evidenced by whistleblowing submissions, which have provided the Board with valuable insights into the Group's culture and employee perspectives;
- discussions between non-executive directors and employees did not identify any issues requiring further intervention. Employees engaged in these sessions were consistently open, positive and constructive; and
- all whistleblowing reports received during 2025 were appropriately resolved and did not indicate any systemic concerns across the Group. Where allegations of theft or fraud were substantiated, the individuals involved were dismissed, reinforcing the Group's commitment to lawful and ethical conduct.

5 Future priorities

The Board will continue to monitor, in particular:

- incidents of unsafe behaviour on our sites, which may indicate the need for policy changes or additional training;
- the effectiveness of divisional activities aimed at advancing equality, inclusion and diversity;
- the performance of the whistleblowing helpline, ensuring it is well communicated and that employees remain willing to use it appropriately; and
- processes that enable non-executive directors to gain meaningful insight into organisational culture and employee perspectives, ensuring these mechanisms remain effective and appropriate.

During 2026, the chair of the remuneration committee and the company secretary will be meeting with the Group's HR forum and with groups of employees from within the businesses to understand any issues impacting the wider workforce at a deeper level (see page 99).

Construction employee survey response rate

86%

Infrastructure employees' engagement index score

85%

Mixed Use Partnerships employees agreeing Muse is a great place to work

86%

Nomination committee report

On behalf of the Board, I am pleased to present the committee's report for the year ended 31 December 2025.

Peter Harrison
Chair

The quick read...

- Regularly reviewed the composition and balance of skills of the Board and its committees to ensure that they remain suitable
- Reviewed Board/committee succession planning and recommended the appointment of Peter Harrison as a new non-executive director and chair designate (appointed in May 2025)
- Recommended the appointment of a new company secretary (appointed in June 2025)
- Reviewed succession plans for the Group management team and senior leaders and progress in building a diverse workforce
- Managed the internally facilitated performance review of the Board, committees and individual directors

Key responsibilities:

- Board and committee composition
- Identifying potential skills and experience gaps
- Leading the Board appointment process
- Reviewing succession planning for the Board and Group management team
- Reviewing wider senior leadership and divisional succession planning
- Overseeing the Board performance review process
- Monitoring activities to build an inclusive and diverse workforce throughout the Group

The committee's full role and responsibilities are set out in its terms of reference, which are available on our website.

Committee composition and performance review

The committee's membership is shown in the table below. The executive directors, members of the senior management team and external advisers may be invited by the committee to attend all or part of any meeting, as and when appropriate.

Members[1]	Member since	Attended/ scheduled[5]
Peter Harrison[2] (chair)	**2025**	**2/3**
David Lowden[3]	**2018**	**2/3**
Jen Tippin	**2020**	**3/3**
Sharon Fennessy	**2024**	**3/3**
Mark Robson	**2024**	**3/3**
Michael Findlay[4]	**2016**	**2/3**

1 Biographies of members are set out on page 74. In compliance with the UK Corporate Governance Code (the 'Code'), the majority of committee members are independent non-executive directors.
2 Peter Harrison attended the meeting in May by invitation and all scheduled meetings of the committee following his appointment. He is not permitted to chair parts of meetings where his own succession and performance are discussed.
3 David Lowden was unable to attend one meeting due to a change in date that conflicted with a prior commitment that could not be changed.
4 Michael Findlay was a member of the committee until his resignation as chair of the Board on 28 July 2025. He attended all scheduled meetings of the committee until he stepped down from the Board.
5 An additional subcommittee meeting was held in January 2025 to finalise the approval of Peter Harrison's appointment and the related stock exchange announcement.

Our internally facilitated performance review of the Board in 2025 included a review of the committee (see page 85 for further details of the process).

This concluded that the committee is operating effectively, with good open discussion. The chair succession process, which concluded during 2025, was considered to have been well managed and effective. Looking ahead, the committee agreed that its key areas of focus will include:

- Board succession planning, particularly as David Lowden is in his eighth year of service on the Board;
- continued succession planning for the Group management team and senior leadership roles, ensuring that all future training and development needs are being identified and addressed; and
- driving progress on inclusion and diversity initiatives, ensuring that all divisions remain focused on achieving meaningful outcomes.

Nomination committee report continued

Board composition and skills

The committee has been active in fulfilling its responsibilities, ensuring adequate succession planning for the Board. The committee has also overseen my induction programme since I joined the Board in May, ensuring a smooth handover from the departing chair, Michael Findlay, who stepped down in July having completed his nine-year term (the maximum the Code deems appropriate for a director to be considered independent).

Each year, the committee adopts a formal process for assessing the Board's composition to ensure it maintains the right balance of skills, expertise and backgrounds to provide effective challenge at Board and committee meetings. Any skills or knowledge gaps identified during this process will be considered in future succession planning as well as when selecting subject matter experts to attend Board discussions to enhance the quality of debate.

During 2025, the committee reviewed:

- an updated Board skills matrix following changes in 2025, showing each director's self-assessment of their skills and experience across 26 categories;
- the Board skills matrix mapped against our principal risks, with consideration of emerging risks, to determine if there are any current or future gaps in the skills and knowledge we need;
- the current tenure of the existing directors; and
- the outcome of the annual performance reviews of the Board and individual directors to ensure that their contributions continue to support the Group's long-term success.

As an outcome of its review, the committee was satisfied that:

- the Board had maintained a broad mix of skills that meet our strategic priorities and future growth;
- there were no material skills gaps on the Board or committees;
- reflecting the increasing relevance and increase in cyber attacks on UK businesses, it was appropriate to separate IT and cyber security into separate categories in the skills matrix. The Board would continue to invite the Group IT director and head of information security to its May and December meetings. In particular, it was noted that this year's discussion on the current and future use of AI had been extremely informative with regard to the benefits and risks and the importance of ensuring that proper safeguards are in place;
- the Board would also continue to regularly invite the head of ESG and sustainability to its meetings to keep them informed of changes in legislation; and
- the committee would focus on succession planning for David Lowden's role as senior independent director prior to the end of his nine-year term in September 2027. This will include identifying the skills needed and ensuring a smooth handover.

Induction and training for directors

Induction programmes are arranged for new directors tailored to their background and experience. They include meetings with the other Board directors, divisional managing directors, the company secretary and other senior management to help the director gain an understanding of the Group's governance, culture, strategic priorities and how each division operates. The meetings are supplemented with documents and materials, including historical Board and committee papers, Group policies, recent results announcements, investor relations reports and performance data.

To develop and maintain the non-executives' understanding of the business, Group management team (GMT) members and other senior executives are invited from time to time, as appropriate, to present to the Board and committees on their areas of responsibility. The non-executives are also encouraged to meet with the divisional teams during the year outside of Board meetings, including visits to their projects, both during and in addition to the Board's annual strategy review.

All directors undertake external training and/or attend seminars relevant to their duties. They also sit e-learning modules and refresher training courses on a range of topics, issued periodically by the Company.

Succession planning

Board succession planning and appointments

Following a formal recruitment process that started in 2024 and concluded in early 2025, I joined the Board on 3 May 2025 as a non-executive director and chair designate. The appointment process was led by David Lowden and described in the 2024 annual report. My induction programme included visiting all our divisions and their senior leaders and visiting their major projects, meetings with Michael Findlay and other members of the Board, and reviewing the last three years' strategy review process and outcomes prior to conducting this year's review (see page 77). In July 2025, following Michael Findlay's retirement from the Board, I assumed the roles of Board chair and chair of the nomination committee.

In April, the Company announced the retirement of Helen Mason as general counsel and company secretary, having been with the Group since 2014. The Board appointed an interim company secretary until Lisa Minns was appointed as general counsel and company secretary in June. Lisa attended the responsible business committee in June by invitation and was appointed as a member on 4 December 2025. The responsible business committee was dissolved by the Board in February 2026 (see page 93).

External appointments and conflicts of interest

Prior to appointment, new directors are asked to disclose any significant commitments and an indication of the time involved, so that the Board can assess whether they will be able to devote the time necessary to fulfil their role on the Board.

Once appointed, any proposed additional external appointment must be approved, taking into consideration any potential conflicts and additional demands on the director's time.

Nomination committee report continued

Following its annual review in December of the non-executives' commitments, the Board was satisfied that each director continues to allocate sufficient time to enable them to discharge their duties and responsibilities effectively and that their external commitments do not conflict with their duties as directors of the Company.

Senior management succession planning

Each year the committee reviews succession planning for the executive directors, GMT and senior leaders as well as the divisions' strategies for developing a diverse pipeline of talented people for senior leadership positions. The chief executive is responsible for managing GMT succession planning and the divisions are responsible for preparing plans for their senior leaders.

Specifically, the committee receives and reviews:

- management's view of the characteristics, skills and expertise needed from our most senior leaders, both now and in the future;
- management's succession plans for the GMT, including short-term contingency cover where immediate successors have not been identified, for example due to the need for further training and development;
- divisions' succession plans for their senior leaders, including actions they are taking to develop their people and maintain a pipeline of potential future successors aligned to the Group's long-term strategic priorities; and
- divisional progress in building a diverse workforce.

Following its review in February, the committee concluded that:

- the succession planning and development programmes in place across the Group remain appropriate. Management was asked to broaden and strengthen these plans to encompass additional senior roles, and this work has since been progressed; and
- further effort is required to improve inclusion and diversity outcomes at all levels of the organisation. The divisions were encouraged to deepen their understanding of inclusivity by reviewing attrition trends and assessing the need for a structured, Group-wide approach to exit interviews.

Inclusion and diversity

The Board's inclusion and diversity policy, which extends to its committees, the GMT and their direct reports, was refreshed in 2025 and can be found in the investors/governance section of our website. The policy sets out the Board's responsibilities in managing the diversity of its composition and setting a culture of inclusive leadership from the top. The policy also sets objectives that are aligned with the Financial Conduct Authority's UK Listing Rules (UKLR), the FTSE Women Leaders Review and the Parker Review. The table and commentary on page 83 show our current performance against these objectives.

In 2025, the Board also approved a new Group inclusion and diversity policy, establishing a framework for our divisions to create their own policies for an inclusive and diverse workplace that supports the rights of all individuals who work in our business, irrespective of age, gender, ethnicity, religion, sexual orientation, disability or educational, professional and socio-economic background (see page 39).

On behalf of the Board, the committee monitored each division's progress in increasing inclusion and diversity at all levels of the business. As part of its review, the committee received an update from the head of ESG and sustainability, providing an overview of:

- recent market and worldwide inclusion and diversity trends and challenges;
- preparations being made for the new Employment Rights Bill that will require large companies to publish an equality action plan;
- recruitment and development outcomes across the business, including future focus areas;
- retention of employees with a focus on understanding attrition rates, in particular people leaving within one year; and
- progress with inclusion and diversity programmes, including the Parker Review recommendation to increase senior management representation from ethnic backgrounds against a set target by 2027.

The committee noted that the divisions have continued to ensure that their policies promote inclusivity. In addition, the divisions have introduced new approaches to attracting more diverse pools of talent, particularly in the entry level/foundation population where larger divisions are seeing their diversity levels improve. It was agreed that the Group should continue to drive improvement in inclusion and diversity through our recruitment, training and development programmes so that we attract and retain a talented workforce that is reflective of the communities in which we live and work.

Nomination committee report continued

Our current levels of diversity

In accordance with UKLR 6.6.6R(10), the Act and the Code, the following two tables set out the diversity of the Board and executive management (our GMT). For fuller disclosure, we have also included the diversity of the GMT's direct reports.

Diversity of sex of the Board and executive management at 31 December 2025

	Number of Board members	Percentage of the Board	Number of senior positions on the Board[1]	Number in executive management[2]	Percentage of executive management[2]	Number of direct reports to the GMT	Percentage of direct reports to the GMT
Men	4	57.1%	3	7	70%	63	67%
Women	3	42.9%	1	3	30%	31	33%

Ethnic diversity of the Board and executive management at 31 December 2025

	Number of Board members	Percentage of the Board	Number of senior positions on the Board[1]	Number in executive management[2]	Percentage of executive management[2]	Number of direct reports to the GMT	Percentage of direct reports to the GMT
White British or other White (including minority White groups)	6	85.7%	3	9	90.0%	86	91.5%
Mixed/multiple ethnic groups	0	0.0%	0	0	0.0%	2	2.1%
Asian/Asian British	1	14.3%	1	1	10.0%	2	2.1%
Black/African/Caribbean/ Black British	0	0.0%	0	0	0.0%	2	2.1%
Other ethnic group, including Arab	0	0.0%	0	0	0.0%	1	1.1%
Not specified/prefer not to say	0	0.0%	0	0	0.0%	1	1.1%

1 Chief executive, chief financial officer, senior independent director and chair.
2 John Morgan and Kelly Gangotra are included in both Board and executive management (our GMT).

In accordance with the Act, the table below shows our Group-wide diversity in numbers, as well as percentages.

Group-wide diversity at 31 December 2025

	2025 by number[1]	**2025 by percentage**	2024 by number	2024 by percentage
Men	6,039	73%	5,970	74%
Women	2,214	27%	2,127	26%
Minority ethnic background	894	11%	861	11%
Non-minority ethnic background	6,757	82%	6,503[2]	80%
Not specified/prefer not to say	602	7%	733	9%

1 All the data in the tables above relates to UK employees. It has been collected from our HR records, which are held securely and are accessible only to a select number of employees.
2 The 2024 non-minority ethnic background number has been restated to remove the number of employees who had either not specified or preferred not to disclose their ethnic background; we have included a separate line for this data.

We meet the UKLR 6.6.6R(9)(a)(i), (ii) and (iii) targets and our diversity policy target, which require that: at least 40% of the Board are women; at least one senior Board position is held by a woman (chief financial officer); and at least one Board member is from a minority ethnic background (which also meets the Parker Review target of one director from a minority ethnic group). We have also exceeded the Hampton-Alexander Review target of 40% of women on the Board. Board diversity will continue to be a factor of consideration in recruitment while also having regard to the needs of the business.

At the end of 2025, women made up 30% of the GMT, which falls slightly short of our inclusion and diversity policy target of women making up at least one third of the GMT (2024: 27.3%). Throughout the year, divisions undertook actions to support and promote female leaders (see page 39). The percentage of direct reports to the GMT that are women currently sits at one third of our senior leadership team (33%). In 2024, the Board approved an interim target for 2027 for ethnic diversity percentage of senior management working in the UK. This target is included in our annual Parker Review submission.

Nomination committee report continued

Board performance review

As a result of the 2024 internal review of the performance of the Board and its committees, the Board agreed that its future focus would continue in the following areas:

2024 Board performance review – actions taken in 2025

Agreed focus areas	Progress
Succession planning with a continuing focus on building a diverse workforce and maintaining the Group's culture	The nomination committee continues to address future succession needs of the Board and to review divisional succession plans. The nomination committee also reviewed the divisions' activities to build a diverse workforce. See page 39 for more detail. Ensuring we continue to drive progress and achieve meaningful outcomes will remain a focus area for the nomination committee.
Having greater oversight and understanding of wider workforce issues, notably in respect of attrition rates	In response to the further analysis of attrition rates, in particular people leaving within one year, each of the divisions has strengthened its onboarding processes. In addition, the divisions have continued to look at ways to drive better performance through recruitment, training and development programmes (see pages 38 and 39).
Ensuring Property Services returns to profitability in 2025	▪ Following the conclusion of its business remediation plan in 2024, Property Services continued to stabilise its business activities during 2025, resulting in reporting a modest profit for the full year. ▪ The Board approved the integration of Property Services into Construction from 1 January 2026, given the alignment of its ongoing activities with that division.
Achieving business growth in partnerships	▪ The Board continued to receive regular reports from Partnership Housing and Mixed Use Partnerships. ▪ Partnership Housing continued to strengthen its long-term partnerships in the public sector, notably with the award of a number of strategic schemes during the year. ▪ Mixed Use Partnerships continued its strategy to secure sizeable long-term partnership agreements to deliver placemaking. The Board upgraded its medium-term targets in February and informally met with its leadership team in June. ▪ The managing directors of Partnership Housing and Mixed Use Partnerships presented to analysts at the half-year results presentation.
Our Total Commitments and the next phase of the ESG journey	▪ The Board and responsible business committee invited the head of ESG and sustainability to update them on continuing changes in the regulatory landscape. ▪ Our five Total Commitments remain appropriate. We will continue to evolve and refine our ESG strategy using the output from the double materiality assessment undertaken during the year; to streamline and enhance our data and reporting; and to support our divisions to create their own action plans to reduce Scope 3 emissions.

Nomination committee report continued

The 2025 internal performance review

In November, we conducted an internal performance review of the Board and its committees. As part of the process:

- each Board member completed a questionnaire on the actions taken and progress made on the five agreed focus areas identified from the 2024 performance review (see panel on page 84). The questions in this year's review therefore followed up on those key areas, firstly to ensure that satisfactory progress has been made and secondly to identify any areas where further work is required;
- the chair presented the outcomes of the review at the December Board meeting, for discussion and to agree future areas of focus;
- the chair held meetings with each director individually to formally review their performance, taking into consideration any training they had undertaken; and
- the senior independent director led the Board appraisal of the chair's performance.

A summary of results and agreed focus areas for 2026, including how the performance review has or will influence Board composition, is set out below. We will report on progress against these and any further actions in our 2026 annual report.

Conclusions of the 2025 performance review and future focus areas

The 2025 performance review confirmed that the Board and committees are working well, with constructive challenge between executive and non-executive directors, an open, trusting atmosphere and good debate on all key matters. It was agreed that during the year, discussions had been of a high quality with the right balance between business strategy/performance and governance. The Board agreed to focus on the following areas going forward:

- achieving business growth in Mixed Use Partnerships and Partnership Housing;
- succession planning for the Board and GMT, ensuring robust talent pipelines and appropriate development opportunities are in place;
- monitoring supply chain vulnerability; and
- promoting inclusion and diversity across all divisions particularly given the current varying levels of maturity, which are partly reflective of the sectors in which we operate.

Following the chair's individual meetings with the non-executive directors and the senior independent director's meeting with the chair, the committee agreed that each non-executive remains independent, continues to meet the time commitments required for the role, is able to discharge their duties and responsibilities for the coming year, and remains an effective member of the Board. In reviewing the skills and experience required for future Board appointments following completion of the performance review process, the committee concluded that while sector-specific experience can be valuable, long-term contracting expertise and the right cultural alignment are of greater importance to the Board in ensuring effective contribution and performance.

Looking ahead

In 2026, the committee will continue its focus on:

- succession planning for the Board and GMT;
- succession planning in the divisional management teams;
- reviewing progress on increasing inclusion and diversity across the Group; and
- commissioning an externally facilitated performance review in line with the Code.

Peter Harrison
Chair of the nomination committee
24 February 2026

Audit committee report

On behalf of the Board, I am pleased to present the committee's report for the year ended 31 December 2025.

Sharon Fennessy
Chair

The quick read...

- Focused on the integrity of the 2025 financial statements with oversight and review of management's assumptions on key judgements as appropriate
- Ensured the independence and effectiveness of the internal audit function
- Reviewed and confirmed the independence and effectiveness of the external auditor
- Monitored the risk management and internal control framework and carried out a review of its effectiveness
- Conducted robust assessments of emerging and principal risks to facilitate the Board's risk appetite review
- Reviewed management's approach and progress in preparation for reporting under Provision 29 of the 2024 Code

Key responsibilities:

- Monitoring the integrity of the Company's financial results and reviewing significant financial reporting judgements
- Reviewing the external audit process and making recommendations to the Board with regard to appointing, reappointing or removing the external auditor
- Monitoring the Group's risk management and internal control framework and conducting an annual review of its effectiveness
- Monitoring and reviewing the effectiveness of the Company's internal audit function

The committee's full role and responsibilities are set out in its terms of reference, which are available on our website.

Committee composition and performance review

The committee's membership is shown in the table below. At the committee's request, meetings are regularly attended by the chief financial officer; Group financial controller; Group head of audit and assurance; EY lead audit partner; and other representatives from the external auditor. The committee also meets privately with the external auditor and Group head of audit and assurance in case they wish to raise any concerns outside of the formal meetings.

Members[1]	Member since	Attended/ scheduled
Sharon Fennessy[2] (chair)	2024	3/3
David Lowden[3]	2018	2/3
Jen Tippin	2020	3/3

1 Biographies of members are set out on page 74. In compliance with the Disclosure Guidance and Transparency Rules (DTRs) and the UK Corporate Governance Code (the 'Code'), all committee members are independent non-executive directors and the committee as a whole has competency, skills and experience relevant to the sector.
2 Sharon Fennessy is a qualified accountant and has competency in accounting and financial experience that is recent and relevant for the audit committee of a company in the sectors in which we operate, as required by the DTRs and the Code.
3 David Lowden was unable to attend the audit committee meeting in February 2025 as, due to a change of timing, he had prior commitments that could not be altered.

Our internally facilitated Board performance review in 2025 included a review of the audit committee (see page 85 for further details of the process).

Overall, the review confirmed that the committee is operating effectively, providing robust oversight and constructive challenge, and supported by comprehensive and high-quality papers. In accordance with Provision 24 of the Code, the Board has concluded that at least one member, Sharon Fennessy, has recent and relevant financial experience, that the committee as a whole is competent to carry out its role effectively, and that the committee members have between them sufficient experience relevant to both the sector which the Group operates in and financial management, audit and risk management more broadly. The biographical details of the committee members can be found on page 74.

It was noted that Mark Robson had been invited to attend committee meetings since his appointment to the Board. Following recommendation by the nomination committee, and taking into consideration Mark's financial expertise and the dissolution of the responsible business committee, the Board formally appointed Mark as a member of the committee with effect from February 2026. It was agreed that the committee's continuing focus would be on the areas listed on page 92.

Audit committee report continued

Key activities during the year

Committee meetings are scheduled in line with the Company's financial reporting cycle and a formal agenda ensures that all parts of the committee's remit are covered. The committee considers it remained compliant with the Code throughout the reporting period and has followed the FRC's Audit Committees and the External Audit: Minimum Standard (the 'FRC's Minimum Standard').

The work carried out by the committee during the year has been undertaken to meet the requirements of the FRC's Minimum Standard. The committee's key activities are set out in the following table and further information on its work is set out on the subsequent pages.

Financial reporting

2024 reporting period

- In early 2025, reviewed the 2024 draft annual report, including:
  - significant accounting judgements for the 2024 audit;
  - alternative performance measures used by management and disclosure of reconciliations back to the IFRS statutory reported figures;
  - going concern statement, including management's forecasts and projections for 2025;
  - viability assessments, including management's process and assumptions for assessing viability;
  - undertaking a review to ensure the annual report is fair, balanced and understandable; and
  - the draft full-year results announcement.

2025 reporting period

- Reviewed, with other members of the Board, interim trading updates released during the year.
- Reviewed significant accounting matters and assessed whether suitable accounting policies have been applied in preparation for year-end reporting.
- Reviewed the 2025 half-year statement and the half-year going concern assessment.
- Conducted an initial review of the 2025 full-year going concern and viability assessments and impairment testing of goodwill.
- Conducted a review of alternative performance measures used by management and disclosure of reconciliations back to the IFRS statutory reported figures.

External audit

- In early 2025, evaluated the performance of the auditor in the 2024 audit and the effectiveness of the external audit process.
- Recommended to the Board the reappointment of EY as external auditor for the 2025 audit and approved the audit fee.
- Reviewed EY's proposed audit approach and scope for the 2025 audit, including materiality and key audit risks and the progress made in their pre-planning and risk assessment procedures.
- Monitored and confirmed continuing compliance with our Group policy on the engagement of the external auditor to supply non-audit services.
- Reviewed and monitored the independence and objectivity of the external auditor, including receiving updates from EY on the succession and transition plan for the planned rotation of the key audit partner to take effect from the 2026 audit.
- At its February 2026 meeting after the conclusion of the 2025 audit, recommended to the Board the reappointment of EY as auditor for the 2026 reporting period.

Risk management and internal controls

- Formally reviewed the effectiveness of the risk identification process, Group and divisional risk registers, and the Group's approach to addressing climate-related financial risk.
- Considered the approach to and assurance of reporting against the Task Force on Climate-related Financial Disclosures (TCFD), including climate change risks and the approach taken to quantify climate-related risks and opportunities.
- Conducted deep dives into key risk areas, including discussion of the Group's emerging risks.
- Considered the continuing appropriateness of the level of provision made for building safety liabilities.
- Reviewed the effectiveness of the Group's internal financial controls and internal control and risk management systems.
- Monitored and reviewed the effectiveness and performance of the Group head of audit and assurance in connection with the 2025 agreed internal audit plan.
- Agreed the appropriateness of the 2026 proposed internal audit plan.
- Reviewed management's continuing progress in complying with the new reporting requirements under Provision 29 of the 2024 Code.
- Received continuing updates of actions being taken to ensure the Group can continue to demonstrate it has reasonable procedures in place to prevent fraud under the Economic Crime and Corporate Transparency Act.
- Reviewed the anti-fraud policy prior to adoption by the Board.

Audit committee report continued

Financial reporting

The directors are responsible for preparing the annual report and accounts (see responsibility statement on page 124). The committee is responsible for reviewing and reporting to the Board on the clarity and accuracy of the half-year and full-year financial statements before proposing them to the Board for approval.

In order to monitor the integrity of the Group's reporting and financial management processes, the committee receives and reviews, in detail, papers from the chief financial officer and the Group's financial controller together with reports on the work and findings of the external and internal auditors, who are also regularly invited to attend meetings of the committee. The committee also receives a report from the head of ESG and sustainability on climate data assurance in respect of the Group's Scope 1, 2 and 3 emissions as part of its review of the TCFD statement. This ensures that there is effective communication between all the relevant parties and that the financial statements present a 'true and fair' view. It also gives committee members the opportunity to assess whether suitable accounting policies have been adopted and to discuss and challenge management, where appropriate, on matters such as the appropriateness of the accounting policies that have been adopted, the robustness of critical accounting judgements, and key accounting estimates reflected in the financial results to ensure that it is satisfied with the outcome.

Significant accounting matters

As part of its review of the financial statements, the committee looked at three significant matters which required the exercise of judgement in connection with the financial statements; these are recurring matters. The detail of what was reviewed and discussed and the conclusions reached are set out in the table below. Further information on the significant accounting policies that have been applied and critical judgements and estimates that the directors have made can be found on page 148.

Issue	Basis of assurance	Conclusion
Contract revenue, margin, receivables and payables, and inventory valuation The recognition of revenue and margin on contracts in the financial statements, and the associated contract receivables and payables, together with the valuation of inventory requires management to make judgements and estimates.	In addition to receiving updates on the key contract issues at Board meetings, where management identifies any significant differences in contract valuations with either clients or suppliers, and significant judgements relating to inventory valuation, the committee reviewed the status of the issues at each audit committee meeting.	Based on its review and discussions with the management team, internal audit and the external auditor, the committee concluded that the treatment of contract revenue, margin, receivables and payables, and inventory valuation in the financial statements is appropriate.
Impairment of goodwill The Group is required to test goodwill for impairment annually. This test involves a value-in-use model that includes estimates of future cash forecasts, growth rates and an appropriate weighted average cost of capital.	The value of goodwill is supported by a value-in-use model prepared by the management team. This is based on cash flows extracted from the Group budget, which have both been approved by the Board. The committee reviewed and challenged the management team on the assumptions used in the value-in-use model.	Based on its review and discussion with the management team and the external auditor, the committee was satisfied that the value of goodwill is appropriate.
Viability and going concern assessment To carry out a review of the viability of the business and appropriateness of the going concern basis of preparation, management prepares a model based on its budget for the next three years. The model includes a number of assumptions and sensitivities.	To satisfy itself that the Group has adequate resources to continue in operation for the foreseeable future and that there are no material uncertainties in respect of the Group's ability to continue as a going concern, the committee considered the Group's viability statement, cash forecasts and available borrowing facilities. It challenged management's assumptions and discussed the sensitivities to risks that could reasonably impact the future operating results.	Based on its review and discussion with the management team and the external auditor, the committee recommended to the Board the adoption of the going concern statement and the viability statement for inclusion in the annual report.

The committee believes that the significant accounting matters have been properly recorded in the Company's books and records and appropriately accounted for in the 2025 financial statements.

Going concern and viability

To support the directors in making the going concern and viability statements, the committee reviews the financial modelling scenarios and reverse stress-testing conducted by management for the going concern assessment as well as the viability assessment process undertaken in support of the long-term viability statement and the rationale behind the chosen three-year time horizon (see pages 66 and 67 for further information).

As a result of its review, the committee confirmed it was supportive of management's processes, scenarios and modelling assumptions applied for assessing going concern and long-term viability, and that the extreme downside and reverse stress-testing exercise had not identified concerns for the Group.

Fair, balanced and understandable assessment

As part of its year-end process, the committee applied the same due diligence as in previous years to assess whether the annual report, taken as a whole, was fair, balanced and understandable. In reaching its recommendation, the committee considered the views of the external auditor and any significant issues raised by them, and a paper from the company secretary on the governance of the annual report which covers the process in place to ensure the integrity and completeness of the 2025 financial records; the approach to drafting; the review of content and messaging; and the review and input from senior executives and Company advisers.

Audit committee report continued

Taking the above into account, together with the committee's review of the annual report and financial statements, the committee recommended and the Board confirmed that it could state that the 2025 annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for users to assess the Company's position, performance, business model and strategy.

External audit

Tenure

EY have served as the Company's external auditor for five consecutive financial years, following their appointment for the 2021 financial year after a formal tender process conducted in 2020. Peter McIver has acted as the lead audit partner since that appointment and Mark Morritt will take over from Peter as lead audit partner for the 2026 audit.

The committee oversees the Company's relationship with the external auditor. During the 2025 audit, the committee did not ask the external auditor to look at any specific areas during the course of its audit other than those already identified as part of the audit plan. There were also no requests received from shareholders for certain matters to be covered in the audit.

Independence

In monitoring and reviewing the independence and objectivity of the external auditor, the committee took into consideration:

- formal communications received from EY, at the planning stage and at the conclusion of the audit, setting out their processes for maintaining independence;
- the tenure of the lead audit partner, noting the preparations made by EY in advance of the mandatory rotation of Peter McIver as lead audit partner at the conclusion of the 2025 audit to ensure a smooth handover and maintain future independence;
- confirmation from EY that they had adhered to their own policies and safeguards to ensure their independence and objectivity and had followed necessary guidance and professional standards;
- confirmation from EY of the absence of any relationships between EY and the Company (other than in the ordinary course of business) which could adversely affect EY's independence and objectivity; and
- compliance with the Company's policy on the engagement of the external auditor for non-audit services, which is available on our website. The policy sets out the circumstances and financial limits within which EY may be permitted to provide non-audit services. In all cases, engagement is subject to EY providing an independence assessment and obtaining prior approval from the committee before any permitted non-audit service is undertaken, regardless of size. The policy also imposes a cap whereby fees for non-audit services provided by the external auditor must not exceed 70% of the average statutory audit fee over the preceding three years. In addition to this, EY have their own safeguards in place to ensure that non-audit services prohibited by the FRC's Ethical Standard are not provided to the Group.

Effectiveness

In monitoring the effectiveness of the external auditor, the committee took into consideration:

- the committee's meetings with EY during the year without management present;
- the results of an evaluation questionnaire, prepared in accordance with the FRC's Minimum Standard and completed by key stakeholders, being senior members of the divisional and Group finance teams. The questionnaire asked stakeholders to evaluate EY in terms of the quality of the service provided to meet the audit plan, the adequacy of their resources, and their communication and interaction during the process. The questionnaire also sought opinion on whether EY had demonstrated independence, objectivity and professional scepticism when obtaining, evaluating and challenging audit evidence, particularly in the key areas of focus identified in the audit plan, such as those involving key judgements (see pages 130 to 133 for examples of matters on which EY challenged management during the course of their audit);
- the committee's review of key conclusions from the 2025 audit, including: that the agreed audit plan had been met and had incorporated and adequately addressed any changes identified in perceived audit risks; and that EY had been thorough in the depth and robustness of their review and the handling of key accounting judgements; and
- the committee's own assessment of EY's challenge and professional scepticism.

Based on all the evidence presented to the committee, it was satisfied that:

- there were no additional fees for non-audit services approved by the committee during the year, other than a recurring subscription to EY Atlas (a subscription-based product which gives clients access to EY technical insights relating to accounting, financial reporting and regulatory filing) (see note 3 on page 151); and
- EY had conducted the external audit effectively with appropriate rigour and challenge, had applied professional scepticism throughout the audit, and had continued to be independent and objective.

Reappointment of external auditor

Having regard to the considerations referred to above, the committee has satisfied itself that EY, the current external auditor with responsibility for the 2025 financial year end, remain independent and effective. As a result, following recommendation from the committee, the Board will propose the reappointment of EY as external auditor in a resolution put to shareholders at the forthcoming AGM. The committee confirms that its recommendation is free from influence by a third party, and no contractual term of the kind mentioned in Article 16(6) of the Audit Regulation has been imposed on the Company.

Subject to the continuing independence and effectiveness of EY as the external auditor or changes in legislation, the committee does not anticipate putting the audit out for tender until 2030 but will continue to monitor this annually to ensure the timing for the audit tender remains appropriate. The Company has complied with the Statutory Audit Services Order 2014 for the year under review.

Audit committee report continued

Risk management, internal audit and internal controls

Risk review

At its meetings in July and December, the committee undertook a robust assessment of the Company's principal and emerging risks. For each review, the committee received a paper from the Group head of audit and assurance which included: an overview of the risk landscape and its potential impact on our strategy over the medium to longer term; the movements in Group and divisional risks during the period; a summary of the controls and mitigations in place; and an overall assessment of the status of each risk before and after mitigation. These reviews informed the Board's discussions on risk appetite (see page 78).

In 2025, the key movements in the risk register were as follows:

- **cyber attack** (see principal risk J, page 53): The committee noted that this risk had increased during the year due to the intensity and volume of external cyber activity. The Board receives regular updates on actions taken to mitigate this risk;
- **mismanagement of working capital and investments** (see principal risk G, page 52): Working capital continues to be well managed across our segments. However, working capital levels have increased in line with planned investments in Mixed Use Partnerships and Partnership Housing. The committee continues to monitor these investments;
- **partner insolvency** (see principal risk E, page 51): This risk has reduced on the basis that while there continue to be supply chain partners who go into liquidation, which is often disruptive and adds costs to our projects, it is a risk that has been well managed across the business; and
- **emerging risks** (see page 55), including longer-term potential scenarios that require monitoring.

Following its assessment at the year end, the committee noted that, during 2025, our overall risk profile remained stable. This is supported by more resilient macro and consumer finances, easing inflation, and reduced cost-of-living pressures on households and businesses. The committee also noted subdued consumer confidence levels and affordability challenges for first-time buyers in the private housing market, which is impacting demand.

The committee concluded that, while some uncertainty persists, our stable risk profile is underpinned by the diversification of our business segments and focus on markets that are predominantly in the public and regulated sectors. The committee regards these sectors to be structurally secure and noted that they include recent government commitments to critical construction and infrastructure, such as affordable housing and regeneration, which align with the Group's strategy.

Further detail on market challenges and our mitigation actions can be found in the market conditions section on page 7 and the managing risk section on pages 49 and 51 (principal risks A, B and E respectively).

Our continued focus on cash and robust working capital management are reflected in our strong cash position and balance sheet, which support us in long-term decision-making and selecting the right projects that match our risk appetite, particularly in any declining markets.

Review of internal audit and risk management and internal control framework

The internal audit function is led by the Group head of audit and assurance, who oversees divisional internal audit heads and supports with risk management activities.

Internal audit conducts its work in line with the Institute of Internal Auditors' Global Internal Audit Standards. The internal audit function is appointed by the Board to facilitate the committee's monitoring and review of the effectiveness of our risk management and internal control framework.

Details of our key internal controls – policies, procedures and monitoring activities designed to mitigate risks to achieving our strategic objectives – are set out in the table on page 91. Internal audit provides assurance that these controls are appropriately designed, fit for purpose and operating effectively.

During the year, 104 internal audits were completed in line with the plan covering a broad range of areas:

- **selected projects** – procurement, cost–value reconciliation, margin, programme, risk, contingency, change, and health and safety;
- **selected developments** – approvals, capital expenditure, viability, risk, structure, funding, schedule, sales, pace and returns;
- **financial/non-financial controls** – treasury, human capital, health and safety, anti-money laundering and payroll;
- **work-winning** – selectivity, pipeline quality, bidding and bid risk management;
- **cyber security** – various reviews by the internal audit team that include ISO 27001 and Cyber Essentials Plus gap analysis plus a plan of external IT and cyber assurance supported by third-party subject matter experts; and
- **other areas** – procurement, anti-bribery management system, right to work, build quality, sales and marketing, ESG, customer care and IT.

Throughout the year, internal audit engaged extensively with each divisional business unit as well as colleagues in health, safety and environment, IT and cyber security, legal, company secretariat, finance, tax and treasury, business improvement and HR to gain insight into performance in these areas.

Beyond the audit plan, internal audit conducts a number of site visits across divisions to observe and monitor site culture, progress and performance. These visits provide the internal audit team with a greater understanding of our operational risks across a broad portfolio of work.

At its December meeting, the committee reviewed and approved the 2026 internal audit plan. The plan adopts a risk-based approach consistent with prior years and comprises 92 audits, with a particular focus on:

- **project activities** – cost and value assumptions, operational, commercial, change management and risk (varying in scope but covering Partnership Housing, Fit Out, Construction (including Property Services) and Infrastructure);
- **development activities** – cost and value assumptions, approvals, risks, capital structuring, partner performance, funding, programme, return on capital, profit and sales (Partnership Housing, Mixed Use Partnerships);

Audit committee report continued

- **key financial controls** – cash, debt, work in progress, Construction Industry Scheme tax compliance, payroll, payment and consolidated reporting (selected divisions);
- **work-winning** – selectivity, pipeline quality, tender workbooks, bidding and bid risk management (selected divisions), client feedback, lessons learned;
- **cyber security** – reviews by the internal audit team plus external experts brought in to support an extensive cyber assurance plan that includes ISO 27001, Cyber Essentials Plus certifications, AI governance and compliance, disaster recovery preparedness, help desk simulated social engineering attacks and endpoint protection reviews; and
- **material controls** – specific audits to provide assurance around our material controls to support the Provision 29 Code requirement for the Board to make a declaration on control effectiveness as at the balance sheet date.

During 2025, the committee:

- **received reports from internal audit on**:
  - progress made against the internal audit plan, including audits completed versus scheduled, highlighting any significant findings;
  - formal ratings of effectiveness for each audit conducted based on whether the audit had identified any issues;
  - recommendations for improvements to the internal control framework, with agreed timescales for completion; and
  - the implementation status of recommendations (i.e. not due, overdue, and high priority and overdue), enabling the committee to request further information on any areas requiring greater scrutiny;
- **reviewed preparation for Provision 29 of the Code** – (see page 92) noting good progress towards readiness for the Board's declaration in the 2026 annual report; and
- **assessed the Group's fraud prevention framework** – confirming it remains adequate while noting opportunities to strengthen controls in a small number of areas, which are being addressed by management.

Internal controls

Financial

- **Financial reporting system** – to ensure the effective safeguarding of assets, proper recognition of liabilities and accurate reporting of profits: a comprehensive budgeting and forecasting system, regularly reviewed and updated; a management reporting system, including monthly divisional reports to the Board; and financial reviews in the annual internal audit plan to validate the integrity of divisional management accounts.
- **Investment and capital expenditure** – detailed procedures and defined levels of authority, depending on the value and nature of the investment or contract, in relation to corporate transactions, investment, capital expenditure, significant cost commitments and asset disposals.
- **Working capital** – continual monitoring of current and forecast cash and working capital balances through daily and monthly reporting.

Operational

- **Group structure** – divisional boards, with certain key functions such as tax, treasury, internal audit, IT, pensions and insurance retained at Group level, and a system of delegated authorities to ensure that decisions are made at the appropriate level (see risk governance framework on page 47).
- **Tender, project selection and contract controls** – tenders reviewed in detail with approval required at relevant levels and at various stages from the start of the bidding process through to contract award; assessment of the financial standing of clients and key subcontractors; and robust procedures to manage ongoing contract risks, with monthly operational reviews of each contract's performance, including a detailed appraisal of related commercial performance via our cost and value process.

Compliance

- **Legal compliance** – monitored by divisional commercial directors, HR managers and heads of legal, and general counsel and company secretary, training provided on topics including GDPR, competition law, anti-bribery and corruption, and the market abuse regulation.
- **ISO accreditation** – includes 9001 (quality), 14001 (environmental), 45001 (occupational health and safety) and 27001 (information security management).
- **Corporate governance framework and Group policies** – written guidance and policies (see pages 64 and 65 for more detail on our policies) at Group and divisional levels.

Reporting

- **Reconciliation checks** – monthly general ledger and balance sheet reconciliations in each division. Group finance team review management accounts packs and undertake variance analysis each month.
- **Review meetings** – monthly business unit and divisional review meetings to review financial, operational, ESG and safety performance, including variance against forecast.
- **Internal audit assurance** – regular internal audits of financial, operational and ESG data capture and reporting disclosures.

Audit committee report continued

The Group head of audit and assurance also provides assurance to the committee on whether the overall framework of internal controls is operating effectively. The committee's oversight of internal controls is further supported by:

- direct access to senior managers, including the general counsel and company secretary, Group IT director, Group director of procurement and the head of ESG and sustainability;
- fraud log reporting detailing all concerns raised either directly to the Group or via the independently managed Raising Concerns phone line. Investigations are conducted by the general counsel and company secretary and/or internal audit, with updates provided to the Board throughout the year;
- the delegation and limits of authority procedures, enabling the Board to confirm that the commercial projects under consideration align with the Group's strategic priorities;
- health and safety incident reporting, providing the Board with visibility of compliance with working practices designed to prevent harm to our workers and other stakeholders; and
- discussions with the external auditor, including their assessment of our control environment and any observations arising during their audit.

In 2025, these processes, together with internal audit's conclusions from audits performed during the year, enabled the committee to conclude that the Group maintains an effective risk management and internal control framework.

Preparations to comply with Provision 29

Throughout 2025, the committee received regular updates from the Group head of audit and assurance on progress towards compliance with Provision 29 of the Code. The committee actively challenged both the approach and the pace of delivery.

Our preparations have built on existing divisional and Group-level activity, supported by a robust internal audit plan. Our material controls are identified through biannual reviews of risk and control matrices, which cover financial reporting, operational, commercial, ESG and fraud-related risks. These matrices underpin control self-assessments and effectiveness declarations submitted twice-yearly by divisions and Group functions.

Internal audit led a comprehensive review to validate the appropriateness of material controls, engaging divisional finance directors and Group functional heads, with further review by the risk committee and final consideration by the committee. This process provided an opportunity to reassess principal risks to ensure alignment with our business model. The committee expects this framework to continue evolving and maturing over time.

Following this work, the committee is satisfied that the approved internal audit plan for 2026 aligns with the agreed list of material controls and the principal risks of the Group.

Independence and effectiveness

The internal audit function is independently validated every five years. The last external assessment was carried out by Blackmores (UK) Ltd in 2021, with details disclosed in our 2021 annual report.

Each year, the committee assesses the effectiveness of the internal audit function. In 2025, this included:

- reviewing and assessing the internal audit plan;
- reviewing that the actions to address any failing or weaknesses identified by internal audit were implemented promptly;
- considering whether any failing or weaknesses identified indicated poor decision-making, the need for enhanced monitoring, or reassessment of management's control processes; and
- evaluating the role and effectiveness of internal audit within the Group's risk management framework and of its ability to meet the Group's needs.

The chair of the committee also met separately with the Group head of audit and assurance without executive directors present, to discuss internal audit findings, the outcome of investigations and any other observations of note. No new matters were raised beyond those already reported by the executive directors.

Following its assessment in December 2025, the committee was satisfied that:

- internal audit and internal controls were operating effectively;
- the small number of improvement opportunities identified during the 2025 internal audits were being addressed and implemented;
- the internal audit team is adequately staffed and remains independent;
- fraud prevention procedures are adequate; and
- preparations for Provision 29 were progressing appropriately.

Looking ahead

In 2026, the committee will give particular attention to:

- the integrity of our financial reporting; and
- risk management and internal controls, in particular oversight of the evidence being prepared by management in order that the annual declaration can be made by the Board on the effectiveness of our material controls in line with Provision 29 of the Code.

Sharon Fennessy
Chair of the audit committee
24 February 2026

Responsible business committee report

I am pleased to present the report of the responsible business committee for 2025.

Mark Robson
Chair

The quick read...

- Reviewed safety performance and wellbeing support
- Reviewed the Group environmental policy
- Received presentations on our performance against our Total Commitments targets and progress against our broader ESG strategy
- Monitored our progress towards achieving our 2030 and 2045 net zero carbon targets
- Received an update on our social value initiatives

Key responsibilities:

- Reviewing the Group's responsible business strategy, targets, risk exposure and performance against our Total Commitments
- Monitoring how our governance, skills and resources are used to ensure compliance with our Group policies and applicable law and regulations
- Receiving regular reports on safety performance and reviewing key issues arising and the impact of our operations on the health and wellbeing of employees

Committee composition and performance review

The committee operated during 2025 and its membership during the year is shown in the table below. The committee invited the chief financial officer to attend each meeting and other members of senior management were invited to attend all or part of meetings, as appropriate.

Members	Member since	Attended/ scheduled
Mark Robson (chair)	**2024**	3/3
Lisa Minns[1]	**2025**	2/3
Michael Findlay[2]	**2024**	2/3

1 Lisa Minns was appointed to the committee on 4 December 2025. Lisa attended the committee meeting held in June by invitation.
2 Michael Findlay stepped down from the Board and the committee on 28 July 2025.

As part of the performance review, the activities of the committee were assessed. The review concluded that the committee had played a significant role in shaping the Group's health and safety and ESG strategies and goals, and in overseeing their delivery across the business. However, given the maturity and strategic importance of these areas, and with the Group's responsible business activities overseen by the CFO, the Board agreed to streamline the governance structure to avoid duplication and ensure consistent strategic action and oversight. Accordingly, the committee was dissolved by the Board on 24 February 2026, with its responsibilities reallocated between the Board and the audit committee as appropriate.

Key activities during the year

During 2025, the committee reviewed:

- our safety performance, to ensure that we are driving towards our goal of zero incidents and that we have a clear strategic plan in place to address any issues that arise;
- our Group health and safety framework, and protecting people Total Commitment to ensure they remain focused on the right objectives;
- the divisions' activities to support their employees' physical and mental wellbeing;
- progress made on our Total Commitments to improving the environment, working together with our supply chain, and enhancing communities; and
- the ESG regulatory reporting landscape and emerging reporting requirements.

The nomination committee assists the Board in reviewing the Group's performance in developing our people and the audit committee reviews climate-related risks and opportunities and the Task Force on Climate-related Financial Disclosures (TCFD) statement (which can be found on pages 56 to 61).

Responsible business committee report continued

Safety performance

Both the committee and the Board receive regular updates on the Group's safety performance and the actions we are taking to maintain a positive health and safety culture.

At the committee's February 2025 meeting, health and safety directors from our Construction and Infrastructure divisions provided updates on how the four Group-wide health and safety leading indicators (HSLIs) and business-specific leading indicators had been implemented in their divisions in line with the Group health and safety framework. This included insight into the divisions' initial findings and observations since the leading indicators were launched.

At its June 2025 meeting, the committee invited Fit Out's health and safety director to present on its performance against the HSLIs and other improvements the division had made to its safety culture to help mitigate the top causes of high-potential incidents.

At its December meeting, and based on the information received and reviewed by the committee during the year, it was agreed that we should remain focused on our Total Commitment of protecting people, as safety is our first priority. The committee emphasised the importance of recording positive interventions and ensuring that corrective actions and lessons learned are shared across all divisions while driving continuous improvement across our key safety metrics.

Physical, mental and financial wellbeing

The Group provides access to various Group-wide benefits, for example an employee assistance programme and a financial education portal, while the divisions are responsible for providing wellbeing support to their employees through targeted activities taking feedback from employees into consideration (see page 37).

In June, the committee reviewed reports from each division on the actions they were taking to support their employees' wellbeing, and concluded that:

- the divisions continue to invest in a range of activities that help strengthen the resilience of their teams and foster a collaborative and supportive working environment; and
- through regular employee engagement and surveys, the divisions can measure the extent to which their employees feel supported in these areas, identify future target areas and respond with appropriate action plans to ensure they continue to develop and enhance their wellbeing strategies.

Responsible business strategy and ESG reporting

We have continued with refocusing and refining our responsible business strategy and improving our ESG reporting. The committee received updates from the head of ESG and sustainability at each of its meetings on progress being made to ensure our strategy remains focused on the areas where we can have the most impact.

In June, the committee reviewed and recommended for Board approval a draft Group environment policy, the purpose of which is to provide a framework for the divisions to manage the Group's environmental activities and develop policies that are appropriate to their respective businesses while being aligned to Group policy. A copy of the Group environmental policy and other key ESG-related policies are available on our website.

During the year, the committee received updates on:

- the outcome of the double materiality assessment conducted in 2025 to ensure that feedback from stakeholders is considered as we evolve and refine our responsible business strategy, metrics and targets (see page 35);
- the development of a formal enhancing communities framework to support our divisions in creating social value local to their projects (see page 45);
- continuing work being undertaken to refine, streamline and enhance our data collection and collation process in preparation for future regulatory requirements and to enable better data-driven decision-making;
- activities being undertaken by our divisions to identify targeted carbon reduction opportunities and progress on meeting our medium- and longer-term Scope 1, 2 and 3 emissions science-based targets (see pages 40 to 42); and
- a report on the evolving ESG legislative reporting landscape, including an update on delays to publishing regulations and updated reporting requirements both in the UK and overseas.

Having considered the above, the committee agreed that:

- the Group remains on track to achieve its 2030 and 2045 net zero targets, while continuing to evolve existing areas of focus, metrics and targets across its remaining Total Commitments;
- continued Group-level support will be given to the divisions in developing their strategic action plans across our Total Commitments, with a specific focus on validating and addressing Scope 3 emissions as part of our Transition Plan; and
- while uncertainty in the ESG reporting landscape remains, we should ensure our disclosures keep pace with evolving developments and continue to monitor our ESG performance scores and engage proactively with the ESG rating agencies most used by our top institutional shareholders.

Looking ahead

In 2026, the Board will focus on the following priorities:

- continuing to challenge the divisions to reduce the number of RIDDOR-reportable incidents, lost time incidents, high-potential incidents and all accidents;
- reviewing ongoing initiatives to support employee health and wellbeing;
- monitoring the Group's ESG performance to ensure it continues to support long-term performance;
- assessing progress against our Total Commitments, including staying abreast of the evolving stakeholder expectations on ESG, emerging regulations and shifting reporting requirements; and
- driving continued improvement in the disclosure of material responsible business impacts, both in the quality of information provided and through stakeholder engagement.

Mark Robson
Chair of the responsible business committee
24 February 2026

Directors' remuneration report

I am pleased to present to you the report from the remuneration committee for 2025.

Jen Tippin
Chair

The quick read...

- Reviewed remuneration policy and concluded that it broadly remains fit for purpose. One minor policy change is proposed for approval at the 2026 AGM and three implementation changes are put forward by the committee to ensure the remuneration of our executive directors remains appropriately competitive and, in the case of the chief financial officer, reflects a recently agreed increase to her role responsibilities
- Consulted extensively with shareholders and proxy advisory firms regarding proposed changes to our remuneration policy and implementation for 2026
- Monitored remuneration market practices and the implications for the Group
- Approved the 2025 and 2026 remuneration for the Board chair, executive directors and Group management team
- Reviewed wider workforce remuneration and the alignment of incentives and awards with the Group's purpose, culture and values
- Set targets for the 2026 annual bonus and LTIP and reviewed performance against targets for the 2025 annual bonus and 2023 LTIP awards
- Sought feedback from employees across the Group and considered whether different interventions were needed from the committee or the Board

In this report:

Committee composition and performance review

The remuneration committee is composed solely of independent non-executive directors: David Lowden, Mark Robson and chair, Jen Tippin. Details of the skills and experience of the committee members can be found in their biographies on page 74.

As part of the annual performance review of the Board, a review of the committee concluded that it continued to work effectively, with well-structured papers and strong external advisers. It was agreed that the committee's focus in 2026 would be to seek to further develop its understanding of wider workforce issues and evaluate whether they are connected to remuneration.

Focus of the committee

In a year marked by significant growth for adjusted profit before tax, a substantial daily cash balance, a record-level secured order book and work at preferred bidder stage, together with continued delivery of long-term value for our stakeholders, the focus of the committee has been to ensure that our remuneration policy and our decisions under it continue to support the delivery of our short- and long-term goals and enable us to attract, motivate and retain the senior talent required to continue to deliver our strategy.

This report complies with the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in 2013, the provisions of the 2024 UK Corporate Governance Code (the 'Code'), the Companies (Miscellaneous Reporting) Regulations 2018, the Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019, and the UK Listing Rules.

Directors' remuneration report continued

Remuneration objectives and key responsibilities

As a committee we continue to drive a strong culture of pay in line with performance and shareholder experience. We are committed to being open and transparent in our approach to executive remuneration and strive to keep remuneration arrangements clear, consistent and simple to facilitate effective stakeholder scrutiny. Performance-related components of remuneration form a significant portion of the total remuneration opportunity, with the maximum potential reward available only through the achievement of stretching performance targets based on measures that the committee believes reflect the interests of shareholders and wider stakeholders.

Our remuneration principles align with the requirements of the Code. They apply across the Group and are designed to drive the behaviours and results required to support our strategy. They seek to ensure that remuneration:

- helps retain and motivate executive directors of the calibre required to deliver the Group's strategy;
- aligns reward outcomes and value created for shareholders;
- is appropriately competitive in the marketplace;
- is clear and simple to enable transparency for all stakeholders; and
- rewards value creation over the long term.

The extent of their responsibilities means executive directors are well paid, but the policy is designed to ensure that they are paid appropriately in line with performance and market. Reference points such as the performance of the business during the financial year in question and, over the longer term, the ratio of the chief executive's pay to the median pay for all employees, the policy for wider workforce remuneration and the experience of our wider stakeholders are important to us, in addition to the use of external benchmarking data when considering executive pay levels.

Our key responsibilities include:

- ensuring our remuneration policy is designed to align with the Group's purpose, values and culture and to encourage the effective stewardship that is vital to delivering our strategy;
- approving the design of all share incentive plans for approval by the Board and, where required, by shareholders;
- reviewing wider workforce remuneration and policies and the alignment of incentives and awards with culture, and taking these into consideration when setting the remuneration policy or determining remuneration for the executive directors;
- ensuring the policy promotes long-term shareholdings by executive directors by ensuring share awards granted are released on a phased basis and subject to a total vesting and holding period of five years;
- setting the remuneration of the Board chair, executive directors and Group management team; and
- ensuring our targets for remuneration are appropriately stretching and aligned to the Group's strategy.

The committee's full role and responsibilities are set out in its terms of reference, which were last updated in December 2024 and are available on our website.

Executive remuneration in context

The Group has delivered another record performance with continued dividend growth, despite some current market headwinds, which reflects the quality of the work we have won and our operational delivery.

	2025	2024	2023	2022	Percentage change 2025 vs 2024
Revenue	**£5,018.6m**	£4,546.2m	£4,117.7m	£3,612.2m	+10%
Profit before tax adjusted* (PBTA*)	**£232.6m**	£172.5m	£144.6m	£136.2m	+35%
Average daily net cash	**£367.6m**	£374.2m	£281.7m	£256.3m	–2%
Earnings per share (EPS) adjusted*	**370.0p**	278.8p	247.7p	237.9p	+33%
Share price (end of year)	**£46.50**	£39.00	£22.15	£15.30	+19%

* See note 28 to the consolidated financial statements for alternative performance definitions and reconciliations.

As a result of their performance in 2025, their market position and future prospects, the medium-term targets for Fit Out and Construction were upgraded as of 29 July 2025, while the Group as a whole issued three profit upgrades during the year (and a further upgrade following year end).

The strength of our balance sheet and cash generation have remained high priorities for the Board, enabling us to continue to do the right thing for all stakeholders and ensure that we select the right construction contracts and invest in long-term partnership schemes that will secure future earnings.

Against this backdrop, the committee continues to strive to ensure that executive remuneration remains aligned to our strategy, external environment and the UK corporate governance requirements.

Directors’ remuneration report continued

Review of remuneration policy and 2026 implementation

Our existing remuneration policy was last approved by shareholders in 2023 and, in line with regulations, needs to be resubmitted for approval at the 2026 AGM.

During 2025, the committee undertook a comprehensive review of the existing policy and concluded that it remains credible, effective and aligned to the Group’s short- and long-term strategy, and that it has contributed to the strong performance delivered in recent years. Accordingly, the committee is proposing only a single minor amendment to the policy to provide flexibility around the selection of future Long Term Investment Plan (LTIP) performance measures.

Specifically, we are proposing to drop wording in the existing policy about the LTIP being based on ‘the Company’s EPS and on relative TSR compared to a group of UK-listed peers”, and the limits around supplementing these measures “for up to one third of future awards’. The committee considers that this wording is unduly limiting for a policy framework which needs to be flexible to evolving circumstances over a three-year period and is contrary to typical market practice in this area. As you will see in the forward-looking implementation section, the committee has no immediate plans to change the current blend of EPS and relative TSR in the LTIP, and would write to major shareholders should any material changes be proposed at a future date.

In addition to this proposed minor policy change, the committee has also made three key implementation changes for 2026, namely:

- a one-off rebasing of the chief executive’s salary to £795,000 with effect from 1 January 2026;
- an increase in the chief financial officer’s LTIP opportunity from 175% to 200% of salary; and
- an 18.4% increase to the chief financial officer’s salary with effect from 1 April 2026 to reflect increased role responsibilities (in addition to an inflationary increase of 4.0% with effect from 1 January 2026).

The background to and rationale for these changes are set out below.

Salary increase for the chief executive

The committee has considered carefully on several occasions how to address the chief executive’s salary, which remains well below the market. During the last policy review we explored the possibility of a ‘notional’ salary but ultimately dropped the proposal based on both shareholder feedback and our desire to maintain the simplicity of executive pay arrangements. We have continued to signpost in subsequent reports and letters to investors that the chief executive’s salary is significantly below market levels, and that the recruitment of a successor would likely require a significant rebasing.

Since our previous deliberations, the Group has continued to deliver strong and sustained performance under the leadership of John Morgan – as evidenced in the results for 2025, which represent significant growth for PBTA*, up 35% to £233m from the prior year, with the full-year dividend increasing by 20% to 158p per share. Over the last 10 years, the Group’s PBTA* has grown at an equivalent of 18% CAGR and the dividend has grown at c.16% per annum, while between December 2015 and December 2025, the Group has delivered top decile TSR of 830% (equivalent to c.25% per annum). In each case, this performance positions the Group in the top two compared with sector comparators, as illustrated in the following table.

Ranking the Company’s performance against 15 comparators drawn from the construction, housebuilding, and engineering and real estate sectors:

Ranking	Total shareholder return (TSR)[1]	Profit before tax (PBTA)[2]	Dividend per share[3]
Highest	25% p.a.		
		18% p.a.	16% p.a.
Lowest			

1 Annualised TSR between December 2015 and December 2025.
2 Annualised growth in PBTA* between FY–9 and FY–0 (e.g. between December 2016 and December 2025 for the Group, using broker consensus where actual results are not yet known).
3 Annualised growth in total dividend per share between FY–9 and FY–0 (or the most recent financial year for which full-year dividend data is available).

In light of financial and operational performance, the committee believes that now is an appropriate moment to right-size the current chief executive’s salary, to ensure that he is being paid fairly and appropriately for the growing size and scale of his role, and the positive outcomes being delivered for all stakeholders by his leadership of the Group. We are also keen to ensure that John’s salary is set at an appropriate level so as not to impose an unnecessarily low ceiling on the rest of the senior management team’s remuneration.

Agreeing a proposed salary increase to reflect the aforementioned performance context and considerations around the chief executive’s role is a somewhat subjective matter and therefore, to provide an additional reference point to its decision-making process, the committee also considered market data provided by its independent advisers.

The committee’s approach to benchmarking has been articulated in previous remuneration reports (e.g. page 114 of last year’s report) and involves looking at size-adjusted data for both sector comparators and size comparators drawn from the broader FTSE. This year we reviewed the make-up of the sector comparator group, a key reference point, and approved a small number of additions to recognise companies against which we have previously competed for senior talent (Galliford Try), and to include companies with similar expertise in complex design and development activities (Land Securities, British Land and Grainger). The result is a robust and relevant group of 15 sector comparators, with five each in construction, housebuilding, and engineering and real estate.

Directors' remuneration report continued

In terms of outcomes, size-adjusted data for the sector comparator group suggests a market base salary for the chief executive of between £750k and £835k (median: £780k), while data for the size comparator group suggests a market base salary of between £705k and £870k (median: £805k). As part of its review, the committee also considered the absolute salary levels on a company-by-company basis within the sector, with the evolution of pay in recent years supporting our view that the Group continues to operate in a particularly competitive sector for senior executive talent. Reflecting on considerations around performance, scale and scope of role, and this additional market context, the committee concluded that a base salary of £795,000 would therefore be appropriate for 2026.

Mindful that increases to base salary have a ratcheting effect on the overall package, and that we have increased the chief executive's LTIP opportunity in recent years, the committee also considered market data looking at the fair value of total pay against the same comparators. Through this lens, the committee noted that the proposed salary increase would position the chief executive's total package just below median against the size-adjusted sector comparator group, and around lower quartile against the size comparator group.

Finally, the committee considered whether the salary increase should be implemented as a one-off or phased in over a number of years. On balance, the committee concluded that a single increase with effect from 1 January 2026 would be appropriate, recognising that the chief executive is already an experienced and long-tenured executive director with a demonstrable track record of delivery (compared with a newer appointee for whom we might want to link future increases to continued development in role), and noting that the proposal takes his overall package to a market level (rather than significantly above, which might otherwise warrant phasing).

LTIP award level increase and salary increase for the chief financial officer

Kelly Gangotra was appointed as chief financial officer in May 2024 and the Board is delighted with the progress she has made in the role to date. Following the retirement of the Group commercial director, and to ensure that we continue to stretch Kelly, the Board agreed to expand her role to include those responsibilities. In this expanded capacity, Kelly will provide critical strategic business, procurement and commercial governance to key contract and investment decisions at tender stage, followed by robust oversight throughout the project life cycle. Reflecting this broadened mandate, Kelly's official job title will be amended to 'chief financial and commercial officer' from 1 April 2026.

In light of her performance to date and the significant change to her role responsibilities, the committee has implemented two changes to Kelly's package for 2026: (i) an increase to her LTIP opportunity from 175% to 200% of base salary; and (ii) an additional 18.4% increase to her base salary with effect from 1 April 2026 (noting that Kelly's salary was increased by 4.0% on 1 January 2026 in line with the wider workforce and prior to the decision to expand her role). Kelly's 2026 LTIP award will be based on a salary of c.£528k, i.e. her chief financial officer salary at the time of the grant and prior to the uplift for her additional responsibilities in April.

The increase to Kelly's LTIP opportunity aligns her with the chief executive's award level (which had been the Group's standard practice for her predecessor) and the maximum available under the new (and existing) policy, and is seen by the committee as an appropriate way of reflecting her performance to date while reinforcing shareholder alignment.

Regarding the salary increase, the committee recognised that determining an appropriate salary increase to reflect a change in responsibilities is a particularly subjective exercise. On balance, we concluded that the 18.4% increase, in addition to a 4.0% inflationary increase applied from January, would be appropriate, and will position Kelly's salary (£625,000) and total remuneration package competitively against market. The committee would also note that the increase for Kelly represents an overall cost saving for the Company, with the role of Group commercial director not being replaced and the salary uplift for Kelly being significantly lower than that of the original role holder. As noted above, the Board as a whole is delighted with the progress that Kelly has made in her time at the Group, and believes this change is strongly warranted by both individual performance and the broader performance context.

Consultation on changes

The aforementioned policy and implementation changes were subject to an extensive consultation exercise undertaken between October 2025 and February 2026. The committee shared its proposals with the Company's largest institutional shareholders, covering more than 50% of the register. The committee also shared and discussed the proposals with UK proxy advisers – the Investment Association, ISS and Glass Lewis.

Feedback received during the consultation process was positive, with no concerns raised around the minor policy wording change and broad support for the proposed changes to base salaries and the chief financial officer's LTIP award level. Constructive feedback tended to focus on measure selection, including varying levels of support for relative TSR, questions about the possible future use of a returns-based metric and thoughts around short- and long-term target setting. Given the strong overall support received, the committee did not make any changes to its original proposals.

Wider workforce remuneration and engagement

Our divisions pay at or above the real living wage (excluding apprentices) and two divisions are accredited Living Wage Foundation employers.

The average salary increase across the divisions for 2025 is 4.0%. In 2025, 78.6% of employees received a bonus, with an average bonus paid of £14,061.

The annual review of wider workforce remuneration determined that the remuneration of the executive directors and Group management team is well aligned with the rest of the Group with a consistent approach taken to fixed pay (salary, benefits and pension). The key differences are pay levels, the split between different elements of pay and the metrics used to measure underlying performance. A much higher proportion of remuneration for the executive directors and Group management team is performance related. The executive directors' remuneration is also subject to various best practice features, required by shareholders, such as bonus deferral and holding periods for vested long-term incentive shares which would be uncompetitive if applied to the wider employee population.

Directors' remuneration report continued

I, along with our company secretary, will be meeting with the Group's HR forum in 2026 and with groups of employees from within the businesses to understand issues impacting the wider workforce at a deeper level.

In respect of employee engagement, the Board continues to use an alternative arrangement whereby each of the non-executives and the chair take responsibility for engaging with employees as part of their divisional meetings and site visits for the strategy review each year. In addition, some of the directors met with c.70 employees at the senior management conference in 2025. These meetings provide the directors with opportunities for discussions with employees and individuals without the executive directors or individuals' managers present. The directors have provided feedback to the Board throughout the year on these engagements. The meetings have confirmed that employees feel engaged, that our Core Values are embedded across the Group and there is openness and transparency in our culture.

The divisions undertake a variety of employee engagement activities which include employee surveys, conferences, forums for gathering ideas and innovations, initiatives to clarify career paths and improve conversations between employees and their line managers, and efforts to improve people's wellbeing and increase social interaction between colleagues.

2025 remuneration outcomes

Reflecting a further set of record business results, the executive directors will each receive a maximum bonus payout for 2025, of which 33% will be deferred in shares for three years. LTIP awards granted in 2023, which vest on three-year performance to 31 December 2025 (two thirds on EPS and one third on relative TSR), will vest at 100%. The committee satisfied itself that these outcomes reflect the excellent underlying performance of the business over the relevant periods and applied no discretion in their assessment.

As it has for other awards in recent years, the committee also considered the vesting value of the 2023 LTIP awards in relation to guidance. 2023 LTIP awards were granted on 3 March 2023 using a share price of £17.88 while the fourth quarter 2025 average share price used to calculate the single figure of remuneration (see page 112) was £46.72. The committee reviewed a number of relevant perspectives in its deliberations, concluding that the gain through share price appreciation for this award is not indicative of any windfall gains. The committee will confirm this decision following the actual vest date in March 2026.

2026 remuneration

Element of remuneration	Chief executive, John Morgan	Chief financial officer, Kelly Gangotra
Salary increase	24.9% (from January 2026)	4.0% from January 2026; 18.4% from April 2026
Annual bonus opportunity	150% of salary	150% of salary
Bonus deferral	33%	33%
LTIP award	200% of salary	200% of salary

These arrangements reflect the rebasing of the chief executive's salary and an initial 4.0% salary increase for the chief financial officer, in line with the average increase awarded across the Group's wider workforce, and a subsequent 18.4% salary increase for the chief financial officer reflecting the material change to her role responsibilities from April.

The maximum bonus opportunity for 2026 will remain 150% of salary for both executive directors and will continue to be based wholly on PBTA*. As in previous years, the committee considered the merits in introducing a non-financial element to the annual bonus (based on personal/strategic objectives and/or ESG priorities) but concluded that these facets of performance could continue to be effectively monitored and managed through the Board's regular engagement with the chief executive and the chief financial officer. ESG, in particular, remains such an integral part of the Group's day-to-day operations that assigning a monetary reward to an area in which we are already performing strongly is considered unnecessary. Full details of the PBTA* targets will be disclosed in next year's report. Of any bonus earned, 33% will be deferred in nil-cost share options for three years.

Both executive directors will receive an LTIP award of 200% of salary for 2026, with Kelly's award being based on a salary of c.£528k (i.e. her chief financial officer salary prior to the uplift for her additional responsibilities in April). Vesting of the LTIP award will continue to be based 67% on EPS and 33% on relative TSR performance with any shares that vest subject to a further two-year holding period. Targets for both the EPS and TSR metrics are set out on page 119. Noting increases to maximum LTIP opportunities for executive directors in recent years, the committee confirms its longstanding commitment to ensuring that the target ranges are appropriately stretching, with the full vesting targets, for example, remaining broadly equivalent to at least an upper-quartile level of performance.

Looking ahead

In conclusion, the committee believes that, overall, we have maintained a balanced and considered outcome in respect of remuneration with a clear link between performance, shareholder experience and reward.

I hope that we can rely on your vote in support of our approach to remuneration at our AGM in 2026. If you would like to discuss any aspect of this report, I would be happy to hear from you. You can contact me through our company secretary.

Jen Tippin
Chair of the remuneration committee
24 February 2026

* See note 28 to the consolidated financial statements for alternative performance measure definitions and reconciliations.

Directors' remuneration report continued

Remuneration at a glance

How executive director remuneration will be structured in 2026

Fixed pay (2026 2027 2028 2029 2030 2031)

Salary	John Morgan: £795,000 (+24.9%)	Kelly Gangotra: £527,947 (+4.0% from January 2026); £625,000 (+18.4% from April 2026)	
Pension	6% of base salary to a personal pension plan and/or as a cash supplement		
Benefits	Including travel allowance, private medical insurance, ill health income protection insurance and life insurance		

Annual bonus (2026 2027 2028 2029 2030 2031)

Opportunity	John Morgan: 150% of salary	Kelly Gangotra: 150% of salary	
Measures	100% PBTA*		One-year performance period 67% of any bonus earned paid in early 2027 33% of any bonus earned deferred for three years
Deferral	33% of any bonus earned, for three years		

LTIP (2026 2027 2028 2029 2030 2031)

Opportunity	John Morgan: 200% of salary	Kelly Gangotra: 200% of salary	
Measures	67% adjusted* EPS 33% relative TSR		Three-year performance period Two-year holding period on any vested shares
Time horizon	Three-year performance period Vested shares subject to additional two-year holding period		

Annual bonus outcome in 2025

Measure	Threshold 15% payout	On-target 50% payout	Maximum 100% payout	Payout
PBTA* 100% weighting	£164.4m	£173.0m	£190.3m	100.0%
			Outturn: £232.6m	
				Total: 100.0%

LTIP outcome, 2023 award

Measure	Threshold 12.5%–25% payout	Stretch 100% payout	Payout
Adjusted* EPS 67% weighting	260.0p	308.0p	100.0%
		Outturn: 370.0p	
Relative TSR 33% weighting	Median	Median +10% p.a.	100.0%
		Outturn: Median +42.6% p.a.	
			Total: 100.0%

Directors' remuneration report continued

Remuneration in practice

The table below illustrates how remuneration policy and practice compare across the different groups of employees.

<table>
<tr><th></th><th>Salary</th><th>Benefits</th><th>Pension</th><th>Short-term incentive</th><th>Long-term incentive</th></tr>
<tr><td>Executive directors</td><td rowspan="3">Basic salary levels take into account market-competitive levels. Any increases are normally in line with those for the wider workforce.</td><td rowspan="3">A range of market-competitive benefits are offered in line with the wider workforce.</td><td rowspan="3">Up to 6% of salary employer contribution to the LifeSight master trust ('LifeSight'), consistent with the wider workforce rate.</td><td>Annual bonus plan linked 100% to Group performance. 33% of the total award is deferred in nil-cost options.</td><td rowspan="3">The LTIP is a share award with performance linked to three-year EPS and TSR performance.
The executive directors and Group management team are required to hold shares equivalent to 200% and 100% of salary respectively.</td></tr>
<tr><td>Group management team</td><td>Annual bonus plan linked 100% to divisional or Group performance.</td></tr>
<tr><td>Senior management</td><td>Divisional or Group annual cash bonus plan linked to both business and personal performance.</td></tr>
<tr><td>Wider workforce</td><td>Basic salary levels are set in line with market requirements or subject to industry-wide working rule agreements where applicable.
Five of our businesses pay employees the real living wage or above. Construction and Property Services are Living Wage Foundation-accredited employers.</td><td>A range of market-competitive benefits are offered. Individual benefits received depend on role and seniority.</td><td>Varies by division. Typical employer contribution of 6% of salary. Monthly paid employees are offered LifeSight and weekly paid employees are offered the opportunity to join the B&CE's People's Pension. Both plans are defined contribution. Weekly paid employees are offered contributions in line with the industry working rule agreements.</td><td>Depending on role, a proportion of employees will participate in their divisional or the Group annual cash bonus plan linked to a mix of business and/or personal performance.</td><td>Depending on role, employees may be invited to participate in the Share Option Plan (SOP). All employees are invited to participate in the Save As You Earn (SAYE) Plan.</td></tr>
</table>

Directors' remuneration report continued

Remuneration policy

This part of the report sets out the Company's policy for the remuneration of executive and non-executive directors (referred to as either 'the remuneration policy' or 'the policy'). The policy is determined by the remuneration committee and is not subject to audit by the external auditor.

The committee is seeking shareholder approval for a new remuneration policy at the 2026 AGM and, if approved, it is intended that this revised policy will come into effect from that date. A summary of, and rationale for, the single proposed change compared with the previously approved policy is provided in the committee chair's statement above.

The policy is designed to be straightforward, and to encourage effective stewardship that is vital to creating long-term value for all stakeholders. It promotes long-term sustainable performance through significant deferral of remuneration in shares. Executive directors are expected to build and maintain substantial personal shareholdings in the business. The extent of their responsibilities means executive directors are well paid, but the policy is designed to ensure that they are not overpaid.

As set out in the committee chair's statement on page 98, the committee consulted with its largest shareholders regarding these changes.

Fixed elements	Purpose and link to strategy	Operation	Maximum opportunity	Performance targets
Base salary	To provide competitive fixed remuneration. To attract, retain and motivate executive directors of the calibre required in order to deliver the Company's strategy and enhance earnings over the long term.	Basic salary is typically reviewed annually or, if appropriate, in the event of a change in an individual's position or responsibilities. Salary levels are set with reference to market rates, taking into account individual performance and experience, Company performance, and the pay and conditions of other senior management in the Group. The committee will consider the general increase for the broader employee population but on occasion may need to recognise, for example, an increase in the scale, scope or responsibility of the role.	There is no prescribed maximum annual increase. Increases will generally be in line with those awarded to the wider workforce, although the committee maintains the ability to grant larger increases where appropriate.	Not applicable.
Benefits	To provide market-competitive levels of benefits, including insured benefits to support the individual and their family during periods of ill health, accidents or in the event of death. Car or travel allowances to facilitate effective travel.	Current benefits include: ▪ travel allowance ▪ private medical insurance ▪ annual health screening ▪ ill health income protection insurance ▪ life insurance ▪ holiday and sick pay ▪ employee assistance programme ▪ professional advice in connection with their directorship ▪ relocation expenses and legal fees in the case of a new hire ▪ travel, fuel, subsistence and accommodation as necessary ▪ occasional gifts, for example appropriate long-service or leaving gifts Other benefits may be provided where appropriate in line with benefits offered to other employees.	The value of benefits is based on the cost to the Company and is not predetermined.	Not applicable.

Directors' remuneration report continued

Remuneration policy

Fixed elements	Purpose and link to strategy	Operation	Maximum opportunity	Performance targets
Pension	To provide a pension arrangement to contribute towards retirement planning.	The Company will contribute to the LifeSight master trust defined contribution pension scheme ('LifeSight'), or to personal pension arrangements at the request of the individual. The Company may also consider a cash alternative (e.g. where a director has reached HMRC's lifetime or annual allowance limit).	Employer contributions for current and new executive directors will be kept aligned with the rate offered to the majority of employees (currently 6% of salary). Directors who are members of LifeSight may elect to exchange part of their salary or bonus award in return for pension contributions, where the Company will enhance the additional contributions by half of the saved employer's National Insurance contribution.	Not applicable.
Annual bonus	To reward the achievement of demanding annual performance metrics.	Performance measures and targets are generally set annually by the committee. At the end of the year, the committee determines the extent to which targets have been achieved. A maximum of 70% of any bonus earned is payable in cash with the remainder normally deferred for at least three years and satisfied in Company shares. The current intention is that 33% of any bonus earned will be deferred. To ensure fairness to both shareholders and participants, the committee has discretion to: (i) override the formulaic outturn of the bonus to determine the appropriate level of bonus payable where it believes the outcome is not truly reflective of performance; and (ii) adjust performance measures, targets and/or weightings during the performance period under exceptional circumstances. Any additional measures which may be introduced in the future would be aligned to our strategy and we would provide details at the relevant time. Awards under the annual bonus are subject to malus and clawback provisions, further details of which are set out on page 109.	The maximum opportunity is 150% of base salary. Target performance will typically deliver up to 50% of maximum bonus, with threshold performance typically paying up to 15% of maximum bonus. Dividends accrue on deferred bonus shares during the deferral period and may be paid in shares at the time of release.	All or a majority of the bonus will be based on PBTA* set relative to the Group's budget, or such other financial measures as the committee deems appropriate. Financial targets will account for not less than 80% of the annual bonus. A minority of the bonus may be based on non-financial, strategic and/or personal objectives linked to the strategic objectives of the Group to provide a rounded assessment of the Group's and management's performance.

Directors' remuneration report continued

Remuneration policy

Fixed elements	Purpose and link to strategy	Operation	Maximum opportunity	Performance targets
2023 Long-Term Incentive Plan (LTIP)	To drive sustained long-term performance that supports the creation of shareholder value.	Annual awards of conditional shares or nil (or nominal) cost options are granted with vesting dependent on the achievement of performance conditions over a three-year period. Award levels, performance conditions and targets are generally reviewed before each award cycle to ensure they remain appropriate. Targets take account of internal strategic planning and external market expectations for the Group and are appropriate to the economic outlook and risk factors prevailing at the time, ensuring that such targets remain challenging in the circumstances while remaining realistic enough to motivate and incentivise management. A proportion of net LTIP shares vesting may, at the discretion of the committee, be subject to a holding period following the end of the vesting period. The committee's current intention is that all awards will be required to be held for an additional two-year period post-vesting, creating a total of five years between the award being granted and the first opportunity to sell. To ensure fairness to both shareholders and participants, the committee has discretion to: (i) override the formulaic outturn of the performance targets to determine the appropriate level of vesting of the LTIP where it believes the outcome is not truly reflective of performance; and (ii) adjust performance measures, targets and/or weightings during the performance period under exceptional circumstances. Any use of committee discretion with respect to waiving or modifying performance conditions will be disclosed in the relevant annual report. Awards under the LTIP are subject to malus and clawback provisions, further details of which are set out on page 109.	200% of base salary.	Vesting of LTIP awards is subject to performance against relevant metrics measured over a period of at least three financial years. The committee will typically select performance measures ahead of each cycle to ensure that they continue to be linked to the delivery of the Company strategy. For every performance measure, no more than 25% of the available award will vest for achieving threshold performance, increasing to 100% vesting for achievement of stretching performance targets.
All-employee Save As You Earn Plan (SAYE)	To encourage share ownership and provide further alignment with shareholders.	This is an HMRC tax-advantaged plan under which regular monthly savings can be made over a period of three years and can be used to fund the exercise of an option to purchase shares. Options are granted at a discount of up to 20%. This scheme is open to all employees, including executive directors.	Prevailing HMRC limits apply. The executive directors will be eligible to participate in any other HMRC all-employee share plans that may be implemented.	Not applicable.

Directors' remuneration report continued

Remuneration policy

Fixed elements	Purpose and link to strategy	Operation	Maximum opportunity	Performance targets
Non-executive directors' fees	To attract, retain and reward talented individuals.	Non-executive directors typically receive a basic annual fee in respect of their Board duties. Additional fees may be paid to the chairs of the committees and the senior independent director to reflect their additional responsibilities. The non-executive directors' fees are reviewed by the Board rather than by the committee. The chair receives a fixed annual fee. Fees are normally reviewed annually. The committee and the Board are guided by fee levels in the non-executive director market and may recognise an increase in certain circumstances, such as assumed additional responsibility or an increase in the scale or scope of the role. Non-executive directors are reimbursed for reasonable expenses and any tax arising on those expenses will be settled directly by the Company. To the extent that these are deemed taxable expenses, they will be included in the annual remuneration report as required. Non-executive directors may take independent professional advice relating to their role as a director at the expense of the Company.	For the non-executive directors, there is no prescribed maximum annual increase although it is expected that any increase in fees will usually be broadly aligned with salary increases granted to the wider workforce at the time. The Company's articles of association ('the Articles') provide that the total aggregate remuneration paid to the chair of the Company and non-executive directors will be determined by the Board within the limits set by shareholders and detailed in the Company's Articles.	Not applicable.
Share ownership guidelines	To provide close alignment between the experience and longer-term interests of executive directors and shareholders.	Executive directors are expected to build and maintain shareholdings at a minimum specified level (currently 200% of basic salary). Until this threshold is achieved, there is a requirement for executive directors to retain no less than 50% of the net of tax value of vested incentive awards.	Not applicable.	Not applicable.

Directors' remuneration report continued

Remuneration policy

Fixed elements	Purpose and link to strategy	Operation	Maximum opportunity	Performance targets
Post-employment shareholders	To encourage long-term alignment with shareholders.	The committee requires executive directors to maintain a level of shareholding for two years after stepping down from the Board. The committee has established mechanisms to enforce this requirement. The committee will retain discretion about the application of post-employment shareholding guidelines in individual cases.	Executive directors will maintain the following shareholdings after they have stepped down from the Board: For the first 12 months, the lower of: a) their shareholding at the time of leaving the business (excluding individually purchased shares); and b) 200% of basic salary (this being the current in-post shareholding guideline). For the second 12 months (i.e. between 12 months and 24 months), the lower of: a) their shareholding at the time of leaving the business (excluding individually purchased shares); and b) 100% of basic salary (this being half of the current in-post shareholding guideline).	Not applicable.

Existing arrangements

We will honour existing awards to executive directors, and incentives, benefits and contractual arrangements made to individuals prior to their promotion to the Board and/or prior to the approval and implementation of this policy. For the avoidance of doubt, this includes payments in respect of any award granted under the previous remuneration policy. This will last until the existing incentives vest (or lapse), or the benefits or contractual arrangements no longer apply. This does not apply to pension contributions for any newly promoted executive directors, which will be aligned with the rate offered to the majority of employees on promotion to the Board.

Service agreements

Executive directors

Executive directors have rolling service contracts that provide for 12 months' notice on either side. There are no special provisions that apply in the event of a change of control.

	Date of service contract
John Morgan	20 February 2012
Kelly Gangotra	7 December 2023

The Company allows executive directors to hold external non-executive directorships, subject to the prior approval of the Board, and to retain fees from these roles.

Non-executive directors

All non-executive directors have specific terms of engagement, being an initial period of three years which thereafter may be extended by mutual consent, subject to the requirements for re-election, the UK Listing Rules of the Financial Conduct Authority (FCA) and the relevant sections of the Companies Act 2006.

	Appointment commencement date	Month/year initial three-year term was extended	Month/year second three-year term was extended
David Lowden	10 September 2018	September 2021	September 2024
Jen Tippin	1 March 2020	March 2023	
Sharon Fennessy	1 January 2024		
Mark Robson	1 September 2024		
Peter Harrison	6 May 2025		

The non-executive directors are subject to annual re-election by shareholders.

Directors' remuneration report continued

Remuneration policy

Termination provisions

Current executive directors' service agreements are terminable on 12 months' notice. In circumstances of termination on notice, the committee will determine an equitable compensation package, having regard to the particular circumstances of the case. The committee has discretion to require notice to be worked or to make payment in lieu of notice or to place the director on garden leave for the notice period. In respect of new hires, the initial notice period for a service contract may be longer than the policy of a 12-month notice period, provided it reduces to 12 months within a short space of time.

In case of payment in lieu or garden leave, base salary, accrued holiday, employer pension contributions and employee benefits will be paid for the period of notice served on garden leave or paid in lieu. The committee will endeavour to make payments in phased instalments and to apply mitigation in the case of offsetting payments against earnings elsewhere.

If a director leaves under a settlement agreement, life insurance cover may continue for up to three months after a director leaves the Company, subject to the director not obtaining alternative employment. In addition, the Company may agree that a director will remain covered under the private medical scheme until the next policy renewal date or, if a director is mid-treatment at their leaving date, until the course of treatment is concluded. The same provisions are available to all employees in the Company who receive these benefits.

For 'good leavers', the annual bonus may be payable in respect of the period of the bonus scheme year worked by the director; there is no provision for an amount in lieu of bonus to be payable for any part of the notice period not worked. The bonus would be payable at the normal date. Leavers would normally retain deferred bonus shares, albeit release would normally be at the end of the deferral period, with committee discretion to treat otherwise.

Long-term incentives granted under the LTIP will be determined by the LTIP rules, which contain discretionary good leaver provisions for designated reasons (that is, participants who leave early on account of: injury; disability; death; a sale of their employer or business in which they were employed; statutory redundancy; retirement; or any other reason at the discretion of the committee). In these circumstances, a participant's unvested awards will not be forfeited on cessation of employment and instead will vest on the normal vesting date (save in the event of the death of a participant, where vesting will occur as soon as reasonably practicable). In exceptional circumstances, the committee may decide that the participant's awards will vest early on the date of cessation of employment. In all cases, the extent to which the awards will vest will depend on the extent to which the performance conditions have been satisfied and a pro rata reduction of the awards will be applied by reference to the time of cessation (although the committee has discretion to disapply time pro-rating if the circumstances warrant it).

Leavers would normally retain vested LTIP shares subject to a holding period, and these would normally be released at the end of the holding period, with committee discretion to treat otherwise; in the event of death of a participant, any holding period would cease to apply.

In the event of a takeover or other corporate event, the committee will determine the number of LTIP shares in respect of which an award vests based on the extent to which it determines that the performance conditions have been satisfied at the relevant time, taking into account the shortened performance period and such other factors as the committee considers relevant. Awards will be time pro-rated to reflect the earlier vesting unless the committee determines otherwise.

Where an executive director leaves by mutual consent, the Company may reimburse reasonable legal fees and tax advice costs, and pay for professional outplacement services.

Directors' remuneration report continued

Remuneration policy

Remuneration on recruitment

The committee considers the need to attract, retain and motivate the best person for each position, without paying more than is necessary.

External appointments

For external appointments, the committee would seek to align the ongoing remuneration package with the remuneration policy approved by shareholders, as follows:

		Maximum annual grant value
Base salary	The base salaries of new executive directors will be determined by reference to relevant market data, the experience and skills of the individual, internal relativities and their current basic salary. In the event that the committee elects to set the initial basic salary of a new appointee below the market, any shortfall may be managed with phased increases over a period of two to three years subject to the individual's development in the role. Alternatively, the committee may approve a higher basic annual salary for a newly appointed director than the outgoing director received where it considers it necessary in order to recruit an individual of sufficient calibre for the role and/or where it is known that the outgoing director's remuneration has fallen behind appropriate market levels.	
Pension	New executive directors will receive Company contributions or a cash alternative in line with that offered to the majority of employees.	
Benefits	New executive directors will be eligible to receive benefits which may include (but are not limited to) travel allowances, private medical insurance, ill health income protection insurance, health screening, employee assistance programme, life insurance, holiday and sick pay, professional advice in connection with their directorship, travel, subsistence and accommodation as necessary, occasional gifts, for example appropriate long-service or leaving gifts, and any necessary relocation and/or incidental expenses. The Company may make an award in cash or shares on recruitment to reflect the value of benefits a new recruit may have received from a former employer.	
Annual bonus	The structure described in the policy table will apply to new executive directors, with the maximum opportunity being pro-rated to reflect the proportion of the financial year served. The committee may set different performance conditions and/or targets for an executive director who has joined part-way through the financial year.	150% of base salary
LTIP	New appointees will be granted awards under the LTIP on the same terms as other executives, as described in the policy table. The committee may set different award levels, performance conditions and/or targets for an executive director who has joined part-way through the financial year.	200% of base salary
SAYE	New appointees will also be eligible to participate in all-employee share schemes.	
Shareholding guidelines	New executive directors will be expected to build up a shareholding equivalent to 200% of basic salary in accordance with the terms set out in the policy table.	
Post-employment shareholding	The structure in the policy table will apply to new executive directors.	

In determining appropriate remuneration, the committee will take into consideration all relevant factors to ensure that arrangements are in the best interests of both the Company and its shareholders. The committee may additionally make awards or payments in respect of deferred remuneration arrangements forfeited on leaving a previous employer.

The committee will look to replicate the arrangements being forfeited as closely as possible and, in doing so, will take account of relevant factors, including: the value of deferred remuneration; the performance conditions; and the time over which they would have vested or been paid. Any such arrangements would typically have an aggregate fair value no higher than the awards being forfeited. The LTIP will be used as the basis for granting such replacement awards, to the extent possible under its rules; such awards may be granted in excess of the ongoing policy limit outlined in the table on page 104. Awards may be granted outside of the LTIP if necessary, as permitted under the UK Listing Rules.

Internal promotion

In cases of appointing a new executive director by way of internal promotion, the committee will act in a manner consistent with the policy for external appointees detailed above and the provisions for existing arrangements, as set out on page 106, will apply.

Shareholders will be informed of the remuneration package and all additional payments to a newly appointed executive director in the annual report following their appointment.

Non-executive directors

For the appointment of a new non-executive director, the fee arrangement will be set in accordance with the approved remuneration policy at that time.

Directors' remuneration report continued

Remuneration policy

Overview of remuneration policy for other employees

While our remuneration policy follows the same fundamental principles across the Group, packages offered to employees reflect differences in role and seniority. For example, the remuneration package elements for our Group management team are essentially the same as for the executive directors with some minor differences, such as lower levels of share awards and a lower shareholding requirement. Employees across the Group below Board level may be eligible to participate in an annual bonus arrangement. Long-term incentive awards and/or discretionary share options may be awarded to certain other senior executives and employees, for which the maximum opportunity and the performance conditions may vary by organisational level.

All employees are eligible to participate in the Group's SAYE plan and to join either the LifeSight master trust or the People's Pension. The Group also offers a broad range of benefits that are open to employees with eligibility for the different benefits determined on seniority. Benefits offered include private medical insurance; digital GP service; income protection; holiday plus scheme (an option to purchase some additional holiday); ill health income protection insurance; life insurance provision; employee assistance programme; and access to financial education.

Use of discretion

The committee will operate the incentive plans in accordance with their respective rules, the UK Listing Rules and HMRC rules where relevant. The committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of certain plan rules. These include (but are not limited to):

- who participates in incentives;
- the timing of grant of awards and/or payments;
- the size of awards (up to plan/policy limits) and/or payments;
- where the result indicated by the relative TSR performance condition should be scaled back (potentially to zero) in the event that the committee considers that financial performance has been unsatisfactory and/or the outcome has been distorted due to the TSR for the Company or any comparator company TSR being considered abnormal;
- measurement of performance in the event of a change of control or reconstruction;
- determination of good leaver status (in addition to any specified categories) for incentive plan purposes;
- payment of dividends accrued during the vesting period;
- adjustments required in certain circumstances (e.g. rights issues, corporate restructuring and special dividends);
- adjustments to existing performance conditions for exceptional events so that they can still fulfil their original purpose;
- the release of deferred bonus shares for leavers;
- retention of LTIP shares subject to a holding period for leavers; and
- the application of the post-employment shareholding guidelines.

Malus and clawback

The Company operates malus and/or clawback arrangements in respect of variable remuneration to ensure outcomes remain fair, proportionate and aligned with the long-term interests of shareholders and the Company's risk framework. Malus enables the committee to reduce or cancel unvested or unpaid awards. Clawback enables the committee to recover value delivered in respect of awards that have vested or been paid (including, where delivered in shares, the shares and/or the proceeds of sale), subject to the rules of the relevant plan.

Malus and clawback may be applied in specified circumstances, including (without limitation): (i) a material misstatement of the Company's results (financial or non-financial); (ii) an error in the assessment or calculation of performance outcomes; (iii) misconduct by a participant; (iv) corporate failure. In determining whether to apply malus and/or clawback, the committee considers the facts and circumstances, including the individual's level of accountability (for example whether they were culpable, responsible or ultimately accountable), seniority and oversight responsibilities, and will act reasonably and in good faith.

The standard clawback period for the annual bonus and LTIP is three years following the date of payment or vesting (as applicable). The committee considers this period appropriate having regard to the nature of the Company's activities and the timeframes over which relevant matters may reasonably be expected to come to light (including audit adjustments, claims, regulatory matters and investigations). Where a trigger event is identified, or an investigation is commenced, within the applicable malus/clawback period, the committee may apply malus and/or clawback after the expiry of that period to the extent reasonably necessary to conclude the investigation and make a determination.

Malus and clawback were not applied in respect of any director's variable remuneration during the year.

Directors' remuneration report continued

Remuneration policy

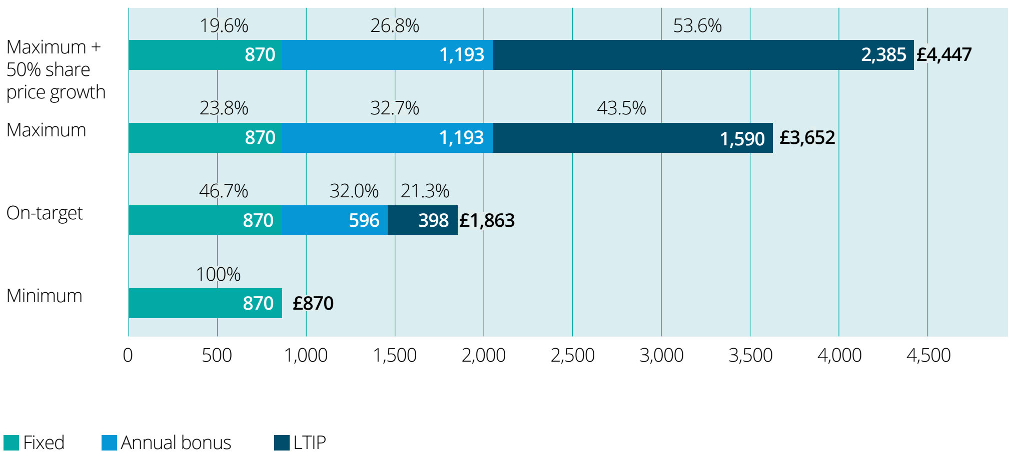
Remuneration scenarios for the executive directors

The charts below provide an indication of the level of remuneration that would be received by each executive director under the proposed 2026 implementation of the policy in the following three assumed performance scenarios:

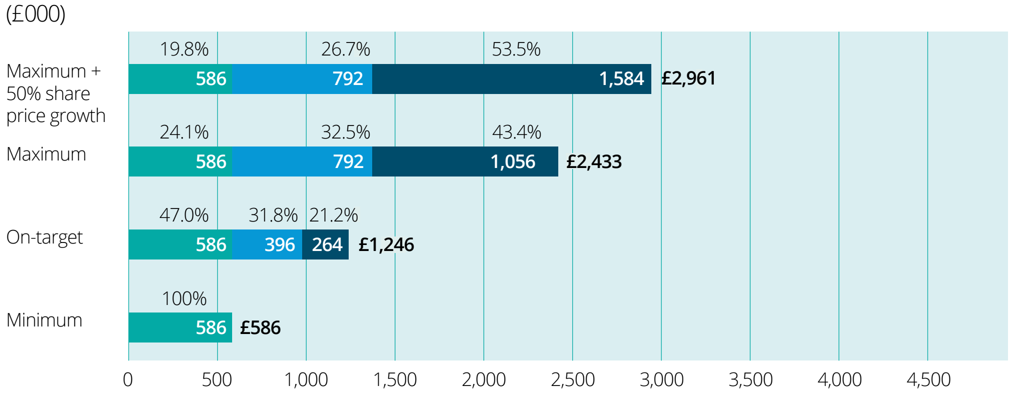
Below threshold performance	Fixed elements of remuneration only – base salary, benefits and pension
On-target performance	Assumes 50% payout under the annual bonus (75% of salary) Assumes 25% payout under the LTIP (50% of salary)
Maximum performance[1]	Assumes 100% payout under the annual bonus (150% of salary) Assumes 100% payout under the LTIP (200% of salary)

1 Maximum shown both with and without the impact of share price appreciation on the potential value of long-term incentive awards. For the purposes of this illustration, three-year share price appreciation is assumed to be 50% in line with the reporting regulations.

Chief executive
(£000)



Chief financial officer
(£000)



Note:
- Base salary levels are as at 1 January 2026.
- The value of benefits has been estimated based on amounts received in respect of 2025.
- The value of pension receivable is the equivalent of 6% of base salary.

Directors' remuneration report continued

Remuneration policy

Ensuring transparency of the remuneration policy

Criteria	How the criteria are fulfilled	Example
Clarity Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	The committee provides open and transparent disclosures to shareholders, employees and other stakeholders with regard to executive remuneration arrangements. The annual bonus plan, deferred bonus plan, LTIP and SOP are kept under regular review. The remuneration report sets out the remuneration arrangements for the executive directors in a clear and transparent way. We encourage shareholders to ask questions at the AGM and we consult with shareholders over any proposed changes to the policy. Although the committee does not consult the wider employee population explicitly on remuneration policy, the Board as a whole engages regularly with employees on a range of topics and feedback is reflected in its discussions and decisions.	The annual bonus plan is based entirely on PBTA* which is published in the Group's audited accounts.
Simplicity Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	Our remuneration arrangements for executive directors, as well as those for employees across the Group, are simple in nature and well understood by participants. Remuneration for the executive directors consists of fixed pay (salary, benefits, pension) and variable pay (annual bonus plan and LTIP). No complex structures are used in our variable pay plans.	The annual bonus is based on one metric (PBTA*) which is easy to measure and understand.
Risk Remuneration arrangements should ensure that reputational and other risks arising from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	Targets are reviewed annually to ensure they are suitably stretching and do not encourage excessive risk-taking. Malus and clawback provisions also apply to both the annual bonus and long-term incentive plans. Members of the committee are provided with regular briefings on developments and trends in executive remuneration.	The PBTA* and EPS targets are based on several considerations, including the latest budget and market consensus.
Predictability The range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the remuneration policy.	The possible reward outcomes can be easily quantified, and these are reviewed by the committee annually. In addition, performance is reviewed regularly so there are no surprises at the end-of-period assessment. The potential value and composition of the executive directors' remuneration packages at below threshold, target and maximum scenarios are provided in the remuneration policy.	The remuneration scenarios on page 110 set out the potential range of remuneration for the executive directors.
Proportionality The link between individual awards, the delivery of strategy and the long-term performance of the Group should be clear. Outcomes should not reward poor performance.	Annual bonus payments and LTIP awards require robust performance against challenging conditions that are aligned to the Group's strategy. The committee retains discretion to override formulaic outcomes to ensure that payments under the variable incentives are appropriate and reflective of overall performance.	Payment under the annual bonus requires strong performance against the budget.
Alignment to culture Incentive schemes should drive behaviours consistent with the Company's purpose, values and strategy.	The variable incentive schemes and performance measures are designed to be consistent with the Group's purpose, values and strategy. At the heart of the policy is a focus on the long-term success of the business. This reflects our culture which is aligned to creating long-term value for all stakeholders.	Our values and unique culture are critical to the Group's long-term success. Remuneration targets will only be achieved if the Group consistently delivers on our commitments to all stakeholders.

Directors' remuneration report continued

Annual report on remuneration

This section provides details of how the existing remuneration policy was implemented during the financial year ended 31 December 2025 and how the committee intends to implement the new policy in 2026. The information provided in this section of the remuneration report which is subject to audit has been highlighted.

Single total figures of remuneration (audited)

Executive directors

	Fixed pay				Variable pay			
	Fees/basic salary £000	Benefits[2] £000	Pension contributions £000	Total fixed pay £000	Annual bonuses £000	Value of long-term incentives[3] £000	Total variable pay £000	Total remuneration £000
John Morgan								
2025	**636**	**28**	**38**	**702**	**955**	**2,318**	**3,273**	**3,975**
2024	615	28	37	680	922	1,266	2,189	2,869
Kelly Gangotra								
2025	**508**	**27**	**30**	**565**	**761**	**0**	**761**	**1,326**
2024[1]	322	17	19	358	483	0	483	841

Notes:
1 Kelly Gangotra joined the Board as chief financial officer on 7 May 2024.
2 Benefits relate to travel allowance, private medical benefits, ill health income protection insurance, employee assistance programme and life insurance.
3 As the market price on the date of vesting for the 2023 awards is currently unknown, the LTIP value shown is estimated using the average market value over the last quarter of 2025 of £46.72. The 2024 comparative figures for the value of the long-term incentives and total remuneration have been revised from last year's report to reflect the actual share price used for the vesting and the value of dividend-equivalent shares awarded. Awards granted in 2022, which vested based on performance to 31 December 2024, are valued using the closing price on 6 March 2025, the date prior to the date of vesting (7 March 2025), of £31.20. (The closing share price on 7 March 2025 was £31.05.)

Annual cash bonus outturn (audited)

Annual bonus figures represent the full amount earned for 2025. Of the amounts shown, 33% will be deferred in nil-cost share options for three years. The table below shows performance against PBTA* targets for 2025 representing 100% of the annual bonus potential.

	Threshold £m (15% payout)	Target £m (50% payout)	Maximum £m (100% payout)	Actual performance £m	Payout, percentage of maximum
Group PBTA* full-year 2025	£164.4m	£173.0m	£190.3m	£232.6m	**100%**

LTIP – 2023 award outturn (audited)

LTIP awards granted in 2023 are due to vest on 3 March 2026. As set out in the table below, 100% of these awards are expected to vest.

	Weighting	Threshold (EPS: 12.5% vest, TSR: 25% vest)	Stretch (100% vest)	Actual performance	Percentage vesting
Adjusted* EPS in full-year 2025	67%	260.0p	308.0p	370.0p	100%
Relative TSR (vs FTSE 250 excluding investment trusts)	33%	Median	Median + 10% p.a.	Median + 42.6% p.a. outperformance	100%
Total vesting					**100%**

As the market price on the date of vesting is currently unknown, the values shown in the single-figure table are based on the average market value over the last quarter of 2025 of £46.72, a 161% increase on the share price at the date of grant of £17.88. Accordingly, 61.7% of the 'value of long-term incentives' figures shown in the single-figure table above is a result of share price appreciation, amounting to c.£1,430,612 for John Morgan. As noted earlier in this report, the committee's view is that the gain through share price appreciation is not indicative of any windfall gains and therefore it has not exercised any discretion in respect of the achieved outcomes. The value of 2025 long-term incentives in the single-figure table above does not include the value of any dividend-equivalent shares that may be due for the 2023 awards on the date of vesting.

The net awards received (after the deduction of tax and National Insurance where applicable) will be subject to a two-year holding period in which the director will not be able to sell the shares but will be entitled to receive dividends and vote on the shares. The shares will be held in a Company-nominated share account for the individual and will be transferred to the individual at the end of the holding period.

Directors' remuneration report continued

Annual report on remuneration

Non-executive directors (audited) inclusive of former directors (where applicable)

	Fees £000		Taxable benefits[1] £000		Total £000	
	2025	2024	**2025**	2024	**2025**	2024
Peter Harrison[2]	**131**	–	**–**	–	**131**	–
Michael Findlay[3]	**155**	220	**–**	–	**155**	220
Sharon Fennessy[4]	**80**	68	**5**	7	**85**	75
David Lowden	**80**	72	**–**	–	**80**	72
Mark Robson[5]	**80**	24	**–**	–	**80**	24
Jen Tippin	**80**	72	**–**	–	**80**	72

1 Taxable benefits include taxable relevant travel and accommodation expenses for attending Board meetings and related business. Any value disclosed is inclusive of tax arising on the expense, which is settled by the Company.
2 Peter Harrison was appointed to the Board as non-executive director and chair designate on 6 May 2025, and as chair of the Board on 28 July 2025.
3 Michael Findlay stepped down from the Board on 28 July 2025.
4 Sharon Fennessy was appointed to the Board on 1 January 2024 and as chair of the audit committee on 2 May 2024.
5 Mark Robson was appointed to the Board and as chair of the responsible business committee on 1 September 2024.

Inclusive of former directors (where applicable), the aggregate remuneration for executive and non-executive directors in 2025 was £3.59m (2024: £3.44m). Aggregate remuneration comprises salary, fees, benefits, pension contributions and bonus payments.

Share awards granted during the year (audited)

LTIP

In 2025, LTIP awards were made to the executive directors which will vest subject to performance over the three financial years to 31 December 2027. Of these awards, 67% are subject to an EPS performance condition and 33% are subject to a TSR performance condition, full details of which are included in last year's annual report on remuneration.

	Date of grant	Percentage of salary awarded	Five-day average share price at date of grant	No. of shares over which award was granted	Face value of award	Percentage of awards vesting at threshold	Performance period
John Morgan	6 March 2025	200%	£32.50	39,168	£1,272,960	25%	1 January 2025 to 31 December 2027
Kelly Gangotra	6 March 2025	175%	£32.50	27,334	£888,355	25%	1 January 2025 to 31 December 2027

The share price used to calculate the awards at the date of grant was based on the average share price for the five dealing days preceding the date of grant. The closing share price on 6 March 2025 was £31.20.

Deferred bonus share options

Of the annual bonus earned in 2024, 33% was deferred into nil-cost share options that will become exercisable three years from the date of grant.

	Date of grant	Percentage of bonus earned which was deferred	Five-day average share price at date of grant	No. of shares over which award was granted	Face value of award	Date from which options are exercisable
John Morgan	6 March 2025	33%	£32.50	9,366	£304,395	6 March 2028
Kelly Gangotra	6 March 2025	33%	£32.50	4,903	£159,348	6 March 2028

Directors’ remuneration report continued

Annual report on remuneration

Outstanding interests under share schemes (audited)

Details of the executive directors’ interests in long-term incentive awards as at 31 December 2025 and movements during the year are as follows:

Performance shares

	Date of award	No. of shares outstanding as at 1 January 2025	No. of shares awarded	No. of dividend-equivalent shares awarded	Total no. of shares vested	No. of shares lapsed	No. of awards outstanding as at 31 December 2025	End of performance period	Date awards vest
John Morgan									
	7.3.2022	36,823	–	3,759	40,582	–	–	31.12.2024	7.3.2025
	3.3.2023	49,606	–	–	–	–	49,606	31.12.2025	3.3.2026
	4.3.2024	53,105	–	–	–	–	53,105	31.12.2026	4.3.2027
	6.3.2025	–	39,168	–	–	–	39,168	31.12.2027	6.3.2028
Total		**139,534**	**39,168**	**3,759**	**40,582**	**–**	**141,879**		
Kelly Gangotra									
	14.5.2024	40,501*	–	–	–	–	40,501	31.12.2026	14.5.2027
	6.3.2025	–	27,334				27,334	31.12.2027	6.3.2028
Total		**40,501**	**27,334**	**–**	**–**	**–**	**67,835**		

Notes:

Of the awards granted in 2022, 100% vested due to the EPS and TSR targets being achieved. The Group’s 2024 EPS was 278.8p, which resulted in 100% of the EPS element of the award vesting. The Group also achieved a TSR of 21.7% per year, which exceeded the median of the comparator group by 27.1% per year and resulted in 100% of the TSR element of the award vesting. The net awards received (after the deduction of applicable taxes) will be subject to a two-year holding period in which the director will not be able to sell the shares but will be entitled to receive dividends and vote on the shares. The shares will be released to the director at the end of the holding period.

Outstanding performance shares are subject to a point-to-point EPS growth target and a TSR performance condition.

* In addition to her normal award, Kelly Gangotra received an additional one-off award of 50% of salary to compensate for long-term incentives forfeited from her previous employer.

Deferred bonus plan nil-cost options

	Date of grant	No. of options outstanding as at 1 January 2025	No. of options granted	No. of dividend-equivalent shares awarded	No. of options exercised	No. of options lapsed	No. of options outstanding as at 31 December 2025	Date from which exercisable
John Morgan								
	7.3.2022	8,937	–	912	9,849	–	–	7.3.2025
	3.3.2023	11,811	–	–	–	–	11,811	3.3.2026
	4.3.2024	9,142	–	–	–	–	9,142	4.3.2027
	6.3.2025	–	9,366	–	–	–	9,366	6.3.2028
Total		**29,890**	**9,366**	**912**	**9,849**	**–**	**30,319**	
Kelly Gangotra								
	6.3.2025	–	4,903	–	–	–	4,903	6.3.2028
Total			**4,903**				**4,903**	

Notes:

The closing price of a share on 31 December 2025 was £46.50 and the range during the year was £29.45 to £49.75.

Directors’ remuneration report continued

Other disclosures

Remuneration committee meetings

The committee met on four occasions during the year. By invitation, the chair of the Board attended one meeting of the committee and the chief executive presented to another of the committee meetings. The company secretary acted as secretary to the committee. The chief financial officer did not attend any of the committee meetings. No person was present during any discussion relating to their own remuneration.

Over the course of the year, the committee received advice on remuneration matters from remuneration advisers Ellason, who were appointed by the committee in 2021 following a competitive tender process. The committee has also relied on information and advice provided by the company secretary and has consulted the chief executive (albeit not in relation to his own remuneration). Ellason is a signatory of the Code of Conduct for Remuneration Consultants, details of which can be found at remunerationconsultantsgroup.com, and the committee is satisfied that the advice it receives from Ellason is independent and objective. The fees paid by the Company to Ellason during the financial year were £112,080 (2024: £107,260). Ellason also provided advice to the Company on accounting for share awards but provided no other material services to the Company or the Group.

Shareholder voting

At last year’s AGM held on 1 May 2025, the remuneration report (excluding the remuneration policy) for the year ended 31 December 2024 was approved by shareholders. The following table shows the results of the advisory vote on the 2024 annual remuneration report as well as the results of the binding vote on the remuneration policy, which was last approved by shareholders at the 2023 AGM.

	Voting for		Voting against			
	Number of shares	Percentage	Number of shares	Percentage	Total votes cast	Votes withheld[1]
Annual remuneration report (2025 AGM)	35,177,243	95.81%	1,539,932	4.19%	36,717,175	5,681
Remuneration policy (2023 AGM)	27,256,102	77.81%	7,774,480	22.19%	35,030,582	3,534,665

1 Shareholders who have indicated that they wish to actively abstain from voting are counted as a vote withheld. A vote withheld is not a vote in law and is not counted in the calculation of the proportion of votes cast ‘for’ and ‘against’ a resolution.

Dilution and share usage under employee share plans

Shares for the Company’s discretionary and all-employee share plans may be satisfied using either new issue shares or market-purchased shares. Our present intention is to use market-purchased shares to satisfy awards granted under the LTIP and SOP and new issue shares to satisfy options granted under the SAYE Plan. However, we retain the ability to use new issue shares for the LTIP and SOP and may decide to do so up to the dilution limits specified in the Plan rules (currently 10% of issued ordinary share capital for all-employee share plans over a 10-year period and, within this limit, no more than 5% of issued ordinary share capital for executive or discretionary share plans). The outstanding level of dilution against these limits equates to 8.43% (2024: 8.72%) of the current issued ordinary share capital under all-employee share plans, of which 0% relates to discretionary share plans.

As at 31 December 2025, the Trust held 1,377,157 shares (2024: 1,241,722), which may be used to satisfy awards.

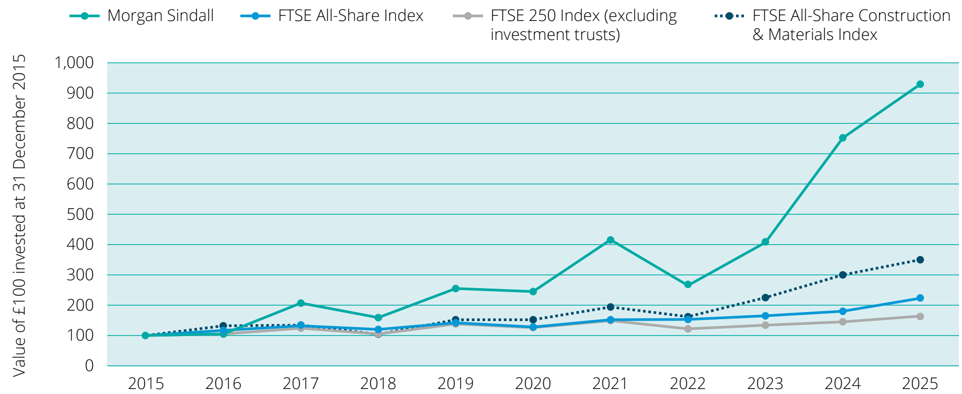
Directors' remuneration report continued

Other disclosures

Chief executive remuneration and performance graph

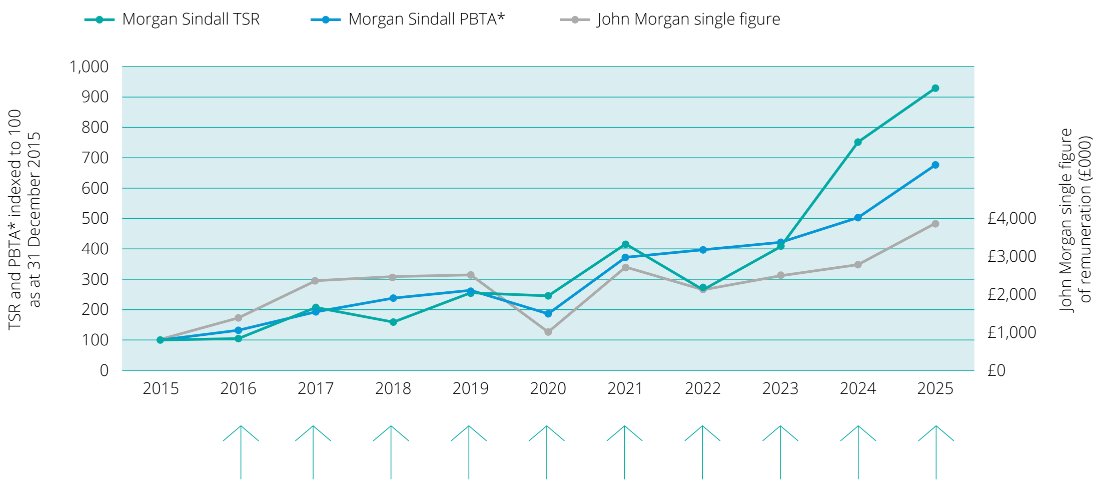
Historical TSR performance

The graph below shows the value to 31 December 2025 of £100 invested in the Company on 1 January 2016 compared with the value of £100 invested in the FTSE All-Share Index and the FTSE All-Share Construction & Materials Index, these being indices of which the Company has been a constituent over the period shown. The graph also shows the value of £100 invested in the FTSE 250 Index (excluding investment trusts), the constituents of which are used for the purposes of the TSR element of the LTIP. In all cases, the other points plotted are the values at intervening financial year ends.



Historical pay vs performance

The graph below shows the TSR and PBTA* for the Company over the past 10 financial years. The chief executive remuneration table provides a summary of the total remuneration received by the chief executive over the past 10 years, including details of annual bonus payout and long-term incentive award vesting level in each year. The annual bonus payout and long-term incentive award vesting level as a percentage of the maximum opportunity are also shown for each of these years.



	2016	2017	2018	2019	2020	2021	2022	2023	2024	**2025**
Total remuneration £000	1,467	2,447	2,555	2,599	1,095	2,806	2,207	2,577	2,869	**3,975**
Annual bonus percentage of maximum	100	100	100	93	–	100	100	95	100	**100**
Long-term incentive award vesting percentage of maximum share awards	62	100	100	100	43	100	100	100	100	**100**

Note: The 2024 total remuneration has been revised from last year's report to reflect the actual share price used for the vesting and the value of dividend-equivalent shares awarded under the 2014 LTIP (see page 112 for further information).

Directors' remuneration report continued

Other disclosures

Chief executive pay ratio

	Chief executive pay ratio			
	Calculation methodology	P25 (lower quartile)	P50 (median)	P75 (upper quartile)
2025	**B**	**83:1**	**52:1**	**46:1**
2024	B	65:1	45:1	31:1
2023	B	56:1	32:1	26:1
2022	B	47:1	34:1	20:1
2021	B	60:1	53:1	32:1
2020	B	30:1	22:1	15:1
2019	B	58:1	43:1	27:1

The lower-, median- and upper-quartile employees were determined based on the hourly rate data as at 5 April 2025, collected for the Group's reporting under the gender pay gap legislation (Option B). The gender pay gap data reviews the pay of all UK employees. This calculation methodology was chosen as the data was readily available from our work in determining the gender pay gap. Furthermore, with our decentralised business model and significant UK workforce, calculating the single figure of remuneration for each employee (Option A) would be prohibitively time-consuming and expensive.

The committee has considered the pay data for the three individuals identified and believes that it fairly reflects pay at the relevant quartiles among our UK workforce. The three individuals identified were full-time employees during the year. No adjustments or assumptions were made by the committee, with the total remuneration of these employees calculated in accordance with the methodology used to calculate the single figure of the chief executive for the 2025 financial year. The table below sets out the remuneration details for the individuals identified.

Salary	Chief executive	P25	P50	P75
Basic salary £k	636	40	56	73
Total annual pay[1] £k	1,658	48	77	86
Total pay[2] £k	3,975	48	77	86

1 Total annual pay includes, where applicable, basic salary, annual bonus, pension, travel or car allowance and the cash value of employee benefits received, such as death in service, private medical, group income protection and employee assistance programme.
2 Total pay includes total annual pay plus the cash value of any long-term incentives received under either the LTIP or the SOP.

The headline ratio of 52:1 is 16% higher than the median ratio of 45.1 in 2024, with this increase driven primarily by significant share price growth over the 2023–25 long-term incentive vesting period.

None of the median employees in each quartile identified this year received benefits under the Company's long-term incentive schemes. With a significant proportion of the pay of our chief executive linked to the Company's performance and share price movements over the longer term, it is expected that the ratio will depend substantially on long-term incentive outcomes each year, and accordingly may fluctuate. The committee has therefore also produced pay ratios for basic salary and total annual pay as shown in the table below.

Ratio	P25	P50	P75
Basic salary	16:1	11:1	9:1
Total annual pay[1]	35:1	22:1	19:1
Total pay[2]	83:1	52:1	46:1

1 Total annual pay includes, where applicable, basic salary, annual bonus, pension, travel or car allowance and the cash value of employee benefits received, such as death in service, private medical, group income protection and employee assistance programme.
2 Total pay includes total annual pay plus the cash value of any long-term incentives received under either the LTIP or the SOP.

Relative importance of spend on pay

The table below shows pay for all employees compared with other key financial indicators.

	2025	2024	Change
Employee remuneration	**£825.4m**	£759.7m	9%
Basic earnings per share (adjusted*)	**370.0p**	278.8p	33%
Dividends paid during the year	**£65.8m**	£56.1m	17%
Employee headcount[1]	**8,511**	8,242	3%

1 Employee headcount is the monthly average number of employees on a full-time equivalent basis. More detail is set out in note 2 to the consolidated financial statements.

Shareholding guidelines (audited)

Through participation in performance-linked share-based plans, there is strong encouragement for senior executives to build and maintain a significant shareholding in the business. Shareholding guidelines are in place requiring the executive directors to build and maintain a shareholding in the Company equivalent to 200% of base salary. Until this threshold is achieved, there is a requirement for executives to retain no less than 50% of the net of tax value of vested incentive awards.

	Percentage of salary required under shareholding guidelines	**Percentage of salary held at 31 December 2025**
John Morgan	200%	**23,988%**
Kelly Gangotra	200%	**24%**

The share price used to value the shares as at 31 December 2025 was £46.50 (2024: £39.00).

Directors' remuneration report continued

Other disclosures

Percentage change in remuneration levels

The tables below show details of the percentage change in base salary, benefits and annual bonus for the chair and the executive and non-executive directors over the past five financial years, compared with the average percentage change for other employees of the Group over the same periods. Where relevant, data is shown on a full-time equivalent basis.

Percentage change in base salary/fees	2024–25	2023–24	2022–23	2021–22	2020–21
Michael Findlay (chair)[1]	**22.7%**	10.8%	5.0%	2.8%	7.4%
John Morgan	**3.5%**	3.5%	5.0%	3.0%	7.4%
Kelly Gangotra[2]	**3.5%**	n/a	n/a	n/a	n/a
Sharon Fennessy (audit committee chair)[3]	**11.1%**	n/a	n/a	n/a	n/a
David Lowden (senior independent director)	**11.1%**	11.1%	5.0%	2.5%	7.0%
Jen Tippin (remuneration committee chair)[4]	**11.1%**	31.0%	6.4%	3.0%	8.5%
Mark Robson (responsible business committee chair)[5]	**11.1%**	n/a	n/a	n/a	n/a
All employees	**4.4%**	5.6%	2.7%	1.5%	2.6%

Percentage change in benefits (excluding pension)	2024–25	2023–24	2022–23	2021–22	2020–21
John Morgan	**0.1%**	3.7%	0.2%	4.8%	2.4%
Kelly Gangotra	**0.4%**	n/a	n/a	n/a	n/a
All employees	**–0.4%**	10.1%	4.7%	–2.8%	1.5%

Percentage change in bonus	2024–25	2023–24	2022–23	2021–22	2020–21
John Morgan	**3.5%**	30.6%	0.3%	3.1%	100%
Kelly Gangotra	**3.5%**	n/a	n/a	n/a	n/a
All employees	**52.7%**	–6.1%	8.8%	–5.9%	50.6%

Non-executive directors are not eligible to participate in the annual bonus scheme and therefore no data is shown for them in the annual bonus table. Similarly, non-executive directors have not received benefits from the Company in any of the years shown and therefore no data is shown for them in the benefits table.

1 Michael Findlay stepped down from the Board on 28 July 2025. Peter Harrison was appointed to the Board as non-executive director and chair designate on 6 May 2025 and as chair of the Board and nomination committee on 28 July 2025. With no percentage changes to report, Peter is not included in the base salary/fees table.
2 Kelly Gangotra joined the Board on 7 May 2024. Full-time equivalent figures have been used for Kelly's calculations in this table.
3 Sharon Fennessy was appointed to the Board on 1 January 2024 and as chair of the audit committee on 2 May 2024.
4 Jen Tippin was appointed as chair of the remuneration committee on 7 December 2023.
5 Mark Robson was appointed to the Board and as chair of the responsible business committee on 1 September 2024.

Directors' interests (audited)

The figures below set out the shareholdings beneficially owned by directors and their family interests at 31 December 2025.

	31 December 2025 No. of shares	31 December 2024 No. of shares
Peter Harrison	**13,350**	n/a
John Morgan	**3,283,380**	3,284,113
Kelly Gangotra	**2,567**	975
Sharon Fennessy	**650**	650
David Lowden	**4,000**	4,000
Jen Tippin	**1,000**	1,000
Mark Robson	**13,759**	13,325

There have been no changes in the interests of the directors between 31 December 2025 and 24 February 2026.

External appointments

At the discretion of the Board, executive directors are allowed to act as non-executive directors of other companies and retain any fees relating to those posts. Neither of the executive directors currently hold external appointments for which they are remunerated.

Payments to past directors or for loss of office (audited)

In respect of former finance director, Steve Crummett, vesting of previously granted awards during the 2025 financial year were as follows: 30,417 shares (100% vesting) under the 2022 LTIP, the net amount of which remains subject to a mandatory two-year holding period; and 7,853 shares under the deferred bonus plan (in relation to the 2021 annual bonus). In both cases, the number of awards vesting includes accrued dividend equivalents. No other payments were made to past directors during the year.

Directors' remuneration report continued

Implementation of the remuneration policy for 2026

Base salaries

As set out in the chair's statement, the committee reviewed the executive director salaries during the year and made the changes set out in the table below. In respect of the chief financial officer, an initial 4.0% increase (aligned with the budgeted increase for other senior executives and the workforce more generally) with effect from 1 January 2026 will be followed with a further 18.4% increase with effect from 1 April 2026 to recognise a material change to her role responsibilities. In confirming these salary increases, the committee took account of the performance of each executive director and the positioning of their current salaries relative to market competitors.[1]

	From 1 January 2026 £	From 1 January 2025 £	Increase
John Morgan	**795,000**	636,486	24.9%
Kelly Gangotra	**527,947 (January 2026) 625,000 (April 2026)**	507,641	4.0%

1 The committee considers size-adjusted market data for construction (Balfour Beatty, Costain, Galliford Try, Keller, Kier), housebuilding (Barratt Redrow, Bellway, Persimmon, Taylor Wimpey, Vistry) and engineering and real estate (Babcock, British Land, Grainger, Land Securities, Mitie) comparators, as well as market data for size comparators, drawn from the FTSE on the basis of similarity to the Company in terms of market cap, revenue and number of employees.

Pension

The Company contributes up to 6% of base salary to a personal pension plan and/or as a cash supplement. This is in line with the maximum pension contribution for the employee population. Consistent with all employees participating in the LifeSight master trust, relevant executive directors may exchange part of their gross salary and bonus awards in return for pension contributions. Where additional pension contributions are made through the salary exchange process, the Company enhances the contributions by half of the saved employer's National Insurance contribution.

The majority of employees in the Group are entitled to a Company pension contribution of up to 6% of basic salary if they contribute 6% themselves. Senior employees within the Group are entitled to a Company pension contribution of up to 10% of basic salary.

Annual bonus

The maximum annual bonus potential for 2026 will be 150% of base salary with 67% of any bonus earned paid in cash and the remaining 33% deferred in nil-cost share options for three years. To ensure that management is focused on the Group's financial performance in 2026, 100% of the bonus will continue to be based on a PBTA* target range set in relation to the Group budget. The annual bonus, including the deferred shares, will be subject to malus and clawback provisions.

The targets for the forthcoming year are set in relation to the Group budget, which is considered commercially sensitive. For 2026, the bonus trigger point for the annual bonus will be 95% and the maximum trigger point will be 110% of budgeted PBTA*. Retrospective disclosure of the targets and performance against them will be disclosed in next year's remuneration report.

Long-term incentives

The committee intends to make awards to the current executive directors under the LTIP in March 2026.

As noted in the chair's statement, the awards to be granted in 2026 will be over 200% of base salary for the chief executive and the chief financial officer with Kelly's award being based on a salary of c.£528k (i.e. her chief financial officer salary prior to the uplift for her additional responsibilities in April). Consistent with prior years, two thirds of awards will be based on an EPS performance target with the remaining one third based on the Company's TSR performance. Threshold performance under each measure will deliver 25% vesting, rising on a straight-line basis to full vesting for stretch performance. Further details on the performance conditions are set out below.

Net shares vesting under LTIP awards granted in 2026 will be subject to a mandatory two-year holding period at the end of the vesting period. All awards are subject to malus and clawback provisions.

EPS performance condition (two thirds of award)

In order to set appropriate EPS targets for the 2026 cycle, the committee considered a number of internal and external reference points, broker forecasts for the Company and sector peers over the next two to three years, and typical growth rates in our sector. The threshold has been set at a 2028 EPS of 355p and stretch of 460p. The committee is satisfied this range is appropriately stretching given forecasts for the sector.

Vesting of the EPS component will be based on achievement against this range in 2028 and will also be subject to review by the remuneration committee to ensure vesting is commensurate with underlying Company performance, taking into account, for example, imposed tax changes.

TSR performance condition (one third of award)

TSR targets for 2026 awards will be expressed as an outperformance of median as per the last three cycles.

The TSR comparator group will again be based on the constituents of the FTSE 250 Index (excluding investment trusts). Full vesting will require 10% per year outperformance of comparator median, a level which remains broadly equivalent to an upper-quartile level of difficulty.

Similarly to previous cycles, the committee retains overarching discretion to override the formulaic outturn of the LTIP where it believes the outcome is not truly reflective of performance, or to adjust performance measures, targets and/or weightings during the performance period under exceptional circumstances. Any use of committee discretion with respect to waiving or modifying performance conditions will be disclosed in the relevant annual report.

Directors' remuneration report continued

Implementation of the remuneration policy for 2026

Fees for the non-executive directors

A further review of the non-executive director fees and chair of committee fees was undertaken during 2025, resulting in increases for 2026 of 4% in line with the average increase awarded to the wider workforce. The resulting fee levels, summarised below, are now positioned broadly between the median and upper quartile of the FTSE 250.

The committee determined that the chair's fee for 2026 be increased by 4% to £280,800 taking into account the fact that the fee had been benchmarked in 2025 and remained in line with the market for a company within the upper quartile of the FTSE 250.

Accordingly, the annual fees from 1 January 2026 are as follows:

	2026 £	2025 £	Increase %
Chair	**280,800**	270,000	4
Non-executive directors			
Base fee	**67,600**	65,000	4
Additional fees:			
Audit committee chair	**15,600**	15,000	4
Responsible business committee chair[1]	**15,600**	15,000	4
Remuneration committee chair	**15,600**	15,000	4
Senior independent director	**15,600**	15,000	4

1 Applicable until 24 February 2026 when the committee was dissolved.

Non-executive directors do not receive pension contributions, private medical insurance, group income protection insurance or life insurance and do not participate in any short-term or long-term incentive schemes.

This report was approved by the Board and signed on its behalf by:

Jen Tippin
Chair of the remuneration committee
24 February 2026

Other statutory information

The directors have pleasure in submitting the Group's annual report together with the consolidated financial statements of the Group for the year ended 31 December 2025.

The strategic report is presented on pages 4 to 67 (inclusive). The directors' report required under the Act comprises the entire governance section on pages 69 to 124 together with the sections of the annual report incorporated by reference.

The Board has chosen, in accordance with section 414C (11) of the Act, to include in the strategic report the following information that it considers to be of strategic importance that would otherwise be required to be disclosed in the directors' report:

- an explanation of the steps the directors have taken to foster the Company's business relationships with suppliers, customers and others (pages 11 to 13);
- employment policies, employee consultation and involvement (pages 11, 64 and 65);
- disclosures concerning employment of disabled persons (page 39);
- additional details of the Group's approach to inclusion and diversity (page 39), and ESG disclosures (pages 34 to 46);
- disclosures concerning GHG emissions, energy consumption and energy-efficiency action and an intensity ratio appropriate for our business (pages 40 to 42 and page 62);
- the likely future developments in the business of the Group (pages 21 to 33);
- detail on principal risks (pages 48 to 54); and
- details of research and development activities (see page 41 for an example of design and development of a digital tool to assist with carbon reduction and measurement on projects).

The management report as required by the FCA's Disclosure Guidance and Transparency Rules (Rule 4.1) comprises the strategic report, which includes the principal risks to our business, and the directors' report.

There were no significant events since the balance sheet date.

The Group does not operate any branches outside of the United Kingdom.

The table below shows where to locate information required to be disclosed under Rule 6.6.1R of the UK Listing Rules (UKLR):

UKLR	Relevant information	Page
6.6.1R(3)	Long-term incentive plans	95 to 120
6.6.1R(11)	Dividend waiver by Employee Benefit Trust	123
6.6.1R(12)	Shareholder waiver of future dividends	123

Directors

Biographical details are shown earlier in the directors' report. The directors of the Company who served during the year are shown on page 118 in the remuneration report. Further details of the service agreements and remuneration of the executive directors, letters of appointment and fees of the non-executive directors, and their interests in shares of the Company are also given in the remuneration report.

The rules regarding the appointment and removal of directors are contained in the Company's Articles, the Code and the Act. The Board may appoint a director, either to fill a vacancy or as an addition to the existing Board, so long as the total number of directors does not exceed the limit provided in the Articles. At every AGM, all the directors at the date of the notice convening the AGM must retire and offer themselves for re-election by shareholders. Before being recommended for reappointment, each director is subject to a formal review in relation to the performance of their duties under section 172 of the Act. All the directors proposed for re-election at the 2026 AGM held office throughout the year. Peter Harrison was appointed to the Board on 6 May 2025 and will be offering himself for election by shareholders. The Board has set out on pages 73 and 74 the specific reasons why each director's contribution is, and continues to be, important to the Group's long-term success.

Annual general meeting

The AGM of the Company will be held on 7 May 2026 at 10.00am at the offices of Morgan Sindall Group plc, Kent House, 14–17 Market Place, London, W1W 8AJ. The Notice of Meeting is available to view on the Company's website in the investors section.

Powers of directors

Subject to the Articles, the Act and any directions given by the Company by special resolution, the business of the Company will be managed by the Board, who may exercise all the powers of the Company, whether relating to the management of the business or not. In particular, the Board may exercise all the powers of the Company to borrow money, to mortgage or charge any of its undertakings, property, assets (present and future) and uncalled capital, to issue debentures and other securities, and to give security for any debt, liability or obligation of the Company or of any third party.

Directors' indemnities

The Articles entitle the directors of the Company to be indemnified, to the extent permitted by the Act and any other applicable legislation, out of the assets of the Company in the event that they suffer any loss or incur any liability in connection with the execution of their duties as directors. Neither the indemnity nor any applicable insurance provides cover in the event that a director (or officer or company secretary as the case may be) is proved to have acted fraudulently or dishonestly.

In addition, and in common with many other companies, the Company had during the year, and continues to have in place, appropriate directors' and officers' liability insurance in favour of its directors and other officers in respect of certain losses or liabilities to which they may be exposed due to their office.

Other statutory information continued

The Company has also indemnified each Board director and certain directors of its Group companies to the extent permitted by law against any liability incurred in relation to acts or omissions arising in the ordinary course of their duties. The indemnity arrangements are categorised as qualifying third-party indemnity provisions under the Act and will continue in force for the purposes of the Act and for the benefit of directors (or officers or company secretary as the case may be) on an ongoing basis. The Company also had, and continues to have in place, a pension trustee liability insurance policy in favour of the trustees of the former Morgan Sindall Retirement Savings Plan in respect of certain losses or liabilities to which they may be exposed due to their office. This constitutes a 'qualifying pension scheme indemnity provision' for the purposes of the Act.

Articles of Association

The Company's constitution, known as 'the Articles', is essentially a contract between the Company and its shareholders, governing many aspects of the management of the Company. The Articles may be amended in accordance with the provisions of the Act by way of special resolution by the Company's shareholders. No changes to the Articles are being proposed at this year's AGM.

Capital structure

During the year, 18,541 ordinary shares were allotted to satisfy amounts under the Group's Save As You Earn (SAYE) Plan.

As at 31 December 2025, the issued share capital totalled 48,022,962 ordinary shares of 5p each. Further details of the issued share capital are shown in note 21 to the consolidated financial statements.

Power to issue and allot shares

At each AGM, the Board seeks authorisation from its shareholders to allot shares. The directors were granted authority at the AGM on 1 May 2025 to allot shares in the Company: (i) up to an aggregate nominal amount of £800,181.65, representing approximately one third of the Company's total issued share capital as at 12 March 2025; and (ii) in connection with a rights issue, up to an aggregate nominal amount of £1,600,363.35, as reduced by the nominal amount of any shares issued under limb (i), representing (before any reduction) approximately two thirds of the Company's total issued share capital as at 12 March 2025.

In addition, two separate resolutions were passed in relation to the disapplication of pre-emption rights, which were in line with institutional shareholder guidelines published prior to November 2022. These resolutions granted the directors authority to allot shares non-pre-emptively for cash: (i) up to an aggregate nominal amount of £120,027.25, representing approximately 5% of the Company's issued ordinary share capital as at 12 March 2025; and (ii) up to a further aggregate nominal amount of £120,027.25, representing approximately a further 5% of the Company's issued ordinary share capital for use in connection with an acquisition or specified capital investment. The resolutions passed did not specifically provide for follow-on offers.

These authorities apply until the conclusion of this year's AGM or close of business on 1 August 2026, whichever is earlier, and resolutions to renew these authorities will be proposed at this year's AGM, as explained further in the Notice of Meeting to shareholders accompanying this annual report.

The Board confirms that the Company has not used these authorities and there are no immediate plans to make use of these authorities.

Rights and obligations attaching to shares

Subject to applicable statutes, shares may be issued with such rights and restrictions as the Company may by ordinary resolution decide or (if there is no such resolution or so far as it does not make specific provision) as the Board may decide as set out in the Company's Articles. Subject to the Articles, the Act and other shareholders' rights, unissued shares are at the disposal of the Board.

Subject to the Act, if at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class of shares may be varied with the written consent of the holders of not less than 75% in nominal value of the issued shares of that class (calculated excluding any shares held as treasury shares), or with the sanction of a special resolution passed at a separate general meeting of the holders of those shares.

The rights conferred upon the holders of any shares shall not, unless otherwise expressly provided in the rights attaching to those shares, be deemed to be varied by the creation or issue of further shares ranking pari passu with them.

Voting

Subject to any other provisions of the Articles, every member present in person or by proxy at a general meeting has, upon a show of hands, one vote and, upon a poll, one vote for every share held by them. In the case of joint holders of a share, the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding (the first-named being the most senior).

No member shall be entitled to vote at any general meeting in respect of any share held by them if any call or other sum then payable by them in respect of that share remains unpaid or if a member has been served with a restriction notice (as defined in the Articles) after failure to provide the Company with information concerning interests in those shares required to be provided under the Act.

No person has any special rights of control over the Company's share capital and the directors are not aware of any agreements between holders of shares which may result in restrictions on voting rights.

Restrictions on transfer of shares

There are no restrictions on the transfer of securities in the Company, except:

- that certain restrictions may, from time to time, be imposed by laws and regulations (e.g. insider trading laws); and
- pursuant to the Listing Rules of the FCA whereby certain employees of the Company require prior approval to deal in the Company's shares.

The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or voting rights.

Other statutory information continued

Purchase of own shares

At the AGM on 1 May 2025, a resolution was passed giving the directors authority to make market purchases of Company shares up to 4,801,090 shares of 5p each at a maximum price based on the market price of a share at the relevant time, as set out in the resolution. No purchases of shares were made during the year pursuant to this authority. The authority expires on the date of this year's AGM or close of business on 1 August 2026, whichever is earlier. A resolution to renew this authority will be proposed at this year's AGM, as explained further in the Notice of Meeting to shareholders accompanying this annual report.

Dividends and distributions

The Company may, by ordinary resolution, from time to time, declare dividends not exceeding the amount recommended by the Board. Subject to the Act, the Board may pay interim dividends, and also any fixed-rate dividend, whenever the financial position of the Company, in the opinion of the Board, having reviewed the level of distributable reserves, justifies its payment. The Company's capital allocation framework (see pages 19 and 20) is designed to balance the needs of all our stakeholders while enhancing the Group's market competitiveness and capabilities and maintaining our financial strength. As part of this framework, the Board operates a formal dividend policy such that dividend cover is expected to be in the range of 2.0 to 2.5 times on an annual basis.

Having taken account of the framework and the broader economic backdrop, an interim dividend of 50.0p per share was paid on 23 October 2025 and the directors recommend a final dividend of 108p, making a total for the year of 158p. This represents dividend cover of 2.4 times. Further details can be found in note 8 to the consolidated financial statements on page 154. Subject to shareholder approval at the 2026 AGM, the final dividend will be paid on Thursday 4 June 2026 to shareholders on the register at close of business on Friday 15 May 2026.

The Board may withhold payment of all or any part of any dividends or other monies payable in respect of the Company's shares from a person with a 0.25% interest if such a person has been served with a restriction notice (as defined in the Articles) after failure to provide the Company with information concerning interests in those shares required to be provided under the Act. Other than as referred to under Morgan Sindall Group Employee Benefit Trust below, during the year there were no arrangements under which a shareholder has waived or agreed to waive any dividends nor any agreement by a shareholder to waive future dividends.

Morgan Sindall Group Employee Benefit Trust

Zedra Trust Company (Guernsey) Limited, as Trustee of the Trust, holds shares on trust for the benefit of our employees and former employees of the Group and their dependants that have not been exercised or vested. The voting rights in relation to these shares are exercised by the Trustee. The Trustee may vote or abstain from voting with the shares or accept or reject any offer relating to those shares, in any way they see fit, without incurring any liability and without being required to give reasons for their decision. The terms of the Trust also provide that any dividends payable on the shares held by the Trust are waived unless and to the extent otherwise directed by the Company from time to time. The Trust waived its right to the 2024 final and 2025 interim dividend paid during 2025. Details of the shares so held may be found in the consolidated financial statements on page 166.

Substantial shareholdings

As at 31 December 2025, the following information had been disclosed to the Company under the FCA's Disclosure Guidance and Transparency Rules (DTR 5) in respect of notifiable interests in the voting rights in the Company's issued share capital:

Name of holder	Total voting rights[1]	% of total voting rights[2]	Direct or indirect holding
BlackRock, Inc.	3,287,079	6.84	Indirect
Chase Nominees Limited <CMBLJEQ> and HSBC Global Custody Nominee (UK) Limited <462704>[3]	3,112,624	6.50	Indirect
abrdn plc	3,014,979	6.28	Indirect
JPMorgan Asset Management Holdings Inc.	2,531,262	5.29	Indirect
Artemis Investment Management LLP	2,454,413	5.18	Indirect
Ameriprise Financial, Inc.	2,228,336	4.64	Indirect

1 Total voting rights attaching to the ordinary shares of the Company at the time of disclosure to the Company. (The date the notification was received may not have been within the current financial year and it should be noted that these holdings are likely to have changed since the Company was notified. However, notification of any change is not required until the next notifiable threshold is crossed.)

2 Percentage of total voting rights at the date of disclosure to the Company.

3 John Morgan's shareholding.

Related party transactions

During the year, the Board reviewed all related party transactions and, save as disclosed in note 25, there were no significant related party transactions in the year to 31 December 2025.

Change of control

The Group's banking facilities, which are described on page 17 in the financial review, require repayment in the event of a change of control. The Group's facilities for surety bonding require provision of cash collateral for outstanding bonds upon a change of control. In addition, the Company's employee share incentive plans contain provisions whereby, upon a change of control, outstanding options and awards would vest and become exercisable by the relevant employees, subject to the rules of the relevant plans.

There are no agreements between the Company and its directors or employees providing for compensation for loss of office or employment in the event of a takeover bid.

Other statutory information continued

Financial instruments and risks

The financial risk management objectives and policies can be found in the principal risks section in the strategic report on page 51. Information about the use of financial instruments by the Company and its subsidiaries and details about the Group's exposure to credit, liquidity and market risks are given in note 26 to the consolidated financial statements.

Political contributions

No contributions were made to any political parties during the current or preceding year. As a precautionary measure, shareholder approval is being sought at the forthcoming AGM for the Company and its subsidiaries to make donations and/or incur expenditure which may be construed as political by the wide definition of that term included in the relevant legislation. Further details are provided in the Notice of Meeting to shareholders accompanying this report.

Disclosure of information to the external auditor

The directors who held office at the date of approval of the directors' report confirm that, so far as they are each aware:

- there is no relevant audit information of which the Company's auditor is unaware; and
- each director has taken all reasonable steps that he or she ought to have taken as a director in order to ascertain any relevant audit information and to ensure that the Company's auditor is aware of such information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Act.

Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable UK law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the Group financial statements in accordance with UK-adopted international accounting standards and the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). 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 the Company and of the profit or loss of the Group and the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, 'Changes in Accounting Estimates and Errors', and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in International Financial Reporting Standards (and in respect of the Parent Company financial statements, FRS 101) is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and Company financial position and financial performance;
- in respect of the Group financial statements, state whether UK-adopted international accounting and reporting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- in respect of the Parent Company financial statements, state whether applicable UK accounting standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the Company and/or the Group will not continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Company and the Group financial statements comply with the Act. They are also responsible for safeguarding the assets of the Parent Company and Group and hence for taking reasonable steps for the prevention and detection of 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 comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Responsibility statement

The directors confirm that, to the best of their knowledge:

- the consolidated financial statements, prepared in accordance with UK-adopted International Accounting Standards, give a true and fair view of the assets, liabilities, financial position and profit of the Parent Company and undertakings included in the consolidation taken as a whole;
- the annual report, including the strategic report, includes a fair review of the development and performance of the business and the position of the Company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- they consider the annual report including the financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

The directors' report was approved by the Board and signed on its behalf by:

John Morgan
Chief Executive
24 February 2026

Financial statements

In this section

Independent auditor's report to the members of Morgan Sindall Group plc

Opinion

In our opinion:

- Morgan Sindall 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 Morgan Sindall Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2025 which comprise:

Group	Parent Company
Consolidated statement of financial position as at 31 December 2025	Statement of financial position as at 31 December 2025
Consolidated income statement for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of comprehensive income for the year then ended	Related notes 1 to 3 to the financial statements, including material accounting policy information
Consolidated statement of changes in equity for the year then ended	
Consolidated cash flow statement for the year then ended	
Related notes 1 to 28 to the 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 Parent 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.

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:

- 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 early 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 28 February 2027. As part of this assessment, management have modelled six downside scenarios. Scenarios one and two relate to the construction business and assume a reduction in revenues and margin, and working capital, respectively. Scenario three assumes a reduction in value and timing of open market sales in respect of the Partnership Housing division. Scenario four assumes project delays and cost increases in the partnership businesses. Scenario five assumes a higher developer' pledge expense in relation to building safety matters. Lastly, scenario six is a severe downside scenario and models the combined impact of scenarios one to five. Management also performed a reverse stress-test to identify what scenario could lead to the Group utilising all liquidity and/or breaching the financial loan covenants during the going concern period.

Independent auditor's report to the members of Morgan Sindall Group plc
continued

- We assessed the completeness and appropriateness of the scenarios modelled by management which included assessing the relevance to 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 rising inflation, the economic environment and market/sector trends, 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 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 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.
- We performed further sensitivity analysis and our own reverse stress-testing 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 an extreme downside scenario and whether these were achievable and in control of management.
- 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 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 indicates that in order to breach its covenants and exhaust its available funding in the going concern period, the Group's operating profit would need to deteriorate to a loss, which is significantly worse than any of the plausible downside scenarios.

As at 31 December 2025, the Group has a secured order book of £12.0bn, of which £4.0bn relates to the 12 months ending 31 December 2026, and it has a net cash balance of £590.5m (which includes £20.3m that relates to the Group's share of cash held with jointly controlled operations). 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 £180m. These comprise a £165m facility expiring in October 2028 and a £15m facility expiring in June 2028.

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 28 February 2027.

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, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Overview of our audit approach

Audit scope	▪ We performed an audit of the complete financial information of four components and audit procedures on specific balances for a further six components and central procedures on taxation, goodwill, investments in joint ventures, leases, going concern and share-based payments.
Key audit matters	▪ Contract revenue and margin recognition (including valuation of contract assets, unagreed income and contract liabilities). ▪ Recoverability and valuation of inventory balances held. ▪ Impairment of goodwill and investment in subsidiary undertakings (Parent Company only).
Materiality	▪ Overall Group materiality of £11.6m which represents 5% of profit before tax.

Independent auditor's report to the members of Morgan Sindall Group plc
continued

An overview of the scope of the Parent Company and Group audits

Tailoring the scope

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 all components which contained material balances in the following audit areas: taxation, goodwill, investments in joint ventures and share-based payments, as well as the Group going concern procedures.

We then identified seven components as individually relevant to the Group due to a pervasive risk 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, which included three components of the Group that were also individually relevant due to their materiality or financial size to the Group.

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 Group significant 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 Group significant financial statement account balance.

We then considered whether the remaining Group significant 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 selected three additional components of the Group to include in our audit scope to address these risks.

Having identified the components for which work will be performed, we determined the scope to assign to each component.

Of the ten components selected, we designed and performed audit procedures on the entire financial information of four components ('full scope components'). For the remaining six 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').

The reporting components where we performed audit procedures accounted for 97% (2024: 98%) of the Group's profit before tax. For the current year, the full scope components contributed 84% (2024: 97%) of the Group's profit before tax and the specific scope components contributed 13% (2024: 1%) of the Group's profit before tax. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group. 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 continued to follow a programme of planned visits that has been designed to ensure that the senior statutory auditor visits all full scope component audit teams over the course of the audit, including accompanying them on site visits and audit close meetings. During the current year's audit cycle, visits were undertaken by the primary audit team to the component teams based in our offices in Birmingham, Manchester and London. In addition, calls were made with the component audit team based in Guernsey. These visits and calls involved discussing the audit approach with component teams and any issues arising from their work, meeting with local management, participating in higher-risk contracts discussions, accompanying the component team on site visits for higher-risk contracts where appropriate, and reviewing relevant audit planning and conclusion workpapers on higher and significant risk areas. The primary team also participated in interim and year end audit close meetings as considered appropriate. These visits and meetings were supplemented by frequent video calls between the primary team and component teams throughout all stages of the audit to exercise oversight over component teams' audit work. 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.

This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Independent auditor's report to the members of Morgan Sindall Group plc
continued

Climate change

Stakeholders are increasingly interested in how climate change will impact Morgan Sindall Group plc. The Group has determined that the most significant future impacts from climate change on their operations will be from (a) more extreme weather events impacting operations through increased costs, project delays and supply chain disruptions; and (b) changes to environmental or climate legislation leading to increased project costs and potential compliance breaches. These are explained on pages 58 to 60 in the required Task Force on Climate-related Financial Disclosures and on page 54 in the principal risks and uncertainties. They have also explained their climate commitments on pages 40 to 42. 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 their basis of preparation section and note 10 how they have reflected the impact of climate change in their financial statements. They also include how this aligns with their commitment to the aspirations of the Paris Agreement to achieve net zero emissions by 2050 as part of their climate reporting on Task Force on Climate-related Financial Disclosures. These disclosures also explain where governmental and societal responses to climate change risks are still developing, and where the degree of certainty of these changes means that they cannot be taken into account when determining asset and liability valuations under the requirements of UK-adopted international accounting standards. In the 'identified climate-related risks and opportunities' section of the strategic report, supplementary narrative explanation of the impact of reasonably possible changes in the key assumptions has been provided.

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 58 to 60 and whether these have been appropriately reflected in asset values where these are impacted by future cash flows and associated sensitivity disclosures (see note 10) and the going concern basis of preparation paragraph 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.

Our risk assessment identified that there may be additional costs for the business to achieve its climate commitments, for example in relation to carbon offsetting projects, and that these needed to be appropriately reflected in the modelling of future cash flows which are used in management's assessment of the impairment of goodwill. While management have reflected such costs in their forecasts, these are not material to the Group, and accordingly these do not impact the overall goodwill impairment conclusion. Further details of our procedures and findings on the goodwill impairment assessment are included in our key audit matters below.

We also challenged the directors' considerations of climate change risks in their assessment of going concern and viability and associated disclosures. We concluded that there was not a material impact of climate-related risks to the business over the short to medium term covered by the going concern and viability periods.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

Independent auditor's report to the members of Morgan Sindall Group plc
continued

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.

Risk	Our response to the risk
Contract revenue and margin recognition (including valuation of contract assets, unagreed income and contract liabilities) Revenue: £5,018.6m (2024: £4,546.2m) Operating profit: £224.9m (2024: £162.0m) Contract assets: £235.8m (2024: £224.6m) Contract liabilities: £118.7m (2024: £110.4m) *Refer to the audit committee report (page 88); accounting policies (page 144); and notes 1 and 14 of the consolidated financial statements (pages 149 and 161)* The Group recognises revenue over time in the Construction, Infrastructure, Fit Out, Property Services, Mixed Use Partnerships and Partnership Housing (in respect of pre-let, forward-sold developments) divisions. The Group also recognises revenue under the point-in-time method in the Partnership Housing and Mixed Use Partnerships divisions. There is a risk that revenue recognised over time is materially misstated as there is significant judgement involved in determining the inputs that drive contract revenue and margin recognition (e.g. forecast revenue, recoverability of unagreed income, and forecast costs to complete). Therefore, these inputs could be susceptible to management bias or manipulation. There is also a risk that revenue recognised under the point-in-time method is recorded in the incorrect period either due to cut-off error or management bias resulting in a material misstatement.	**Contract revenue and margin recognised over time** We worked together with our component teams to perform a risk assessment of the contract population and selected a sample of higher-risk contracts (based on value and/or complexity) across the Group and obtained an understanding of the: (1) contract terms; (2) key operational or commercial issues; (3) judgements impacting the contract position; and (4) contract revenue and margin recognised. Factors we considered when determining higher-risk contracts to select include the: (1) size of the contract; (2) contracts with significant unagreed income amounts; (3) low-margin and loss-making contracts, contracts with unusual margins or contracts with a significant deterioration in margin; and (4) stage of completion. We selected a sample of contracts completed during the year and verified the revenue recognised by reconciling it with the final customer payment certificate. Our audit approach for higher-risk contracts has been outlined below: ▪ Performed walkthroughs of the significant classes of revenue transactions recognised over time and assessed the design effectiveness of key controls. ▪ Discussed management's contract risk tracker with divisional management and the Group head of audit and assurance. ▪ Performed site visits at a selection of higher-risk contracts in order to corroborate the contract positions in person through review of the operations and discussions with contract personnel on-site to form an independent view on the judgements taken. ▪ Detailed review of the signed contract agreements to understand the commercial terms and review any legal correspondence or expert advice that has been obtained to support any contract positions recorded. ▪ Assessed the appropriateness of supporting evidence and the requirements of IFRS 15 and the Group's accounting policies (e.g. where contracts include additional entitlements for variations and claims, both for and against the Group). ▪ Assessed the appropriateness of the accruals at year end and ensured these have been incurred and not materially overstated/understated. ▪ Challenged the level of unagreed income or contract assets and the adequacy of the evidence (e.g. future certifications and cash receipts) to assess their recognition and recoverability. ▪ Reviewed contract asset balances and challenged management on the recovery of aged balances at the year end, which have not been provided for, including consideration of counterparty risk. ▪ Assessed the reasonableness of calculations of estimated costs to complete, which included understanding the risks/outstanding works on the contract, the impact of any delays or other delivery issues, impact of inflation and the related provisions for cost escalations that have been recognised.

Independent auditor's report to the members of Morgan Sindall Group plc
continued

Risk	Our response to the risk
	▪ Assessed the appropriateness of cost allocations across contracts, including evaluation of whether there has been any manipulation of costs between profit-making and loss-making contracts. ▪ Challenged the rationale for material provisions held at a contract/division level and concluded if these are appropriate. ▪ Challenged the level of onerous contract provisions recognised for loss-making contracts as well as any cost contingencies on the remaining contracts at year end. ▪ Assessed the correlation between revenue, contract assets and cash balances using data analytical tools or through other substantive test of detail procedures. ▪ Reviewed material unusual journal entries recorded to assess whether these have been properly authorised, are appropriately substantiated and are for a valid business purpose. **Contract revenue and margin recognised at a point in time** ▪ Performed walkthroughs of the revenue recognition process under the point-in-time method and assessed the design effectiveness of key controls. ▪ Reviewed signed contract agreements to understand the commercial terms and ensure the appropriate revenue recognition method is applied in line with the requirements of IFRS 15 and the Group's accounting policies. ▪ Tested a sample of transactions by agreeing to contracts, bank receipts and obtaining evidence of fulfilment of performance obligations. ▪ Performed cut-off testing to assess whether revenue recorded either side of the year end was included in the correct accounting period. ▪ Reviewed material unusual journal entries recorded in relation to revenue recognised under the point-in-time method to assess whether these have been properly authorised, are appropriately substantiated and are for a valid business purpose.

Key observations communicated to the audit committee

Based on our audit procedures performed, we have concluded that the recognition of revenue (including the valuation of contract assets, unagreed income and contract liabilities) was appropriate, and the key judgements made by management are consistent with the Group's accounting policies. The presentation and disclosure of revenue, contract assets and contract liabilities are materially correct and appropriate.

How we scoped our audit to respond to the risk and involvement with component teams

We performed full and specific scope audit procedures over this risk in eight components, which covered 97.6% of the risk amount.

We were involved in the component audit teams' procedures on a regular basis throughout the audit. This included discussions with the component teams on judgements and estimations involved in revenue and margin recognition to inform our group risk assessment, issuing tailored group audit instructions to address this key audit matter, attendance at key component audit teams' meetings and discussions with local management, accompanying component teams on site visits for higher-risk contracts, attendance at interim and group close meetings, and reviewing component audit teams' working papers on these areas.

Independent auditor's report to the members of Morgan Sindall Group plc
continued

Risk	Our response to the risk
Recoverability and valuation of inventory balances held Inventory: £603.3m (2024: £476.0m) *Refer to the audit committee report (page 88); accounting policies (page 146); and note 13 of the consolidated financial statements (page 161)* Partnership Housing and Mixed Use Partnerships deliver housing and regeneration schemes. During construction, the cost of work in progress is held as inventory prior to it being recognised as cost of sales under contract accounting. This comprises land, raw materials, direct labour, other direct costs and related overheads. Inventory is held at the lower of cost and net realisable value. Therefore, there is a high degree of management judgement required to determine the valuation of inventory pertaining to land and developments under construction. There is a risk that the carrying value of inventory held by the Group is overstated in the year-end Group accounts if management's assessment of the net realisable value is based on inappropriate assumptions.	▪ Performed procedures to assess the ownership of the inventories held (e.g. review of sale purchase agreements and land title deeds) in order to evaluate whether the Group has appropriate title over the inventory held. ▪ Performed a walkthrough of the 'net realisable value' impairment analysis and calculation process and evaluated how management look for indicators of inventory impairment; ▪ Reviewed a sample of planning permissions obtained or submitted as well as environmental assessment reports (where relevant) to assess their impact on the inventory on hand at year end. ▪ Assessed the nature of costs capitalised in the year-end inventory balance by vouching a sample of these back to supporting documentary evidence, ensuring these meet the criteria for capitalisation and have been charged to the correct project. ▪ Challenged the costs to complete by agreeing a sample of items to supporting documentation (e.g. subcontractor quotes, actual invoices issued, contracts executed and management reports) and through enquiry of the commercial teams. ▪ Recalculated the profit of contracts selected for the year based on forecast revenue and costs. ▪ Compared the forecast sale prices and price per sq ft of the unsold units in management's forecast to the range of prices achieved on the units reserved and sold, or comparing to prices achieved at equivalent competitor sites where possible. ▪ Inspected site plans and, for Partnership Housing, reviewed a sample of post year-end sales (where available) to evaluate management's forecast sales prices. ▪ Evaluated the adequacy of disclosures in financial statements, particularly where the inventories are written down to their fair values less costs to sell. ▪ Engaged an EY valuation specialist to support the impairment analysis by providing market context, particularly in relation to forecast sales prices for residential properties to be sold on the open market at selected developments. ▪ Challenged the net realisable value of undeveloped land by assessing relevant factors, including land values and any deposits or options to purchase the land.

Key observations communicated to the audit committee

Based on our procedures we have concluded that the inventory balances are not materially misstated.

How we scoped our audit to respond to the risk and involvement with component teams

We performed full and specific scope audit procedures over this risk in Partnership Housing and Mixed Use Partnerships divisions, which covered 100% of the risk amount.

We were involved in the component audit teams' procedures on a regular basis throughout the audit. This included discussions with the component teams on judgements and estimations involved in valuation of inventory to inform our group risk assessment, attendance at key component audit teams' meetings and discussions with local management, accompanying component teams on site visits for higher-risk contracts, attendance at interim and group close meetings, and reviewing component audit teams' working papers on these areas.

Independent auditor's report to the members of Morgan Sindall Group plc
continued

Risk	Our response to the risk
Impairment of goodwill and investment in subsidiary undertakings (Parent only) Goodwill: £217.7m (2024: £217.7m) Parent Company's investment in subsidiary undertakings: £597.8m (2024: £597.8m) *Refer to the audit committee report (page 88); accounting policies (page 146); note 10 of the consolidated financial statements (page 156) and note 2 of the Company financial statements (page 176)* Intangible assets with an indefinite useful life must be evaluated for impairment annually, or whenever indicators of impairment are noted per IAS 36. Due to the degree of estimation involved in calculating the expected future cash flows from cash-generating units (CGUs) and determining the appropriate long-term growth rates and discount rates specific to each CGU, we have identified a significant risk regarding the assessment of any impairment against the goodwill carrying values, as well as the identification of any indicators of impairment. There is also a risk that the recoverable amount of the investment in subsidiary undertakings may be less than the investment balance on the Parent Company's statement of financial position.	▪ Performed a walkthrough of the impairment analysis and calculation process and evaluated the identification of CGUs performed by management. ▪ Assessed and challenged the key inputs of the forecast cash flows at the CGU level, including: – Challenging the discount rate used by obtaining the underlying data used in the calculation and substantiating this against reputable independent assessments with the support of our EY valuation specialists. – Validating the growth rates assumed by comparing them to economic and industry forecasts and using the support of our EY valuation specialists, where required. – Challenging management on the achievability of the cash flow forecasts and assessing the projected financial information against results achieved to date and other market data to assess the robustness of management's forecasting process. This also included consideration of the impact of other relevant economic and social environmental factors, such as inflation and climate change, on future cash flows. ▪ Analysed the historical forecasting accuracy (budget to actual results) to determine whether forecast cash flows are reliable based on past experience especially factoring in any anomalies. ▪ Understood the commercial challenges for each CGU and challenged/evaluated how these were incorporated into management's assessment. ▪ Assessed the carrying values of each CGU considered by management in their impairment models to determine the appropriateness of the assets and liabilities included, and the methodology used for allocation of any corporate or shared assets between the CGUs. ▪ Performed a sensitivity analysis by changing key assumptions in management's model to see the impact on the headroom between carrying value and fair value (including combining the effects of different sensitivities). ▪ Considered the carrying value of the CGUs in the context of the market capitalisation of the Group. ▪ Assessed the appropriateness of the net asset values and component-specific cash flows as required for each of the investments in subsidiary undertakings held by the Parent Company, factoring in any audit adjustments or appropriate sensitivities to conclude on the available headroom. ▪ Performed a comparison between the carrying value of the CGUs (after necessary adjustments) against the value of these investments in subsidiaries on the Parent Company's statement of financial position. ▪ Compared the aggregated carrying value of the investment in subsidiaries to the Group's market capitalisation to assess if this gives rise to any indicator of impairment for the investment in subsidiary undertakings balance. ▪ Considered the appropriateness of the related financial statement disclosures, particularly with regard to the description of the sensitivity analyses performed.

Key observations communicated to the audit committee

Based on our audit procedures we have concluded that goodwill is not impaired. The disclosures relating to goodwill are appropriate.

We have also concluded that the carrying value of investment in subsidiary undertakings is not materially misstated.

How we scoped our audit to respond to the risk

We performed centralised procedures over this risk, which covered 100% of the risk amount.

All audit work performed to address this risk was undertaken by the Group audit team.

Independent auditor's report to the members of Morgan Sindall Group plc
continued

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 £11.6m (2024: £8.6m), which is 5% (2024: 5%) of the Group's profit before tax. We believe that profit before tax provides us with an appropriate basis for materiality and is the most relevant measure for stakeholders as it is a focus of both management and investors.

During the course of our audit, we reassessed initial materiality and updated its calculation for the actual financial results of the year. This resulted in an increase of materiality levels compared to that calculated at the planning stage of the audit due to higher than forecasted results of the Group.

We determined materiality for the Parent Company to be £4.4m (2024: £3.8m), which is 2% (2024: 2%) of equity.

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 75% (2024: 75%) of our planning materiality, namely £8.7m (2024: £6.4m). We have set performance materiality at this percentage as we did not expect the aggregate misstatements in the year to be greater than 25% of our planning materiality and our assessment of control environment supports this.

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 £1.6m to £5.2m (2024: £1.0m to £3.5m).

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 £0.6m (2024: £0.4m), 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.

Other information

The other information comprises the information included in the annual report set out on pages 4 to 124, 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.

Independent auditor's report to the members of Morgan Sindall Group plc continued

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 66.
- 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 pages 66 and 67.
- Director's 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 66.
- Directors' statement on fair, balanced and understandable set out on page 124.
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 48 to 55.
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 90 to 92.
- The section describing the work of the audit committee set out on pages 86 to 92.

Responsibilities of Directors

As explained more fully in the directors' responsibility statement set out on page 124, 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 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.

Independent auditor's report to the members of Morgan Sindall Group plc continued

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 those that relate to the reporting framework (UK-adopted International Accounting Standards, the Companies Act 2006 and the UK Corporate Governance Code), the Building Safety Act and the relevant tax compliance regulations in the UK.
- We understood how Morgan Sindall Group plc is complying with those frameworks by making enquiries of management at Group level and within the divisions, internal audit, those responsible for legal and compliance procedures and the company secretary. We corroborated our enquiries through our review of Board minutes and papers provided to the Board and audit committee, noting the strong emphasis of transparency and honesty in the Group's culture and the levels of oversight the Board and Group management have over each division despite the decentralised operating model of the Group.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur, by meeting with management in each division to understand where it considered there was a susceptibility to fraud. We also considered performance targets and their propensity to influence efforts made by management to manage earnings. We considered the programmes and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud, and how senior management at Group level and within the divisions monitor those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures are set out in the key audit matters section of this report and were designed to provide reasonable assurance that the financial statements were free from fraud and error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved journal entry testing at each component in the scope of our Group audit with a focus on journals indicating unusual transactions based on our understanding of the business, enquiries of Group and divisional management, and focused testing as referred to in the key audit matters section above. In addition, we completed procedures to conclude on the compliance of the disclosures in the annual report and accounts with the requirements of the relevant accounting standards, UK legislation and the UK Corporate Governance Code.
- We instructed our component teams to report all instances of non-compliance with laws and regulations to us. For all such matters brought to our attention, we assessed their significance to determine their impact on our audit approach and on the financial statements. Where appropriate, we designed and performed additional audit procedures to address additional risks resulting from such assessment.

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 6 May 2021 to audit the financial statements for the year ending 31 December 2021 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is five years, covering the years ending 31 December 2021 to 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.

Peter McIver (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
24 February 2026

Consolidated income statement
for the year ended 31 December 2025

	Notes	2025 £m	2024 £m
Revenue	1	**5,018.6**	4,546.2
Cost of sales		**(4,406.6)**	(4,016.3)
Gross profit		**612.0**	529.9
Analysed as:			
Adjusted gross profit		**613.3**	528.6
Exceptional building safety items	4	**(1.3)**	1.3
Impairment loss on contract assets	14	**(2.5)**	(21.0)
Administrative expenses		**(391.3)**	(360.0)
Share of net profit of joint ventures	12	**1.2**	3.2
Other operating income		**5.5**	9.9
Operating profit		**224.9**	162.0
Analysed as:			
Adjusted operating profit		**225.7**	162.6
Exceptional building safety items	4	**(0.4)**	(0.1)
Amortisation of intangible assets	10	**(0.4)**	(0.5)
Finance income	6	**15.6**	18.2
Finance expense	6	**(8.7)**	(8.3)
Profit before tax	3	**231.8**	171.9
Analysed as:			
Adjusted profit before tax		**232.6**	172.5
Exceptional building safety items	4	**(0.4)**	(0.1)
Amortisation of intangible assets	10	**(0.4)**	(0.5)
Tax	7	**(56.9)**	(40.2)
Profit for the year		**174.9**	131.7
Attributable to:			
Owners of the Company		**174.9**	131.7
Earnings per share			
Basic	9	**372.1p**	281.4p
Diluted	9	**354.8p**	271.5p

There were no discontinued operations in either the current or comparative years.

Consolidated statement of comprehensive income

for the year ended 31 December 2025

	2025 £m	2024 £m
Profit for the year	**174.9**	131.7
Items that may be reclassified subsequently to profit or loss:		
Foreign exchange movement on translation of overseas operations	**0.3**	(0.3)
Net gain/(loss) arising on revaluation of cash flow hedges	**–**	(0.1)
	0.3	(0.4)
Other comprehensive income/(expense)	**0.3**	(0.4)
Total comprehensive income	**175.2**	131.3
Attributable to:		
Owners of the Company	**175.2**	131.3

Consolidated statement of financial position

at 31 December 2025

	Notes	2025 £m	2024 £m
Assets			
Goodwill and other intangible assets	10	**218.3**	218.1
Property, plant and equipment	11	**102.2**	95.1
Investment property		**–**	0.6
Investments in joint ventures	12	**132.7**	111.9
Deferred tax asset	7	**4.2**	–
Non-current assets		**457.4**	425.7
Inventories	13	**603.3**	476.0
Contract assets	14	**235.8**	224.6
Trade and other receivables	15	**553.4**	453.5
Current tax receivables		**1.3**	6.6
Cash and cash equivalents	26	**590.5**	544.2
Assets held for sale	11	**6.6**	–
Current assets		**1,990.9**	1,704.9
Total assets		**2,448.3**	2,130.6
Liabilities			
Contract liabilities	14	**(118.7)**	(110.4)
Trade and other payables	16	**(1,343.6)**	(1,130.3)
Lease liabilities	18	**(24.8)**	(22.6)
Borrowings	26	**(59.3)**	(51.8)
Provisions	19	**(71.7)**	(85.1)
Current liabilities		**(1,618.1)**	(1,400.2)
Net current assets		**372.8**	304.7
Trade and other payables	16	**(14.9)**	(16.6)
Lease liabilities	18	**(48.8)**	(44.1)
Deferred tax liabilities	7	**–**	(2.1)
Provisions	19	**(17.7)**	(20.4)
Non-current liabilities		**(81.4)**	(83.2)
Total liabilities		**(1,699.5)**	(1,483.4)
Net assets		**748.8**	647.2
Equity			
Share capital	21	**2.4**	2.4
Share premium account		**65.9**	65.7
Other reserves	22	**1.2**	0.9
Retained earnings		**679.3**	578.2
Equity attributable to owners of the Company		**748.8**	647.2
Total equity		**748.8**	647.2

The consolidated financial statements of Morgan Sindall Group plc (company number: 00521970) were approved by the Board on 24 February 2026 and signed on its behalf by:

John Morgan
Chief Executive

Kelly Gangotra
Chief Financial Officer

Consolidated cash flow statement

for the year ended 31 December 2025

	Notes	**2025 £m**	2024 £m
Operating activities			
Operating profit		**224.9**	162.0
Adjusted for:			
Exceptional building safety items	4, 19	**(1.0)**	2.1
Amortisation of intangible assets	10	**0.4**	0.5
Underlying share of net profit of equity-accounted joint ventures	12	**(0.3)**	(4.6)
Depreciation	11	**35.8**	33.1
Impairment of property, plant and equipment	11	**3.5**	–
Share-based payments	5, 24	**10.8**	10.5
Gain on disposal of property, plant and equipment		**(0.3)**	(0.7)
Reversal of impairment on investments in joint ventures	12	**(1.2)**	(5.1)
(Decrease)/increase in provisions excluding exceptional building safety items	19	**(16.0)**	8.7
Operating cash inflow before movements in working capital		**256.6**	206.5
Increase in inventories		**(127.3)**	(131.3)
(Increase)/decrease in contract assets		**(11.2)**	46.0
(Increase)/decrease in receivables		**(100.1)**	7.8
Increase in contract liabilities		**8.3**	14.6
Increase in payables		**209.3**	29.1
Movements in working capital		**(21.0)**	(33.8)
Cash inflow from operations		**235.6**	172.7
Income taxes paid		**(48.3)**	(43.9)
Net cash inflow from operating activities		**187.3**	128.8
Investing activities			
Interest received		**15.9**	18.0
Dividends from joint ventures	12	**4.7**	4.2
Proceeds on disposal of property, plant and equipment		**0.5**	1.9
Purchases of property, plant and equipment	11	**(16.0)**	(18.2)
Purchases of intangible fixed assets	10	**(0.6)**	–
Capital advances to joint ventures	12	**(66.3)**	(29.1)
Capital repayments from joint ventures	12	**37.6**	27.9
Net cash (outflow)/inflow from investing activities		**(24.2)**	4.7
Financing activities			
Interest paid		**(2.0)**	(1.9)
Dividends paid	8	**(65.8)**	(56.1)
Repayments of lease liabilities	18	**(28.3)**	(25.8)
Proceeds on issue of share capital	21	**0.2**	9.7
Payments by the Trust to acquire shares in the Company		**(40.7)**	(47.2)
Proceeds on exercise of share options		**12.3**	19.5
Net cash outflow from financing activities		**(124.3)**	(101.8)
Net increase in cash and cash equivalents		**38.8**	31.7
Cash and cash equivalents at the beginning of the year		**492.4**	460.7
Cash and cash equivalents at the end of the year	26	**531.2**	492.4

Cash and cash equivalents presented in the consolidated cash flow statement include bank overdrafts. See note 26 for a reconciliation to cash and cash equivalents presented in the consolidated statement of financial position.

Consolidated statement of changes in equity

for the year ended 31 December 2025

	Notes	Share capital £m	Share premium account £m	Other reserves £m 22	Retained earnings £m 23	Total equity £m
1 January 2024		2.4	56.0	1.3	508.4	568.1
Profit for the year		–	–	–	131.7	131.7
Other comprehensive expense		–	–	(0.4)	–	(0.4)
Total comprehensive (expense)/income		–	–	(0.4)	131.7	131.3
Share-based payments	24	–	–	–	10.5	10.5
Tax relating to share-based payments[1]	7	–	–	–	11.4	11.4
Issue of shares at a premium	21	–	9.7	–	–	9.7
Exercise of share options		–	–	–	19.5	19.5
Purchase of shares in the Company by the Trust		–	–	–	(47.2)	(47.2)
Dividends paid	8	–	–	–	(56.1)	(56.1)
1 January 2025		**2.4**	**65.7**	**0.9**	**578.2**	**647.2**
Profit for the year		**–**	**–**	**–**	**174.9**	**174.9**
Other comprehensive income		**–**	**–**	**0.3**	**–**	**0.3**
Total comprehensive income		**–**	**–**	**0.3**	**174.9**	**175.2**
Share-based payments	24	**–**	**–**	**–**	**10.8**	**10.8**
Tax relating to share-based payments[1]	7	**–**	**–**	**–**	**9.6**	**9.6**
Issue of shares at a premium	21	**–**	**0.2**	**–**	**–**	**0.2**
Purchase of shares in the Company by the Trust		**–**	**–**	**–**	**(40.7)**	**(40.7)**
Exercise of share options		**–**	**–**	**–**	**12.3**	**12.3**
Dividends paid	8	**–**	**–**	**–**	**(65.8)**	**(65.8)**
31 December 2025		**2.4**	**65.9**	**1.2**	**679.3**	**748.8**

1 Tax relating to share-based payments includes a current tax credit of £2.9m (2024: £5.8m) and a deferred tax credit of £6.7m (2024: credit of £5.6m).

Material accounting policy information
for the year ended 31 December 2025

Reporting entity

Morgan Sindall Group plc (the 'Company' or 'Ultimate Parent') is a public limited company, domiciled and incorporated in the United Kingdom. Its registration number is 00521970 and its registered address is Kent House, 14–17 Market Place, London, W1W 8AJ. The nature of its operations and principal activities along with those of its subsidiaries (together the 'Group') are set out in note 2 and in the strategic report on page 6, and pages 8 to 9. The Company did not change its name during the year ended 31 December 2025 or the year ended 31 December 2024.

Basis of preparation

(a) Statement of compliance

The financial statements have been prepared on a going concern basis in accordance with the requirements of the Companies Act 2006 and UK-adopted international accounting standards.

(b) Basis of accounting

The consolidated financial statements have been prepared under the historical cost convention, except where otherwise indicated. The impairment of contract assets has been presented separately on the income statement due to the materiality of the impairment loss amount recognised during the prior year.

(c) Going concern

In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the Group and Company can continue in operational existence during the going concern period, which the directors have determined to be until 28 February 2027.

As at 31 December 2025, the Group held cash of £590.5m, including £20.3m (2024: £23.1m) which is the Group's share of cash held within jointly controlled operations, and total overdrafts repayable on demand of £59.3m (together net cash of £531.2m). Should further funding be required, the Group has significant committed financial resources available, including unutilised bank facilities of £180m (2024: £180m), of which £165m matures in October 2028 and £15m matures in June 2028. The Group's secured order book at 31 December 2025 is £12.0bn (2024: £11.4bn), of which £4.0bn relates to the 12 months ended 31 December 2026.

The directors have reviewed the Group's forecasts and projections for the going concern period, including sensitivity analysis (detailed on pages 66 and 67), including reduced revenues, margins, a working capital deterioration and project delays, to assess the Group's resilience to the potential financial impact on the Group of any plausible losses of revenue or operating profit which could arise from one of the principal risks to the business occurring (these risks are discussed on pages 48 to 54 and include the directors' assessment of the impact of climate change). The analysis also includes a reasonable worst-case scenario in which the Group's principal risks manifest in aggregate to a severe but plausible level involving the aggregation of the impacts of a number of these risks.

The modelling showed that the Group would remain profitable throughout the going concern period and there is considerable headroom above lending facilities such that there would be no expected requirement for the Group to utilise the bank facility, which underpins the going concern assumption on which these financial statements have been prepared. As part of the sensitivity analysis the directors also modelled a scenario that stress-tests the Group's forecasts and projections to determine the scenario in which the headroom above the committed bank facility would be exceeded. This model showed that the Group's operating profit would need to deteriorate substantially for the headroom to exceed the committed bank facility. The directors consider there is no plausible scenario where cash inflows would deteriorate this significantly. However, as part of their analysis the Board also considered further mitigating actions at their discretion, such as a reduction in investments in working capital, to improve the position identified by the reasonable worst-case scenario. In all scenarios, including the reasonable worst case, the Group is able to comply with its financial covenants, operate within its current facilities, and meet its liabilities as they fall due.

Accordingly, the directors consider there to be no material uncertainties that may cast significant doubt on the Group's ability to continue to operate as a going concern. They have formed a judgement that there is a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the going concern period which they determine to be until 28 February 2027. For this reason, they continue to adopt the going concern basis in the preparation of these financial statements. The period until 28 February 2027 has been assessed as appropriate following consideration of the budgeting cycles and typical contract lengths undertaken across the Group.

(d) Functional and presentation currency

These consolidated financial statements are presented in pounds sterling, which is the Group's presentational currency and the Company's functional currency. All financial information, unless otherwise stated, has been rounded to the nearest £0.1m.

(e) Climate change risk

While the Group is committed to achieve its near-term carbon emission targets by 2030, the governmental and societal responses to climate change risks are still developing and therefore the Group is currently unable to determine the full future economic impact of climate change risks on their business model to achieve this. As such, the potential impacts of climate change risk are not fully incorporated in these financial statements.

Material accounting policy information continued

(f) Adoption of new and amended standards and interpretations

(i) New and amended accounting standards adopted by the Group

During the year, the Group has adopted the following new and amended standard and interpretation. Its adoption has not had any significant impact on the accounts or disclosures in these financial statements:

- Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates'

(ii) New and amended accounting standards and interpretations which were in issue but were not yet effective and have not been adopted early by the Group

At the date of the financial statements, the Group has not applied the following new and amended standards that have been issued but are not yet effective:

- Amendments to IFRS 9 'Financial Instruments' and IFRS 7 'Financial Instruments: Disclosures'
- Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7)
- Annual Improvements to IFRS Accounting Standards – Volume 11
- IFRS 18 'Presentation and Disclosures in Financial Statements'

The Group is currently assessing the impact of these new and amended standards but does not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods.

The accounting policies as set out below have been applied consistently to all periods presented in these consolidated financial statements.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company, together with the Group's share of the results of joint ventures made up to 31 December each year. Control is achieved when the Company (i) has the 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 its 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. Business combinations are accounted for using the acquisition method.

(a) Subsidiaries

Subsidiaries are entities that are controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date that control is obtained to the date that control ceases. The accounting policies of new subsidiaries are changed where necessary to align them with those of the Group.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in the income statement. Any investment retained is recognised at fair value.

(b) Joint arrangements

A joint arrangement is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, which requires unanimous consent for strategic, financial and operating decisions.

(i) Joint ventures

A joint venture generally involves the establishment of a corporation, partnership or other entity in which each venturer has rights to the net assets of the joint venture and joint control over strategic, financial and operating decisions. The results, assets and liabilities of jointly controlled entities are incorporated in the financial statements using the equity method of accounting.

Goodwill relating to a joint venture which is acquired directly is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group's investments in joint ventures are reviewed to determine whether any additional impairment loss in relation to the net investment in the joint venture is required, and if so it is written off in the period in which those circumstances are identified. When there is a change recognised directly in the equity of the joint venture, the Group recognises its share of any change and discloses this, where applicable, in the statement of comprehensive income.

Where the Group's share of losses exceeds its equity-accounted investment in a joint venture, the carrying amount of the equity interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations. Appropriate adjustment is made to the results of joint ventures where material differences exist between a joint venture's accounting policies and those of the Group.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

(ii) Joint operations

Construction contracts carried out as a joint arrangement without the establishment of a legal entity are joint operations. The Group's share of the results and net assets of these joint operations are included under each relevant heading in the income statement and the statement of financial position.

Material accounting policy information continued

(c) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expense arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investments are eliminated to the extent of the Group's interest in that investment. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Revenue and margin recognition

Revenue and margin are recognised as follows:

(a) Construction and infrastructure contracts

A significant portion of the Group's revenue is derived from construction and infrastructure services contracts. These services are provided to customers across a wide variety of sectors and the size and duration of the contracts can vary significantly from a few weeks to more than 10 years.

The majority of contracts are considered to contain only one performance obligation for the purposes of recognising revenue. While the scope of works may include a number of different components, in the context of construction and infrastructure services activities these are usually highly interrelated and produce a combined output for the customer.

Contracts are typically satisfied over time. For fixed price construction contracts progress is measured through a valuation of the works undertaken by a professional quantity surveyor, including an assessment of any elements for which a price has not yet been agreed such as changes in scope. For cost-reimbursable infrastructure services contracts progress is measured based on the costs incurred to date as a proportion of the estimated total cost and an assessment of the final contract price payable.

Variations are not included in the estimated total contract price until the customer has agreed the revised scope of work.

Where the scope has been agreed but the corresponding change in price has not yet been agreed, only the amount that is considered highly probable not to reverse in the future is included in the estimated total contract price. Where delays to the programme of works are anticipated and liquidated damages would be contractually due, the estimated total contract price is reduced accordingly. This is only mitigated by expected extensions of time or commercial resolution being achieved where it is highly probable that this will not lead to a significant reversal in the future.

For cost-reimbursable contracts, expected pain share is recognised in the estimated total contract price immediately, while anticipated gain share and performance bonuses are only recognised at the point that they are agreed by the customer.

In order to recognise the profit over time it is necessary to estimate the total costs of the contract. These estimates take account of any uncertainties in the cost of work packages which have not yet been let and materials which have not yet been procured, the expected cost of any acceleration of or delays to the programme or changes in the scope of works and the expected cost of any rectification works during the defects liability period.

Once the outcome of a construction contract can be estimated reliably, margin is recognised in the income statement in line with the corresponding stage of completion. Where a contract is forecast to be loss-making, the full loss is recognised immediately in the income statement.

(b) Service contracts

Service contracts include design, maintenance and management services. Contracts are typically satisfied over time and revenue is measured through an assessment of time incurred and materials utilised as a proportion of the total expected or percentage of completion depending upon the nature of the service.

(c) Sale of land and development properties

The Group derives a significant portion of revenue from the sale of land, and the development and sale of residential and commercial properties.

Contracts are typically satisfied at a point in time. This is usually deemed to be legal completion as this is the point at which the Group has an enforceable right to payment. The only exception to this is pre-let forward-sold developments where the customer controls the work in progress as it is created; or where the Group is unable to put the asset being constructed to an alternative use due to legal or practical limitations and has an enforceable right to payment for the work completed to date. Where these conditions are met, the contract is accounted for as a construction contract in accordance with paragraph (a) above.

Revenue from the sale of land and residential and commercial properties is measured at the transaction price agreed in the contract with the customer. While deferred payment terms may be agreed in rare circumstances, the deferral never exceeds twelve months. The transaction price is therefore not adjusted for the effects of a significant financing component. The Group no longer utilises shared equity loan schemes for the sale of residential properties.

In order to recognise the profit, it is necessary to estimate the total costs of a development. These estimates take account of any uncertainties in the cost of work packages which have not yet been let and materials which have not yet been procured and the expected cost of any rectification works during the defects liability period, which is 12 months for commercial property and 24 months for residential property.

Profit is recognised by allocating the total costs of a scheme to each unit at a consistent margin. For mixed-tenure schemes which also incorporate a construction contract, the margin recognised for the open market units is consistent with the construction contract element of the development.

(d) Contract balances

Contract assets

Contract assets primarily relate to the Group's right to consideration for construction work completed but not invoiced at the balance sheet date. The contract assets are transferred to trade receivables when the amounts are certified by the customer. On most contracts, certificates are issued by the customer on a monthly basis.

Material accounting policy information continued

Contract liabilities

Contract liabilities primarily relate to the advance consideration received from customers in respect of performance obligations which have not yet been fully satisfied and for which revenue has not been recognised. Contract liabilities are recognised as revenue when performance obligation to the customer has been satisfied.

(e) Contract costs

Costs to obtain a contract are expensed unless they are incremental, i.e. they would not have been incurred if the contract had not been obtained, and the contract is expected to be sufficiently profitable for them to be recovered.

Costs to fulfil a contract are expensed unless they relate to an identified contract, generate or enhance resources that will be used to satisfy the obligations under the contract in future years and the contract is expected to be sufficiently profitable for them to be recovered, in which case they are capitalised to the extent they will be recovered in future periods.

Where costs are capitalised, they are amortised over the shorter of the period for which revenue and profit can be forecast with reasonable certainty and the duration of the contract except where the contract becomes loss-making. If the contract becomes loss-making, all capitalised costs related to that contract are immediately expensed.

(f) Government grants

Funding received in respect of developer grants, where funding is awarded to encourage the building and renovation of affordable housing, is recognised as a deduction from related expenses on a stage of completion basis over the life of the project to which the funding relates.

Funding received to support the construction of housing where current market prices would otherwise make a scheme financially unviable is recognised as income on a legal completion basis when the properties to which it relates are sold.

Government grants are initially recognised as deferred income at fair value when there is reasonable assurance that the Group will comply with the conditions attached and the grants will be received.

Leases

Where the Company is a lessee, a right-of-use asset and lease liability are recognised at the outset of the lease other than those that are less than one year in duration or of a low value.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date based on the Group's expectations of the likelihood of lease extension or break options being exercised. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

The lease liability is subsequently adjusted to reflect imputed interest, payments made to the lessor and any lease modifications.

The right-of-use asset is initially measured at cost, which comprises the amount of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs incurred by the Group and an estimate of any costs that are expected to be incurred at the end of the lease to dismantle or restore the asset.

The right-of-use assets are presented within the property, plant and equipment line in the statement of financial position and depreciated in accordance with the Group's accounting policy on property, plant and equipment. The amount charged to the income statement comprises the depreciation of the right-of-use asset and the imputed interest on the lease liability.

Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Finance income and expense

Finance income and expense is recognised using the effective interest method.

Income tax

The income tax expense represents the current and deferred tax charges. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity.

Current tax is the Group's expected tax liability on taxable profit for the year using tax rates enacted or substantively enacted at the reporting date and any adjustments to tax payable in respect of previous years.

Taxable profit differs from that reported in the income statement because it is adjusted for items of income or expense that are assessable or deductible in other years and is adjusted for items that are never assessable or deductible.

Current tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the corresponding tax bases used in tax computations. Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and affects neither accounting nor taxable profit, or differences relating to investments in subsidiaries and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is recognised on temporary differences which result in an obligation at the reporting date to pay more tax, or a right to pay less tax, at a future date, at the tax rates expected to apply when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted and are only offset where there is a legally enforceable right to offset current tax assets and liabilities.

Material accounting policy information continued

Goodwill and other intangible assets

Goodwill arises on business combinations and represents the excess of the cost of an acquisition over the Group's share of the identifiable net assets of the acquiree at the acquisition date. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and equity interests issued by the Group in exchange for control of the acquiree. Consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed in administrative expenses as incurred. All identifiable assets and liabilities acquired and contingent liabilities assumed are initially measured at their fair values at the acquisition date.

Where the cost is less than the Group's share of the identifiable net assets, the difference is immediately recognised in the income statement as a gain from a bargain purchase.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date.

Other intangible assets identified on acquisition by the Group that have finite useful lives are recognised at fair value and measured at cost less accumulated amortisation and impairment losses. Those that are acquired separately, such as software, are recognised at cost less accumulated amortisation and impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The estimated useful lives for the Group's finite-life intangible assets are three years.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is charged over their estimated useful lives using the straight-line method on the following basis:

- freehold land — not depreciated
- plant and equipment — between 8.3% and 33% per year
- fixtures and fittings — over the period of the lease
- right-of-use assets — over the period of the lease

Residual values of property, plant and equipment are reviewed and updated annually.

Gains and losses on disposal are determined by comparing the proceeds from disposal against the carrying amount and are recognised in the income statement.

Investment property

Investment property, which is property held to earn rentals and/or capital appreciation, is stated at its fair value at the reporting date. Gains or losses arising from changes in the fair value of investment property are included in the income statement for the period in which they arise.

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of work in progress comprises raw materials, direct labour, other direct costs and related overheads. Net realisable value is the estimated selling price less applicable costs.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Further disclosures relating to the impairment of non-financial assets are provided in note 10 – Goodwill and other intangible assets.

Trade receivables

Trade receivables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate method with an appropriate allowance for estimated irrecoverable amounts recognised in the income statement. In accordance with IAS 1, trade receivables are recognised as current when the Group expects to realise the assets in its normal operating cycle.

Cash and cash equivalents

Cash and cash equivalents can include cash in hand, demand deposits and other short-term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. The carrying amount of these assets approximates to their fair value.

Bank borrowings are generally considered to be financing activities. However, bank overdrafts which are repayable on demand form an integral part of an entity's cash management. In these circumstances, bank overdrafts are included as a component of cash and cash equivalents for the purpose of presentation in the consolidated cash flow statement. A characteristic of such banking arrangements is that the bank balance often fluctuates from being positive to overdrawn.

Trade payables

Trade payables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest rate method.

Defined contribution plan

A defined contribution plan is a post-retirement benefit plan under which the Group pays fixed contributions to a separate entity and has no legal or constructive obligation to pay further amounts. The Group recognises payments to defined contribution pension plans as staff costs in the income statement as and when they fall due. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction on future payments is available.

Material accounting policy information continued

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount of the obligation can be estimated reliably. Provisions are recognised for events covered by the Group's captive or self-insurance arrangements, legal claims and restructuring.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement where the reimbursement has met the virtually certain recognition criteria.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Impairment of financial assets

The Group recognises lifetime expected credit losses for trade receivables, contract assets and loans to joint ventures. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Share-based payments

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value is expensed in employee benefits expenses on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest.

At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in note 24).

Derivative financial instruments and hedge accounting

Derivative financial instruments may be used in joint ventures to hedge long-term floating interest rate and Retail Price Index (RPI) exposures and in Group companies to manage their exposure to foreign exchange rate risk.

Interest rate swaps, RPI swaps and foreign exchange forward contracts are stated in the statement of financial position at fair value. At the inception of the hedge relationship, the entity 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. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instruments that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Where financial instruments are designated as cash flow hedges and are deemed to be effective, gains and losses on remeasurement relating to the effective portion are recognised in equity, and gains and losses on the ineffective portion are recognised in the income statement.

Net investment hedges may be used to hedge exposure on translation of net investments in foreign operations. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income; the gain or loss relating to the ineffective portion is recognised immediately in the income statement. In the event of disposal of a foreign operation, the gains and losses accumulated in other comprehensive income are recognised in the income statement.

There have been no transfers between categories in the fair value hierarchy in the current and preceding year.

Non-current assets classified as held for sale

Non-current assets classified as held for sale are presented separately and measured at the lower of their carrying amounts immediately prior to their classification as held-for-sale and their fair value less costs to sell. However, some held-for-sale assets such as financial assets or deferred tax assets continue to be measured in accordance with the Group's relevant accounting policy for those assets.

Once classified as held for sale, the assets are not subject to depreciation or amortisation. Any profit or loss arising from the sale or its remeasurement to fair value less costs to sell is presented as part of a single line item.

Critical accounting judgements and estimates

for the year ended 31 December 2025

The preparation of financial statements under IFRS requires the Company's management to make judgements, assumptions and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements and estimates in applying the Group's accounting policies

The following are the critical judgements and estimates that the directors have made in the process of applying the Group's accounting policies and that have a significant effect on the amounts recognised in the financial statements:

Revenue recognition – mixed-use schemes (judgement)

The Group acts as developer and/or contractor on a number of mixed-use schemes. In some instances, judgement is required to determine whether the revenue on a particular element of the scheme should be recognised as work progresses (recognised over time) or upon legal completion (recognised at a point in time). A detailed assessment is performed of the contractual agreements with the customer as well as the substance of the transaction to determine whether performance obligations have been satisfied. Relevant factors that are considered include the point at which legal ownership of the land passes to the customer, the degree to which the customer can specify the major structural elements of the design prior to construction work commencing and the degree to which the customer can specify modifications to the major structural elements of the building during construction.

Revenue and profit recognition for long-term contracts (judgement and estimate)

In order to determine the revenue and profit recognition in respect of the Group's construction contracts, the Group has to estimate the total costs to deliver the contract as well as the final contract value. The Group has to allocate total expected costs between the amount incurred on the contract to the end of the reporting period and the proportion to complete in a future period. The assessment of the total costs to be incurred and final contract value requires a degree of judgement and estimation.

The final contract value may include assessments of the recovery of variations which have yet to be agreed with the customer, as well as additional compensation claim amounts. The amount of variations and claims are often not fully agreed with the customer due to timing and requirements of the normal contractual process. Therefore, assessments are based on judgement and estimates of the potential cost impact of the compensation claims, and the revenue recognised is constrained to amounts where the Group believes it is highly probable that a significant reversal will not occur. The estimation of costs to complete is based on all available relevant information and may include judgements and estimates of any potential defect liabilities or liquidated damages for unagreed scope or timing variations. Costs incurred in advance of the contract or contract fulfilment costs that are directly attributable to the contract may also be included as part of the total costs to complete the contract.

Judgement is required to consider when any pre-contract costs or contract fulfilment costs are directly attributable to a specific contract and the recognition of the related costs over the life of the contract.

The reference to estimates above is not intended to comply with the requirements of paragraph 125 of IAS 1 'Presentation of Financial Statements' as it is not expected there is a significant risk of a material adjustment to the carrying amount of assets and liabilities within the next financial year. The above is presented as additional disclosure in order to give more detail on the process for revenue and profit recognition for long-term contracts.

Inventory valuation (judgement and estimate)

Inventory is stated at the lower of cost and net realisable value. Costs include materials and direct labour. Net realisable value is based on estimated selling price, less further costs expected to be incurred to complete and sell the asset. A provision is made for obsolete, slow-moving or defective items where appropriate. Management is required to use judgement when estimating the profitability of a site/phase and in assessing any indicators of impairment.

Land held for development, including land in the course of development until legal completion of the sale of the asset, is initially recorded at cost. Regular reviews are carried out to identify any impairment in the value of the land by comparing the total estimated selling prices less estimated selling expenses against the carrying amount of the land plus estimated costs to complete. A provision is made for any irrecoverable amounts. Where, through deferred payment terms, the fair value of land purchased differs from the amount that will subsequently be paid in settling the liability, the difference is charged as a finance expense in the statement of comprehensive income over the period to settlement.

Investments in land without the benefit of planning consent, either through the purchase of land or non-refundable deposits paid on land purchase contracts subject to planning consent, are included initially at cost. Regular reviews are carried out for impairment in the values of these investments, and a provision is made to reflect any irrecoverable element. The impairment reviews consider the existing use value of the land and assess the likelihood of achieving planning consent and the value thereof.

Building safety provisions (estimate)

Management has reviewed legal and constructive obligations with regard to remedial work to rectify legacy building safety issues. Where obligations exist, these have been evaluated for the likely cost to address, including repayments of the Building Safety Fund, and an appropriate provision has been created.

The ongoing legislative and regulatory changes in respect of legacy building safety issues create uncertainty around the extent of remediation required for legacy buildings, the liability for such remediation, recoveries from other parties (which would only be recognised when virtually certain to be received) and the time to be considered. This implies inherent uncertainty as to the precise future obligations of the Group in respect of building fire safety issues.

Management has recognised a provision based on its best estimate of the future obligations. However, should the costs of remediation increase by 5%, due to factors such as higher-than-expected inflation, the impact on the remediation costs would be £2.8m.

Please see note 19 for further detail.

Notes to the consolidated financial statements

1 Revenue

An analysis of the Group's revenue is as follows:

	2025 £m	2024 £m
Partnership activities revenue	**949.5**	946.4
Construction contracts	**3,712.4**	3,230.0
Other services	**356.7**	369.8
Construction services and fit out activities revenue	**4,069.1**	3,599.8
Total revenue	**5,018.6**	4,546.2

	2025			2024		
	Recognised on performance obligations satisfied over time £m	Recognised on performance obligations satisfied at a point in time £m	Total revenue £m	Recognised on performance obligations satisfied over time £m	Recognised on performance obligations satisfied at a point in time £m	Total revenue £m
Contracting	**620.6**	**17.9**	**638.5**	549.7	14.8	564.5
Mixed tenure	**90.2**	**174.4**	**264.6**	116.9	179.8	296.7
Partnership Housing	**710.8**	**192.3**	**903.1**	666.6	194.6	861.2
Mixed Use Partnerships	**14.9**	**36.7**	**51.6**	27.9	62.6	90.5
Traditional fit out	**1,569.0**	**–**	**1,569.0**	1,116.9	–	1,116.9
Design and build	**214.9**	**–**	**214.9**	183.4	–	183.4
Fit Out	**1,783.9**	**–**	**1,783.9**	1,300.3	–	1,300.3
Construction	**1,159.2**	**–**	**1,159.2**	1,044.1	–	1,044.1
Property Services	**212.5**	**–**	**212.5**	223.2	–	223.2
Infrastructure	**935.3**	**–**	**935.3**	1,047.0	–	1,047.0
Inter-segment revenue	**(27.0)**	**–**	**(27.0)**	(20.1)	–	(20.1)
Total revenue	**4,789.6**	**229.0**	**5,018.6**	4,289.0	257.2	4,546.2

Notes to the consolidated financial statements continued

2 Business segments

For management purposes, the Group was organised into six operating divisions: Partnership Housing, Mixed Use Partnerships, Fit Out, Construction, Property Services and Infrastructure, and this is the structure of segment information reviewed by the Chief Operating Decision Maker (CODM). The CODM is determined to be the Board of directors and reporting provided to the Board is in line with these six divisions, which have been considered to be the Group's operating segments in 2025.

The six operating divisions' activities are as follows:

- Partnership Housing: Lovell Partnerships Limited is focused on working in partnerships with local authorities and housing associations. Activities include mixed-tenure developments, building and developing homes for open market sales and for social/affordable rent, design and build house contracting, and limited refurbishment.
- Mixed Use Partnerships: Muse Places Limited is focused on transforming the urban landscape through partnership working and the development of large forward-funded multi-phase sites and mixed-use placemaking.
- Fit Out: Overbury plc specialises in fit out and refurbishment in commercial, central and local government offices and further education. Morgan Lovell plc provides office interior design and build services direct to occupiers.
- Construction: Morgan Sindall Construction focuses on education, healthcare, commercial, industrial, leisure and retail markets.
- Property Services: Morgan Sindall Property Services Limited provides planned maintenance services for social housing and the wider public sector.[1]
- Infrastructure: Morgan Sindall Infrastructure focuses on nuclear, energy, defence, rail, water, highways and aviation markets. Infrastructure also includes the BakerHicks design activities based out of the UK and Switzerland.

Group activities represent costs and income arising from corporate activities which cannot be meaningfully allocated to the operating segments. These include the costs of the Group Board, treasury management, corporate tax coordination, Group finance and internal audit, insurance management, company secretarial services, Group general counsel services, information technology services, finance income and finance expense.

1 Given the alignment of its ongoing activities to Construction, the Property Services division has now fully integrated into the Construction division from 1 January 2026. Under the three strategic lines of business of Partnerships, Fit Out and Construction Services, the Group is now organised into five reporting segments and will be reported as such from 2026.

The Group reports its segmental information as presented below:

Year ended 31 December 2025	Partnership Housing £m	Mixed Use Partnerships £m	Fit Out £m	Construction £m	Property Services £m	Infrastructure £m	Group activities £m	Eliminations £m	Total £m
External revenue	897.9	51.6	1,778.4	1,159.2	212.5	919.0	–	–	5,018.6
Inter-segment revenue	5.2	–	5.5	–	–	16.3	–	(27.0)	–
Total revenue	**903.1**	**51.6**	**1,783.9**	**1,159.2**	**212.5**	**935.3**	**–**	**(27.0)**	**5,018.6**
Impairment loss on contract assets	–	–	–	–	(2.5)	–	–	–	(2.5)
Adjusted operating profit/(loss) (note 28)	**42.0**	**(5.3)**	**139.9**	**37.0**	**2.0**	**37.2**	**(26.4)**	**(0.7)**	**225.7**
Amortisation of intangible assets	–	–	–	–	(0.4)	–	–	–	(0.4)
Exceptional operating items	0.6	0.6	–	(1.6)	–	–	–	–	(0.4)
Operating profit/(loss)	**42.6**	**(4.7)**	**139.9**	**35.4**	**1.6**	**37.2**	**(26.4)**	**(0.7)**	**224.9**
Finance income									15.6
Finance expense									(8.7)
Profit before tax									**231.8**
Other information:									
Depreciation	(2.5)	(0.7)	(3.6)	(2.2)	(3.8)	(22.0)	(1.0)	–	(35.8)
Average number of employees	1,231	119	1,283	1,637	983	3,164	94	–	8,511

Notes to the consolidated financial statements continued

2 Business segments continued

Year ended 31 December 2024	Partnership Housing £m	Mixed Use Partnerships £m	Fit Out £m	Construction £m	Property Services £m	Infrastructure £m	Group activities £m	Eliminations £m	Total £m
External revenue	855.9	90.5	1,299.2	1,043.3	223.2	1,034.1	–	–	4,546.2
Inter-segment revenue	5.3	–	1.1	0.8	–	12.9	–	(20.1)	–
Total revenue	861.2	90.5	1,300.3	1,044.1	223.2	1,047.0	–	(20.1)	4,546.2
Impairment loss on contract assets	–	–	–	–	(21.0)	–	–	–	(21.0)
Adjusted operating profit/(loss) (note 28)	36.1	1.5	99.0	30.9	(17.8)	38.5	(25.6)	–	162.6
Amortisation of intangible assets	–	–	–	–	(0.5)	–	–	–	(0.5)
Exceptional operating items	(2.7)	5.9	–	0.1	(3.4)	–	–	–	(0.1)
Operating profit/(loss)	33.4	7.4	99.0	31.0	(21.7)	38.5	(25.6)	–	162.0
Finance income									18.2
Finance expense									(8.3)
Profit before tax									171.9
Other information:									
Depreciation	(2.6)	(0.8)	(3.0)	(2.5)	(4.2)	(18.9)	(1.1)	–	(33.1)
Average number of employees	1,193	108	1,121	1,533	1,097	3,080	110	–	8,242

Segment assets and liabilities are not presented as these are not reported to the CODM.

3 Profit for the year

Profit before tax for the year is stated after charging/(crediting):

	Notes	**2025 £m**	2024 £m
Depreciation charge:			
Plant, equipment, fixtures and fittings	11	**10.0**	9.7
Right-of-use assets	11	**25.8**	23.4
Government grants received		**(0.6)**	(1.4)
Amortisation of intangible assets	10	**0.4**	0.5

Auditor's remuneration

	2025 £m	2024 £m
Audit of the Company's annual report	**0.6**	0.5
Audit of the Company's subsidiaries and joint ventures	**2.7**	2.3
Total audit fees	**3.3**	2.8
Total non-audit fees	**–**	–
Total audit and non-audit fees	**3.3**	2.8

Non-audit fees totalled £4,097 for the year ended 31 December 2025 (2024: £4,186).

Notes to the consolidated financial statements continued

4 Exceptional building safety items

	Notes	2025 £m	2024 £m
Net additions on building safety provisions	19	**(7.2)**	(8.0)
Insurance and recoveries recognised in receivables		**5.9**	9.3
Exceptional building safety (charge)/credit within cost of sales		**(1.3)**	1.3
Exceptional building safety credit/(charge) within joint ventures	12	**0.9**	(1.4)
Total exceptional building safety (charge)/credit		**(0.4)**	(0.1)

In the current year, the legal and constructive obligations related to the developers' pledge (including reimbursement of grants provided by the Building Safety Fund), the Building Safety Act and associated fire safety regulations have been reassessed based on further information. The overall movement in the building safety items is a net charge of £0.4m and is shown separately as an exceptional item consistent with prior-year treatment.

Included in the £0.4m exceptional building safety charge (2024: £0.1m charge) is a £0.9m credit (2024: £1.4m charge) that has been recognised in respect of the Group's share of constructive and legal obligations to remediate legacy building safety issues within joint ventures, and this has been recognised within the Group's share of net profit of joint ventures. The remaining net charge of £1.3m (2024: £1.3m credit) has been recognised in cost of sales.

At the reporting date the Group had not yet made any reimbursements to the Building Safety Fund for amounts previously granted and drawn on any of the developments for which the Group has taken responsibility. As notified by the MHCLG (Ministry of Housing, Communities and Local Government), any repayments will only be requested upon final completion of all the relevant works. On this basis, any repayments are only likely to commence towards the middle of 2026 at the earliest.

5 Staff costs

	Notes	2025 £m	2024 £m
Wages and salaries		**694.9**	646.6
Social security costs		**88.5**	73.9
Other pension costs	17	**31.2**	28.7
Share options expense	24	**10.8**	10.5
		825.4	759.7

6 Finance income and expense

	Notes	2025 £m	2024 £m
Interest receivable from joint ventures		**0.3**	0.8
Interest income on bank deposits		**15.3**	17.4
Finance income		**15.6**	18.2
Interest expense on lease liabilities	18	**(4.2)**	(3.8)
Loan arrangement and commitment fees		**(2.1)**	(2.2)
Discount unwind on deferred land payments		**(2.4)**	(2.3)
Finance expense		**(8.7)**	(8.3)
Net finance income		**6.9**	9.9

Notes to the consolidated financial statements continued

7 Tax

Tax expense for the year

	2025 £m	2024 £m
Current tax:		
Current year	**59.5**	40.1
Adjustment in respect of prior years	**(3.0)**	1.1
	56.5	41.2
Deferred tax:		
Current year	**(1.0)**	1.7
Adjustment in respect of prior years	**1.4**	(2.7)
	0.4	(1.0)
Tax expense for the year	**56.9**	40.2

UK corporation tax is calculated at 25.0% (2024: 25.0%) of the estimated taxable profit for the year.

The table below reconciles the tax charge for the year to tax at the UK statutory rate:

	Notes	2025 £m	2024 £m
Profit before tax		**231.8**	171.9
Less: underlying post-tax share of profits from joint ventures	12	**(0.3)**	(4.5)
		231.5	167.4
UK corporation tax rate		**25.0%**	25.0%
Income tax expense at UK corporation tax rate		**57.9**	41.9
Tax effect of:			
Adjustments in respect of prior years:			
Relating to exceptional items		**(1.6)**	–
Other		**–**	(1.6)
Expenses for which no tax relief is recognised:			
Proportion of exceptional items		**–**	(1.6)
Proportion of share-based payments		**–**	(0.8)
Other non-deductible expenses		**0.9**	0.6
Tax liability upon underlying joint venture profits[1]		**0.2**	1.5
Recognition of deferred tax assets on brought forward tax losses		**(0.5)**	–
Other		**–**	0.2
Tax expense for the year		**56.9**	40.2

1 Certain of the Group's joint ventures are partnerships for which profits are taxed within the Group rather than within the joint venture.

Notes to the consolidated financial statements continued

7 Tax continued

Deferred tax assets/(liabilities)

	Non-current asset amortisation and depreciation £m	Tax losses and short-term timing differences £m	Share-based payments £m	Total £m
1 January 2024	(19.1)	4.1	6.3	(8.7)
(Charge)/credit to income statement	(0.8)	(0.9)	2.7	1.0
Credit to equity	–	–	5.6	5.6
1 January 2025	**(19.9)**	**3.2**	**14.6**	**(2.1)**
(Charge)/credit to income statement	(3.0)	2.1	0.5	(0.4)
Credit to equity	–	–	6.7	6.7
31 December 2025	**(22.9)**	**5.3**	**21.8**	**4.2**

Certain deferred tax assets and liabilities, as shown above, have been offset as the Group has a legally enforceable right to do so.

The applicable tax rate for the Group in 2025 was 25% (2024: 25.0%).

Residential Property Developer Tax (RPDT) applies at a rate of 4% on profits arising from residential property development. A £25m annual tax-free allowance applies in aggregate for the Group. A portion of the profits of the Group's Partnership Housing and Mixed Use Partnerships businesses are subject to RPDT. No liability has been accrued for 2025 (2024: liability less than £0.1m).

Deferred taxes at the balance sheet date are measured at the enacted rates that are expected to apply to the unwind of each asset or liability. Accordingly deferred tax balances as at 31 December 2025 have been calculated at a tax rate of 25% (2024: 25%), with an allowance for RPDT where applicable.

Pillar Two legislation has been enacted in the UK, effective from 1 January 2024. The Group is within the scope of Pillar Two and has assessed its potential exposure to Pillar Two income taxes. The Group does not expect any material exposure to Pillar Two top-up taxes and no provision has been made for Pillar Two top-up taxes.

At 31 December 2025, the Group had unused tax losses of £33.8m (2024: £27.9m) available for offset against future profits. A deferred tax asset of £1.7m (2024: £0.6m) has been recognised in respect of £6.9m (2024: £2.3m) of these losses. No deferred tax asset has been recognised in respect of the remaining £26.9m of losses as these losses can only be utilised against profits from specific sources, and there are no probable future profits from these sources. The losses may be carried forward indefinitely.

8 Dividends

Amounts recognised as distributions to equity holders in the year:

	2025 £m	2024 £m
Final dividend for the year ended 31 December 2024 of 90p per share	**42.3**	–
Final dividend for the year ended 31 December 2023 of 78p per share	**–**	36.5
Interim dividend for the year ended 31 December 2025 of 50p per share	**23.5**	–
Interim dividend for the year ended 31 December 2024 of 41.5p per share	**–**	19.6
	65.8	56.1

The proposed final dividend for the year ended 31 December 2025 of 108.0p per share is subject to approval by shareholders at the AGM and has not been included as a liability in these financial statements.

Notes to the consolidated financial statements continued

9 Earnings per share

	Notes	2025 £m	2024 £m
Profit attributable to the owners of the Company		**174.9**	131.7
Adjustments:			
Exceptional building safety items	4	**0.4**	0.1
Amortisation of intangible assets	10	**0.4**	0.5
Tax relating to the above adjustments		**(1.8)**	(1.8)
Adjusted earnings		**173.9**	130.5

	2025 Number of shares (millions)	2024 Number of shares (millions)
Basic weighted average number of ordinary shares	**47.0**	46.8
Dilutive effect of share options and conditional shares not vested	**2.3**	1.7
Diluted weighted average number of ordinary shares	**49.3**	48.5
Basic earnings per share	**372.1p**	281.4p
Diluted earnings per share	**354.8p**	271.5p
Adjusted earnings per share	**370.0p**	278.8p
Diluted adjusted earnings per share	**352.7p**	269.1p

The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options and Long Term Incentive Plan shares was based on quoted market prices for the year. The average share price for the year was £40.77 (2024: £28.05).

A total of 649,071 share options that could potentially dilute earnings per share in the future were excluded from the above calculations because they were anti-dilutive at 31 December 2025 (2024: 1,806).

Notes to the consolidated financial statements continued

10 Goodwill and other intangible assets

	Goodwill £m	Other intangible assets £m	Total £m
Cost			
1 January 2024	217.7	41.7	259.4
Additions	–	–	–
Disposals	–	(2.7)	(2.7)
1 January 2025	**217.7**	**39.0**	**256.7**
Additions	–	0.6	0.6
Disposals	–	(0.1)	(0.1)
31 December 2025	**217.7**	**39.5**	**257.2**
Accumulated amortisation			
1 January 2024	–	(40.8)	(40.8)
Amortisation	–	(0.5)	(0.5)
Disposals	–	2.7	2.7
1 January 2025	**–**	**(38.6)**	**(38.6)**
Amortisation	–	(0.4)	(0.4)
Disposals	–	0.1	0.1
31 December 2025	**–**	**(38.9)**	**(38.9)**
Net book value at 31 December 2025	**217.7**	**0.6**	**218.3**
Net book value at 31 December 2024	217.7	0.4	218.1

Goodwill represents the value of people, track record and expertise acquired within acquisitions that are not capable of being individually identified and separately recognised. Goodwill is allocated at acquisition to the cash-generating units that are expected to benefit from the business combination. The allocation is as follows: Partnership Housing £50.6m (2024: £50.6m), Mixed Use Partnerships £16.0m (2024: £16.0m), Construction £68.7m (2024: £68.7m) and Infrastructure £82.4m (2024: £82.4m).

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. In testing goodwill and other intangible assets for impairment, the recoverable amount of each cash-generating unit has been estimated from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the forecast revenue and margin, discount rates and long-term growth rates by market sector. Forecast revenue and margin are based on past performance, secured workload and workload likely to be achievable in the short to medium term, given trends in the relevant market sector as well as macroeconomic factors.

Cash flow forecasts have been determined by using Board-approved budgets for the next three years. Cash flows beyond three years have been extrapolated into perpetuity using an estimated nominal growth rate of 3.0% (2024: 3.4%). This growth rate does not exceed the long-term average for the relevant markets.

Discount rates are pre-tax and reflect the current market assessment of the time value of money and the risks specific to the cash-generating units. The risk-adjusted nominal rates used for the cash-generating units with goodwill balances are 15.1% (2024: 14.2%) for Partnership Housing, 14.5% (2024: 14.2%) for Mixed Use Partnerships, 13.8% (2024: 12.3%) for Construction and 13.8% (2024: 12.3%) for Infrastructure. The increased discount rates in 2025 are due to a higher risk-free rate and an increased market risk premium for the UK.

In carrying out this exercise, management concluded that no impairment of goodwill or other intangible assets was required. Sensitivity analyses indicate that no reasonably foreseeable changes in the key assumptions underpinning the value-in-use calculations would give rise to an impairment across any cash-generating unit. In forming this judgement, management performed additional cash-generating unit-specific downside scenario testing to ensure that all plausible changes in assumptions were appropriately evaluated.

Other intangible assets relate to internally generated software in Construction and Infrastructure £0.6m (2024: £0.4m in Property Services). The cost and accumulated amortisation amounts for acquired intangible assets (excluding goodwill) that were fully written down at 31 December 2025 were £37.8m (2024: £35.3m and £(35.3)m).

Notes to the consolidated financial statements continued

10 Goodwill and other intangible assets continued

Consideration of the impact of climate change

In terms of the possible impacts of climate change, the two key assumptions that could be sensitive to this are the growth rate and discount rates noted above. If climate change has a negative impact on revenues and/or the operating costs of the Group, there could be a potential impact on the discounted cash flow growth rates used within the valuation model. Lower future growth rates would reduce the level of the discounted cash flow valuation and hence the amount of headroom available to the Group above an impairment trigger. At present, the material short- to medium-term risks presented by possible climate change impacts are considered to be factored into the growth and discount rates where they are known and can be quantified.

Using the current assumptions, no reasonably foreseeable change in the assumptions used within the value-in-use calculations would cause an impairment in any of the segments. Therefore, at present, changes in the long-term assumptions due to the impact of climate change would also not be expected to trigger an impairment.

11 Property, plant and equipment

			Right-of-use assets		
	Freehold property and land £m	Plant, equipment, fixtures and fittings £m	Leasehold property £m	Plant and equipment £m	Total £m
Cost					
1 January 2024	6.7	59.3	54.3	51.0	171.3
Additions	–	18.2	7.3	20.7	46.2
Foreign exchange adjustments	–	(0.3)	(0.1)	–	(0.4)
Disposals	–	(11.9)	(5.6)	(6.9)	(24.4)
1 January 2025	**6.7**	**65.3**	**55.9**	**64.8**	**192.7**
Additions	–	16.0	9.6	22.6	48.2
Foreign exchange adjustments	–	0.4	0.1	–	0.5
Disposals/transfers	(4.3)	(6.2)	(7.9)	(14.0)	(32.4)
31 December 2025	**2.4**	**75.5**	**57.7**	**73.4**	**209.0**
Accumulated depreciation					
1 January 2024	–	(41.7)	(25.0)	(18.6)	(85.3)
Depreciation charge	–	(9.7)	(7.8)	(15.6)	(33.1)
Foreign exchange adjustments	–	0.2	0.1	–	0.3
Disposals	–	10.7	4.0	5.8	20.5
1 January 2025	**–**	**(40.5)**	**(28.7)**	**(28.4)**	**(97.6)**
Depreciation charge	–	(10.0)	(7.9)	(17.9)	(35.8)
Impairment	(3.2)	(0.2)	(0.1)	–	(3.5)
Foreign exchange adjustments	–	(0.2)	(0.1)	–	(0.3)
Disposals/transfers	3.2	6.1	7.8	13.3	30.4
31 December 2025	**–**	**(44.8)**	**(29.0)**	**(33.0)**	**(106.8)**
Net book value at 31 December 2025	**2.4**	**30.7**	**28.7**	**40.4**	**102.2**
Net book value at 31 December 2024	6.7	24.8	27.2	36.4	95.1

The Group holds some property, plant and equipment that is fully depreciated. The cost and accumulated depreciation amounts of this fully written down property, plant and equipment at 31 December 2025 are £14.8m (2024: £22.4m) and (£14.8m) (2024: (£22.4m)) respectively.

Notes to the consolidated financial statements continued

11 Property, plant and equipment continued

Assets held for sale

The carrying amount of assets held for sale are summarised as follows:

	Note	2025 £m	2024 £m
Freehold property and land		**1.0**	–
Investment in joint ventures	12	**5.6**	–
Assets held for sale		**6.6**	–

12 Investments in joint ventures

The Group has interests in the following joint ventures:

Aykley Heads Development LLP 50% partner

Aykley Heads Development LLP is a joint venture with Durham County Council established to deliver the strategic development of an Innovation District at a site in Durham over a 10-year period.

Brentwood Development Partnership LLP 50% partner

Brentwood Development Partnership LLP is a partnership with Seven Arches Investments Limited (a subsidiary of Brentwood Borough Council) which is developing a series of sites in Brentwood over a 30-year period.

Chalkdene Developments LLP 50% partner

Chalkdene Developments LLP is a partnership with Herts Living Ltd (a subsidiary of Hertfordshire County Council) which is developing a series of sites across Hertfordshire over a 15-year period.

Claymore Roads (Holdings) Limited 50% share

Claymore Roads (Holdings) Limited is a joint venture with Infrastructure Investments (Roads) Limited and is responsible for the upgrade and operation of the A92 between Dundee and Arbroath in Scotland.

Edmundham Developments LLP 50% partner

Edmundham Developments LLP is a joint venture with Suffolk County Council which has been established to progress the development of residential homes across Suffolk, inclusive of associated infrastructure, local centres, employment land, education land and extra care provision.

English Cities Fund Limited Partnership 24% share

English Cities Fund is a limited partnership with Homes England and Legal & General to develop mixed-use regeneration schemes in assisted areas. Joint control is exercised through the board of the general partner at which each partner is represented by two directors and no decision can be taken without the agreement of a director representing each partner.

Habiko LLP 33.3% partner

Habiko LLP is a housing innovation joint venture between Muse Places, Homes England and Pension Insurance Corporation which aims to deliver low-carbon, low-energy affordable homes for rent, with a target of 3,000 homes over an initial term of 12 years.

Health Innovation Partners Limited 50% share

Through the Health Innovation Partners joint venture with Arcadis BAC Limited, the Group had a 25% interest in The Oxleas Property Partnership LLP (TOPP), a joint venture with the Oxleas NHS Foundation Trust. In agreement with our partners, TOPP was dissolved in 2024 and the joint venture is in the process of being wound up.

Kinsted Developments LLP 50% partner

Kinsted Developments LLP is a joint venture with Edes Estates Limited (a subsidiary of West Sussex County Council) established to carry out strategic developments of residential homes, town centre regeneration and extra care provision across West Sussex.

Notes to the consolidated financial statements continued

12 Investments in joint ventures continued

L&Q Lovell Trafford LLP 50% partner

L&Q Lovell Trafford LLP is a joint venture with L&Q New Homes Limited (a subsidiary of London & Quadrant Housing Trust) carrying out a strategic development project of a residential nature.

Laurus Lovell Whalley LLP 50% partner

Laurus Lovell Whalley LLP is a joint venture with THT Developments Limited (a subsidiary of Trafford Housing Limited) established to carry out a strategic development project of a residential nature in the north west of England.

Lingley Mere Business Park Development Company Limited 50% share

Lingley Mere Business Park Development Company Limited is a joint venture with United Utilities Property Services Limited (a subsidiary of United Utilities PLC) delivering development at a site in Warrington.

Lovell Flagship LLP 50% partner

Lovell Flagship LLP is a joint venture with Flagship Housing Developments Limited (a subsidiary of Flagship Housing Group Limited) established to carry out strategic development and/or regeneration projects of a primarily residential nature.

Lovell Latimer LLP 50% partner

Lovell Latimer LLP is a joint venture with Latimer Developments Limited (a subsidiary of Clarion Housing Group) established to carry out a strategic development project of a residential nature in the north west of England.

Lovell Together (Pendleton) LLP 50% partner

Lovell Together (Pendleton) LLP is a joint venture with Together Commercial Limited (a subsidiary of Together Housing Group Limited) established to carry out a strategic development project of a residential nature in the north west of England.

Lovell Together LLP 50% partner

Lovell Together LLP is a joint venture with Together Commercial Limited (a subsidiary of Together Housing Group Limited) carrying out three strategic development projects of a residential nature in eastern England.

Lovell/Abri Weymouth LLP 50% partner

Lovell/Abri Weymouth LLP is a joint venture with Radian Developments Limited (a subsidiary of Abri Group Limited) carrying out a strategic development project of a residential nature.

Morgan-Vinci Limited 50% share

Morgan-Vinci Limited is a joint venture with Vinci Newport DBFO Limited and is responsible for the construction and operation of the Newport Southern Distributor Road. In 2025, a Sale and Purchase Agreement was signed for the sale of the 50% shareholding in Morgan-Vinci Limited. The sale process is expected to complete in 2026.

Slough Urban Renewal LLP 50% partner

Slough Urban Renewal LLP is a partnership with Slough Borough Council which is developing a series of sites in Slough over an initial term of 15 years extendable by 10 years.

South Thamesmead LLP 50% partner

South Thamesmead LLP is a joint venture with Peabody Developments Limited (a subsidiary of Peabody Trust) established to carry out the next mixed-tenure phases of the regeneration of South Thamesmead in South East London.

St Andrews Brae Developments Limited 50% share

St Andrews Brae Developments Limited is a joint venture with Miller Homes which has completed a development of residential housing and apartments in Bearsden, Glasgow.

The Bournemouth Development Company LLP 50% partner

The Bournemouth Development Company LLP is a partnership with Bournemouth, Christchurch and Poole Council which is developing a series of sites in Bournemouth over a 20-year period.

The Compendium Group Limited 50% share

The Compendium Group Limited is a joint venture with The Riverside Group Limited and is a company formed to carry out strategic development and regeneration projects of a primarily residential nature.

Notes to the consolidated financial statements continued

12 **Investments in joint ventures** continued

The Prestwich Regeneration LLP 50% partner

The Prestwich Regeneration LLP is a joint venture with Bury Metropolitan Borough Council and was set up to undertake the redevelopment of the Longfield Shopping Centre in Prestwich, located in the Metropolitan Borough of Bury, Greater Manchester.

Wapping Wharf (Alpha) LLP 50% partner

Wapping Wharf (Alpha) LLP is a joint venture with Wapping Wharf (Umberslade) Limited which has completed development of the first phase of residential apartments within the Harbourside Regeneration Area of Bristol.

Wapping Wharf (Beta) LLP 40% partner

Wapping Wharf (Beta) LLP is a joint venture with Wapping Wharf (Umberslade) Limited which has completed the second phase of residential apartments within the Harbourside Regeneration Area of Bristol.

Waterside Places Limited Partnership 50% partner

Waterside Places Limited Partnership is a joint venture with the Canal and River Trust to undertake regeneration of waterside sites.

Waterside Places (General Partner) Limited 50% share

Waterside Places (General Partner) is a joint venture with the Canal and River Trust to undertake regeneration of waterside sites.

Wirral Growth Company LLP 50% partner

Wirral Growth Company LLP is a joint venture with Wirral Borough Council and was set up to undertake regeneration of numerous sites in the Wirral region of north west England.

Wythenshawe Civic Regeneration LLP 20% partner

Wythenshawe Civic Regeneration LLP is a joint venture with the Council of the City of Manchester. The principal activity of the LLP is to undertake the regeneration and ongoing operation and management of Wythenshawe Shopping Centre, located in Wythenshawe, Manchester.

Investments in equity-accounted joint ventures are as follows:

	Notes	**2025 £m**	2024 £m
1 January		**111.9**	106.6
Equity-accounted share of net profits:			
Underlying share of net profits		**0.3**	4.6
Exceptional building safety credit/(charge)	4	**0.9**	(1.4)
		1.2	3.2
Capital advances to joint ventures		**66.3**	29.1
Capital repayments by joint ventures		**(37.6)**	(27.9)
Non-cash impairment reversal – other operating income		**1.2**	5.1
Dividends received		**(4.7)**	(4.2)
Reclassification to asset held for sale[1]	11	**(5.6)**	–
31 December		**132.7**	111.9

1 The investment in Morgan-Vinci Limited has been reclassified as a held-for-sale investment. The joint venture sale process is currently ongoing and is expected to be completed during 2026.

During 2025, an exceptional building safety credit of £0.9m (2024: charge of £1.4m) has been recognised in respect of the Group's share of constructive and legal obligations to remediate legacy building safety issues within joint ventures.

Notes to the consolidated financial statements continued

12 Investments in joint ventures continued

Summarised financial information related to equity-accounted joint ventures that are not individually material is set out below.

	2025 £m	2024 £m
Non-current assets (100%)	**12.8**	60.7
Current assets (100%)	**527.7**	471.7
Current liabilities (100%)	**(112.2)**	(90.8)
Non-current liabilities (100%)	**(111.9)**	(191.4)
Net assets reported by equity-accounted joint ventures (100%)	**316.4**	250.2
Revenue (100%)	**244.8**	238.2
Expenses (100%)	**(248.8)**	(233.5)
Net (loss)/profit (100%)	**(4.0)**	4.7

Results of equity-accounted joint ventures:

	2025 £m	2024 £m
Group share of profit before tax	**0.3**	4.6
Exceptional building safety credit/(charge)	**0.9**	(1.4)
Group share of tax	**(0.5)**	(0.1)
Group share of profit after tax	**0.7**	3.1

13 Inventories

	2025 £m	2024 £m
Land	**167.2**	154.1
Work in progress	**436.1**	321.9
Inventories	**603.3**	476.0

Work in progress comprises housing, commercial and mixed-use developments in the course of construction.

14 Contract assets and liabilities

	2025 £m	2024 £m
Contract assets	**235.8**	224.6
Contract liabilities	**(118.7)**	(110.4)
Net contract assets	**117.1**	114.2

The contract assets primarily relate to the Group's right to consideration for construction work completed but not invoiced at the balance sheet date. The contract assets are transferred to trade receivables when the amounts are certified by the customer. On most contracts, certificates are issued by the customer on a monthly basis. All contract assets held at 31 December 2025 are expected to be invoiced and transferred to trade receivables within the next 12 months.

The Group has taken advantage of the practical expedient in paragraph 94 of IFRS 15 to immediately expense the incremental costs of obtaining contracts where the amortisation period of the assets would have been one year or less.

The contract liabilities primarily relate to the advance consideration received from customers in respect of performance obligations which have not yet been fully satisfied and for which revenue has not been recognised. All contract liabilities held at 31 December 2025 are expected to satisfy performance obligations in the next 12 months.

Notes to the consolidated financial statements continued

14 Contract assets and liabilities continued

Significant changes in the contract assets and the contract liabilities during the period are as follows:

	2025 Contract assets £m	2025 Contract liabilities £m	2024 Contract assets £m	2024 Contract liabilities £m
1 January	**224.6**	**(110.4)**	270.6	(95.8)
Revenue recognised:				
Performance obligations satisfied in the current year	**4,908.2**	**110.4**	4,450.4	95.8
Cash received for performance obligations not yet satisfied	**–**	**(118.7)**	–	(110.4)
Amounts transferred to trade receivables	**(4,894.5)**	**–**	(4,475.4)	–
Impairment of contract assets	**(2.5)**	**–**	(21.0)	–
31 December	**235.8**	**(118.7)**	224.6	(110.4)

The following table sets out the Group secured workload by operating segment, which is deemed to be the revenue expected to be recognised in the future related to performance obligations that are unsatisfied or partially unsatisfied at the balance sheet date:

	2026 £m	2027 £m	2028+ £m	Total £m
Partnership Housing	853.7	594.7	881.9	**2,330.3**
Mixed Use Partnerships	264.6	506.3	3,843.6	**4,614.5**
Fit Out	1,219.7	92.0	–	**1,311.7**
Construction	884.9	208.6	18.8	**1,112.3**
Property Services	160.7	101.2	452.5	**714.4**
Infrastructure	643.6	546.2	700.1	**1,889.9**
Eliminations	(0.9)	–	–	**(0.9)**
	4,026.3	2,049.0	5,896.9	**11,972.2**

Of these amounts, £6,294.9m (2024: £6,164.5m) relates to performance obligations to be satisfied for in-progress contracts at the year end.

15 Trade and other receivables

	Notes	2025 £m	2024 £m
Amounts falling due within one year			
Trade receivables	26	**382.4**	300.2
Amounts owed by joint ventures	25	**14.8**	15.8
Prepayments		**19.5**	16.1
Insurance receivables		**19.7**	23.1
Other receivables		**31.7**	29.0
		468.1	384.2
Amounts falling due after more than one year			
Trade receivables	26	**85.3**	69.3
		85.3	69.3
Trade and other receivables		**553.4**	453.5

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Trade receivables are stated after provisions for impairment losses of £0.4m (2024: £1.3m); see note 26.

Notes to the consolidated financial statements continued

15 Trade and other receivables continued

Retentions held by customers for contract work included within trade receivables at 31 December 2025 were £158.4m (2024: £129.1m). These will be collected in the normal operating cycle of the Group, including £85.3m (2024: £69.3m) that falls due in more than one year. The Group manages the collection of retentions through its post-completion project monitoring procedures and ongoing contact with clients to ensure that potential issues that could lead to the non-payment of retentions are identified and addressed promptly.

The Group holds third-party insurances that may mitigate the contract and legal liabilities described in note 19 Provisions and note 20 Contingent liabilities. Insurance receivables are recognised when reimbursement from insurers is virtually certain.

16 Trade and other payables

	Notes	**2025 £m**	2024 £m
Trade payables		**237.3**	211.1
Amounts owed to joint ventures	25	**0.2**	0.2
Other tax and social security		**174.7**	139.3
Accrued expenses		**890.8**	729.8
Deferred income		**3.0**	7.1
Land creditors		**25.4**	30.8
Other payables		**12.2**	12.0
Current		**1,343.6**	1,130.3
Land creditors		**14.9**	15.3
Other payables		**–**	1.3
Non-current		**14.9**	16.6

The directors consider that the carrying amount of trade payables approximates to their fair value. No interest was incurred on outstanding balances. Non-current other payables have been discounted by £1.5m (2024: £1.3m) to reflect the time value of money.

Retentions withheld from subcontractors included in trade payables amount to £101.4m (2024: £95.5m).

17 Retirement benefit schemes

Defined contribution plan

Between 1995 and 2024, the Group operated a defined contribution plan, the Morgan Sindall Retirement Benefits Plan ('the Retirement Plan'), for employees of the Group. The assets of the Retirement Plan were held separately from those of the Group in funds under the control of the Trustee of the Retirement Plan.

During 2024, the Group replaced these arrangements, with past and present employees' savings and future contributions being transferred into LifeSight, WTW's master trust, a defined contribution multi-employer pension trust ('LifeSight') with an independent trustee board.

The total cost charged to the income statement of £31.2m (2024: £28.7m) represents contributions payable to defined contribution pension plans by the Group.

As at 31 December 2025, contributions of £4.7m (2024: £4.2m) were due in respect of December's contribution not paid over to LifeSight.

Defined benefit plan

In 2023, the Trustees of the Morgan Sindall Retirement Savings Plan completed a buy-out transaction with Aviva, whereby Aviva assumed direct responsibility for all member liabilities. Accordingly, the Group has no further liability for its former defined benefit plan.

Notes to the consolidated financial statements continued

18 Lease liabilities

The Group leases several assets, including the buildings, plant and vehicles, to enable the Group to carry out its day-to-day operations. The average lease term is five years. There are no variable terms to any of the leases. The maturity profile for the lease liabilities at 31 December 2025 is set out below:

	2025			2024		
	Property £m	**Plant and equipment £m**	**Total £m**	Property £m	Plant and equipment £m	Total £m
Within one year	**7.0**	**17.8**	**24.8**	6.5	16.1	22.6
Within two to five years	**19.0**	**25.7**	**44.7**	19.4	23.6	43.0
After more than five years	**9.5**	**–**	**9.5**	5.9	–	5.9
Total undiscounted cash flows	**35.5**	**43.5**	**79.0**	31.8	39.7	71.5
Deduct impact of discounting	**(3.5)**	**(1.9)**	**(5.4)**	(2.4)	(2.4)	(4.8)
31 December	**32.0**	**41.6**	**73.6**	29.4	37.3	66.7

	2025			2024		
	Property £m	**Plant and equipment £m**	**Total £m**	Property £m	Plant and equipment £m	Total £m
1 January	**29.4**	**37.3**	**66.7**	31.4	32.4	63.8
Additions	**9.2**	**22.6**	**31.8**	7.3	20.7	28.0
Terminations	**(0.1)**	**(0.7)**	**(0.8)**	(2.1)	(1.0)	(3.1)
Repayments	**(8.3)**	**(20.0)**	**(28.3)**	(8.9)	(16.9)	(25.8)
Interest expense (note 6)	**1.8**	**2.4**	**4.2**	1.7	2.1	3.8
31 December	**32.0**	**41.6**	**73.6**	29.4	37.3	66.7

Lease payments on short-term leases and leases of low-value assets recognised as an expense within the income statement totalled £2.3m (2024: £2.3m).

19 Provisions

	Building safety £m	Self-insurance £m	Contract and legal £m	Other £m	Total £m
1 January 2024	56.1	19.2	18.3	2.5	96.1
Utilised	(7.3)	(1.3)	(7.6)	–	(16.2)
Additions	11.9	4.3	21.5	1.1	38.8
Released	(3.9)	(3.0)	(5.2)	(1.1)	(13.2)
1 January 2025	**56.8**	**19.2**	**27.0**	**2.5**	**105.5**
Utilised	(7.3)	(2.0)	(5.3)	(0.1)	(14.7)
Additions	7.4	4.4	10.2	0.6	22.6
Released	–	(5.5)	(18.5)	–	(24.0)
31 December 2025	**56.9**	**16.1**	**13.4**	**3.0**	**89.4**
Current	56.9	1.2	13.4	0.2	71.7
Non-current	–	14.9	–	2.8	17.7
31 December 2025	**56.9**	**16.1**	**13.4**	**3.0**	**89.4**

Notes to the consolidated financial statements continued

19 Provisions continued

Building safety provisions

Management has reviewed legal and constructive obligations arising from the developers' pledge, the Building Safety Act and other associated fire regulations. Where obligations exist, these have been evaluated for the likely cost to address, including repayments of the Building Safety Fund. As a result of this review process provisions are recognised, as reported in the table above, excluding those recognised in joint ventures. The provision is expected to be utilised in the next two years, with repayments to the Building Safety Fund commencing in the middle of 2026.

See note 4 for further detail.

The Group also holds third-party insurances that may mitigate the liabilities. Third-party insurance reimbursement in respect of these provisions has been recognised as a separate asset, but only when the reimbursement is virtually certain. See notes 4 and 15 for details of mitigating insurance receivables recognised at the period end.

Note 20 includes details of contingent liabilities related to building safety.

Self-insurance provisions

Self-insurance provisions comprise the Group's self-insurance of certain risks and include £6.7m (2024: £11.5m) held in the Group's captive insurance company, Newman Insurance Company Limited.

The Group makes provisions in respect of specific types of claims incurred but not reported (IBNR). The valuation of IBNR considers past claims experience and the risk profile of the Group. These are reviewed periodically and are intended to provide a best estimate of the most likely or expected outcome.

Contract and legal provisions

Contract and legal provisions include liabilities, loss provisions, and defect and warranty provisions on contracts that have reached completion.

The Group also holds third-party insurances that may mitigate the liabilities. Third-party insurance reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. See note 15 for details of mitigating insurance receivables recognised at the period end.

Note 20 includes details of contingent liabilities related to claims.

Other provisions

Other provisions include property dilapidations and other personnel-related provisions.

20 Contingent liabilities

Group banking facilities and surety bond facilities are supported by cross guarantees given by the Company and participating companies in the Group. There are contingent liabilities in respect of surety bond facilities, guarantees and claims under contracting and other arrangements, including joint arrangements and joint ventures entered into in the normal course of business. As at 31 December 2025, contract bonds in issue under uncommitted facilities covered £290.8m of contract commitments of the Group, of which £19.4m relates to joint arrangements and £nil relates to joint ventures (2024: £194.9m, of which £19.4m related to joint arrangements and £nil related to joint ventures).

Contingent liabilities may also arise in respect of subcontractor and other third-party claims made against the Group, in the normal course of trading. These claims can include those relating to health and safety incidents, cladding/legacy fire safety matters and defects. A provision for such claims is only recognised to the extent that the directors believe that the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefit will be required to settle the obligation. However, such claims are predominantly covered by the Group's insurance arrangements. Recoveries under insurance arrangements are recognised as insurance receivables when they are considered virtually certain.

Building safety

At 31 December 2025, provisions in respect of liabilities arising from the developers' pledge, the Building Safety Act and other associated fire regulations totalled £62.9m (2024: £63.7m), including those related to joint ventures.

The ongoing legislative and regulatory changes in respect of legacy building safety issues create uncertainty around the extent of remediation required for legacy buildings, the liability for such remediation, recoveries from other parties and the time to be considered. It is possible that as remediation work proceeds, additional remedial works are required that may not have been identified from the reviews and physical inspections undertaken to date. The scope of buildings and remediation works to be considered may also change as legislation and regulations continue to evolve.

Uncertainties also exist in respect of the timing and extent of expected recoveries from other third parties involved in developments.

Notes to the consolidated financial statements continued

21 Share capital

	2025		2024	
	Number	**£m**	Number	£m
Issued and fully paid ordinary shares of 5p each:				
1 January	**48,004,421**	**2.4**	47,357,726	2.4
Exercise of share options	**18,541**	**–**	646,695	–
31 December	**48,022,962**	**2.4**	48,004,421	2.4

All issued ordinary shares are fully paid. Ordinary shares are entitled to dividends when declared and each share carries the right to one vote at a meeting of the Company.

During 2025, 18,541 shares were issued in respect of options exercised under the Group's Save As You Earn (SAYE) Plan for a total consideration of £0.2m (2024: 646,695 shares were issued for a total consideration of £9.7m).

22 Other reserves

	Capital redemption reserve £m	Translation reserve £m	Hedging reserve £m	Total other reserves £m
1 January 2024	0.6	1.5	(0.8)	1.3
Exchange rate variances	–	(0.3)	–	(0.3)
Fair value gains/(losses)	–	–	(0.1)	(0.1)
1 January 2025	**0.6**	**1.2**	**(0.9)**	**0.9**
Exchange rate variances	–	0.3	–	0.3
31 December 2025	**0.6**	**1.5**	**(0.9)**	**1.2**

The capital redemption reserve was created on the redemption of preference shares in 2003.

The hedging reserve arises from cash flow hedge accounting. Movements on the effective portion of hedges are recognised through the hedging reserve, while any ineffectiveness is taken to the income statement.

The translation reserve comprises the aggregate effect of translating overseas operations into the Group's functional currency.

23 Retained earnings

Retained earnings include shares in Morgan Sindall Group plc purchased in the market and held by the Morgan Sindall Employee Benefit Trust ('the Trust') to satisfy options under the Company's share incentive schemes. The number of shares held by the Trust at 31 December 2025 was 1,377,157 (2024: 1,241,722) with a cost of £79.9m (2024: £51.5m). All of the shares held by the Trust were unallocated at the year end and dividends on these shares have been waived. Based on the Company's share price at 31 December 2025 of £46.50 (2024: £39.00), the market value of the shares was £64.0m (2024: £48.4m).

24 Share-based payments

The Group recognised a share-based payment expense of £10.8m (2024: £10.5m) related to equity-settled share-based payment transactions. The Group has four share option schemes with unvested options or awards at 31 December 2025:

- Share Option Plan (2014 SOP and 2023 SOP) for eligible employees across the Group. Options granted prior to 2022 can be exercised if the EPS performance conditions are met over a three-year vesting period. If the options remain unexercised after a period of 10 years from the date of grant the options lapse. If employees are not deemed to be good leavers under the rules of the 2014 and 2023 SOP, their options will be forfeited if they leave the Group before the end of the three-year vesting period.
- Save As You Earn (SAYE) Plan for all employees who are employed by the Group at the relevant invitation date. There are no performance criteria for SAYE and options are issued to participants in accordance with HMRC rules.
- Long-Term Incentive Plan (2014 LTIP and 2023 LTIP). Details of the performance conditions and other information in respect of the 2014 and 2023 LTIP are set out in the directors' remuneration report on page 119.
- Deferred bonus plan nil-cost options (deferred bonus plan). Information in respect of the deferred bonus plan is set out in the directors' remuneration report on pages 113 and 114.

Notes to the consolidated financial statements continued

24 Share-based payments continued

Details of the share awards and options granted during the year and the valuation methodology are as follows:

		SAYE	Share awards under 2023 LTIP: Awards with TSR condition	Share awards under 2023 LTIP: Awards with EPS condition	Share options under 2023 SOP
Number of awards or options granted		666,370	54,591	109,183	605,740
Weighted average fair value at date of grant (per share)		£9.81	£13.43	£28.61	£8.53
Weighted average share price at date of grant		£42.30	£31.20	£31.20	£31.20
Weighted average exercise price		£37.24	n/a	n/a	£32.50
Valuation model		Black-Scholes	Monte Carlo	Black-Scholes	Black-Scholes
Expected term (from date of grant)		3.0 years	3.0 years	3.0 years	6.5 years
Expected volatility	(a)	28.30%	27.40%	25.60%	36.20%
Expected dividend yield	(b)	3.20%	n/a	n/a	3.85%
Risk-free rate		3.75%	3.99%	3.96%	4.26%

(a) Volatility has been calculated over the period of time commensurate with the expected award term immediately prior to the date of grant.

(b) Under the 2014 and 2023 LTIP, award holders may receive the value of any dividends paid during the vesting period in respect of their vested shares at the end of the vesting period. Consequently, the fair value is not discounted for value lost in respect of dividends.

The following table provides a summary of the options granted under the Company's employee share option schemes during the current and comparative year:

	2025 Number of share options	**2025 Weighted average exercise price (£)**	2024 Number of share options	2024 Weighted average exercise price (£)
Outstanding at 1 January	**3,726,785**	**18.11**	5,075,634	16.40
Granted during the year	**1,295,488**	**34.35**	835,756	22.71
Lapsed during the year	**(159,002)**	**21.36**	(229,040)	16.03
Exercised during the year	**(656,284)**	**19.62**	(1,955,565)	15.76
Outstanding at 31 December	**4,206,987**	**22.72**	3,726,785	18.11
Exercisable at 31 December	**562,281**	**16.32**	572,074	13.90
Weighted average remaining contractual life	**5.53 years**		6.29 years	

The weighted average share price at the date of exercise for share options exercised during the year was £41.22 (2024: £26.58).

The options outstanding at 31 December 2025 had exercise prices ranging from £nil to £37.24 (2024: £nil to £24.22).

Notes to the consolidated financial statements continued

25 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. During the year, Group companies entered into transactions to provide construction and property development services with related parties, all of which were joint ventures, not members of the Group, amounting to £159.2m (2024: £136.5m). At 31 December 2025, amounts owed to the Group by joint ventures was £14.8m (2024: £15.8m) and amounts owed by the Group to joint ventures was £0.2m (2024: £0.2m), including joint venture funding obligations as described in note 12.

Remuneration of key management personnel

The Group considers key management personnel to be the members of the Group management team, and sets out below, in aggregate, remuneration for each of the categories specified in IAS 24 'Related Party Disclosures'.

	2025 £m	2024 £m
Short-term employee benefits	**11.6**	11.2
Post-employment benefits	**0.2**	0.2
Termination benefits	**0.9**	–
Share-based payments	**4.0**	3.3
	16.7	14.7

Details of directors' remuneration are set out in the directors' remuneration report on pages 95 to 120.

Directors' transactions

There have been no related party transactions with any director in the year or in the subsequent period to 24 February 2026.

Directors' material interests in contracts with the Company

No director held any material interest in any contract with the Company or any Group company in the year or in the subsequent period to 24 February 2026.

26 Financial instruments

Net cash

Net cash is defined as cash and cash equivalents less borrowings and non-recourse project financing as shown below:

	2025 £m	2024 £m
Cash and cash equivalents	**590.5**	544.2
Bank overdrafts presented as borrowings due within one year	**(59.3)**	(51.8)
Cash and cash equivalents reported in the consolidated cash flow statement	**531.2**	492.4
Net cash	**531.2**	492.4

Included within cash and cash equivalents is £20.3m (2024: £23.1m) which is the Group's share of cash held within jointly controlled operations. There is £16.5m included within cash and cash equivalents that is held for future payment to designated suppliers (2024: £26.0m). There is a third-party charge of £0.3m (2024: £0.3m) on a bank account in Switzerland for the purpose of rental guarantees for offices occupied by BakerHicks.

The Group has £180m of committed loan facilities maturing more than one year from the balance sheet date, of which £15m matures in June 2028 and £165m in October 2028. These facilities are undrawn at 31 December 2025.

Average daily net cash during 2025 was £367.6m (2024: £374.2m). Average daily net cash is defined as the average of the 365 (2024: 366) end-of-day balances of the net cash (as defined above) over the course of a reporting period. Management uses this as a key metric in monitoring the performance of the business.

Notes to the consolidated financial statements continued

26 Financial instruments continued

Financial risks and management

The Group has exposure to a variety of financial risks through the conduct of its operations. Risk management is governed by the Group's operational policies, which are subject to periodic review by the Group's internal audit team and twice-yearly review by management. The policies include written principles for the Group's risk management as well as specific policies, guidelines and authorisation procedures in respect of specific risk mitigation techniques such as the use of derivative financial instruments. The Group does not enter into derivative financial instruments for speculative purposes.

The following represent the key financial risks resulting from the Group's use of financial instruments:

- credit risk
- liquidity risk
- market risk

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a client or counterparty to a financial instrument fails to meet its contractual obligations and arises primarily in respect of the Group's trade receivables and contract assets.

The degree to which the Group is exposed to this credit risk depends on the individual characteristics of the contract counterparty and the nature of the project. The Group's credit risk is also influenced by general macroeconomic conditions. The Group does not have any significant concentration risk in respect of contract assets or trade receivable balances at the reporting date with receivables spread across a wide range of clients. Due to the nature of the Group's operations, it is normal practice for clients to hold retentions in respect of contracts completed. Retentions held by clients at 31 December 2025 were £158.4m (2024: £129.1m). These will be collected in the normal operating cycle of the Group (see note 15).

The Group manages its exposure to credit risk through the application of its credit risk management policies, which specify the minimum requirements in respect of the creditworthiness of potential customers, assessed through reports from credit agencies, and the timing and extent of progress payments in respect of contracts.

The risk management policies of the Group also specify procedures in respect of obtaining Parent Company guarantees or, in certain circumstances, use of escrow accounts, which, in the event of default, mean that the Group may have a secure claim. The Group does not require collateral in respect of contract assets or trade receivables.

The Group manages the collection of retentions through its post-completion project monitoring procedures and ongoing contact with clients to ensure that potential issues that could lead to the non-payment of retentions are identified and addressed promptly. The directors always estimate the loss allowance on contract assets and trade receivables at the end of the reporting period at an amount equal to lifetime expected credit losses.

Apart from the impairments recognised in the year, none of the contract assets at the end of the reporting period are past due, and, taking into account the historical default experience and the future prospects in the industry, the directors consider that no further contract assets are impaired.

The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The ageing of trade receivables at the reporting date was as follows:

	2025		2024	
	Gross trade receivables £m	**Provision for expected credit losses £m**	Gross trade receivables £m	Provision for expected credit losses £m
Not past due	**415.5**	**–**	322.3	–
Past due 1 to 30 days	**28.3**	**–**	18.8	–
Past due 31 to 120 days	**4.8**	**0.1**	10.4	0.1
Past due 121 to 365 days	**8.6**	**–**	5.4	0.2
Past due greater than one year	**10.9**	**0.3**	13.9	1.0
	468.1	**0.4**	370.8	1.3

Notes to the consolidated financial statements continued

26 Financial instruments continued

The following table shows the movement in lifetime expected credit losses that has been recognised for trade and other receivables in accordance with the simplified approach set out in IFRS 9:

	2025 £m	2024 £m
Balance at 1 January	**1.3**	1.5
Net movement in loss allowance arising from new amounts recognised in current year, net of those derecognised upon billing	**(0.9)**	(0.2)
31 December	**0.4**	1.3

Other than the impairment loss recognised in the year (see note 14), there has not been any other significant change in the gross amounts of contract assets that has affected the estimation of the loss allowance.

The average credit period on revenue is 34 days (2024: 30 days). No interest is charged on the trade receivables outstanding balance. Trade receivables overdue are provided for based on estimated irrecoverable amounts.

Included in the Group's trade receivable balance are debtors with a carrying amount of £52.2m (2024: £47.2m) which are past due at the reporting date, for which the Group has not provided as there has not been a significant change in credit quality and the Group considers that the amounts are still recoverable. The average age of these receivables is 129 days (2024: 149 days).

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and spread across the Group's operating segments. Accordingly, the directors believe that there is no further credit provision required in excess of the provision for impairment losses.

At the reporting date, there were no trade and other receivables which have had renegotiated terms that would otherwise have been past due.

The Group regularly reviews its loans to joint ventures against expected future cash flows and net assets of the joint ventures to determine if they are still expected to be fully recoverable. This assessment includes consideration of the joint ventures' credit risk.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The ultimate responsibility for liquidity risk rests with the Board.

The Group aims to manage liquidity by ensuring that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions.

Liquidity is provided through cash balances and committed bank loan facilities. Additional project finance borrowings may be used to fund specific projects. These project finance borrowings are without recourse to the remainder of the Group's assets.

The Group reports cash balances daily and invests surplus cash to maximise income while preserving liquidity and credit quality. The Group prepares weekly short-term and monthly medium-term cash forecasts, which are used to assess the Group's expected cash performance and compare with the facilities available to the Group and the Group's covenants.

Key risks to liquidity and cash balances are a downturn in contracting volumes, a reduction in the profitability of work, delayed receipt of cash from customers and the risk that major clients or suppliers suffer financial distress leading to non-payment of debts or costly and time-consuming reallocation and rescheduling of work. Certain measures and key performance indicators are continually monitored throughout the Group and used to quickly identify issues as they arise, enabling the Group to address them promptly.

Key among these are continual monitoring of the secured order book, including the status of orders and likely timescales for realisation so that contracting volumes are well understood; monitoring of overhead levels to ensure they remain appropriate to contracting volumes; continual monitoring of working capital exceptions (overdue debts and conversion of work performed into certificates and invoices); continual review of levels of current and forecast profitability on contracts; review of client and supplier credit references; and approval of credit terms with clients and suppliers to ensure they are appropriate.

The Group does not have any material derivative or non-derivative financial liabilities with the exception of trade and other payables, borrowings and lease liabilities. Trade and other payables are generally non-interest bearing and, therefore, have no weighted average effective interest rates. Lease liabilities are carried at the present value of the minimum lease payments. Trade and other payables are due to be settled in the Group's normal operating cycle.

Notes to the consolidated financial statements continued

26 Financial instruments continued

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates or equity prices, will affect the Group's income or the carrying amount of its holdings of financial instruments. The objective of market risk management is to achieve a level of market risk that is within acceptable parameters as set out in the Group risk management framework.

Interest rate risk

The Group is not exposed to significant interest rate risk as it does not have significant interest-bearing liabilities and its only interest-bearing asset is cash invested on a short-term basis.

Certain of the Group's equity-accounted joint ventures have entered into interest rate swaps to manage their exposure to interest rate risk arising on floating rate bank borrowings.

The Group's share of joint ventures' interest rate swap contracts has a nominal value of £9.6m (2024: £10.4m) and fixed interest payments at an average rate of 5.1% (2024: 5.1%) for periods up until 2033.

Currency risk

The majority of the Group's operations are carried out in the UK and the Group has a low level of exposure to currency risk on sales and purchases. The Group's policy is to hedge foreign currency transactions where they are material, at which point derivative financial instruments are entered into so as to hedge forecast or actual foreign currency exposures.

Capital management

The Board aims to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business, and its approach to capital management is explained fully in the capital allocation section on pages 19 and 20.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity. The cash and cash equivalents are supplemented by £180m of committed bank facilities, of which £15m expires in June 2028 and £165m expires in October 2028. In order to manage its capital structure, the Group may adjust the amounts of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

There were no changes in the Group's approach to capital management during the year and the Group is not subject to any capital requirements imposed by regulatory authorities.

27 Subsequent events

There were no subsequent events that affected the financial statements of the Group.

28 Adjusted performance measures

In addition to monitoring and reviewing the financial performance of the operating segments and the Group on a statutory basis, management also uses adjusted performance measures which are also disclosed in the annual report. These measures are not an alternative or substitute to statutory IFRS measures but are seen by management as useful in assessing the performance of the business on a comparable basis. These financial measures are also aligned with the measures used internally to assess business performance in the Group's budgeting process and when determining compensation. The Group also uses other non-statutory measures which cannot be derived directly from the financial statements. There are four alternative performance measures used by management and disclosed in the annual report:

'**Adjusted**' In all cases the term 'adjusted' excludes the impact of intangible amortisation and exceptional items. This is used to improve the comparability of information between reporting periods to aid the use of the annual report in understanding the activities across the Group's portfolio.

Notes to the consolidated financial statements continued

28 Adjusted performance measures continued

Below is a reconciliation between the reported gross profit, operating profit and profit before tax measures on a statutory basis and the adjustment made to calculate adjusted gross profit, adjusted operating profit and adjusted profit before tax.

Adjusted basic earnings per share and adjusted diluted earnings per share are the statutory measures excluding the post-tax impact of intangible amortisation and exceptional items, and the deferred tax charge arising due to changes in UK corporation tax rates. See note 9 for a detailed reconciliation of the adjusted EPS measures.

		Gross profit		Operating profit		Profit before tax	
	Notes	**2025 £m**	2024 £m	**2025 £m**	2024 £m	**2025 £m**	2024 £m
Reported		**612.0**	529.9	**224.9**	162.0	**231.8**	171.9
Adjust for: exceptional building safety items[1]		**1.3**	(1.3)	**0.4**	0.1	**0.4**	0.1
Adjust for: amortisation of intangible assets		**–**	–	**0.4**	0.5	**0.4**	0.5
Adjusted		**613.3**	528.6	**225.7**	162.6	**232.6**	172.5
Reported tax charge						**(56.9)**	(40.2)
Adjust for: tax relating to amortisation						**(0.1)**	(0.1)
Adjust for: tax relating to exceptional items						**(1.7)**	(1.7)
Adjusted profit after tax/earnings	9					**173.9**	130.5

1 The exceptional building safety items include amounts recognised in cost of sales (£1.3m charge (2024: £1.3m credit)) and share of net profit of joint ventures (£0.9m credit (2024: £1.4m charge)). See note 4.

'**Net cash**' Net cash is defined as cash and cash equivalents less borrowings. Lease liabilities are not deducted from net cash. A reconciliation of this number at the reporting date can be found in note 26. In addition, management monitors and reviews average daily net cash as good discipline in managing capital. Average daily net cash is defined as the average of the 365 (2024: 366) end-of-day balances of net cash over the course of a reporting period.

'**Operating cash flow**' Management uses an adjusted measure for operating cash flow as it encompasses other cash flows that are key to the ongoing operations of the Group, such as repayments of lease liabilities, investment in property, plant and equipment, investment in intangible assets, and returns from equity-accounted joint ventures. Operating cash flow can be derived from the cash inflow from operations reported in the consolidated cash flow statement as shown below.

Operating cash flow conversion is operating cash flow divided by adjusted operating profit as defined above.

	Notes	**2025 £m**	2024 £m
Cash inflow from operations – reported		**235.6**	172.7
Dividends from joint ventures	12	**4.7**	4.2
Proceeds on disposal of property, plant and equipment		**0.5**	1.9
Purchases of property, plant and equipment	11	**(16.0)**	(18.2)
Purchases of intangible fixed assets	10	**(0.6)**	–
Repayments of lease liabilities	18	**(28.3)**	(25.8)
Operating cash flow		**195.9**	134.8

'**Return on capital employed**' Management uses return on capital employed (ROCE) in assessing the performance and efficient use of capital within the regeneration activities. ROCE is calculated as adjusted operating profit plus interest received from joint ventures divided by adjusted average capital employed. Adjusted average capital employed is the 13-month average of total assets (excluding goodwill, other intangible assets and cash) less total liabilities (excluding corporation tax, deferred tax, inter-company financing, overdrafts and exceptional building safety items).

Company statement of financial position

at 31 December 2025

	Notes	2025 £m	2024 £m
Assets			
Property, plant and equipment		**2.1**	2.9
Net investment in sublease		**1.4**	2.6
Investments	2	**597.8**	597.8
Deferred tax asset		**4.0**	2.8
Amounts owed by subsidiary undertakings		**162.8**	2.8
Prepayments		**1.5**	0.4
Non-current assets		**769.6**	609.3
Trade receivables		**0.8**	0.6
Net investment in sublease		**1.2**	1.1
Amounts owed by subsidiary undertakings		**–**	55.0
Current tax receivables		**–**	1.6
Prepayments		**6.9**	6.4
Other receivables		**4.7**	3.6
Cash and cash equivalents		**262.2**	276.8
Current assets		**275.8**	345.1
Total assets		**1,045.4**	954.4
Liabilities			
Bank overdrafts		**(20.5)**	(47.0)
Lease liabilities		**(1.4)**	(1.5)
Trade payables		**(4.6)**	(2.2)
Amounts owed to subsidiary undertakings		**(766.4)**	(686.0)
Current tax liabilities		**(8.5)**	–
Other tax and social security		**(0.8)**	(1.0)
Accrued expenses		**(13.6)**	(11.8)
Other payables		**(0.8)**	(1.3)
Provisions	3	**(1.0)**	(1.2)
Current liabilities		**(817.6)**	(752.0)
Net current liabilities		**(541.8)**	(406.9)
Total assets less current liabilities		**227.8**	202.4
Lease liabilities		**(1.6)**	(3.0)
Provisions	3	**(8.5)**	(7.7)
Non-current liabilities		**(10.1)**	(10.7)
Net assets		**217.7**	191.7
Equity			
Share capital		**2.4**	2.4
Share premium account		**65.9**	65.7
Capital redemption reserve		**0.6**	0.6
Special reserve		**13.7**	13.7
Retained earnings		**135.1**	109.3
Total equity		**217.7**	191.7

The Company reported a profit for the financial year ended 31 December 2025 of £105.7m (2024: profit of £68.2m).

The financial statements of the Company (company number 00521970) were approved by the Board and authorised for issue on 24 February 2026 and signed on its behalf by:

John Morgan
Chief Executive

Kelly Gangotra
Chief Financial Officer

Company statement of changes in equity
for the year ended 31 December 2025

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Special reserve £m	Profit and loss account £m	Shareholders' funds £m
1 January 2024	2.4	56.0	0.6	13.7	108.1	180.8
Profit for the year	–	–	–	–	68.2	68.2
Total comprehensive income	–	–	–	–	68.2	68.2
Share option expense	–	–	–	–	10.5	10.5
Tax relating to share options	–	–	–	–	6.3	6.3
Issue of shares at a premium	–	9.7	–	–	–	9.7
Purchase of shares in the Company by the Trust	–	–	–	–	(47.2)	(47.2)
Exercise of share options	–	–	–	–	19.5	19.5
Dividends paid	–	–	–	–	(56.1)	(56.1)
1 January 2025	**2.4**	**65.7**	**0.6**	**13.7**	**109.3**	**191.7**
Profit for the year	–	–	–	–	105.7	105.7
Total comprehensive income	**–**	**–**	**–**	**–**	**105.7**	**105.7**
Share option expense	–	–	–	–	10.8	10.8
Tax relating to share options	–	–	–	–	3.5	3.5
Issue of shares at a premium	–	0.2	–	–	–	0.2
Purchase of shares in the Company by the Trust	–	–	–	–	(40.7)	(40.7)
Exercise of share options	–	–	–	–	12.3	12.3
Dividends paid	–	–	–	–	(65.8)	(65.8)
31 December 2025	**2.4**	**65.9**	**0.6**	**13.7**	**135.1**	**217.7**

Material accounting policy information

for the year ended 31 December 2025

Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act 2006 ('the Act'). The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, the Company has prepared its financial statements in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

The Company's accounting policies are consistent with those described in the consolidated accounts of Morgan Sindall Group plc, except that, 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 a cash flow statement and related party transactions. Where required, equivalent disclosures are given in the consolidated accounts. In addition, disclosures in relation to retirement benefit schemes (note 17), share capital (note 21) and dividends (note 8) have not been repeated here as there are no differences to those provided in the consolidated accounts. The accounting policy for the Company as intermediate lessor is shown below.

When the Company is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

In the current year two property leases, where the Company is an intermediate lessor, were classified as a finance lease. Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the leases.

The directors do not consider there to be any critical accounting judgements or estimates in the Company's financial statements.

These separate financial statements have been prepared on the going concern basis as set out in the basis of preparation to the consolidated financial statements on page 142.

The separate financial statements have been prepared under the historical cost convention.

The separate financial statements are presented in pounds sterling, which is the Company's functional currency, and unless otherwise stated, has been rounded to the nearest £0.1m.

The Company has taken advantage of section 408 of the Act and consequently the statement of comprehensive income (including the profit and loss account) of the Parent Company is not presented as part of these accounts.

Investments represent equity holdings in subsidiaries and are measured at cost less accumulated impairment.

The Morgan Sindall Employee Benefit Trust ('the Trust') is considered an extension of the Company on the basis that the Trust was specifically created with the sole purpose of fulfilling the share plans of the Company and thus the assets and liabilities of the Trust plans are included on the Company balance sheet and shares held by the Trust in the Company are presented as a deduction from equity.

Notes to the Company financial statements

1 Staff costs

	2025 £m	2024 £m
Wages and salaries	**13.9**	14.5
Social security costs	**3.0**	2.7
Other pension costs	**0.4**	0.7
Share options expense	**4.9**	6.2
	22.2	24.1
The average number of employees	**94**	110

Social security costs include an expense of £1.0m (2024: expense of £0.8m) related to the Group share option scheme.

2 Investments

	Subsidiary undertakings 2025 £m	Subsidiary undertakings 2024 £m
Cost		
1 January	**666.5**	457.8
Additions	**–**	208.7
31 December	**666.5**	666.5
Accumulated impairment		
1 January	**(68.7)**	(28.7)
Impairment	**–**	(40.0)
31 December	**(68.7)**	(68.7)
Net book value at 31 December	**597.8**	597.8

The Company tests investments for impairment where there are indications that investments might be impaired. In testing investments for impairment, the recoverable amount of each investment has been estimated from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the forecast revenue and margin, discount rates and long-term growth rates by market sector. Forecast revenue and margin are based on past performance, secured workload and workload likely to be achievable in the short to medium term, given trends in the relevant market sector as well as macroeconomic factors.

Cash flow forecasts have been determined by using Board-approved budgets for the next three years. Cash flows beyond three years have been extrapolated into perpetuity using an estimated nominal growth rate of 3.0% (2024: 3.4%). This growth rate does not exceed the long-term average for the relevant markets.

Discount rates are pre-tax and reflect the current market assessment of the time value of money and the risks specific to the investments. The risk-adjusted nominal rates for Construction, Infrastructure, Fit Out and Property Services are 13.8% (2024: 12.3%). The risk-adjusted nominal rates used for the cash-generating units with goodwill balances are 15.1% (2024: 14.2%) for Partnership Housing, 14.5% (2024: 14.2%) for Mixed Use Partnerships, 13.8% (2024: 12.3%) for Construction and 13.8% (2024: 12.3%) for Infrastructure. The increased discount rates in 2025 are due to a higher risk-free rate and an increased market risk premium for the UK.

Notes to the Company financial statements continued

2 Investments continued

A list of all subsidiary, associated undertakings and significant holdings owned by the Group at 31 December 2025 is shown below:

Partnership Housing

Name of undertaking	Direct or indirect holding	Group interest in allotted capital (%)
Lovell Partnerships Limited	Direct	100
345 Park Place Residents Management Company Limited[a][1]	Indirect	100
Abbey Walk Management Company Limited[a][1]	Indirect	100
AH Burnholme Limited	Indirect	100
All Saints Green Residents Management Company Limited[b][1]	Indirect	100
Anthem Lovell LLP[2]	Indirect	50
Astley Place Residents Management Company Limited[a][1]	Indirect	100
Balderton Rise Residents Management Company Limited[a][1]	Indirect	100
Barnet Lovell Regeneration LLP[2]	Indirect	100
B:Home Birmingham Limited	Indirect	100
Bincombe Park Residents Management Company Limited[a][1]	Indirect	100
Blossomfield (Thorp Arch) Management Company Limited[a][1]	Indirect	100
Briarswood Residents Management Company Limited[a][1]	Indirect	100
Bryn Castell Residents Management Company Limited[a][1]	Indirect	100
Caldon Quay Residents Management Company Limited[a][1]	Indirect	100
Castle Green Residents Management Company Limited[a][1]	Indirect	100
Chalkdene Developments LLP[2]	Indirect	50
Cherry Pie Meadow Residents Management Company Limited[a][1]	Indirect	100
Claymore Roads (Holdings) Limited[c]	Indirect	50
Community Solutions for Education Limited	Indirect	100
Community Solutions for Regeneration Limited	Indirect	100
Community Solutions for Regeneration (Hertfordshire) Limited	Indirect	100
Community Solutions (Hub West Scotland) Limited[d]	Indirect	100
Community Solutions Living Limited	Indirect	100
Community Solutions Management Services Limited	Indirect	100
Community Solutions Management Services (Hub) Limited	Indirect	100
Community Solutions Partnership Services Limited	Indirect	100
Crown Meadows Residents Management Company Limited[a][1]	Indirect	100
Drummond Park (Ludgershall) Residents Management Company Limited[a][1]	Indirect	100
Durleigh View Residents Management Company Limited[a][1][7]	Indirect	100
Eden Park (Bonscale Crescent) Residents Management Company Limited[a][1]	Indirect	100
Eden Valley Management Company Limited[a][1]	Indirect	100
Edmundham Developments LLP[2]	Indirect	50
Edwards Birch (Morpeth) Residents Management Company Limited[a][1]	Indirect	100
Electric Quarter Residents Management Company Limited[a][1]	Indirect	100
Exford Drive Management Company Limited[a][1]	Indirect	100
Foxglove Meadows Residents Management Company Limited[a][1]	Indirect	100
Gallus Fields Residents Management Company Limited[a][1]	Indirect	100
Garrett Grove Residents Management Company Limited[a][1]	Indirect	100
Golwg Y Bryn Residents Management Company Limited[a][1]	Indirect	100

Notes to the Company financial statements continued

2 Investments continued

Name of undertaking	Direct or indirect holding	Group interest in allotted capital (%)
Hamilton Wharf Residents Management Company Limited[a][1]	Indirect	100
Hamsard 3134 Limited	Indirect	100
Hamsard 3135 Limited	Indirect	100
Health Innovation Partners Limited	Indirect	50
Heath Farm Residents Management Company Limited[a][1]	Indirect	100
Heathstock Rise Residents Management Company Limited[a][1]	Indirect	100
Keepers Gate (WSM) Residents Management Company Limited[a][1]	Indirect	100
Kensington Gardens Management Limited[a][1]	Indirect	100
Kings Reach (Snaith) Residents Management Company[a][1]	Indirect	100
Kinsted Developments LLP[2]	Indirect	50
L&Q Lovell Trafford LLP[2]	Indirect	50
Laurel Gate (Whitburn) Residents Management Company Limited[a][1][8]	Indirect	100
Laurus Lovell Whalley LLP[2]	Indirect	50
Lavender Chase and The Driftwoods Residents Management Company Limited[a][1]	Indirect	100
Laxton Close Management Company Limited[a][1]	Indirect	100
Littlehampton Management Company Limited[a][1]	Indirect	100
Lockside Residents Management Company Limited[a][1]	Indirect	100
Lovell Bow Limited	Indirect	100
Lovell Director Limited	Indirect	100
Lovell Flagship LLP[2]	Indirect	50
Lovell Guf Limited	Indirect	100
Lovell Later Living LLP[2]	Indirect	100
Lovell Latimer LLP[2]	Indirect	50
Lovell Plus Limited	Indirect	100
Lovell Property Rental Limited	Indirect	100
Lovell Together (Pendleton) LLP[2]	Indirect	50
Lovell Together LLP[2]	Indirect	50
Lovell/Abri Weymouth LLP[2]	Indirect	50
Luker Place Management Company Limited[a][1]	Indirect	100
Lymington Mews Management Company Limited[a][1]	Indirect	100
Maryon Road Residents Management Company Limited[a][1]	Indirect	100
Meggeson Management Company Limited[a][1]	Indirect	100
Minshull Way Residents Management Company Limited[a][1]	Indirect	100
Morgan Sindall Consortium LLP[2]	Indirect	100
Morgan Sindall Investments (Newport SDR) Limited	Indirect	100
Morgan-Vinci Limited	Indirect	50
Morris Walk North Management Company Limited[a][1]	Indirect	100
Morris Walk South Residents Management Company Limited[a][1]	Indirect	100
Mount View (Melton Mowbray) Residents Company Limited[a][1]	Indirect	100
Oaktree Grange Residents Management Company Limited[a][1]	Indirect	100
Oakwood Gardens (Burniston) Residents Management Company Limited[a][1]	Indirect	100
Park View (Holt) Residents Management Company Limited[a][1]	Indirect	100

Notes to the Company financial statements continued

2 Investments continued

Name of undertaking	Direct or indirect holding	Group interest in allotted capital (%)
Pich Management Company Limited[(a)(1)]	Indirect	100
Pipit Mews Management Company Limited[(a)(1)]	Indirect	100
Pool House Wombourne Ltd	Indirect	100
Principal Point Residents Management Company Limited[(a)(1)]	Indirect	100
Queensbury Park Management Company Limited[(a)(1)]	Indirect	100
RMC The Meadows, Clifton-upon-Teme Limited[(a)(1)]	Indirect	100
Romsey Extra Care Limited	Indirect	100
Ruby Brook Estate Management Company Limited[(a)(1)]	Indirect	100
Ruby Brook Management Company Limited[(a)(1)]	Indirect	100
Ruby Meadow Management Company Limited[(a)(1)]	Indirect	100
Saddlers Grange (Howden) Management Company Limited[(a)(1)]	Indirect	100
Saints Green (South Otterington) Residents Management Company Limited[(a)(1)]	Indirect	100
Saints Quarter (Steelhouse Lane) Residents Management Company Limited[(a)(1)]	Indirect	100
Saredon Gardens Residents Management Company Limited[(a)(1)]	Indirect	100
Shawbrook Manor (Residents) Management Company Limited[(a)(1)]	Indirect	100
Somerford Park Residents Management Company Limited[(a)(1)]	Indirect	100
South Thamesmead LLP[(e)(2)]	Indirect	50
St Mary's View (Residents) Management Company Limited[(a)(1)]	Indirect	100
Station House (Stourbridge) Management Company Limited[(a)(1)]	Indirect	100
Stoke Development Limited	Indirect	100
Tennyson Fields (Phase 2) Residents Management Company Limited[(a)(1)]	Indirect	100
Tennyson Fields Management Company Limited[(a)(1)]	Indirect	100
The Acorns (Walsham Le Willows) Residents Management Company Limited[(a)(1)]	Indirect	100
The Compendium Group Limited	Indirect	50
The East Avenue Residents Management Company Limited[(a)(1)]	Indirect	100
The Junction Apartments Residents Management Company Limited[(a)(1)]	Indirect	100
The Junction Residents Management Company Limited[(a)(1)]	Indirect	100
The Laureates Residents Management Company Limited[(a)(1)]	Indirect	100
The Mill (Site 1) Residents Management Company Limited[(a)(1)]	Indirect	100
The Mill (Site 2) Residents Management Company Limited[(a)(1)]	Indirect	100
The Paddocks (Beverley) Residents Management Company Limited[(a)(1)]	Indirect	100
The Sycamores (Kirk Ella) Management Company Limited[(a)(1)]	Indirect	100
The Way Beswick (Zone 1) Management Limited[(a)(1)]	Indirect	100
The Way Beswick (Zone 2) Management Limited[(a)(1)]	Indirect	100
The Way Beswick (Zone 3) Management Limited[(a)(1)]	Indirect	100
The Way Beswick (Zone 4) Management Limited[(a)(1)]	Indirect	100
The Way Beswick (Zone 5) Management Limited[(a)(1)]	Indirect	100
The Way Beswick (Zone 6) Management Limited[(a)(1)]	Indirect	100
The Way Beswick (Zone 7) Management Limited[(a)(1)]	Indirect	100
The Woodlands (Hessle) Residents Management Company Limited[(a)(1)]	Indirect	100
Tixall View Residents Management Company Limited[(a)(1)]	Indirect	100
Towcester Regeneration Limited	Indirect	100

Notes to the Company financial statements continued

2 Investments continued

Name of undertaking	Direct or indirect holding	Group interest in allotted capital (%)
Trinity Walk Residents Management Company Limited[(a)(1)]	Indirect	100
Victoria Court (Newport No 1) Residents Management Company Limited[(f)(1)]	Indirect	50
Victoria Court (Newport No 2) Residents Management Company Limited[(a)(1)]	Indirect	100
Waterside Quay Residents Management Company Limited[(a)(1)]	Indirect	100
Wensum Grange Management Company Limited[(a)(1)]	Indirect	100
Westcroft 12 Management Company Limited[(a)(1)]	Indirect	100
Weston Woods Residents Management Company Limited[(a)(1)]	Indirect	100
Weymouth Community Sports LLP[(2)]	Indirect	100
Wild Walk Donnington Wood Residents Management Company Limited[(a)(1)]	Indirect	100
William's Park Residents Management Company Limited[(a)(1)]	Indirect	100
Woodgate (West Sussex) Residents Management Company Limited[(a)(1)]	Indirect	100
Woodlark Chase (Warren Drive) Residents Management Company Limited[(a)(1)]	Indirect	100

Mixed Use Partnerships

Name of undertaking	Direct or indirect holding	Group interest in allotted capital (%)
Muse Places Limited	Direct	100
Alexandria Business Park Management Company Limited[(g)(3)]	Indirect	100
Ashton Moss Developments Limited	Indirect	50
Aykley Heads Development LLP[(2)]	Indirect	50
Basford East Management Company Limited	Indirect	100
Brentwood Development Partnership LLP[(2)]	Indirect	50
Bromley Park (Holdings) Limited	Indirect	50
Chatham Place (Building 1) Limited	Indirect	100
Chatham Place Building 1 (Commercial) Limited	Indirect	100
Chatham Square Limited	Indirect	100
Cheadle Royal Management Company Limited[(g)(4)]	Indirect	27.9
Community Solutions for Regeneration (Bournemouth) Limited	Indirect	100
Community Solutions for Regeneration (Brentwood) Limited	Indirect	100
Community Solutions for Regeneration (Slough) Limited	Indirect	100
ECF (General Partner) Limited[(h)]	Indirect	33.3
English Cities Fund[(h)(5)]	Indirect	24
Eurocentral Partnership Limited	Indirect	99.2
EPL Developer (Plot B West) Limited	Indirect	99.2
Habiko LLP[(2)]	Indirect	33.3
Harrier Park Management Company Limited[(1)]	Indirect	100
ICIAN Developments Limited	Indirect	100
Intercity Developments Limited	Indirect	50
Lewisham Gateway Developments (Holdings) Limited	Indirect	100
Lewisham Gateway Developments Limited	Indirect	100
Lingley Mere Business Park Development Company Limited[(i)]	Indirect	50
Logic Leeds Management Company Limited[(j)(1)]	Indirect	50
Muse Aberdeen Limited	Indirect	100

Notes to the Company financial statements continued

2 Investments continued

Name of undertaking	Direct or indirect holding	Group interest in allotted capital (%)
Muse (Brixton) Limited	Indirect	100
Muse (ECF) Partner Limited	Indirect	100
Muse (Warp 4) Partner Limited	Indirect	100
Muse Brixton (Phase 2) Limited	Indirect	100
Muse Chester Limited	Indirect	100
Muse Developments (Northwich) Limited	Indirect	100
Muse Properties Limited	Indirect	100
North Shore Development Partnership Limited	Indirect	100
Northshore Management Company Limited[1]	Indirect	50
Olive Morris House (Brixton) Management Company Limited[k][1]	Indirect	100
Rail Link Europe Limited	Indirect	100
Slough Urban Renewal LLP[2]	Indirect	50
Sovereign Leeds Limited	Indirect	100
St Andrews Brae Developments Limited	Indirect	50
The Bournemouth Development Company LLP[2]	Indirect	50
The Prestwich Regeneration LLP[2]	Indirect	50
Wapping Wharf (Alpha) LLP[2]	Indirect	50
Wapping Wharf (Beta) LLP[2]	Indirect	40
Warp 4 General Partner Limited	Indirect	100
Warp 4 General Partner Nominees Limited	Indirect	100
Warp 4 Limited Partnership[5]	Indirect	100
Waterside Places (General Partner) Limited[l]	Indirect	50
Waterside Places Limited Partnership[l]	Indirect	50
Wirral Growth Company LLP[m][2]	Indirect	50
Wythenshawe Civic Regeneration LLP[2]	Indirect	20

Fit Out

Name of undertaking	Direct or indirect holding	Group interest in allotted capital (%)
Overbury plc	Direct	100
Morgan Lovell plc	Direct	100

Construction & Infrastructure

Name of undertaking	Direct or indirect holding	Group interest in allotted capital (%)
Morgan Sindall Construction & Infrastructure Ltd	Indirect	100
Bluestone Limited	Indirect	100
Magnor Plant Hire Limited	Direct	100
Morgan Sindall All Together Cumbria CIC[6]	Indirect	100
Morgan Sindall Engineering Solutions Limited	Indirect	100
Morgan Sindall Holdings Limited	Direct	100
Morgan Utilities Limited	Indirect	100
MS (MEST) Limited	Indirect	100
Newman Insurance Company Limited*[n]	Indirect	100

Notes to the Company financial statements continued

2 Investments continued

Name of undertaking	Direct or indirect holding	Group interest in allotted capital (%)
Baker Hicks Limited	Direct	100
Baker Hicks Europe Holdings Limited	Indirect	100
BakerHicks AG*[o]	Indirect	100
BakerHicks ApS*[p]	Indirect	100
BakerHicks GmbH*[q]	Indirect	100
BakerHicks GmbH*[r]	Indirect	100
BakerHicks SA*[s]	Indirect	100

Property Services

Name of undertaking	Direct or indirect holding	Group interest in allotted capital (%)
Morgan Sindall Property Services Limited	Direct	100
Golden i Limited	Indirect	100
Lovell Powerminster Limited	Indirect	100
Manchester Energy Company Limited	Indirect	100

Morgan Sindall Group

Name of undertaking	Direct or indirect holding	Group interest in allotted capital (%)
Barnes & Elliott Limited	Direct	100
Bluebell Printing Limited	Direct	100
CarboniCa Licensing Limited[t]	Direct	50
Hinkins & Frewin Limited	Direct	100
Lovell Partnerships (Northern) Limited	Direct	100
Lovell Partnerships (Southern) Limited	Direct	100
Morgan Est (Scotland) Limited[d]	Direct	100
Morgan Lovell London Limited	Direct	100
Morgan Sindall Investments Limited	Direct	100
Morgan Sindall Limited	Direct	100
Morgan Sindall Trustee Company Limited	Direct	100
Morgan Utilities Group Limited	Direct	100
Muse Developments Limited	Direct	100
Roberts Construction Limited	Direct	100
Sindall Eastern Limited	Indirect	100
Snape Design & Build Limited	Indirect	100
T.J. Braybon & Son Limited	Direct	100
The Snape Group Limited	Direct	100
Underground Professional Services Limited	Direct	100
Wheatley Construction Limited	Direct	100

* With the exception of Newman Insurance Company Limited, registered and operating in Guernsey, BakerHicks AG, registered and operating in Switzerland, BakerHicks ApS, registered and operating in Denmark, BakerHicks GmbH, registered and operating in Austria and Germany, and BakerHicks SA, registered and operating in Denmark, all undertakings are registered in England and Wales or Scotland and the principal place of business is the UK.

Unless otherwise stated the registered office address for each of the above is Kent House, 14–17 Market Place, London, W1W 8AJ.

Notes to the Company financial statements continued

2 Investments continued

Unless otherwise stated, the Group's interest is in the ordinary shares issued (or the equivalent of ordinary shares issued in the relevant country of issue).

Classification key:

(1) Limited by guarantee
(2) Limited liability partnership
(3) Holding special shares
(4) Holding ordinary and special shares
(5) Limited partnership
(6) Community Interest Company
(7) Incorporated on 15 January 2026; wholly owned by Lovell Director Limited
(8) Incorporated on 28 January 2026; wholly owned by Lovell Director Limited

The proportion of ownership interest is the same as the proportion of voting power held, except English Cities Fund, details of which are shown in note 12 of the consolidated financial statements.

Registered office key:

(a) One Eleven, Edmund Street, Birmingham, West Midlands, B3 2HJ
(b) 1 Bow Churchyard, London, EC4M 9DQ
(c) 8th Floor, 6 Kean Street, London, WC2B 4AS
(d) c/o Anderson Strathern LLP, 58 Morrison St, Edinburgh, EH3 8BP
(e) 45 Westminster Bridge Road, London, SE1 7JB
(f) 7 Neptune Court, Vanguard Way, Cardiff, CF24 5PJ
(g) Ground Solutions UK Ltd, A5 Optimum Business Park, Optimum Road, Swadlincote, Derbyshire, DE11 0WT
(h) One Coleman Street, London, EC2R 5AA
(i) Haweswater House, Lingley Mere Business Park, Lingley Green Avenue, Great Sankey, Warrington, WA5 3LP
(j) One St Peter's Square, Manchester, M2 3DE
(k) Fisher House, 84 Fisherton Street, Salisbury, SP2 7QY
(l) National Waterways Museum, South Pier Road, Ellesmere Port, Cheshire, CH65 4FW
(m) c/o Head of Legal, Wirral Borough Council, Town Hall, Brighton Street, Wallasey, Wirral, CH44 8ED
(n) Willis Management (Guernsey) Limited, Suite 1 North, First Floor, Albert House, South Esplanade, St Peter Port, Guernsey, GY1 1AJ
(o) Badenstrasse 3, 4057, Basel, Switzerland
(p) Borupvang 3, 4., 2750 Ballerup, Denmark
(q) Albert-Nestler-Strasse 26, 76131 Karlsruhe, Germany
(r) Am Euro Platz 3, 1120 Wien, Austria
(s) Boulevard Louis Schmidt 29 15, 1040 Etterbeek, Belgium
(t) Midpoint, Alencon Link, Basingstoke, RG21 7PP

3 Provisions

	Self-insurance £m	Other £m	Total £m
1 January 2024	9.3	1.9	11.2
Utilised	(1.0)	(1.7)	(2.7)
Additions	1.5	–	(1.1)
Released	(1.1)	–	(1.1)
1 January 2025	**8.7**	**0.2**	**8.9**
Utilised	(0.7)	–	(0.7)
Additions	1.5	–	1.5
Released	(0.2)	–	(0.2)
31 December 2025	**9.3**	**0.2**	**9.5**
Current	1.0	–	1.0
Non-current	8.3	0.2	8.5
31 December 2025	**9.3**	**0.2**	**9.5**

Self-insurance provisions

Self-insurance provisions comprise the Group's self-insurance of certain risks. The Group makes provisions in respect of specific types of claims incurred but not reported (IBNR). The valuation of IBNR considers past claims experience and the risk profile of the Group. These are reviewed periodically and are intended to provide a best estimate of the most likely or expected outcome.

Other provisions

Other provisions include property dilapidations and other personnel-related provisions.

The majority of the provisions are expected to be utilised within 10 years.

Shareholder information

Analysis of share register

As at 31 December 2025, the Company had 1,649 registered holders of ordinary shares and their shareholdings are analysed in the table below. It should be noted that a number of our private investors hold their shares through nominee companies.

Holding of shares	Number of shareholders	% of total shareholders	Number of shares	% of issued capital
Up to 1,000	944	57.25	367,246	0.76
1,001 to 5,000	406	24.63	790,836	1.65
5,001 to 100,000	210	12.73	5,621,623	11.71
100,001 to 1,000,000	81	4.91	22,145,864	46.11
Over 1,000,000	8	0.48	19,097,393	39.77
Totals	1,649	100.00	48,022,962	100.00

Morgan Sindall Group plc

Registered office
Kent House, 14–17 Market Place,
London, W1W 8AJ

Registered in England and Wales No: 00521970

Email: cosec@morgansindall.com
Telephone: 020 7307 9200

A wide range of Company information is available on our website at morgansindall.com including:

- financial information (annual reports and half-year results);
- financial news and events;
- share price information; and
- information on how to manage your shares, including share dealing.

Shareholder documents are made available via our website, unless a shareholder has requested hard copies from the registrar.

Company registrar

All administrative enquiries relating to shareholdings should be directed to Computershare Investor Services PLC:

Address: The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ
Telephone: +44 (0) 370 707 1695. Lines open 8.30am to 5.30pm (UK time), Monday to Friday (excluding UK public holidays)
Email: webcorres@computershare.co.uk
Website: computershare.com

Shareholders can also manage their shareholding online at investorcentre.co.uk where the following services are available:

- elect for electronic communications;
- change of address;
- view share balance information; and
- view dividend payment and tax information.

To register for the Investor Centre, shareholders will need their shareholder reference number, which can be found on either their share certificate or dividend confirmations.

Financial calendar 2026

AGM and trading update	7 May 2026
Ex-dividend date – final dividend	14 May 2026
Record date to be eligible for final dividend	15 May 2026
Payment date for final dividend	4 June 2026
Half-year results announcement	July 2026
Interim dividend payable	October 2026
Trading update	November 2026

Dividend payment by BACS

The Company does not issue dividend payments by cheque. Shareholders should complete a bank mandate form available from Computershare on request or at investorcentre.co.uk by selecting 'Company info', Morgan Sindall Group plc, 'Printable Forms', 'Amendments' and 'Dividend Mandate Form'. Shareholders registered with Investor Centre can add or change a mandate by selecting 'My Profile' and 'Banking Details'.

Forward-looking statements

This document and written information released, or oral statements made, to the public in the future by or on behalf of the Group may include certain forward-looking statements, beliefs or opinions that are based on current expectations or beliefs, as well as assumptions about future events. These forward-looking statements give the Group's current expectations or forecasts of future events. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. Without limitation, forward-looking statements often use words such as anticipate, target, expect, estimate, intend, plan, goal, believe, will, may, should, would, could or other words of similar meaning. No assurance can be given that any particular expectation will be met and shareholders are cautioned not to place undue reliance on any such statements because, by their very nature, they are subject to risks and uncertainties and can be affected by other factors that could cause actual results, and the Group's plans and objectives, to differ materially from those expressed or implied in the forward-looking statements.

All forward-looking statements contained in this document are expressly qualified in their entirety by the cautionary statements contained or referred to in this section.

There are several factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements. Among the factors that could cause actual results to differ materially from those described in forward-looking statements are changes in the global, political, economic, business, competitive, market and regulatory forces, fluctuations in exchange and interest rates, changes in tax rates and future business combinations or dispositions.

Forward-looking statements speak only as of the date they are made. Other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules and the Disclosure and Transparency Rules of the Financial Conduct Authority), the Group, its directors, officers, employees, advisers and associates disclaim any intention or obligation to revise or update any forward-looking or other statements contained within this document, regardless of whether those statements are affected as a result of new information, future events or otherwise, except as required by applicable law.

Appendix – Carbon emissions background and terminology

Net zero

The Paris Agreement (COP21, December 2015) saw c.200 countries pledge to pursue efforts to limit global temperature rises to 1.5°C and to keep them well below 2°C above pre-industrial levels. It also committed pledging countries to achieving net zero by 2050.

Science-based targets

The Science Based Targets initiative (SBTi) is the body responsible for approving and assuring science-based targets. The SBTi Corporate Net-Zero Standard is the world's only framework for corporate net zero target-setting in line with climate science. It provides guidance, criteria and recommendations for companies to set net zero commitments consistent with limiting global temperature rise to 1.5ºC, as represented by the SBTi's 2050 goal.

Our SBTi-aligned, science-based targets go beyond a 1.5°C trajectory as we are targeting net zero by 2045. We are committed to reducing our Scope 1, 2 and 3 emissions by 90% by 2045, with the remaining 10% of emissions offset by high-quality carbon credits in accordance with SBTi methodology (see pages 40 and 42).

Scope 1, 2 and 3 emissions

Our GHG emissions are reported for the financial year (1 January to 31 December). Our methodology is aligned to the GHG Protocol, where we monitor and report against the following emissions:

Scope 1

- other fuels – emissions via air conditioning (gas recharge and gas type) and generation of electricity (fuel consumption/gas oil)
- company cars – petrol purchased on fuel cards (litres)
- transport fuels (litres)
- natural gas (kWh)

Scope 2

- electricity purchased (kWh)
- steam and heat purchased from off site (kWh)
- electricity consumed in landlord-controlled offices (sq m of lease floor area)

Our Scope 2 emissions are calculated using location-based methodology: UK emissions factors published by the Department for Energy Security and Net Zero (DESNZ). A location-based method assigns a local grid average emissions factor to all off-site electricity usage. As the generation of electricity shifts away from fossil fuels, emission factors evolve. We therefore update our factors annually to reflect any changes.

Scope 3

Our Scope 3 emissions cover all relevant categories: 1 (purchased goods and services); 3 (fuel and energy-related activities); 4 (upstream transportation and distribution); 5 (waste generated in operations); 6 (business travel); 7 (employee commuting); 8 (upstream leased assets); 10 (processing of sold products); 11 (use of sold products); 12 (end-of-life treatment of sold products); and 15 (investments). Categories 2, 9, 13 and 14 are insignificant and have been classified as non-relevant to the Group.

Specifically, the scope of categories included in our 2030 and 2045 targets consist of:

- carbon embodied in materials (emitted during raw extraction, manufacture, transport to site, and disposal or recycling);
- carbon emitted during construction (via energy use and waste);
- estimated carbon emitted from operating the buildings for 60 years following handover to the client, based on how our clients tell us they will use the buildings;
- carbon emitted when a sold product undergoes further processing or transformation by a third party before it reaches the end consumer;
- upstream electricity generation, transmission and distribution losses;
- employees with travel allowances – petrol purchased via expense claims and mileage claims (miles);
- transport – public transport (passenger miles), supplier freight (miles);
- waste – tonnes of waste produced that is not recycled or used and goes to landfill; and
- water and wastewater – metres cubed of potable water consumption and wastewater generated.

We work with our supply chain and clients to gather and enhance the integrity of this data. More information on our Scope 3 emissions, including calculations and categories, can be found in our CDP Climate submission available on our website.

Our GHG emissions baseline year

Our Scope 1 and 2 emissions reduction target uses a 2019 baseline, while our Scope 3 emissions use a 2020 baseline. In 2025, we updated our Scope 3 emissions baseline to ensure greater accuracy across all relevant categories. By moving from revenue-based estimates to spend and activity-based data where available, we identified a higher use of carbon-intensive materials than previously recorded. As a result, our 2020 baseline has been revised from 1,300,271 to 1,603,880 tonnes CO_2e. We have also restated our annual performance figures to reflect these methodological improvements and alignment to appropriate UK reporting factors. See page 62 for more information on our performance and approach.

Our 2025 responsible business data sheet available on our website includes a breakdown of our historical emissions data.

Offsets

Offsets are a mechanism whereby companies can effectively buy or generate 'credits' to reduce the balance of their carbon emissions. An offset is generally an investment in a recognised emission-reduction activity or process that reduces or removes carbon dioxide and other GHGs from the atmosphere.

To meet our 2045 net zero target and reduce our Scope 1, 2 and 3 emissions by 90%, we will neutralise the remaining 10% of emissions using high-quality offsets derived from natural capital projects (see page 42).

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Morgan Sindall Group plc

Kent House
14–17 Market Place
London, W1W 8AJ

Company number: 00521970
@morgansindall
morgansindall.com