Registration number: 02426132

Leonardo UK Ltd

Annual report and financial statements

for the year ended 31 December 2025

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Leonardo UK Ltd

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Leonardo UK Ltd

Company Information

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Leonardo UK Ltd
Strategic Report
For the Year Ended 31 December 2025

The directors present their strategic report for the year ended 31 December 2025.

Principal activities

Leonardo UK Ltd ("the Company") is a key subsidiary of the Leonardo SpA Group ("the Group"), a global leader in aerospace, defence and security. The Company plays a pivotal role in delivering advanced technologies and solutions to both military and civilian customers, meeting the dual-use requirements of a rapidly evolving global market.

As one of the UK's leading aerospace and defence companies, Leonardo UK operates across three divisions:

- **Electronics:** Designs, manufactures and delivers cutting-edge mission systems, sensors, effectors and communications technologies across the air, land, sea, space and cyber domains. Supporting domestic and international customers, the division plays a critical role in enhancing the operational capabilities of the UK Armed Forces and allied partners.
- **Helicopters**: Produces and supports advanced rotary-wing aircraft for defence and search-and-rescue roles. The business also manufactures and repairs critical components for both civil and military rotary-wing fleets. The portfolio includes innovation in uncrewed aerial systems and next-generation tiltrotor technologies.
- **Cyber and Security**: Provides advanced cybersecurity and secure digital solutions to defence, national strategic organisations and critical national infrastructure, addressing critical challenges in data security, resilience and secure communication.

The Company is a major supplier to the UK Ministry of Defence ("the MOD"), leveraging strong partnerships to deliver high-impact technological solutions that enhance national security. Through targeted investments in innovation, digitalisation and strategic partnerships, Leonardo UK is positioned as a trusted partner for its customers and a driver of industrial capability within the UK. Whilst the UK is a key priority, the Company also has a strong focus on Europe, North America and customers in non-NATO countries.

Innovation, sustainability and customer-focused solutions remain the cornerstones of the Company's activities. By embracing new technologies, such as artificial intelligence, advanced manufacturing and secure cloud computing, Leonardo UK continues to enhance its capabilities and strengthen its position as a leader in the aerospace and defence sectors.

Strategy

The Group's strategy for the future is anchored in the Group Industrial Plan, which outlines the Group's transformation into a global technology-based aerospace and defence solutions provider.

The Industrial Plan focuses on unlocking opportunities across the Company's core divisions:

- **Electronics:** Enhancing competitiveness through targeted investment in cutting-edge technologies and rationalisation of the product portfolio to strengthen core offerings. Leveraging a strong heritage in advanced sensing, effector and communications technologies to expand capabilities across multiple domains, delivering fully integrated solutions and services and achieving information advantage through multi-domain integration and data exploitation.
- **Helicopters:** Accelerating order conversion and prioritising product development to establish and maintain a leadership position in tiltrotor and uncrewed systems. The division will exploit capabilities in autonomy and advanced simulation to reinforce its role in next-generation rotary-wing platforms.
- **Cyber and Security:** Scaling operations to address increasing demand in cyber resilience and secure digital capability. This growth is being driven by a combination of organic development and strategic acquisitions.

Strategy (continued)
Leonardo UK continues to deepen its partnership with the MOD and broader government stakeholders, leveraging the Strategic Partnering Programme ("SPP") to drive innovation, enhance programme delivery and contribute to the UK's economic and strategic resilience.

The Company also has a strong focus to target growth opportunities within existing and new export markets with close collaboration with the US Department of Defence and other foreign nations and prime contractors.

Resourcing continues to be a focus for Leonardo UK. The business recruited 1,194 new employees, including 434 early-career professionals, in its largest hiring drive to date. This will continue as the business grows and develops.

Key Performance Indicators
The Company's key operating performance indicators are as follows:

	2025 £ 000	2024 £ 000
Order intake	2,761,767	2,029,471
Turnover	2,702,164	2,339,911
Operating profit before exceptional item	250,221	233,159
Operating profit/(loss) after exceptional item	250,221	(26,841)
Cash generated from operations	208,607	255,248

Order intake was 36% higher than 2024 due mainly to large Typhoon orders received in 2025. Turnover was 15% and operating profit 7% higher than 2024 driven by increased execution of contracts across all divisions. Cash generated from operations decreased by £46,641,000 compared to 2024 due to higher supplier payments.

Divisional activities

Electronics: Strengthening UK defence through advanced technology
Leonardo UK's Electronics division designs, develops and manufactures advanced sensing and effector technologies across all domains - Air, Land, Sea, Space and Cyber. Its capabilities include platform protection, intelligence, surveillance & reconnaissance, targeting and counter-drone solutions. As one of the largest suppliers of complex electronics to the MOD, Leonardo UK provides cutting-edge systems that underpin the capabilities of the UK Armed Forces and an expanding global customer base. With a strong foundation in radar, electronic warfare, electro-optics and military communications, the division continues to enhance its position as a leader in high-performance defence electronics.

In 2025, significant achievements included:

- Global Combat Air Programme ("GCAP") Electronics Evolution consortium, bringing together the expertise of Leonardo UK, Leonardo Italy, ELT Group and Mitsubishi Electric to develop the Integrated Sensing and Non-Kinetic Effects and Integrated Communications Systems for GCAP.
- Contract to deliver DragonFire Systems to the Royal Navy by 2026, following successful trials.
- Successful demonstration of the Sovereign Hunter capability, the UK's first full-scale trial of decentralised collaborative platform swarming. Delivered by Leonardo with SMEs Faculty AI, Applied AGI and Volander, the programme moved from concept to demonstration in just six months.
- BriteStorm – latest electronic warfare payload that will be integrated into RAF's StormShroud autonomous collaborative platform.
- Miysis DIRCM selected to protect the German Air Force's C-130J fleet.
- IDEF 2025, MoU was signed between the UK and Turkey for 20 Eurofighters, with Leonardo confirmed as the key supplier of radar and electronic warfare capabilities for the aircraft.

Divisional activities (continued)
Electronics (continued)

- Project SIREN – Working alongside Defence Science and Technology Laboratory, Igence Radar, Voyant and leading universities, Leonardo demonstrated how airborne systems can link with ground stations to create a near real-time picture of the air and maritime environment.
- Rapidly growing opportunity for Gripen aircraft in the global market, with next 40-off production order of the Raven radar which has been received and accepted in early 2026.
- Award of ECRS MK2 contract from the MOD which will equip the UK RAF Typhoon aircraft with a cutting-edge multi-function RF radar system.

Helicopters: Advancing next-generation rotary capabilities
Leonardo UK's Helicopters division continues to reinforce its position as the Home of British Helicopters. In 2025, the division continued to deliver advancements in crewed and uncrewed platforms, sustainment solutions and manufacturing efficiency. Leonardo UK remains a key player in shaping the future of rotary-wing capability for both the MOD and international markets.

Key achievements in 2025:

- Leonardo UK remained the sole bidder to deliver the AW149 for the UK's New Medium Helicopter ("NMH") requirement, with the contract being awarded in March 2026.
- Proteus: Next- Generation Uncrewed Rotorcraft, in collaboration with the Royal Navy and the MOD's Defence Equipment and Support and Future Capability Innovation team, Leonardo UK completed assembly of the demonstrator aircraft culminating in a successful test flight in January 2026.
- The RWE programme continues to progress with a proposal submitted focused on enabling enhancements to fleet sustainment and operational readiness.
- The AW101 Merlin Out of Service Date Extension Programme advanced, anticipating contract award in 2027, ensuring continued operational effectiveness for the UK's frontline forces.
- Delivery of the final Norwegian AW101 All-Weather Search and Rescue Helicopter.

Cyber and Security: Building cyber resilience into a digital advantage
Leonardo UK's Cyber and Security division has continued to focus on mission critical communications, digital resilience and the integration of cyber capabilities into broader defence solutions in 2025. By delivering secure data management, cyber resilience for major defence programmes and national security solutions, the division continues to strengthen the UK's digital defences against evolving threats.

Key achievements in 2025:

- Delivered secure data and cyber resilience solutions for the MOD, including GCAP.
- Strengthened national security through contracts with the Home Office, reinforcing the UK's border protection and critical infrastructure resilience.
- MCX Dispatcher chosen for the Emergency Services Network, where users connect through a secure cloud platform regardless of the technology they are using or their location.
- Progressed acquisition of Becrypt, culminating in acquisition contract being signed by both parties in March 2026.

Future outlook

The Company outlook remains positive, with an order intake during the year of £2,761,767,000 (2024: 2,029,471,000) and an order book at 31 December 2025 of £5,750,687,000 (2024: £5,725,169,000), which represents 213% of 2025 turnover (2024: 245%).

Leonardo UK's strategic vision is firmly anchored in the Group's Industrial plan by its ability to innovate, collaborate and adapt to an ever-changing defence and industrial landscape. The Company remains very strong in the airborne market with the UK and associated export markets offering significant opportunities.

The Electronics Division is investing in cutting-edge technologies, including directed energy, electromagnetic warfare and autonomous systems, extending existing strengths into new areas such as information exploitation and Information Advantage. This enables the delivery of capabilities and services that transform data from own and third-party systems into actionable insight and enhanced situational awareness, supporting effective Multi-Domain Integration.

The Helicopters Division looks to build on the Proteus demonstrator's maiden flight in January 2026, potential further home and export opportunities through the NMH programme, expanded uncrewed rotorcraft initiatives and ongoing development of smart maintenance and predictive analytics solutions further advancing fleet wide operations.

As cyber threats continue to evolve, the Cyber division is investing in new capabilities and enhancing its portfolio through the advancement of digital solutions such as on-platform security monitoring and AI powered threat detection systems enabling proactive cyber defence capabilities. This is aimed at strengthening digital sovereignty without impeding national desires for multi domain operations and data integration.

These priorities align with the UK Strategic Defence Review ("SDR 2025") and the Defence Industrial Strategy, ensuring the UK remains secure at home and strong abroad while driving national security and economic growth. Additionally, it allows the divisions to address the broader security challenges, which offer significant opportunities for the business.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to several risks.

The principal risks and uncertainties to which the Company may be affected remain the levels of procurement spend by the key defence agencies to which the Company supplies, supply chain management and the Company's project management of its customer contracts. The Company seeks to mitigate government procurement risk by developing an increasingly broad customer base for its core products and in respect of its supplier performance and project management risks, by rigorously applying well developed life cycle management processes.

Procurement spend by key defence agencies

- Defence Investment Plan ("DIP"): The conclusion of the UK Strategic Defence Review in 2025 established an updated strategic framework for defence. However, publication of the subsequent DIP remains outstanding. Whilst the MOD has progressed certain high-priority capability decisions such as NMH and ECRS Mk2, the absence of a comprehensive plan creates uncertainty in relation to long-term funding profiles and programme sequencing, reducing visibility of future revenue streams. Leonardo UK continues to engage proactively with government and departmental stakeholders to mitigate associated risks, support informed decision-making, and ensure business planning remains aligned with the evolving defence investment roadmap and ministerial priorities.

- Shifts in US Trade and Export policies: Uncertainties remain regarding potential changes in export policies, tariffs and trade agreements that could impact Leonardo UK's access to key markets. The Company continues to engage with government and industry partners to navigate evolving trade conditions and ensure business continuity.

Principal risks and uncertainties (continued)

Supply chain management
Managing business continuity of the Company's complex supply chain is essential to Leonardo UK operations. Geopolitical instability and the resulting volatility of the macro-economic environment adds risk and uncertainty across most sectors within the supply chain. Brexit, the conflicts in Russia/Ukraine and the Middle East, the global energy crisis, the changes in global trade practices and the cost-of-living crisis have had an impact on local inflation, which has demanded greater transparency of our supply chain and our ways of engagement.

The Company continues to collaborate with its partners and suppliers, particularly with the SME community, to mitigate against these impacts. This includes development of our supplier capability assessments especially at the on-boarding stage, as well as due diligence built into the contract lifecycle to maintain business resilience as a topical subject matter addressing current and future risk. The Company collaborates internally across geographies within the Leonardo Group to adopt global risk management strategies where they can make a difference.

Collaboration with our customer chain and trade associations, as well as our supply chain, proves to add value as we focus on common risks. This happens at an international level as well as local. With specific focus to the UK, our relationship with the MOD, through the SPP, has enabled a proactive approach to longer-term supply risk, through greater transparency and forecasting. In addition, several cross-industry groups are working together to address common sub-tier supply risks within the sector, such as semi-conductor supply, energetics and batteries.

The Company continues to work alongside the MOD to ensure critical programme timings are maintained and, through the Defence Industrial Joint Council, helps to oversee resilience within the sector.

Project management of customer contracts
A large proportion of the Company's operating activities are long-term contracts, which require meeting contractual and operational requirements which are often complex and technologically demanding. There is a risk of costs exceeding original estimates.

The Company's contracts are managed under its robust, and well-established, Lifecycle Management procedure framework, covering the bid stage through to delivery and completion. The framework ensures regular reviews are performed to monitor the progress of each project, including the review of financial variances and implementation of corrective action as necessary.

Financial risk management

Foreign currency risk
The Company has transactional currency exposure arising from sales and purchases in currencies other than the Company's functional currency of pounds sterling. The Company uses forward currency contracts to hedge certain of these exposures.

Credit risk
The Company has credit risk in respect of the recoverability of its trade and other debtors.

Most the Company's trade debtors are from the UK, US and EU government agencies and prime contractors. The Company has a credit verification procedure that may require increased down-payments or third party guarantees and management performs regular reviews of the Company's credit exposure. The Company also has funds deposited with the parent company, Leonardo SpA, as part of a group-wide pooling arrangement which is further discussed in the going concern section in the directors' report.

Sustainability – climate related financial disclosures
Leonardo UK Ltd maintains a firm commitment to leveraging sustainability for business transformation, a core driver of its activities. This commitment aligns with the Group's Industrial Plan. Our sustainability strategy is built upon four core pillars: People, Planet, Prosperity, and Governance. This integrated approach underpins long-term growth and aligns with the Group's sustainability goals, including those related to climate change. The Group's commitment to the Science Based Target Initiative ("SBTi") aims to reduce CO2 emissions in line with the Paris Agreement. The Sustainability Plan is implemented through measurable short, medium, and long-term projects, guided by a data-driven approach.

Governance
Climate-related risks and opportunities are managed through a robust governance framework. The Environmental, Social and Governance ("ESG") Committee regulates and assesses key sustainability topics, advising the CEO and Board on ESG goals and science-based targets. Climate topics are managed in detail by the ESG Steering Committee which meets quarterly and reports into the ESG Committee.

The Group Chief Sustainability Officer is supported by a UK Director of Sustainability who manages the UK sustainability team. Sustainability integrated project teams operate within the Electronics and Helicopters divisions, reporting to the ESG Steering Committee. UK-level integrated project teams cover Net Zero commitments, Supply Chain, Utilities and Design for Sustainability, embedding climate-related risks and opportunities across our Operational Framework.

Strategy
The Company's decarbonisation strategy is fundamental to building a sustainable business, supporting long-term objectives and our Sustainability Plan. This strategy outlines how emissions will be reduced across operations, products, and services, while assisting customers and suppliers in their own transition efforts. Strategy development considers UK Government commitments and implications for Company assets and infrastructure. We are committed to continuous improvement, integrating environmental considerations into our business strategy to reduce the overall environmental impact.

The Company has set Net Zero targets for Scope 1 and 2 emissions by 2030, and for Scope 1, 2 and 3 emissions across the value chain by 2050. These targets align with the Group's SBTi commitment. Priority sustainability issues are identified using materiality analysis, revised in 2025 for compliance with the double materiality principle.

Climate scenario analysis
During 2025 the Company conducted climate scenario and sensitivity analysis based on current day, RCP 4.5 by 2050 and RCP 6.0 by 2100 for each of its key sites in line with UK Environment Agency regulations. The results indicate that there is no material direct or indirect physical impact on the assets on sites across the five-year planning horizon.

The Company will conduct further scenario analysis of the UK supply chain to assess the impact of climate change on supply chain resilience and operations.

Risk and opportunity management
The identification, assessment and monitoring of the main risks and corresponding actions related to climate change are systematically managed through the Company's wider Enterprise Risk Management ("ERM") function and process. Environmental risk, encompassing climate-related risk, is fully embedded within our risk management approach via the Company's business and project risk registers. The ERM functions report on a bi-annual basis.

Sustainability – climate related financial disclosures (continued)

Climate and environmental risks are assessed for their potential financial or non-financial impacts, thereby influencing business strategy. Current and emerging regulations, including the Carbon Reduction Plan and carbon pricing (UK Carbon Adjustment Mechanism), are continuously considered within our environmental management system. The Company monitors the financial impact and cost of risk mitigation and opportunity exploitation for climate related risks and opportunities.

Climate change is considered a primary risk, necessitating action on certain processes and products due to environmental developments. Risks are assessed across short-term (up to one year), medium-term (two to five years) and longer-term (beyond five years) horizons.

Category	Event	Impact nature	Timeframe
Transition risk	**Climate Policy and Regulation** The UK government, the MOD, or EU clients implement new, stricter mandatory GHG reduction or water efficiency regulations (e.g. carbon pricing, CSRD expansion, TCFD/ISSB disclosures, water abstraction limits).	Reputational / Finance / Compliance	Short to medium term
Transition risk	**Technology and Product Obsolescence** The global market shifts towards low-carbon, energy-efficient and climate-resilient defence technology accelerates faster than our R&D cycle.	Financial / Strategic	Medium to long term
Physical risk	**Physical Asset and Operational Disruption & Water Stress** Chronic climate stresses (e.g. sustained extreme heat) or acute events (e.g. severe flooding/drought) disrupt critical manufacturing sites or key components of the global supply chain.	Financial / Operational / Reputational	Short to medium term
Transition opportunity	**Operational Efficiency and Resource Optimisation** Accelerate investment in energy efficiency, by adopting on-site self-generation (e.g., PPAs, solar), embedding industrial Circular Economy processes (e.g. component remanufacturing, critical material recovery)	Financial / Operational / Reputational	Short to medium term

Sustainability – climate related financial disclosures (continued)

Metrics and targets – Net Zero Objective in the United Kingdom
Leonardo UK is committed to ambitious greenhouse gas emission reduction targets. As of 31 December 2025, the Company achieved a 77% reduction in Scope 1 and 2 CO2e emissions from its 2018 baseline.

Key targets include:

- Achieving Net Zero for Scope 1 and 2 emissions by 2030.
- Reducing Scope 3 GHG emissions by 52% per flight hour by 2030 compared to a 2020 baseline.
- Achieving Net Zero for Scope 1, 2, and 3 emissions across the value chain by 2050.

The Company's emissions targets are based on comprehensive reporting across all scopes. For Scope 1, this includes direct emissions from gas consumption, refrigeration, fleet aircraft fuel, on-site fuels, and company cars. Scope 2 targets are based on electricity consumption. Scope 3 targets consist of fuel and energy-related activities, upstream transportation and distribution, waste generated in operations, business travel, employee commuting, upstream leased assets, and use of sold products.

The key initiatives driving these reductions include replacing gas heating systems, optimising office footprint, investing in efficient Heating, Ventilation, and Air Conditioning ("HVAC") infrastructure, and increasing the adoption of ultra-low emission vehicles and EV charging points.

Progress towards these climate change commitments is tracked using the following Key Performance Indicator:

- Reducing Scope 1 and 2 Market Based CO2e emissions by 90% by 2030.

Two climate KPIs expired during 2025:

- Reducing electricity consumption from the external grid by 10% relative to revenue by 2025 (28% actual)
- Reducing CO2e emissions (for Scope 1 and 2) by 40% by 2025 compared to 2018 (77% actual)

Streamlined energy and carbon reporting
Leonardo UK Ltd qualifies as a 'large unquoted' company under SECR regulations. This report covers the Company's operations for the period 1 January 2025 to 31 December 2025. The operational control approach defines our organisational boundary. We measure mandatory Scope 1 and 2 emissions and certain Scope 3 emissions, including energy consumption from properties, business operations, fuels, aviation fuel, grey fleet, business travel, water and waste. The Company procures 100% renewable energy for its fully controlled estate, secured until March 2029.

In line with the Government's Streamlined Energy and Carbon Reporting requirements, the Board of Directors sets out below details of emissions and actions undertaken

Methodology and findings
Quantification and reporting adhere to UK Government Environmental Reporting Guidelines (March 2019) and the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard, using UK Government 2025 Carbon Conversion Factors. The Company intensity metric is gross UK Scope 1 and 2 emissions (including grey fleet) in tonnes of CO2e per £ million of turnover.

Emissions breakdown (tCO_2e)	2025	2024 restated	Change
Scope 1 emissions	8,471	9,510	(11%)
Gas consumption	7,399	7,737	(4%)
Refrigeration	503	960	(48%)
Fleet aircraft fuel (excluding radiative forcing ("R.F."))	412	356	16%
On-site fuels	85	375	(77%)
Company cars	72	82	(12%)
Scope 2 emissions (location-based)	10,890	12,835	(15%)
Scope 2 emissions (market-based)	13	12	8%
Scope 3 emissions	538	534	1%
SECR: Grey fleet	538	534	1%
Scope 3 Emissions (voluntary)	26,042	29,950	(13%)
Category 3: Fuel and energy related activities	5,551	5,685	(2%)
Category 5: Waste generated in operations	107	91	18%
Category 6: Business travel (including R.F.) (excluding grey fleet)	9,920	15,268	(35%)
Category 7: Commuter travel	8,460	6,784	25%
Category 13: Downstream leased assets	2,004	2,122	(6%)
Scope 1, 2 and grey fleet	19,899	22,879	(13%)

Note: 2024 emissions have been recalculated in 2025 and better aligned to GHG protocol methodology best practices.

Intensity metrics (Scope 1&2 and grey fleet)	2025	2024 restated	Change %
tCO2e per £(m)	7.39	9.93	(26%)

Streamlined energy and carbon reporting (continued)

Overall mandatory reported emissions (Scope 1, Scope 2 and grey fleet) decreased by 13% in 2025 compared to the previous year.

The 11% reduction in Scope 1 emissions was driven by several factors. Refrigeration emissions fell by 48% due to fewer F-gas top-ups, while on-site fuels declined by 77% following the temporary boiler removal in Edinburgh. Company car emissions decreased by 13% as EV uptake increased. These improvements were partly offset by a 16% rise in aviation fuel emissions from additional platform testing at Yeovil and a more modest 4% reduction in gas-related emissions, driven in part by installation of a heat pump in Edinburgh.

Scope 2 emissions decreased by 15% on a location-based basis, despite electricity consumption falling by only 1%. This was largely driven by the 15% decrease in the UK electricity grid emissions factor, reflecting lower natural gas use in power generation and increased renewable energy generation.

Voluntary Scope 3 emissions decreased by 17% overall. Business travel emissions decreased by 35%, driven by several initiatives, including fewer international and long-haul flights, reduced business and first-class travel, fewer kilometres driven, and increased use of electric vehicles. However, this was partially offset by general waste emissions increasing by 18%, mainly due to water waste in Yeovil caused by significant leaks. Additionally, commuting emissions went up by 25% due to an updated survey with better response rates and an overall headcount increase.

Energy efficiency
Our energy consumption is detailed below:

Energy consumption (MWh)

Energy consumption	2025	2024 restated	Change
Electricity	61,553	61,991	(1%)
Gas	40,440	42,299	(4%)
Onsite fuels	338	1,508	(78%)
Fleet aircraft fuel	1,665	1,439	16%
Renewable generation onsite	-	-	0%
Company cars	307	348	(12%)
Grey fleet	2,189	2,181	0%
Total	106,492	109,766	(3%)

The Company's overall energy consumption (both direct and indirect) decreased by 3% during the reporting period compared with the previous period. Reductions were particularly notable in utilities, driven by a range of energy efficiency initiatives. The Company maintains two ISO 50001 Energy Management System accreditations, demonstrating its commitment to reducing its energy footprint.

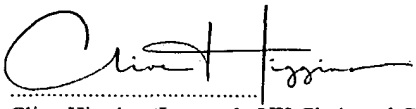
In 2025, energy efficiency measures delivered annual savings of 438 MWh of electricity and 1,859 MWh of gas. These savings were primarily achieved through energy-efficiency initiatives across the Leonardo estate, including improved HVAC controls in Basildon, Luton, and Edinburgh, LED upgrades, substation upgrades at Yeovil, chiller upgrades in Luton as well as initiatives to support the transition of company vehicles to electric models.

Further projects are planned for 2026, with an increased focus on identifying additional energy-saving opportunities through enhanced analysis of meter data.

Section 172 Companies Act 2006

The Wates Corporate Governance Principles for Large Private Companies provide a framework for the Company to not only demonstrate how the Board makes decisions for the long-term success of the Company and its stakeholders (see principle 6 Stakeholders, on pages 15 to 18), but also having regard to how the Board operates in compliance with the requirements of Section 172 of the Companies Act 2006 to promote the success of the Company. Our reporting against the Wates Principles has been included on pages 13 to 19. Throughout 2025, the Board will continue to review and challenge how the Company can improve engagement with its employees and stakeholders to deliver its long-term growth and sustainability.

Approved by the Board on 30 April 2026 and signed on its behalf by:



Clive Higgins (Leonardo UK Chair and Chief Executive Officer)
Director

Leonardo UK Ltd
Corporate Governance Report
For the Year Ended 31 December 2025

The Wates Corporate Governance Principles for Large Private Companies, (published by the Financial Reporting Council in December 2018) ("the Wates Principles" or the "Principles"), were adopted by the Company in 2019 to enhance the governance systems, promote best practice and ensure that all appropriate corporate reporting disclosures are made.

The Company's approach to its stakeholders is outlined in more detail within this Corporate Governance Report, as required by Section 172 of the Companies Act 2006 ("s172") (see Principle 6 - Stakeholders) and The Companies (Miscellaneous Reporting) Regulations 2018. The Board is aware of its responsibilities under s172 in discharging its duties and making decisions on behalf of the Company.

Set out below is how the Company was managed for the Company's financial year ended 31 December 2025.

Principle 1 – Purpose and leadership

The Company is the principal UK operating entity of the Leonardo Group, a global aerospace, defence and technology business, and is wholly owned by Leonardo S.p.A., an Italian registered company listed on the Milan Stock Exchange.

The Group's purpose is to "Contribute to the world's progress and safety by delivering meaningful and innovative technological solutions". The Company supports this through its UK operations in avionics, defence electronics, helicopters, cyber security and surveillance systems. The Group's Charter of Values underpins the Company's strategy and day-to-day decision-making. It is founded on the principles of ethics and respect; expertise and merit; innovation and excellence; internationality and multiculturalism; and rights and sustainability. These principles are embedded within the Company's culture and leadership expectations. A copy of the Charter is available on the Company's website. The Company's Board members are appointed in accordance with Leonardo S.p.A Directives and undertakings provided to the MOD under a range of UK statutory measures (including the Enterprise Act 2002). The Board comprises representatives from the Company's divisions and functions and its shareholder. The Board operates as a decision maker for the Company.

Principle 2 – Board composition

The Board's composition, disclosed in the directors' report, is considered appropriate for the scale and complexity of the business. Members bring a balanced mix of operational, technical, financial and governance experience. All are employees of Leonardo UK Ltd or Leonardo SpA, ensuring that the parent company is represented and that communication between the Board and its sole shareholder is maintained. The split of Board Membership remained steady with five employees of Leonardo UK Ltd and four of Leonardo SpA.

Each director has equal voting rights. The Chairman holds a casting vote in the event of a tie. All directors have access to the Company Secretary and may seek independent professional advice at the Company's expense. Appointments are made in line with Group policy and undertakings provided to the UK Government and the MOD under the Enterprise Act 2002. The Board members update their skills, knowledge and familiarity with the Company by receiving periodic reports on matters mandated to each function and division. Each director has specialist knowledge within their division or function, which is kept updated alongside their individual continuous professional development.

The Board sets the Company's purpose, values and standards of behaviour expected of all employees, satisfying itself that these and the culture of the business are aligned. It also oversees and monitors internal controls, risk management and the Company's governance framework, which sets out how it does business. The Board met five times in the year.

Principle 3 – Directors' responsibilities

Accountability

The Board is collectively responsible for the Company's performance, governance and compliance. It operates within a delegation protocol and governance framework which defines authority levels and matters reserved for Board approval. Significant contracts or transactions above defined thresholds require Board approval. Oversight is maintained through regular reporting and structured Board meetings, supported by committees with defined Terms of Reference. This ensures that both the Group interest and the specific UK legal requirements are protected through an appropriate level of diligence.

Integrity of information
The Board ensures that decisions are supported by reliable, accurate and timely information. The finance function maintains robust systems of internal control and reporting, staffed by qualified professionals and subject to periodic review. Financial statements are audited externally each year, and an Internal Audit function is established and delivers audits based on a risk-based Internal Audit Plan, which is reviewed and approved annually by the Board. The Internal Audit function assesses the adequacy and effectiveness of internal controls, risk management, and governance processes. Audit outcomes and improvement actions are reported to management, and significant issues are escalated to the Assurance and Internal Controls Committee and the Board as appropriate, ensuring transparency and robust oversight.

Principle 4 – Opportunity and risk
The Board supports the work of the Company's divisions, who, with oversight from Italy, pursue business opportunities in the UK. The Board provides support to these opportunities while managing risk.

Opportunity
Long term strategic opportunities are reviewed by the Board as a part of the updates from the divisions. The Board looks to support all major bids and strategic opportunities including those related to internal investment, executing these through its business divisions or corporate functions as appropriate.

Details of the Company's opportunities are outlined in the "Future Outlook and Business Environment, Strategy and Principal Risks and Uncertainties" sections of the strategic report.

Risk
Risk management is embedded across all divisions through a standardised process that identifies, assesses and manages risks by considering causes, events and consequences. Risks are reviewed at project, divisional and corporate level, supported by a central risk tool providing consolidated analysis.

Lifecycle management is used to provide governance through gate reviews at key risk points in the Company's main programmes and projects. The standard process is defined by Leonardo in its Project Management Manual and applied across all divisions.

Phase Review Chairs and their assessors, who are independent of the project or programme, conduct reviews of plans and progress at key stages. A summary report is issued to the project and the relevant management team identifying key actions to minimise risk going forward. The process also incorporates a 'lessons learned' mechanism to ensure that experiences in one project can be shared with other projects in order to enable continuous improvement activity.

In addition, the corporate functions undertake risk assessments against specific areas of regulation to ensure comprehensive compliance programmes are implemented.

Details of the Company's key operational risks and mitigations are outlined in the strategic report.

Project and enterprise risks are reported on a quarterly basis to the Board. At each board meeting, the Managing Directors of the divisions present the risks relevant to their domains. In addition, risks are reported to the Audit and Internal Controls Committee to ensure they are appropriately raised and considered across the divisions. Where necessary, the Chair of the Committee escalates matters directly to the CEO.

Principle 5 – Remuneration
The Remuneration policy set by the Board of Leonardo SpA. aims to ensure that the operating business in the UK retains and attracts high calibre talent to deliver on the Company's commitments to its customers. Remuneration combines fixed and variable pay, with access to a range of benefits and flexible working options. External benchmarking ensures competitiveness within relevant markets.

Flexibility and choice on how employees engage with pay and benefits is a major part of the remuneration philosophy. The Company has received external recognition for its benefits strategy and its flexible working approach. This year the UK business retained its Investors in People Gold award an internationally recognised accreditation for people management and employee wellbeing.

Principle 5 – Remuneration (continued)
Leonardo is a provider of competitively paid jobs, in a sector where competition for talent is fierce and attraction for key skills is essential to achieve the business aims.

The Company applies fair and transparent pay principles in line with the Equality Act 2010 and is accredited to the UK Living Wage Foundation. Consultation with employees takes place through established channels, including trade unions and Joint Information Consultative Committees.

Detailed information on the Company's benefits, is available on the Company website.

Principle 6 – Stakeholders
The Board recognises that maintaining strong relationships with key stakeholders is fundamental to the Company's long-term success. These stakeholders include employees, customers, suppliers, regulators, shareholders and the communities in which the Company operates.

The Company supports sustainable business practices consistent with the UN Global Compact and selected UN Sustainable Development Goals. It reports annual emissions data to its parent company via the ServiceNow SHE questionnaire which calculates the Company's Scope 1, 2 and part of Scope 3 emissions for the six main greenhouse gases covered by the Kyoto Protocol. This is used in both reporting at a Group level, and for UK specific reporting.

External stakeholders and impacts

The Board is committed to doing business in a sustainable manner, with a continued commitment to economic and social development and the protection of human health and the environment. The Charter of Values (outlined above) underpins this ethos for establishing and maintaining trusting relationships with all its stakeholders.

The Company contributes to social value through STEM outreach, community engagement and sustainability initiatives. In 2025 the Company continued to establish initiatives to reduce emissions in support of both the Group Sustainability Plan and UK targets. This included partnering with Mobilityways Route Zero to identify further opportunities to reduce emissions from commuting and travel, whilst in Yeovil on-site vehicles are being transitioned to EVs. At the Company's Edinburgh site, a major project to replace gas heating with new heat pumps was completed, whilst work has begun on a new solar farm close to the Yeovil site.

The Company continued to build upon its work with the supply chain, hosting two Supplier Sustainability Workshops, whilst an innovative circularity project with Uplift360 successfully re-used rotor blade fibre to make a new product. In 2025, the Company also undertook detailed climate risk analysis for Yeovil as part of wider work on adaptation. The Company continued to develop employee engagement and development, with more than 3,000 colleagues completing a new Sustainability Training course. The Company also worked with Institute of Sustainability and Environmental Professionals to deliver training to key functions, whilst the creation of an employee-led UK Sustainability Network has helped to build a culture of sustainability. In line with the Groups' Biodiversity Policy, the Company conducted Biodiversity Audits on several sites, whilst initiatives such as the creation of a new sustainability garden in Yeovil and the planting of 10,000 trees with Carma help to further support nature.

The Company continues to collaborate with educational and industry partners to promote skills development and engineering careers. Our award-winning graduate and apprenticeship programmes nurture new skills in younger age groups. There is a UK STEM Lead accountable for developing strategy and STEM Ambassadors who continually produce fresh initiatives to engage budding engineers, with a focus on those communities with less access to resources.

The Company develops pioneering technology to future-proof its business, including digitisation of working methods, the provision of space sensors that monitor pollution, helicopters that use sustainable aviation fuel and radars that work faster to reduce flight time. The Company also encourages all of its suppliers to share and comply with ethical, social and environmental standards, through acknowledging and accepting the Company's Code of Ethics and Supplier Code of Conduct as well as the guidance provided in the organisational and control models. This is established through the Company's supplier approval process and monitored throughout the period of the supply relationship. A Procurement web portal along with an increased utilisation of JOSCAR facilitates transparency and traceability of information.

Employees

Flexible working and wellbeing initiatives remain central to the Company's people strategy. Employees are offered hybrid working arrangements, 12 additional flexible leave days and access to a comprehensive benefits portal. The wellbeing programme, supported by trained champions, promotes mental, physical and financial health.

The physical, psychological, social and financial wellbeing of employees continues to be a strong focus for the Company. The Company's investment in its wellbeing strategy continued in 2025 including through the wellbeing network group and trained wellbeing champions, promoting a holistic approach to healthy lives to support its people in achieving their full potential. The Company successfully retained its Investors in People 'we invest in wellbeing' accreditation at gold level.

Our approach to employee experience was recognised twice externally in 2025. We featured in Glassdoor's Best Places to Work 2025 and were also named as one of the 25 best employers to grow your career in the UK by LinkedIn. This is in addition to achieving the prestigious award of The Sunday Times Best Places to Work 2025 within the Very Big Organisation category following employee feedback earlier in the year. Each of these awards confirms our overall positive employee experience and position as an employer of choice in the UK.

The Company upholds and promotes human rights in every context in which it operates, by creating equal opportunities for its people and fair treatment for all. The Group's Code of Ethics was updated in February 2025. As part of its values and ethical standards, the Company promotes the inclusion of minorities, ensures freedom of assembly and abides by the absolute prohibition of illegal labour as set out in its Modern Slavery Statement. If any employee wishes to raise concerns or highlight any potential breaches of the Code of Ethics, they can contact the Company's Speak Up Helpline, a group wide service, providing anonymity and support. Allegations involving UK employees are sent, by the Group coordinator, for review by a panel of the People Director, General Counsel and VP Corporate and Legal Affairs. They assign matters for investigation by the appropriate personnel.

In 2025, our Inclusion and Diversity strategy continued to focus on recruitment, development and culture. Our ongoing partnership with STEM Returners remained central to attracting diverse talent, resulting in 52 Returners joining Leonardo of which 90% secured permanent roles within the business, of which 23% were women and 38% from ethnically diverse backgrounds. To support the progression of women across the organisation, our Springboard talent programme has now supported more than 250 women in the UK, and we renewed our partnership with Women in Defence Mentoring for the fifth consecutive year. These initiatives have contributed to a reduction in our gender pay gap to 9.79% (2024: 12.07%).

We continued to strengthen the diversity of our early careers population through our second year of partnership with Future Leaders, a social mobility organisation. The 2025 cohort was expanded, and we are encouraged by the strong application numbers for our 2026 Early Careers programmes. Additionally, we partnered with Developing the Young Workforce in Edinburgh to deliver a girls-only work experience programme. Throughout the year, our seven employee networks showcased a wide range of inclusion topics, including neurodiversity, Armed Forces Week, International Women's Day and South Asian Heritage Month. In November, our Ethnicity Inclusion Network was recognised as 'Employee Resource Group of the Year' at the Association of Black and Minority Ethnic Engineers Annual Gala. At the same event, the Company was shortlisted for 'Company of the Year'.

Committee information

The Board delegates certain matters to specialist committees, each operating under formal Terms of Reference and chaired by senior leaders and reporting to the CEO, who incorporates their output into his CEO's report to the directors.

Assurance and Internal Controls Committee

Chaired by the CFO, providing oversight of internal controls and compliance with legislation and Group directives. It met five times during 2025, shortly before the Board, with the Chair writing to the Board updating him on findings. It also conducts the annual self-assessment of compliance and risk, as well as compliance with Group reporting requirements. The Committee met five times during the year.

Data, Knowledge and Information Management Committee
Chaired by the Director of Digital Solutions UK, overseeing the Company's policies and controls for the lawful and secure management of information and data. It ensures compliance with data protection and information governance requirements and is supported by the Data Protection Management Team, which advises on data-subject rights and regulatory compliance. The Committee met four times during the year.

Health, Safety and Environment Committee
Chaired by the People Director, overseeing compliance and performance in health, safety and environmental management. The committee met five times during the year.

Security Committee
Chaired by the Managing Director of the Cyber and Security division, who is a director of the Company. He is the director charged with oversight of security matters for the Board and in this role has a standing agenda item on security at every UK board meeting. The Security Committee is responsible for overseeing the Company's physical, personnel and protective security arrangements, ensuring compliance with Group policies and UK Government security requirements. The Committee met monthly throughout 2025 reviewing security risks, incident trends and the effectiveness of mitigation measures. It reports regularly to the CEO, and its output is incorporated into the CEO's report to the directors.

Leonardo UK Ltd
Directors' Report
For the Year Ended 31 December 2025

The directors present their annual report and the audited financial statements of Leonardo UK Ltd ("the Company") registered number 02426132, for the year ended 31 December 2025.

Matters covered in the strategic report

As permitted by Paragraph 1A of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, certain matters which are required to be disclosed in the directors' report have been included in the strategic report. These matters relate to principal activities, business review, key performance indicators, principal risks and uncertainties, future developments, research and development activities, financial instruments, policy regarding employment of disabled persons and engagement with employees. The strategic report also includes the directors' section 172 (1) statement addressing its interactions with key stakeholders, including with customers, suppliers and others.

Results and dividends

The profit for the year after taxation amounts to £211,219,000 (2024: loss of £35,526,000).

The directors approved a final dividend of £215,000,000 for the year ended 31 December 2025 on 22 April 2026.

Subsequent events

On 2 March 2026, the MOD announced a £1 billion contract award to the Company to build and deliver 23 AW149s, under the new medium helicopter programme.

On 10 March 2026, the Company acquired, subject to regulatory approval, 100% of the share capital of Becrypt Limited for consideration of £29,000,000.

In the directors' view, there are no other events which have occurred since the balance sheet date which require disclosure in these financial statements, or which require any of the financial amounts recorded at 31 December 2025 to be adjusted.

Going concern

The Board of directors has assessed the Company's cash flow forecasts for the going concern period through to 31 December 2027 and have a reasonable expectation that the Company has adequate resources to continue in operational existence during this period. Accordingly, the financial statements have been prepared on a going concern basis.

The Company's business activities, together with the principal risks and the factors likely to affect its future development, performance and position are set out in the strategic report. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the financial statements. Note 22 to the financial statements addresses the management of the funding risks of the Company's employee benefit obligations.

The Company has considerable financial resources together with long-standing relationships with several governments, customers and suppliers across different geographic areas. The Company's forecasts and projections, taking account of potential and realistic changes in trading performance, including the risk of inflation, demonstrate that the Company can operate within the level of facilities it has in place. Consequently, the directors believe that the Company is well-placed to manage its business risks successfully. In reaching their conclusions, the directors have performed scenario analysis considering a severe but plausible downside scenario which takes into account the principal risks set out on pages 5 and 6 of the strategic report. In assessing this scenario, the directors have considered:

- A reduction in new orders and how the delivery of contracts may be impacted; and
- The availability of funds pooled with Leonardo SpA.

A key assumption in these conclusions is access to the Company's funds that have been pooled with Leonardo SpA, the ultimate parent company ("the Group"). The majority of the cash generated by the Company is pooled in a group-wide pooling arrangement. The directors have assessed the pooling documentation and confirmed the Company has the right to access the pooled funds when required. The directors have also considered the financial position of the Group, including the Group's results announced on 12 March 2026 for the year ended 31 December 2025 and any material events subsequent to this date, and concluded that the ultimate parent company has sufficient liquidity for the going concern period assessed through to 31 December 2027 to provide the Company with its pooled funds if required.

Directors of the Company

The directors who held office during the year and up to the date of signing the financial statements were as follows:

C J Higgins (Chair and Chief Executive Officer)

W Allen

F Bonaiuto

A Campora

A Clarke (resigned 28 February 2025)

N Colman (appointed 11 March 2025)

G P Cutillo

M de Fazio

M Hamilton

D A Leggetter

Employees

The Company has a programme in place to assist employees to achieve their full potential and to develop the skills necessary to meet the current and future expectations of its customers. The programme focuses on both personal and technological development.

All employment policies include a commitment to equal opportunities regardless of sex, race, colour, nationality, ethnic origin, religion, age or disability, subject to considerations of national security. The Company's policy is to provide, wherever possible, employment opportunities for disabled people and to ensure that disabled people joining the Company and employees who become disabled whilst in its employment benefit from training and career development opportunities.

The Company has put into place a number of ways of providing employees and, where appropriate, their representatives with information on the performance of the Company and other matters which affect them. The effectiveness of the communication process is assessed regularly with the aim of ensuring continual improvement to provide employees with the information they want by the most effective means.

Research and development

The Company continues to invest in a wide range of development programmes across the breadth of its increased portfolio to retain and enhance its market position in those areas. Expenditure on research and development in 2025 was £529,019,000 (2024: £493,795,000).

Political contributions

No political donations were made in the year (2024: £nil).

Directors' indemnities

The Company maintains liability insurance for its directors and officers. Following shareholder approval in July 2005, the Company has also provided an indemnity for its directors and the secretary, which is a qualifying third-party indemnity provision for the purposes of the Companies Act 2006.

Statement of disclosure of information to auditor

For each director in office at the date the directors' report is approved, the following is confirmed:

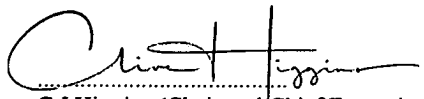
(a) so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

(b) they have taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Independent auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and Ernst & Young LLP will therefore continue in office.

Approved by the Board on 30 April 2026 and signed on its behalf by:



C J Higgins (Chair and Chief Executive Officer)
Director

Leonardo UK Ltd

Statement of Directors' Responsibilities in respect of the annual report and the financial statements

The directors acknowledge their responsibility for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the members of Leonardo UK Ltd

Opinion

We have audited the financial statements of Leonardo UK Ltd (the 'Company') for the year ended 31 December 2025, which comprise the statement of total comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and related notes 1 to 29, including a summary of material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2025 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Company's ability to continue to adopt the going concern basis of accounting included the following:

- We understood the process undertaken by management to perform the going concern assessment;
- We obtained management's going concern assessment, including the cash flow forecasts for the 20-month going concern period to 31 December 2027 and assessed whether the period applied is appropriate;
- Management modelled a base case forecast which is consistent with the assumptions used in the Company's approved budget for 2026 and a reduced forecast compared to the business plan for 2027. Management also modelled a downside scenario driven by a reduction in new orders and a slowdown in delivery of existing contracts;
- We assessed the reasonableness of management's assumptions, with a particular focus on order intake, contract margins, cash receipts from customers and working capital. This was performed by:
  - Confirming the opening cash position;
  - Checking the arithmetical accuracy of management's model;
  - Assessing the historical forecasting accuracy of the Company by comparing actual turnover, profit before tax and cash flows to prior year forecasts; and
  - Checking for consistency of the forecasts with other areas of the audit including the impairment assessment.

Conclusions relating to going concern (continued)

We compared the current financial performance to management's forecast by obtaining the latest available management accounts to identify any issues with current trading and cash flows;

We recalculated the results of the downside scenario performed by management to determine the impact of reasonably possible fluctuations in key assumptions on the Company's available liquidity;

We inspected the cash pooling agreement with the ultimate parent company, Leonardo SpA, to confirm the terms of the agreement and the ability of the Company to access its cash resources, as required. We also assessed the financial position and liquidity of the parent company and its ability to provide access to these cash resources as required; and

We considered the appropriateness of management's going concern disclosure in describing the risks associated with its ability to continue to operate as a going concern for the period to 31 December 2027.

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 Company's ability to continue as a going concern for the period to 31 December 2027.

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 Company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, 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, based on the work undertaken in the course of the audit:

- the information given in the strategic report, the corporate governance 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, the corporate governance report and the directors' report have been prepared in accordance with applicable legal requirements.

Independent Auditor's Report to the members of Leonardo UK Ltd (continued)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report, the corporate governance 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 or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements 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.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities set out on page 23, 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 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting framework, applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice) and the relevant UK tax compliance regulations, principally relating to those issued by HMRC. In addition, we concluded that there are certain significant laws and regulations which have an effect on the determination of the amounts and disclosures in the financial statements being the Data Protection Act and those laws and regulations relating to health and safety and employee matters.

Independent Auditor's Report to the members of Leonardo UK Ltd (continued)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)

- We understood how the Company is complying with those frameworks by making enquiries of those charged with governance and management, including those responsible for legal, tax and compliance matters. We corroborated our enquiries through reading board and committee minutes and correspondence with regulatory bodies and by understanding the entity level controls implemented by those charged with governance.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where it considered there to be susceptibility to fraud. We also considered where the significant estimates and judgements are in the financial statements. We determined there is a fraud risk related to revenue recognition, specifically related to overstatement of revenue around the year end date. We assessed the controls those charged with governance have established to address the risks identified, or that otherwise prevent, deter or detect fraud and how management monitors those controls. We selected a sample of transactions recognised at a point in time close to the year-end date to confirm the Company had transferred control of the product to the customer at the date the transaction was recognised. We also selected a sample of projects not yet complete at the balance sheet date and performed procedures to validate the appropriateness of management's assessment of the percentage completion on those projects. This included meeting project and finance management to understand management's assessment, validating actual costs incurred on those projects to supporting documentation, assessing the reasonability of estimated costs to complete and agreeing other inputs such as the project value to underlying contracts.
- Further, to address the risk of management override we performed procedures over the posting of non-standard manual journals. We utilised data analytics to sample from the entire population of journals, identifying specific transactions which did not meet our expectation based on determined criteria which we investigated further to gain an understanding of the transaction. For those journals, we agreed to supporting documentation and validated that the transaction had been appropriately authorised.

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.

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.

DocuSigned by:
Carl Stone
A746875739 2A4AC

Carl Stone (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor
Reading

1 May 2026

Leonardo UK Ltd
Statement of Total Comprehensive Income
For the Year Ended 31 December 2025

	Note	2025 £ 000	2024 £ 000
Turnover	4	2,702,164	2,339,911
Cost of sales		(2,293,094)	(1,954,070)
Gross profit		409,070	385,841
Administrative expenses		(158,849)	(152,682)
Operating profit before exceptional item		250,221	233,159
Exceptional item - Impairment of goodwill		-	(260,000)
Operating profit/(loss) after exceptional item	5	250,221	(26,841)
Profit on sale of investments in subsidiaries	16	-	10,768
Interest receivable and similar income	9	32,479	37,158
Interest payable and similar expenses	10	(12,088)	(12,891)
Profit before tax		270,612	8,194
Tax on profit	11	(59,393)	(43,720)
Profit/(loss) for the year		211,219	(35,526)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Re-measurements of defined benefit liability and asset	22	87	26,600
Deferred tax on items that will not be reclassified to profit or loss		(271)	(6,605)
		(184)	19,995
Items that may be reclassified subsequently to profit or loss			
Changes in fair value of cash flow hedges		12,984	(4,641)
Fair value of cash flow hedges reclassified to profit or loss		(830)	(554)
Deferred tax on cash flow hedges		(3,037)	1,298
		9,117	(3,897)
Other comprehensive income for the year, net of income tax		8,933	16,098
Total comprehensive income/(loss) for the year		220,152	(19,428)

The above results were derived from continuing operations.

Leonardo UK Ltd
(Registration number: 02426132)
Balance Sheet
As at 31 December 2025

	Note	31 December 2025 £ 000	31 December 2024 £ 000
Fixed assets			
Intangible assets	12	1,192,598	1,165,826
Tangible fixed assets	13	240,641	213,912
Right of use assets	14	94,250	105,786
Investment property	15	2,797	2,862
Investments	16	282,095	282,095
Retirement benefit asset	22	191,650	181,713
		2,004,031	1,952,194
Current assets			
Stock	17	612,118	562,174
Debtors	18	1,504,438	1,483,377
Cash at bank and in hand		32,125	15,616
		2,148,681	2,061,167
Creditors: amounts falling due within one year	19	(1,735,694)	(1,802,537)
Net current assets		412,987	258,630
Total assets less current liabilities		2,417,018	2,210,824
Creditors: amounts falling due after one year	19	(116,445)	(129,442)
Provisions for liabilities and charges	21	(110,116)	(118,139)
Deferred tax liabilities	20	(97,028)	(88,215)
Retirement benefit liability	22	(1,518)	(1,518)
		(325,107)	(337,314)
Net assets		2,091,911	1,873,510
Capital and reserves			
Called-up share capital	23	314,500	314,500
Share premium reserve	23	845,500	845,500
Cash flow hedging reserve	23	2,756	(6,361)
Profit and loss account		929,155	719,871
Shareholders' funds		2,091,911	1,873,510

These financial statements of Leonardo UK Ltd (registration number: 02426132) were approved by the Board of directors and authorised for issue on 30 April 2026.

They were signed on its behalf by:

C J Higgins (Chair and Chief Executive Officer)
Director

Leonardo UK Ltd
Statement of Changes in Equity
For the Year Ended 31 December 2025

	Note	Called-up share capital £ 000	Share premium reserve £ 000	Cash flow hedging reserve £ 000	Profit and loss account £ 000	Total £ 000
Balance at 1 January 2024		314,500	845,500	(2,464)	961,926	2,119,462
Loss for the year		-	-	-	(35,526)	(35,526)
Other comprehensive income/(loss)		-	-	(3,897)	19,995	16,098
Total comprehensive loss		-	-	(3,897)	(15,531)	(19,428)
Transactions with owners						
Dividends paid in the year		-	-	-	(226,054)	(226,054)
Share based payment transactions		-	-	-	(470)	(470)
Total transactions with owners		-	-	-	(226,524)	(226,524)
Balance at 31 December 2024	23	314,500	845,500	(6,361)	719,871	1,873,510

	Note	Called-up share capital £ 000	Share premium reserve £ 000	Cash flow hedging reserve £ 000	Profit and loss account £ 000	Total £ 000
Balance at 1 January 2025		314,500	845,500	(6,361)	719,871	1,873,510
Profit for the year		-	-	-	211,219	211,219
Other comprehensive income/(loss)		-	-	9,117	(184)	8,933
Total comprehensive income		-	-	9,117	211,035	220,152
Transactions with owners						
Dividends paid in the year		-	-	-	-	-
Share based payment transactions		-	-	-	(1,751)	(1,751)
Total transactions with owners		-	-	-	(1,751)	(1,751)
Balance at 31 December 2025	23	314,500	845,500	2,756	929,155	2,091,911

The notes on pages 31 to 70 form an integral part of these financial statements

Leonardo UK Ltd
Statement of Cash Flows
For the Year Ended 31 December 2025

	Note	2025 £ 000	2024 £ 000
Cash flows from operating activities			
Profit/(loss) for the year		211,219	(35,526)
Adjustments to cash flows from non-cash items			
Depreciation, amortisation and impairment	5	61,766	321,134
Foreign exchange (loss)/gain		11,763	(10,364)
Pension cost/(income), defined benefit scheme	22	250	(906)
Finance income	9	(32,479)	(37,158)
Finance costs	10	12,088	12,891
Loss on sale of tangible fixed assets		51	154
Profit on sale of investments in subsidiaries	16	-	(10,768)
Share based payment transactions	24	(1,751)	(470)
Income tax expense	11	59,393	43,720
		322,300	282,707
Working capital adjustments			
Increase in trade and other debtors	18	(7,132)	(18,365)
Increase in stock	17	(49,944)	(142,527)
(Decrease)/increase in trade and other creditors	19	(47,883)	133,522
(Decrease)/increase in provisions	21	(8,023)	1,445
Interest paid	10	(711)	(1,534)
Cash generated from operations		208,607	255,248
Income taxes paid	11	(43,315)	(21,168)
Net cash flow from operating activities		165,292	234,080
Cash flows from investing activities			
Proceeds from sale of tangible and intangible assets	13	719	969
Proceeds from sale of equity investments	16	-	38,294
Interest received	9	21,784	30,158
Acquisition of tangible assets	13	(56,412)	(46,288)
Acquisition of equity investments	16	-	(5,173)
Capitalised development expenditure	12	(22,332)	(25,611)
Acquisition of other intangible assets	12	(22,547)	(20,911)
Net cash flows from investing activities		(78,788)	(28,562)

Leonardo UK Ltd
Statement of Cash Flows
For the Year Ended 31 December 2025 (continued)

	2025 £ 000	2024 £ 000
Cash flows from financing activities		
Dividends paid to shareholder	-	(226,054)
Net change in financial debts and receivables	(49,734)	35,328
Lease repayments	(20,931)	(18,814)
Net cash flows from financing activities	(70,665)	(209,540)
Net increase/(decrease) in cash and cash equivalents	15,839	(4,022)
Cash and cash equivalents at 1 January	15,616	20,365
Effect of exchange rate fluctuations on cash held	670	(727)
Cash and cash equivalents at 31 December	32,125	15,616

Leonardo UK Ltd
Notes to the Financial Statements
For the Year Ended 31 December 2025

1 General information

Leonardo UK Ltd (the "Company") is a private company limited by share capital incorporated, domiciled and registered in England in the UK. The registered number is 02426132 and the registered address is 1 Eagle Place, St James's, London, England, SW1Y 6AF.

2 Significant accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements because it is a wholly owned subsidiary of Leonardo SpA, which prepares publicly available consolidated financial statements. These financial statements present information about the Company as an individual undertaking and it as a consolidated group.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards, but makes amendments where necessary in order to comply with the Companies Act 2006. In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- IAS 1 para 79 (a) (iv) comparative period reconciliation for share capital, tangible fixed assets, intangible assets and investment properties;
- IAS 1 para's 134 -136 disclosures in respect of capital management;
- IAS 8 para's 30 - 31 effects of new but not yet effective IFRSs;
- IAS 24 para 17 disclosures in respect of the compensation of key management personnel;
- IAS 24 para 17a disclosures of transactions with a management entity that provides key management personnel services to the Company; and
- IFRS 15 para 110, 113 - 115, 118, 119 (a - c) 120 - 127, 129 certain disclosures regarding revenue.

As the consolidated financial statements of Leonardo SpA include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IAS 36 para's 130 f (ii) (iii), 134 (d) -134 (f), 135 (c) - 135 (e) disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets;
- IFRS 2 para's 45(b), 46 - 52 share based payments in respect of group settled share based payments;
- certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company in the current and prior periods including the comparative period reconciliation for goodwill; and
- IFRS 13 para's 91 - 99 disclosures and the disclosures required by IFRS 7 Financial Instrument Disclosures

2 Significant accounting policies (continued)

Basis of preparation (continued)

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 3.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

Impact on initial application of other amendments to International Financial Reporting Standards ('IFRS')

There were no new amendments in the year.

Going concern

The Board of directors have assessed the Company's cash flow forecasts for the period through to 31 December 2027 and have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

The Company's business activities, together with the principal risks and the factors likely to affect its future development, performance and position are set out in the strategic report. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the financial statements. Note 22 to the financial statements addresses the management of the funding risks of the Company's employee benefit obligations.

The Company has considerable financial resources together with long-standing relationships with a number of governments, customers and suppliers across different geographic areas. The Company's forecasts and projections, taking account of potential and realistic changes in trading performance, including the risk of inflation, demonstrate that the Company is able to operate within the level of facilities it has in place. As a consequence, the directors believe that the Company is well-placed to manage its business risks successfully. In reaching their conclusions, the directors have performed scenario analysis considering a severe but plausible downside scenario which takes into account the principal risks set out on pages 5 and 6 of the strategic report. In assessing this scenario, the directors have considered:

- A reduction in new orders and how the delivery of contracts may be impacted; and
- The availability of funds pooled with Leonardo SpA.

A key assumption in these conclusions is access to funds that have been pooled with Leonardo SpA, the ultimate parent company. The majority of the cash generated by the Company is pooled in a group-wide pooling arrangement. The directors have reassessed the pooling documentation and confirmed the Company has the right to access the pooled funds when required. The directors have also considered the financial position of the Group, including the Group's results announced on 12 March 2026 for the year ended 31 December 2025 and any material events subsequent to this date, and concluded that the ultimate parent company has sufficient liquidity to provide the Company with its pooled funds if required.

2 Significant accounting policies (continued)

Currency translation

Functional and presentation currency
Items included in the Company's financial statements are measured in pounds sterling, the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are also presented in pounds sterling.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of trading foreign currency transactions and from the translation at the year-end exchange rate of operating assets and liabilities denominated in foreign currencies are recognised in the statement of total comprehensive income within cost of sales. Non-trading foreign exchange gains and losses resulting from the settlement of transactions and the translation at year end exchange rates are recognised in the statement of total comprehensive income within other interest receivable and similar income and interest payable and similar charges.

Intangible assets
Intangible assets are non-monetary items without physical form, but which can be clearly identified and generate economic benefits for the Company. They are carried at purchase or production cost, including directly related expenses allocated to them when preparing the asset for operation and net of accumulated amortisation (with the exception of intangibles with an indefinite useful life) and any impairments of value. Amortisation begins when the asset is available for use and is recognised systematically over its remaining useful life.

Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired business at the date of acquisition. Goodwill on acquisitions of businesses is included in intangible assets. Goodwill is tested on an annual basis for impairment. In conducting an impairment test, goodwill is allocated to the individual cash generating units, that is the smallest financially independent business units through which the Company operates. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill to the entity sold.

Computer software
Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. These costs are amortised over their estimated useful lives (two to five years), commencing when they are brought into use.

Development costs
This includes costs related to the activities in a plan or a project for the production of materials, devices, processes, systems or services that are new or significantly advanced, prior to the start of commercial production or use, for which the generation of future economic benefits can be demonstrated. Development costs are considered to have a finite useful life and are amortised accordingly over the period in which future economic benefits are generated, normally over the expected number of production units to be delivered. The expected deliveries are periodically reviewed and adjusted.

Any public capital grants related to development costs are included in liabilities as deferred income and credited to the statement of total comprehensive income over the expected useful life of the assets, on the basis of deliveries to the ultimate customer.

Research costs, on the other hand, are expensed in the period in which they are incurred.

2 Significant accounting policies (continued)

Tangible assets
Tangible assets are measured at purchase or production cost net of accumulated depreciation and any impairment losses. The cost includes all direct costs incurred to prepare the assets for use, as well as any charges for dismantlement and disposal that will be incurred to return the asset to its original condition.

Charges incurred for routine and/or cyclical maintenance and repairs are expensed in full in the period in which they are incurred. Costs related to the expansion, modernisation or improvement of owned or leased structural assets are only capitalised to the extent that such costs meet the requirements for being classified separately as an asset or part of an asset. Any public capital grants related to property, plant and equipment are included in liabilities as deferred income and credited to the statement of total comprehensive income over the expected useful life of the asset.

Depreciation
The value of an asset is adjusted by depreciation calculated on a straight-line basis over the residual useful life of the asset itself. The estimated useful lives adopted by the Company for the various asset classes are as follows:

Asset class	Depreciation rate
Freehold buildings	30 to 50 years
Leasehold buildings	50 years, or the lease term if shorter
Plant and equipment	3 to 15 years

No depreciation is provided on freehold land or assets in the course of construction.

Impairment reviews are undertaken if there are indications that the carrying values may not be recoverable.

The gains and losses from the sale of assets or a group of assets are calculated by comparing the sales price with the related net book value.

Investment property
Investment property is measured at cost less accumulated depreciation and any accumulated impairment losses.

Investment property is depreciated over 50 years.

Impairment of intangible assets and tangible assets
Intangible assets with indefinite lives are not depreciated or amortised, but are subject to impairment tests at least once a year to ascertain the recoverability of their book value.

For assets that are depreciated or amortised, an assessment is made to determine whether there is any indication of a loss in value. If so, the recoverable value of the asset is estimated, with any excess or shortfall being recognised in the profit and loss account.

If the reasons for such write-downs should cease to occur, the impairment is reversed and the write-back is taken to the statement of total comprehensive income. However, the value of goodwill that has been written down cannot be reversed.

2 Significant accounting policies (continued)

Equity investments
The Company's investments in shares in group companies are stated at cost less provision for impairment in value.

When events or circumstances are identified that indicate that the carrying value of the investment is no longer recoverable an impairment review is undertaken to assess the recoverable amount. Where the review does not support the carrying value any shortfall is recognised in the statement of total comprehensive income.

Stock
Stock is stated at the lower of cost, including all relevant overhead expenditure, and net realisable value.

The Company uses the weighted average cost method. The net realisable value is the sales price in the course of normal operations net of estimated costs to finish the goods and those needed to make the sale. Any write-downs are reversed in future periods if the reason for the write-down should cease to occur.

The Company classifies stock as follows:

- Raw materials and consumables
- Work in progress
- Finished goods

Contract assets and liabilities

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. Contract assets are recorded net of any write-downs and customer progress billings and payments related to the contract being performed and included within current assets.

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due. Contract liabilities are recognised as revenue when the Company performs under the contract.

Financial instruments

(i) Recognition and initial measurement

Financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade debtor without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at Fair Value Through Profit and Loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade debtor without a significant financing component is initially measured at the transaction price.

2 Significant accounting policies (continued)

Financial instruments (continued)

(ii) Classification and subsequent measurement

Financial assets

(a) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost, FVTPL or Fair Value Through Other Comprehensive Income ("FVOCI").

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income ("OCI"). This election is made on an investment-by-investment basis.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional. Only the passage of time is required before payment of the consideration is due.

2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

(b) Subsequent measurement and gains and losses

Financial assets at FVTPL - these assets (other than derivatives designated as hedging instruments) are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.

Debt investments at FVOCI - these assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI - these assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities and equity

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on de-recognition is also recognised in profit or loss.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy.

(iii) Derivative financial instruments and hedging

Derivative financial instruments

Derivative financial instruments are recognised at fair value, calculated using available indicative market data and analytical methods to interpolate market data between benchmark dates.

The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the cash flow hedging reserve. Any ineffective portion of the hedge is recognised immediately in profit or loss.

When the forecast transaction subsequently results in the recognition of a non-financial item (including a non-financial item that becomes a firm commitment for which fair value hedge accounting is applied - see below), the associated cumulative gain or loss is removed from the cash flow hedging reserve and is included in the initial carrying amount of the non-financial asset or liability.

For all other hedged forecast transactions, the associated cumulative gain or loss is removed from equity and recognised in profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

When the hedging instrument is sold, expires, is terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in profit or loss immediately.

Fair value hedges

Where a derivative financial instrument is designated as a hedge of the variability in fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in profit or loss. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (even if it is normally carried at cost or amortised cost) and any gains or losses on re-measurement are recognised immediately in the profit and loss account (even if those gains would normally be recognised directly in reserves).

2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

(iv) Impairment

The Company recognises loss allowances for expected credit losses (ECL) on financial assets measured at amortised cost, debt investments measured at FVOCI and contract assets (as defined in IFRS 15).

The Company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL. Trade receivables and contract assets with a significant financing component are measured using the general model described above.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL are the portion of ECL that result from default events that are expected within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Impairment

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

Share capital and share premium

Share capital consists of the capital subscribed and paid up by the Company.

Where the fair value of consideration received for the shares issued exceeds their nominal value the excess is treated as share premium.

2 Significant accounting policies (continued)

Taxation

The charge for taxation is based on the profit for the year and comprises current and deferred income tax. Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the income statement or other comprehensive income. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for (a) if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss or (b) in respect of taxable temporary differences associated with investments in subsidiaries or associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred income tax assets and liabilities are measured on an undiscounted basis using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Employee benefit costs

Defined benefit plans

The Company participates in the Leonardo Electronics Pension Scheme and the Leonardo Helicopters Pension Scheme. These are defined benefit schemes which cover both benefits in retirement and death benefits to members. This requires contributions to be made to separately administered funds.

Full actuarial valuations of the Company's defined benefit schemes are carried out every three years with interim reviews in the intervening years; these valuations are updated to 31 December each year by qualified independent actuaries. For the purposes of these annual updates, scheme assets are included at market value and scheme liabilities are measured on an actuarial basis using the projected unit method; these liabilities are discounted at the current rate of return on a high-quality corporate bond of equivalent currency and term. The post-retirement benefit surplus or deficit is included on the Company's balance sheet. Surpluses are only included to the extent that they are recoverable through reduced contributions in the future or through refunds from the schemes.

The current service cost and any past service costs are included in the profit and loss account within cost of sales and administrative expenses and the expected return on the schemes' assets, net of interest on scheme liabilities, is included within other interest receivable and similar income. Actuarial gains and losses, including differences between the expected and actual return on scheme assets, are recognised in other comprehensive income.

Defined contribution plans

The Company also has defined contribution plans which are post-employment benefit plans under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss in the periods during which services are rendered by employees.

2 Significant accounting policies (continued)

Share-based payment transactions

Leonardo SpA operates long term investment performance share plans for senior management of Leonardo SpA and its subsidiaries. Share plans are measured at fair value at the date of the award and this value is subsequently updated at each balance sheet date for management's best estimate of the effect of non-market based vesting conditions on the number of equity instruments that will ultimately vest. The cost is recognised as an expense over the vesting period by calculating the cumulative expense and recognising the movement in the cumulative expense in profit or loss. A corresponding entry is made to equity. Amounts recharged by the parent company in relation to settled equity share based payments are debited to equity with a corresponding credit to amounts due to group undertakings.

Provisions for liabilities and charges

Provisions for liabilities and charges are recognised when the Company has a 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 can be reliably estimated. Provisions mainly comprise the cost of maintenance under guarantees and other work in respect of products delivered, losses on contract work in progress, and provisions for reorganisations and rationalisation.

Leasing

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset - this may be specified explicitly or implicitly. If the supplier has a substantive substitution right then the asset is not identified;
- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

As a lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-to-use assets are determined on the same basis as those of tangible assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

2 Significant accounting policies (continued)

Leasing (continued)

As a lessee (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-to-use asset, or is recorded in profit or loss if the carrying amount of the right-to-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property separately within fixed assets and lease liabilities within creditors.

Short term leases and leases of low-value assets.

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2 Significant accounting policies (continued)

Revenue recognition

Revenue is measured based on the consideration specified in the contract with the customer and recognised as the Company performs its contracts and transfers control of the goods or services to the customer.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the contract, the Company considers the effects of variable consideration, the existence of significant financing components and consideration payable to the customer (if any).

Revenue is recognised at a point in time or over time for the performance obligations identified within each contract at the commencement of the contract.

Revenue is recognised on over time contracts on the basis of progress (percentage of completion), being the ratio between costs incurred at the measurement date and the total expected costs for the programme. Where components are generic and required for a contract, revenue is only recognised when control is transferred to the customer.

In the event the completion of a contract is expected to result in a loss at the gross margin level the loss is recognised in its entirety in the period in which it becomes reasonably foreseeable.

Sale of production and other goods,

Revenue for the sale of goods is recognised at a point in time when the Company transfers control over a product to the customer.

Revenue for the sale of a series of goods or specific customised products is recognised over time. Revenue on these contracts is recognised on the percentage of completion method based on the cost-to-cost approach.

Rendering of services

Revenue from the rendering of services is recognised over time. The assessment of the stage of completion is dependent on the nature of the contract but can be based on the cost-to-cost basis, or the actual service provided as a proportion of the total services to be provided on the contract.

Variable consideration

If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception, then reviewed as required and constrained until it is highly probable that a significant revenue reversal in the cumulative revenue recognised will not occur.

Significant financing component

The Company receives advances from its customers. The Company using both quantitative and qualitative information considers whether if at contract inception a contract contains a significant financing component. Where this is the case, the transaction price is adjusted to take into consideration the significant financing component.

Warranties

Warranties that provide customers with a service, in addition to assurance that the product complies with agreed specification, are accounted for as separate performance obligations. Assurance warranties that do not provide an additional service are accounted for as part of the main supply and the costs of the warranty are recognised when the warranty period begins.

2 Significant accounting policies (continued)

Interest receivable and payable
Interest is recognised on an accruals basis using the effective interest rate method, i.e. the interest rate that results in the financial equivalence of all inflows and outflows (including any premiums, discounts, commissions etc.) that make up a given operation.

Dividends
Dividends are recognised when shareholders obtain the right to receive payment. For interim dividends this is when the interim dividend is paid. For final dividends this is when the shareholders' meeting approves the distribution of dividends.

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Provisions for risks and estimates of final costs of long-term contracts and warranties
The Company operates in sectors and with contractual arrangements that are complex. Margins recognised in profit and loss are a function of both the progress on the contracts and the margins that are expected to be recognised for the completed contract. Accordingly, recognition of contract assets and liabilities and margins on contracts that have not yet been completed requires management to make estimates of the final costs and revenues on each contract including any extra costs, variable revenue and penalties that could reduce the expected margin. In order to support this activity, the Company uses contract management and risk analysis processes to identify, monitor and quantify the risks associated with such contracts. The amounts recognised in the financial statements represent management's best estimate at the reporting date using these procedures.

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

Retirement benefits valuation

The costs, assets and liabilities of the defined benefit pension schemes operating within the Company are determined using methods relying on actuarial estimates and other assumptions. Details of the key assumptions are set out in note 22.

The Company takes advice from independent actuaries relating to the appropriateness of the assumptions. However, comparatively small changes in the assumptions used may have a significant effect on the Company's financial statements. For the sensitivity on the results of the key assumptions see note 22.

Recent economic circumstances and volatility in financial markets have caused the valuation of pension assets to become subject to a greater degree of uncertainty. The fair value of the pension assets is determined based on valuations obtained from third parties and employ a variety of methods. Where available this will typically be the market price at the balance sheet date. However, for certain asset types other valuation methods are used including net asset valuation which involves a higher degree of estimation and subjectivity.

Goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and determine a suitable discount rate in order to calculate the present value of the goodwill. Where the actual future cash flows are less than expected, a material impairment loss may arise. Details of the impairment assessment are set out in note 12.

Development costs

Intangible assets include non-recurring development costs incurred for design activities and prototype development for potential customers when generation of future economic benefits can be demonstrated and where costs can be reliably measured. Management is required to make estimates in relation to the capability of the relevant projects to generate future economic benefits as part of impairment testing of the carrying value of development assets. These assessments are made by reference to the cash flow forecasts and business plans for each relevant project and are subject to ongoing reassessment.

4 Turnover

The analysis of the Company's turnover for the year from continuing operations is as follows:

	2025 £ 000	2024 £ 000
Sale of goods	1,264,973	1,072,577
Rendering of services	1,437,191	1,267,334
	2,702,164	2,339,911

The analysis of the Company's turnover for the year is as follows:

By geographical market:	2025 £ 000	2024 £ 000
United Kingdom	1,517,010	1,451,484
Rest of Europe	511,092	457,944
USA and Canada	445,100	293,865
Rest of World	228,962	136,618
	2,702,164	2,339,911

By Division	2025 £ 000	2024 £ 000
Electronics	1,577,763	1,404,658
Helicopters	1,062,817	869,708
Cyber and Security	61,584	65,545
	2,702,164	2,339,911

The Company is engaged in the design, development, manufacture and support of electronic information solutions for defence and aerospace markets, the design, manufacture and support to the Helicopters domain and high integrity surveillance networks to provide management information for security and mission essential services.

4 Turnover (continued)

Contract balances

The following table provides information about opening and closing receivables, contract assets and contract liabilities from contracts with customers.

	Note	2025 £ 000	2024 £ 000
Trade debtors	18	194,541	193,557
Amounts owed by parent and group undertakings	18	115,875	125,520
Contract assets	18	345,928	358,557
Contract liabilities	19	(735,690)	(828,557)

The contract assets primarily relate to the Company's right to consideration for work completed but not billed at the reporting date on contracts being recognised over time where control has transferred to the customer. The contract assets are transferred to receivables when invoiced. The contract liabilities primarily relate to the advance consideration received from customers on long term contracts for work to be completed.

The amount of revenue recognised in the current period that was included in the contract liability balance at the beginning of the period was £612,298,000 (2024: £705,456,000).

5 Operating profit/(loss)

Arrived at after charging/(crediting):

	2025 £ 000	2024 £ 000
Depreciation of tangible assets	28,913	28,865
Depreciation on right of use assets	14,681	14,747
Amortisation of intangible assets	18,107	17,457
Impairment of goodwill	-	260,000
Amortisation of investment property	65	65
Research and development costs	529,019	493,795
Research and development tax credits	(35,912)	(48,531)
Loss on disposal of fixed assets	51	154

6 Auditor's remuneration

	2025 £ 000	2024 £ 000
Audit of the financial statements	981	975

7 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category was as follows:

	2025 No.	2024 No.
Management	1,379	1,314
Production	956	958
Technical/admin	6,631	6,167
	8,966	8,439

The aggregate payroll costs (including directors' remuneration) were as follows:

	2025 £ 000	2024 £ 000
Wages and salaries	563,141	508,009
Share based payments (note: 24)	602	707
Social security costs	69,167	55,704
Contributions to defined contribution scheme	86,654	68,368
Pension costs, defined benefit scheme	3,400	9,294
	722,964	642,082

8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2025 £ 000	2024 £ 000
Directors' remuneration	2,814	2,667
Amounts receivable under long term incentive schemes – cash	93	113
	2,907	2,780

The remuneration of the highest paid director was £902,000 (2024: £832,000). The highest paid director received shares under long term incentive schemes (2024: received shares).

Four of the directors serving during the year were employees of another Leonardo Group company (2024: four). They did not receive any remuneration for their service as a director of the Company for the period (2024: £nil).

Two directors were deferred members of the Company defined benefit pension schemes (2024: two).

Four directors received shares under long term incentive schemes (2024: no directors).

9 Interest receivable and similar income

	2025 £ 000	2024 £ 000
Interest income on short term loans	21,784	30,157
Foreign exchange gain	595	-
Net interest on defined benefit plan assets (note: 22)	10,100	7,000
Interest from lease	-	1
	32,479	37,158

Interest income on short term loans includes income from group undertakings of £20,268,000 (2024: £25,496,000).

10 Interest payable and similar expenses

	2025 £ 000	2024 £ 000
Finance fees to parent	708	1,007
Ineffective portion of cash flow hedges	5,929	4,947
Interest on leases (note: 25)	5,448	5,458
Interest expense on overdrafts and bank loans	3	527
Foreign exchange loss	-	952
	12,088	12,891

Interest on leases includes interest payable to group undertakings of £463,000 (2024: £605,000).

11 Tax on profit

Tax charged in the income statement

	2025 £ 000	2024 £ 000
Current taxation		
UK corporation tax	39,547	29,430
UK corporation tax adjustment for prior periods	13,894	(2,354)
	53,441	27,076
Foreign tax	459	432
Foreign tax adjustment for prior periods	(12)	(6)
	447	426
Total current income tax	53,888	27,502
Deferred taxation		
Arising from origination and reversal of temporary differences	13,395	15,987
Deferred tax adjustments for prior periods	(7,890)	231
Total deferred taxation	5,505	16,218
Tax expense in the income statement	59,393	43,720

The tax charge on the defined benefit pension scheme included in other comprehensive income was £271,000 (2024: £6,605,000) and the tax charge on cash flow hedges was £3,037,000 (2024: £1,298,000 credit). The deferred tax balance as at 31 December 2025 has been calculated at 25% as this is the rate that was applicable at the balance sheet date.

The tax on profit before tax for the year is lower (2024: lower) than the standard rate of corporation tax in the UK of 25% (2024: 25%).

The differences are reconciled below:

	2025 £ 000	2024 £ 000
Profit before tax	270,612	8,194
Corporation tax at standard UK tax rate	67,653	2,049
Effect of tax rates in foreign jurisdictions	2	1
Increase in tax rate on deferred tax balances	-	(120)
Permanent tax adjustments (including goodwill impairment)	(649)	63,017
Patent box deduction	(12,183)	(12,514)
Adjustments in respect of prior periods	5,991	(5,428)
Other	(1,421)	(3,285)
Total tax charge	59,393	43,720

In the 2025 budget no change was proposed to the main corporation tax rate of 25% with effect from 1 April 2026.

12 Intangible assets

	Goodwill £ 000	Capitalised development costs £ 000	Software and other intangibles £ 000	Total £ 000
Cost				
At 1 January 2025	1,238,033	325,556	78,016	1,641,605
Additions	-	22,332	22,547	44,879
Disposals	-	-	(16)	(16)
At 31 December 2025	1,238,033	347,888	100,547	1,686,468
Amortisation				
At 1 January 2025	332,338	112,726	30,715	475,779
Amortisation charge	-	11,681	6,426	18,107
Disposals	-	-	(16)	(16)
At 31 December 2025	332,338	124,407	37,125	493,870
Carrying amount				
At 31 December 2025	905,695	223,481	63,422	1,192,598
At 31 December 2024	905,695	212,830	47,301	1,165,826

Impairment testing

Goodwill is allocated to cash generating units as follows:

	2025 £ 000	2024 £ 000
Electronics	286,634	286,634
Helicopters	619,061	619,061
	905,695	905,695

The recoverable amount of each cash generating unit has been calculated with reference to its value in use and in the current year no impairment charge was required.

The Helicopters goodwill was impaired by £260,000,000 in the prior year. The impairment arose due to adverse changes in the timing of future cash flows on major programmes, increased working capital requirements and an increase in the net assets of the CGU and the discount rate. The impairment charge was included as an exceptional charge within the statement of total comprehensive income.

Value in use was determined by discounting the future cash flows generated by the cash generating unit using a pre-tax discount rate. Cash flows are projected using the Company's approved business plan. Cash flows after the five year business plan period were extrapolated using long term growth rates in order to calculate the terminal recoverable amounts. A specifically calculated weighted average cost of capital (discount rate) is used for each cash generating unit.

12 Intangible assets (continued)

The key assumptions of this calculation are shown below:

	2025	2024
Growth rate applied beyond approved forecast period	2.0%	2.0%
Pre-tax discount rate – Electronics	10.2%	11.2%
Pre-tax discount rate – Helicopters	12.0%	12.5%

Management performed a sensitivity analysis by varying the key assumptions in determining if any impairment is required.

Increasing the discount rate by 0.4% or reducing the cash flow forecasts by 2% would result in an impairment of the Helicopters goodwill.

No sensitivities are disclosed for the Electronics CGU as no reasonably possible change in the assumptions could lead to an impairment.

13 Tangible assets

	Freehold land and buildings £ 000	Leasehold land and buildings £ 000	Plant and equipment £ 000	Total £ 000
Cost				
At 1 January 2025	64,432	12,804	575,611	652,847
Additions	1,261	5,104	50,047	56,412
Disposals	-	-	(1,869)	(1,869)
At 31 December 2025	65,693	17,908	623,789	707,390
Depreciation				
At 1 January 2025	15,904	5,757	417,274	438,935
Charge for the year	2,845	678	25,390	28,913
Eliminated on disposal	-	-	(1,099)	(1,099)
At 31 December 2025	18,749	6,435	441,565	466,749
Carrying amount				
At 31 December 2025	46,944	11,473	182,224	240,641
At 31 December 2024	48,528	7,047	158,337	213,912

Non-depreciating assets (assets in the course of construction) of £75,955,000 (2024: £69,320,000) are included within leasehold land and buildings and plant and equipment above and are not being depreciated.

14 Right of use assets

	Leasehold and buildings £ 000	Property and equipment £ 000	Total £ 000
Cost			
At 1 January 2025	181,084	12,947	194,031
Additions	1,583	1,582	3,165
Disposals	(1,511)	(319)	(1,830)
At 31 December 2025	181,156	14,210	195,366
Depreciation			
At 1 January 2025	77,699	10,546	88,245
Charge for the year	13,287	1,394	14,681
Eliminated on disposal	(1,511)	(299)	(1,810)
At 31 December 2025	89,475	11,641	101,116
Carrying amount			
At 31 December 2025	91,681	2,569	94,250
At 31 December 2024	103,385	2,401	105,786

15 Investment property

	2025 £ 000	2024 £ 000
Cost		
At 1 January	3,381	3,381
At 31 December	3,381	3,381
Amortisation		
At 1 January	519	454
Amortisation charge	65	65
At 31 December	584	519
Carrying amount		
At 31 December	2,797	2,862

The carrying value of the investment property represents a let commercial property and the fair value is not considered to be materially different. The rental income in the year associated with this property was £864,000 (2024: £545,000).

16 Investments

	Total £ 000
Subsidiaries	
Cost	
At 1 January 2025	282,527
At 31 December 2025	282,527
Provision	
At 1 January 2025	432
At 31 December 2025	432
At 31 December 2025	282,095
At 31 December 2024	282,095

The directors believe that the carrying value of the investments is supported by their underlying net assets.

As at 31 December 2025, ordinary shares in group companies held by the Company were:

			Ownership	
Entity	**Registered office address**	**Class of shares held**	**2025**	**2024**
Leonardo Limited	Lysander Road, Yeovil, Somerset BA20 2YB	Ordinary	100%	100%
Leonardo MW Ltd	Sigma House, Christopher Martin Road, Basildon, Essex, SS14 3EL	Ordinary	100%	100%
SELEX Elsag Limited	Sigma House, Christopher Martin Road, Basildon, Essex, SS14 3EL	Ordinary	100%	100%
Selex ES (Projects) Ltd	Sigma House, Christopher Martin Road, Basildon, Essex, SS14 3EL	Ordinary	100%	100%
Leonardo Electronics Pension Scheme (Trustee) Ltd	Sigma House, Christopher Martin Road, Basildon, Essex, SS14 3EL	Ordinary	100%	100%
Leonardo Helicopters Pension Scheme (Trustee) Ltd	Lysander Road, Yeovil, Somerset, BA20 2YB	Ordinary	100%	100%
AgustaWestland Limited	Lysander Road, Yeovil, Somerset, BA20 2YB	Ordinary	100%	100%
DRS Technologies UK Limited	Silvertree Coxbridge Business Park, Alton Road, Farnham, Surrey, GU10 5EH	Ordinary	100%	100%
Leonardo FuturePlanner (Trustee) Ltd	Lysander Road, Yeovil, Somerset, BA20 2YB	Ordinary	100%	100%
Leonardo Pension Schemes (Trustee) Ltd	Lysander Road, Yeovil, Somerset, BA20 2YB	Ordinary	100%	100%

17 Stock

	2025 £ 000	2024 £ 000
Raw materials and consumables	331,315	328,422
Work in progress	180,745	118,113
Finished goods	100,058	115,639
	612,118	562,174

18 Debtors

	2025 £ 000	2024 £ 000
Trade debtors	194,541	193,557
Contract assets	345,928	358,557
Amounts owed by parent undertaking	736,872	715,727
Amounts owed by subsidiaries	-	12
Amounts owed by other group undertakings	29,410	40,461
Derivative financial instruments	33,746	17,296
Current tax debtor	-	10,093
Other debtors	102,529	75,862
Prepayments	61,412	71,812
	1,504,438	1,483,377

Amounts owed by parent undertaking include a cash pooling amount of £650,407,000 which is placed on deposit on the Company's behalf for up to four months. Interest on these amounts owed are at variable rates based on SONIA. The average rate for the year was 4.40% (2024: 2.48%) on sterling denominated amounts and 1.28% (2024: 1.17%) on euro denominated amounts.

19 Creditors

	2025 £ 000	2024 £ 000
Creditors: amounts falling due within one year		
Trade creditors	186,999	237,141
Contracts liabilities	735,690	828,557
Amounts owed to parent undertaking	198,222	185,247
Amounts owed to subsidiaries	285,404	311,116
Amounts owed to other group undertakings	18,297	25,619
Derivative financial liabilities	10,820	8,732
Current tax creditor	6,094	-
Social security and other taxes	51,220	45,886
Lease liabilities (note: 25)	15,911	15,543
Accruals and deferred income	227,037	144,696
	1,735,694	1,802,537

Accruals and deferred income include £31,366,000 in respect of government grants (2024: £31,960,000).

	2025 £ 000	2024 £ 000
Creditors: amounts falling due after one year		
Other creditors	1,601	2,379
Derivative financial liabilities	16,364	15,879
Lease liabilities (note: 25)	98,480	111,184
	116,445	129,442

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

Lease liabilities owed to subsidiaries due within one year are £4,045,000 (2024: £3,898,000) and after one year £6,355,000 (2024: £10,400,000).

Derivative financial liabilities are recognised at fair value. Creditors and lease liabilities are measured at amortised cost using the effective interest rate method. The fair value is not materially different to the book value.

20 Deferred tax

Deferred tax is calculated on temporary differences under the liability method.

The movement in deferred tax is as shown below:

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2025 £000	2024 £000	2025 £000	2024 £000	2025 £000	2024 £000
Tangible fixed assets	-	-	25,497	20,051	25,497	20,051
Intangible assets	-	-	28,270	26,015	28,270	26,015
Financial (assets)/liabilities	(1,035)	(2,138)	1,960	26	925	(2,112)
Employee benefits	(12,783)	(653)	55,546	45,285	42,763	44,632
Share-based payments	(280)	(241)	-	-	(280)	(241)
Provisions	(147)	(130)	-	-	(147)	(130)
Tax (assets)/liabilities	(14,245)	(3,162)	111,273	91,377	97,028	88,215

Movement in deferred tax during the current year

	1 January 2025 £000	Recognised in income £000	Recognised in equity £000	31 December 2025 £000
Tangible fixed assets	20,051	5,446	-	25,497
Intangible assets	26,015	2,255	-	28,270
Financial (assets)/liabilities	(2,112)	-	3,037	925
Employee benefits	44,632	(2,140)	271	42,763
Share-based payments	(241)	(39)	-	(280)
Provisions	(130)	(17)	-	(147)
Deferred tax liabilities	88,215	5,505	3,308	97,028

21 Provisions

	Restructuring £ 000	Contract losses £ 000	Warranty £ 000	Other £ 000	Total £ 000
Balance at 1 January 2025	332	87,001	11,294	19,512	118,139
Provisions made during the year	1,840	36,148	8,613	4,342	50,943
Provisions used during the year	(2,060)	(40,039)	(3,727)	(7,040)	(52,866)
Provisions reversed during the year	(6)	(2,763)	(3,207)	(124)	(6,100)
Balance at 31 December 2025	106	80,347	12,973	16,690	110,116
Amounts falling due within one year	106	27,809	7,845	14,205	49,965
Amounts falling due after one year	-	52,538	5,128	2,485	60,151

A provision for restructuring is recognised when the Company has approved a formal restructuring plan and the restructuring has either commenced or has been publicly announced. The costs associated with the reorganisation programmes include staff costs, dilapidations and property expenses and are supported by detailed plans and based on previous experience as well as other known factors. Future operating costs are not provided for. The reorganisation costs are expected to be incurred within one year.

Contract provisions are made to cover losses on onerous contracts and will be utilised over the life of the relevant contracts of up to 14 years. Warranty provisions mainly comprise the expected cost of repair or replacement under warranties in respect of products delivered. The warranty provision represents management's best estimate of the Company's liability under warranties based on past experience.

The associated cash outflows are generally expected to occur over the life of the products and contracts which are long-term in nature, varying between one and five years.

Other provisions include provisions for tax and other related matters. These provisions are expected to be utilised within three years.

Whilst actual events could result in potentially significant differences to the quantum but not the timing of the outflows in relation to the provisions, management has reflected its current knowledge in assessing the provisions required.

22 Retirement benefit liability

The Company operates two defined benefit schemes in the UK (the Leonardo Electronics Pension Scheme and the Leonardo Helicopters Pension Scheme) which provide both pensions in retirement and death benefits to members. The pension benefits are related to the members' earnings over their career and their length of service.

	2025 £ 000	2024 £ 000
Retirement benefit asset – Leonardo Electronics Pension Scheme	93,150	94,613
Retirement benefit asset – Leonardo Helicopters Pension Scheme	98,500	87,100
Total retirement benefit asset	191,650	181,713
Retirement medical benefit liability – Leonardo Helicopters Pension Scheme	(1,518)	(1,518)
Total retirement benefit liability	(1,518)	(1,518)

Leonardo Electronics Pension Scheme

The Electronics Scheme provides pensions in retirement and death benefits to members. Since 27 April 2009, the Electronics Scheme has been closed to new members and closed to future accrual from 5 April 2024.

The Electronics Scheme was established on 24 March 2005 under trust and is governed by its trust deed and rules dated 31 March 2016. The Electronics Scheme is administered by a separate board of trustees which is legally separate from the Company. The trustees are composed of representatives of both the employer and employees, plus an external trustee. The trustees are required by law to act in the interest of all relevant beneficiaries and are responsible for the investment policy with regard to the assets, plus the day-to-day administration of the benefits.

The Electronics Scheme is a registered scheme under UK legislation and its Main Section was contracted out of the State Second Pension prior to the abolition of contracting out in 2016. Up until 5 April 2016, pension benefits were linked to a member's final salary at retirement and their length of service. Benefits accrued from 6 April 2016 were based on a member's salary over their working lifetime and their length of service.

Under Clause 24.6 of the Electronics Scheme's trust deed and rules the Company has an unconditional right to a refund of any surplus in the scheme if the scheme winds up.

The Electronics Scheme is subject to the scheme funding requirements outlined in UK legislation. The last Electronics Scheme funding valuation was carried out by a qualified actuary as at 5 April 2023 and showed an actuarial surplus of £50,300,000.

22 Retirement benefit liability (continued)

Leonardo Helicopters Pension Scheme

The Helicopters Scheme provides pensions in retirement and death benefits to members. The Helicopters Scheme has been closed to new members since 1 October 2007 and closed to future accrual from 5 April 2024.

The Helicopters Scheme was established on 11 June 2002 under trust and is governed by its trust deed and rules dated 1 October 2010. The Helicopters Scheme is administered by a separate board of trustees which is legally separate from the Company. The trustees are composed of representatives of both the employer and employees, plus an external trustee. The trustees are required by law to act in the interest of all relevant beneficiaries and are responsible for the investment policy with regard to the assets, plus the day-to-day administration of the benefits.

The Helicopters Scheme is a registered scheme under UK legislation and was contracted out of the State Second Pension prior to the abolition of contracting out in 2016. Up until 5 April 2011, pension benefits were linked to a member's final salary at retirement and their length of service. Benefits accrued from 6 April 2011 are based on a member's salary over their working lifetime and their length of service.

Under Clause 26.6 of the Helicopters Scheme's trust deed and rules the Company has an unconditional right to a refund of any surplus in the scheme if the scheme winds up.

The Helicopters Scheme is subject to the scheme funding requirements outlined in UK legislation. The last funding valuation of the scheme was carried out by a qualified actuary as at 5 April 2023 and showed no actuarial deficit or surplus.

22 Retirement benefit liability (continued)

The major assumptions used by the actuary were (in nominal terms) as follows:

	2025 Electronics Scheme	2025 Helicopters Scheme	2024 Electronics Scheme	2024 Helicopter Scheme
Discount rate	5.60%	5.55%	5.50%	5.50%
Inflation assumption (RPI)	2.85%	2.80%	3.05%	3.10%
Inflation assumption (CPI)	2.40%	2.40%	2.55%	2.60%
Rate of general long-term increase in salaries	3.40%	3.40%	3.55%	3.60%
In-service career salary revaluation	3.40%	2.35%	3.55%	2.50%
Rate of increase to pensions in payment (post April 2006)	1.95%	-	2.00%	-
Rate of increase to pensions in payment (pre April 2006)	2.70%	-	2.85%	-
Rate of increase to pensions in payment (post April 2005)	-	1.90%	-	2.00%
Rate of increase to pensions in payment (pre April 2005)	-	2.65%	-	2.90%

Assumed life expectancies at age 65 are (years):

	2025 Electronics Scheme	2025 Helicopters Scheme	2024 Electronics Scheme	2024 Helicopters Scheme
Retiring today – Males	21.9	21.4	21.5	21.0
Retiring today – Females	24.0	23.7	23.9	23.6
Retiring in 20 years' time – Males	23.2	22.7	22.8	22.3
Retiring in 20 years' time – Females	25.4	24.9	25.3	24.8

	2025 Electronics Scheme £ 000	2025 Helicopters Scheme £ 000	2024 Electronics Scheme £ 000	2024 Helicopters Scheme £ 000
Present value of funded obligations	(566,800)	(967,200)	(565,887)	(989,900)
Fair value of scheme assets	659,950	1,065,700	660,500	1,077,000
Surplus in funded scheme	93,150	98,500	94,613	87,100

22 Retirement benefit liability (continued)

Reconciliation of opening and closing balances of the fair value of scheme assets

	2025 Electronics Scheme £ 000	2025 Helicopters Scheme £ 000	2024 Electronics Scheme £ 000	2024 Helicopters Scheme £ 000
Fair value of scheme assets at beginning of year	660,500	1,077,000	744,200	1,182,400
Interest income on scheme assets	35,800	57,800	33,100	52,700
Return on assets, excluding interest income	(15,513)	(12,000)	(97,100)	(106,300)
Contributions by employer	1,250	1,900	4,000	6,200
Contributions by scheme participants	-	-	1,794	-
Benefits paid	(19,887)	(57,800)	(24,100)	(56,300)
Scheme administration expenses	(2,200)	(1,200)	(1,394)	(1,700)
Fair value of scheme assets at end of the year	659,950	1,065,700	660,500	1,077,000

The assets in the scheme were:

	2025 Electronics Scheme £ 000	2025 Helicopters Scheme £ 000	2024 Electronics Scheme £ 000	2024 Helicopters Scheme £ 000
Cash and cash equivalents	89,900	39,000	108,700	78,200
Derivatives	6,600	4,200	(3,000)	(25,700)
UK equities	1,500	5,000	1,000	5,100
Overseas equities	28,200	84,200	32,200	129,500
Private equities	-	2,300	-	1,800
Hedge funds	2,200	2,000	2,900	5,100
Fixed interest gilts	152,800	227,100	228,200	277,700
Index linked gilts	174,500	342,100	109,500	406,200
Corporate bonds	164,000	260,100	143,600	172,200
Aggregate bonds	42,700	105,400	43,900	42,800
Fixed income futures	(2,450)	(5,700)	(6,500)	(15,900)
Fair value of scheme assets at end of the year	659,950	1,065,700	660,500	1,077,000
The actual return on assets over the period was:	20,287	45,800	(64,000)	(53,600)

22 Retirement benefit liability (continued)

Reconciliation of opening and closing balances of the present value of the defined benefit obligation

	2025 Electronics Scheme £ 000	2025 Helicopters Scheme £ 000	2024 Electronics Scheme £ 000	2024 Helicopters Scheme £ 000
Benefit obligation at beginning of year	565,887	989,900	660,593	1,118,800
Current service cost	-	-	3,500	2,700
Interest cost	30,600	52,900	29,200	49,600
Contributions by scheme participants	-	-	1,794	-
Re-measurement (gains)/losses – financial	(16,200)	(26,400)	(93,400)	(119,000)
Re-measurement losses/(gains) - demographic	500	(2,700)	(8,800)	(1,600)
Re-measurement losses/(gains) - experience	5,900	11,300	(2,900)	(4,300)
Benefits paid	(19,887)	(57,800)	(24,100)	(56,300)
Benefit obligation at end of the year	566,800	967,200	565,887	989,900

The amounts recognised in profit and loss are:

	2025 Electronics Scheme £ 000	2025 Helicopters Scheme £ 000	2024 Electronics Scheme £ 000	2024 Helicopters Scheme £ 000
Current service cost	-	-	3,500	2,700
Service cost – scheme administration expenses	2,200	1,200	1,394	1,700
Net interest on the net defined benefit asset	(5,200)	(4,900)	(3,900)	(3,100)
Total expense recognised in profit and loss	(3,000)	(3,700)	994	1,300

Re-measurements of the net defined benefit assets recognised in OCI:

	2025 Electronics Scheme £ 000	2025 Helicopters Scheme £ 000	2024 Electronics Scheme £ 000	2024 Helicopters Scheme £ 000
Re-measurement – financial	(16,200)	(26,400)	(93,400)	(119,000)
Re-measurement – demographic	500	(2,700)	(8,800)	(1,600)
Re-measurement – experience	5,900	11,300	(2,900)	(4,300)
Return on assets, excluding interest income	15,513	12,000	97,100	106,300
Total re-measurement of net defined benefit assets recognised in OCI	5,713	(5,800)	(8,000)	(18,600)

22 Retirement benefit liability (continued)

Information about the risks of the schemes to the Company

The ultimate cost of the schemes to the Company will depend upon actual future events rather than the assumptions made. Many of the assumptions made are unlikely to be borne out in practice and as such the cost of the schemes may be higher (or lower) than disclosed.

In general, the risk to the Company is that the assumptions underlying the calculation of contribution requirements are not borne out in practice and the cost to the Company is higher than expected. This could result in higher contributions required from the Company and a lower surplus or a deficit disclosed. This may also impact the Company's ability to grant discretionary benefits or other enhancements to members.

More specifically, the assumptions not being borne out in practice could include:

i. The return on the schemes' assets being lower than assumed, resulting in an unaffordable increase in the required Company contributions.

ii. Falls in asset values not being matched by similar falls in the value of liabilities.

iii. Unanticipated future changes in mortality patterns leading to an increase in the schemes' liabilities. Future mortality rates cannot be predicted with certainty. This is especially so bearing in mind that the youngest scheme members could be expected to still be alive in 60 years or more and it is not possible to reliably predict what medical advances may or may not have occurred by this time.

iv. The potential exercise (by members or others) of options against the schemes for example taking early retirement or exchanging a portion of pension for a cash lump sum.

Under the UK Pensions Act and Regulation requirements, a court case outcome on 16 June 2024, and subsequent appeal dismissal on 25 July 2025 involving Virgin Media, revealed potential challenges with other previously contracted-out defined benefit schemes in the UK.

On 6 June 2025 the UK Government issued a ruling to say that legislation will be introduced to give affected pension schemes the ability to retrospectively obtain written actuarial confirmation. An initial analysis has been undertaken to identify scheme changes during this period and the Company is awaiting final legislation to be enacted, which is expected to be later in 2026.

The schemes' investment strategies

Leonardo Electronics Pension Scheme

The Electronics Scheme's investment strategy is currently to invest broadly 15% in return seeking assets, 29% in cash flow matching credit assets and 56% in liability matching assets (mainly government bonds and swaps). This strategy reflects the scheme's liability profile and the trustees' and Company's attitude to risk. The scheme's investments include interest rate and inflation hedging.

The trustees insure certain benefits which are payable on death before retirement.

Leonardo Helicopters Pension Scheme

The Helicopters Scheme's investment strategy is currently to invest broadly 38% in return seeking assets, 16% in cash flow matching credit assets and 46% in liability matching assets (mainly government bonds and swaps). This strategy reflects the scheme's liability profile and the trustees' and Company's attitude to risk. The scheme's investments include interest rate and inflation hedging.

The trustees insure certain benefits which are payable on death before retirement.

22 Retirement benefit liability (continued)

Sensitivity analysis

Please note that the results in the disclosures are inherently volatile, particularly the figures shown on the balance sheet, and dependent on the assumptions chosen by the directors. We have performed the following sensitivity analysis to highlight the volatility of the balance sheet position to changes in the actuarial assumptions used:

The table below shows the changes in the present value of the retirement benefit asset when increasing the discount rate or increasing the inflation assumption by 0.25% per annum.

	2025 Electronics Scheme £ 000	2025 Helicopters Scheme £ 000	2024 Electronics Scheme £ 000	2024 Helicopters Scheme £ 000
Current retirement benefit asset	93,150	98,500	94,613	87,100
Discount rate - increase by 0.25%	113,600	127,000	115,100	116,600
Discount rate - decrease by 0.25%	72,000	68,800	73,200	56,600
Inflation rate* - increase by 0.25%	79,500	77,900	80,700	65,300
Inflation rate* - decrease by 0.25%	109,200	117,200	108,100	107,600

* with corresponding adjustments to the salary escalation and pension increase assumptions where applicable.

Expected future cash flows to and from the scheme

Leonardo Electronics Pension Scheme

The latest funding valuation of the Electronics Scheme was carried out by a qualified actuary as at 5 April 2023 and showed that the Scheme is in surplus, therefore the Company pays contributions into the Scheme in respect of future service and administration expenses only, in line with the Schedule of Contributions dated 5 December 2023.

The Company paid contributions of 14.4% of pensionable salaries in respect of current accrual until the Scheme closure date of 5 April 2024, with active members paying a further 7.5% of pensionable salaries. The next funding valuation is due no later than 5 April 2026, at which the funding position will be reviewed.

The liabilities include benefits for current employees, former employees and current pensioners. 56% of the liabilities at the balance sheet date are attributable to current employees, 11% to deferred pensioners and 33% to current pensioners.

Scheme duration is an indicator of the weighted-average time until benefit payments are made. For the Electronics Scheme as a whole, the duration is approximately 15 years.

Leonardo Helicopters Pension Scheme

The latest funding valuation of the Helicopters Scheme was carried out by a qualified actuary as at 5 April 2023 and showed that the Scheme is in surplus, therefore the Company pays contributions into the scheme in respect of future service and administration expenses only, in line with the Schedule of Contributions dated 7 December 2023.

The Company paid contributions of 18.8% of pensionable salaries in respect of current accrual until the scheme closure date of 5 April 2024, with active members paying a further proportion of pensionable salaries. This proportion varies among different membership categories. The next funding valuation is due no later than 5 April 2026, at which the funding position will be reviewed.

22 Retirement benefit liability (continued)

Expected future cash flows to and from the scheme (continued)

The liabilities include benefits for current employees, former employees and current pensioners. 29% of the liabilities at the balance sheet date are attributable to current employees, 13% to deferred pensioners and 58% to current pensioners.

Scheme duration is an indicator of the weighted-average time until benefit payments are made. For the Helicopters Scheme as a whole, the duration is approximately 13 years.

Defined contribution scheme

The Company participates in a group defined contribution scheme called Leonardo Future Planner. Contributions by the Company to the defined contribution scheme were £86,654,000 (2024: £68,368,000).

Other post-retirement benefits

Certain employees are entitled to post-retirement benefits other than pensions. The liabilities for post-retirement medical benefits were assessed by qualified independent actuaries using the projected unit method.

The main financial assumptions were that medical costs would increase by 4.45% per annum.

Employee benefits provisions include £1,518,000 (2024: £1,518,000) being the present value of post-retirement medical benefit liabilities. The charge to other comprehensive income for the year was £nil (2024: £nil).

23 Called-up share capital

Allotted, called-up and fully paid shares

	2025		2024	
	No. 000	**£ 000**	**No. 000**	**£ 000**
314,500,100 ordinary shares of £1 each	314,500	314,500	314,500	314,500

Authorised

	2025		2024	
	No. 000	**£ 000**	**No. 000**	**£ 000**
314,500,100 ordinary shares of £1 each	314,500	314,500	314,500	314,500

Share premium account

The Company has a share premium account of £845,500,000 (2024: £845,500,000).

Cash flow hedging reserve

The hedging reserve of £2,756,000 (2024: (£6,361,000)) comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Dividends

The directors approved a final dividend of £215,000,000 for the year ended 31 December 2025 on 22 April 2026.

24 Share-based payments

Leonardo SpA (parent company) has long term investment performance share plans as part of its compensation for senior management of Leonardo SpA and its subsidiaries. The current long term incentive plans were approved in May 2021 and May 2024. The plans have a rolling structure of three-year cycles commencing in 2021, 2022 and 2023 (plan approved May 2021) and 2024, 2025 and 2026 (plan approved May 2024) with shares being issued after the end of each three year period. The plans commencing in 2022, 2023, 2024 and 2025 are accounted for within the financial statements.

The long-term investment plans have both market and performance based vesting conditions and are equity settled. The attainment for the plan is measured on a cumulative basis.

The fair value of the shares when they were conditionally awarded, based on the market value of the Leonardo SpA shares at the date of the grant, were between €12.10 and €46.07 per share for the shares on the long-term investment plans.

The charge to the Company's income statement in the year was £602,000 (2024: £707,000).

The shares allotted during the year were 58,353 (2024: 64,073).

25 Leases

Non-cancellable lease rentals are payable as follows:

	2025 £000	2024 £000
Maturity analysis – contractual undiscounted cash flows		
Less than one year	20,286	20,434
Two to five years	62,666	66,884
More than five years	99,021	108,530
Total undiscounted lease liabilities at 31 December	181,973	195,848
Current	15,911	15,543
Non-current	98,480	111,184
Lease liabilities included in the balance sheet at 31 December	114,391	126,727
Interest on lease liabilities	5,448	5,458
Expenses relating to short term leases of low value assets	2,821	2,953
Amounts recognised in the statement of cash flows		
Total cash outflow for leases	20,931	18,814

These figures include payments related to short term leases of low value items.

26 Commitments

Capital commitments and other financial commitments

	2025 £ 000	2024 £ 000
Contracts placed for future capital expenditure not provided in the financial statements:		
Property, plant and equipment	19,813	18,848

27 Related party transactions

During the year, the Company entered into transactions with the ultimate parent undertaking, Leonardo SpA, as well as subsidiaries of the ultimate parent undertaking. These transactions were in the normal course of business on an arm's length basis. The aggregate value of these transactions in the year was as follows:

	2025 £ 000	2024 £ 000
With Leonardo SpA:		
Purchases of goods and services	211,785	181,750
Sales of goods and services	208,416	182,982
Interest payable	708	1,007
Interest receivable	20,268	25,443
With subsidiaries:		
Purchases of goods and services	3,143	3,144
Interest payable	463	605
With other group companies:		
Purchases of goods and services	169,146	163,491
Sales of goods and services	101,960	84,023
Interest receivable	-	53
Advances to suppliers included within debtors		
Leonardo SpA	7,841	15,974
Other group undertakings	10,399	5,358
	18,240	21,332

27 Related party transactions (continued)

	2025 £ 000	2024 £ 000
Included within progress billings		
Leonardo SpA	318	-
Other group undertakings	22,433	30,669
	22,751	30,669

The aggregate amounts due from/to Leonardo SpA and its subsidiaries were:

	2025 £ 000	2024 £ 000
Included within debtors		
Leonardo SpA	736,872	715,727
Subsidiaries	-	12
Other group undertakings	29,410	40,461
	766,282	756,200

At 31 December 2025, the Company provided £8,000 against amounts due from related parties (2024: £24,000).

	2025 £ 000	2024 £ 000
Included within creditors		
Leonardo SpA	198,222	185,247
Subsidiaries (including lease liabilities)	295,803	325,414
Other group undertakings	18,297	25,619
	512,322	536,280

	2025 £ 000	2024 £ 000
Advances included within contract liabilities		
Leonardo SpA	2,106	5,758
Other group undertakings	33,576	38,660
	35,682	44,418

28 Subsequent events

On 2 March 2026, the MOD announced a £1 billion contract award to the Company to build and deliver 23 AW149s, under the new medium helicopter programme.

On 10 March 2026, the Company acquired, subject to regulatory approval, 100% of the share capital of Becrypt Limited for consideration of £29,000,000.

In the directors' view, there are no other events which have occurred since the balance sheet date which require disclosure in these financial statements, or which require any of the financial amounts recorded at 31 December 2025 to be adjusted.

29 Parent and ultimate parent undertaking

The Company is a subsidiary undertaking of Leonardo SpA which is the ultimate parent company incorporated in Italy.

The largest and smallest groups in which the results of the Company are consolidated is that headed by Leonardo SpA, which is incorporated in Italy. Copies of Leonardo SpA's financial statements may be obtained from Piazza Montegrappa 4, 00195 Rome, Italy.