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Costain Group PLC
11 March 2025

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COSTAIN GROUP PLC
("Costain", the "Group", or the "Company")
RESULTS FOR THE YEAR ENDED 31 DECEMBER 2024 ("FY 24")

Another strong financial performance, with record growth in forward work position to £5.4bn.

- **Revenue of £1,251m (FY 23: £1,332m)** reflecting the timing of contract starts and completions in Transportation, with growth in all Natural Resources sectors.
- **Adjusted operating profit[1] up 7.5% to £43.1m (FY 23: £40.1m) at the upper end of expectations** with an increased operating margin in both divisions. Reported operating profit up 16.0% to £31.1m (FY 23: £26.8m).
- **A further year of margin improvement** with an adjusted operating margin[1] increase of 40bps to 3.4% (FY 23: 3.0%) and a 4.4% margin achieved in H2 24.
- **Adjusted EPS[1] up strongly by 19.7% to 14.6p (FY 23: 12.2p),** reflecting increased adjusted operating profits and financial income, together with a reduced tax rate. Reported EPS increased by 39.5% to 11.3p (FY 23: 8.1p).
- **Net cash in line with expectations at £158.5m** (FY 23: £164.4m) after £10m buyback completed in the year.
- **Record increase of £1.5bn in high-quality forward work[2] position to £5.4bn,** more than four times FY 24 revenue (FY 23: £3.9bn).
- **Contract wins across all sectors** with significant growth in Water AMP8 programmes and Rail.
- **Doubling of full year dividend to 2.4p (FY 23: 1.2p) with proposed final dividend per share of 2.0p (FY 23: 0.8p),** as we move towards our target three times dividend cover.

Financial summary

(£m unless otherwise stated)	**FY 24**	**FY 23**	**Change**
Revenue	**1,251**	1,332	(6.1)%
Adjusted operating profit[1]	**43.1**	40.1	7.5%
Adjusted operating margin[1]	**3.4%**	3.0%	40bps
Adjusted profit before tax[1]	**48.5**	44.2	9.7%
Adjusted EPS[1]	**14.6p**	12.2p	19.7%
Reported operating profit	**31.1**	26.8	16.0%
Reported profit before tax	**36.5**	30.9	18.1%
Reported EPS	**11.3p**	8.1p	39.5%
Dividend per share	**2.4p**	1.2p	100%
Net cash balance[1]	**158.5**	164.4	(5.9)
Forward work position[2]	**£5.4bn**	£3.9bn	£1.5bn

1. See notes 1 to 4 of the financial statements for adjusted metric details and definitions, and reconciliation to reported metrics.
2. Forward work is the total of order book and preferred bidder book which includes revenue from contracts which are partially or fully unsatisfied and probable revenue from Water and other frameworks included at allocated volume.

Alex Vaughan, Chief Executive Officer, commented:

"I am pleased that we had another good year with adjusted operating profit at the upper end of expectations. We delivered a further increase in operating profit and earnings per share, building on our strong financial performance track record of the past three years. Adjusted operating margin increased significantly, exceeding our target for FY 24, and we remain on track to deliver our margin target for FY 25.

"The record growth in forward work position is expected to deliver further progress in FY 25 and FY 26, followed by a step change in FY 27 performance. The quality, balance and better risk profile of our forward work position of £5.4bn across our two divisions, together with continued investment in our chosen markets, gives us increasing visibility on future revenue and margin. We continue to deliver improvements and invest in the business, and are increasingly confident in the Group's growth prospects, with our strong cash position and cash generation enabling the Group to enhance returns to shareholders."

Outlook

The successful execution of our strategy has delivered a record increase in our forward work position of £1.5bn to £5.4bn. This, together with growth on existing frameworks, gives us increasing visibility and confidence on delivering further progress in FY 25 and FY 26, with a step change in performance in FY 27 and beyond. We have already secured approximately 80% of our forecast revenue for FY 25 and our current levels of bidding activity remain high.

Having successfully completed our Transformation programme and delivered a robust 4.4% adjusted operating margin in H2 24, we remain on track to deliver an adjusted operating margin run-rate of 4.5% during the course of FY 25, in line with our ambition to deliver margins in excess of 5.0%.

While we remain mindful of the near term macro-economic and geopolitical conditions, and their importance to

Government priorities and the timing of spending, we are well positioned for further cash generation and progress. We are therefore increasingly confident in the Group's prospects, as reflected in the Board's proposal to double the FY 24 dividend.

Enquiries

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Analyst & investor presentation

A live webcast of our results by Alex Vaughan (CEO) and Helen Willis (CFO) will be at 10am on 11 March 2025. Please go to https://stream.brrmedia.co.uk/broadcast/679266b2f6f7a6723285cabe to register for the event.

We will also host a live presentation relating to results via Investor Meet Company at 9am on 12 March 2025. Investors can sign up to Investor Meet Company for free and register to meet Costain Group PLC via: https://www.investormeetcompany.com/costain-group-plc/register-investor

Use of alternative performance measures

Throughout this release we use a number of 'adjusted' measures to provide users with a clearer picture of the underlying performance of the business. To aid understanding of the underlying and overall performance of the Group, certain amounts that the Board considers to be material or non-recurring in size or nature, or related to the accounting treatment of acquisitions, are adjusted because they are not long term in nature and will not reflect the long-term performance of the Group. This is in line with how management monitors and manages the business on a day-to-day basis. These adjustments are discussed in further detail in notes 1 to 4.

GROUP TRADING PERFORMANCE

Further strong financial performance from both divisions
Reported revenue was £1,251.1m in FY 24 (FY 23: £1,332.0m). There was an increase in Natural Resources revenue in all three sectors, Water, Defence and Nuclear Energy, and Energy. In Transportation, as expected, we saw reductions in Road volumes, due to the completion and delays of certain projects, and in Rail due to the successful completion of our main works at Gatwick Station. We had increased revenue in Integrated Transport including growth in our Heathrow H7 contract and new contracts with TfL.

Adjusted operating profit grew by 7.5% to £43.1m (FY 23: £40.1m) and the adjusted operating margin increased to 3.4% (FY 23: 3.0%), driven mainly by the improved performance in both divisions, with Transportation having a better margin mix derived from newer contracts, and increased margin in Natural Resources, which benefitted from a greater mix of consultancy services.

Reported operating profit increased to £31.1m (FY 23: £26.8m).

Net finance income was £5.4m (FY 23: £4.1m), driven by higher interest income from bank deposits and lower bank charges.

Adjusted profit before tax increased 9.7% to £48.5m (FY 23: £44.2m), with adjusted basic earnings per share (EPS) up by 19.7% at 14.6p (FY 23: 12.2p). Reported profit before tax was up 18.1% at £36.5m (FY 23: £30.9m), while reported basic earnings per share (EPS) was up 39.5% at 11.3p (FY 23: 8.1p).

Adjustments to reported items
Total adjustments to reported items in the year were £12.0m (FY 23: £13.3m). We incurred £5.4m (FY 23: £6.2m) in respect of the final year of our Transformation programme, and £nil (FY 23: £7.1m) of restructuring costs, with £0.1m of other credits in year. The restructuring costs in FY 23 included £5.3m related to an impairment of an intangible asset following the repositioning of digital services. In H2 24 we settled a claim for fire safety compliance related to the design and build of a development which was completed in 2001, and we have identified one other fire safety liability for a building completed in 2013 with a provision created in respect of this.

Cashflow and liquidity
Our net cash position at the end of FY 24 was £158.5m (FY 23: £164.4m) which included the costs of our £10m share buyback programme which concluded in November 2024.

We expect our FY 25 year end net cash position to be in line with current market expectations of around £180m, as the underlying net free cash flow from the business is expected to benefit from positive working capital timings during the year, offset by the unwinding of £25m of positive working capital timing benefits accumulated since the end of FY 22, as previously reported.

Cash from operations in FY 24 was £41.7m (FY 23: £69.6m), resulting from increased adjusted operating profits offset by year-end timings of certain cash receipts at the end of year FY 23 and FY 24, together with some end of contract cash outflows in FY 24.

Adjusted free cash flow in FY 24 of £27.1m (FY 23: £72.0m) was lower than in the same period last year largely due to the timing of year-end working capital and higher tax and capital expenditure payments as we invest in new systems and higher cash flows on adjusting items, partially offset by lower pension deficit contributions.

During FY 24 we paid 98% of invoices within 60 days (FY 23: 98%). In January 2025 Costain was re-confirmed as one of the fastest-paying lead contractors in construction on an average days-to-pay basis following the submissions to the Government's Duty to Report on Payment Practices and Performance.

Strong operational model

Critical national needs and the resultant demand for essential infrastructure ensure that the Transport, Water, Energy and Defence markets continue to offer significant long-term opportunities for the Group. During FY 24 we saw strong growth in our forward work position from Water and Rail, and we see a good pipeline of opportunities in all our sectors as the UK continues to invest in infrastructure. We continue to be busy bidding new work opportunities across all of our sectors.

The new Government's consultation on its 10-year Infrastructure strategy, and its focus on five missions, highlights the importance of infrastructure in these markets. Together with our customers, suppliers and partners we are helping to create a sustainable future, for a more prosperous, resilient and decarbonised UK. As a result of our clear strategy, the Group continues to make good progress in building a stronger and growing business. We are:

- Focused on growing markets meeting critical national needs, ensuring the UK has its essential infrastructure, with increasing investment expected during the next ten years, as well as supporting the new Government's critical growth missions.
- Continuing to build and expand our broader Tier 1 customer base who are increasing their scale of activities with us:
  - Investment in Transport infrastructure is key to unlocking economic growth, and we hold strong positions across this market and long-term relationships with critical customers.
  - In line with Ofwat's final determinations, water investment will double during the next regulatory period to its highest level for decades, and through recent contract awards we are well placed to capitalise on these opportunities.
  - We expect long-term growth in the Energy sector due to the expected changes in energy mix for the UK. We will continue to strengthen our leading expertise as a solution provider to address the growing energy transition investment plans, building on positions we have established in the industrial clusters and in targeting opportunities in working on upgrades to the national grid.
  - We are well positioned for the significant growing public and private sector Defence and Nuclear Energy investment.
  - In addition, our Integrated Transport business has seen us expand our work with Heathrow and with TfL in order to progress the upgrade of their critical transport infrastructure.
- Providing an increasingly broad expert-led service mix of construction and consultancy services to meet our customers' ecosystem requirements, helping them by shaping, creating, and delivering pioneering infrastructure solutions to meet their needs, leveraging our core contracting expertise in managing major infrastructure programmes.
- Maintaining a strong balance sheet with continuing cash generation, a strong risk management culture, financing capacity and reduced pension costs.

Costain enjoys good revenue visibility with a strong high quality forward work position, from which we expect to see a step change in progress in FY 27. Our forward work position, which is our combined order book and preferred bidder book, stood at £5.4bn at period end (H1 24: £4.3bn; FY 23: £3.9bn), representing more than four times our FY 24 revenue.

The quality of this forward work reflects long term programmes, with no single stage lump sum contracts, and predominated by target cost contracts where the scope of work, design and cost are developed and agreed with the client.

We have around £950m of secured Group revenue for FY 25 at the end of the year, representing approximately 80% of our forecast revenue for the period.

Our Transformation programme, which simplifies and increases efficiencies within the business, was completed during FY 24, having delivered profit and operating margin uplift during the year, as well as enabling disciplined investment in business improvement activities.

During FY 24 we generated around 12% of Group revenue from our three areas of consultancy services: delivery partner, engineering & design services and advisory & digital solutions, with the majority of revenue within consultancy arising from delivery partnerships. Consultancy services are included within our two divisional revenue streams and have higher than average adjusted Group operating margins.

Risk management
The accurate assessment and management of risk and uncertainty is central to our strategy. This is achieved through rigorous risk management and commercial control throughout our operations in three key areas:

- A disciplined approach to contract selection, which includes robust commercial and legal reviews, proactive shaping of procurement approaches with our customers, and a rigorous multi-stage gating process.
- Commercial and operational assurance, which includes project level controls, management oversight of forecasts, and cross-disciplinary contract review meetings.
- Strategic supply chain partners, with application of robust supply chain management processes.

We continue to effectively manage the impact of inflationary pressures on revenue and costs.

Actuarial pension review
On 30 June 2023, we announced that agreement had been reached with the Trustee of the Group's defined benefit pension scheme on the 31 March 2022 triennial actuarial funding valuation and ongoing contributions to the Scheme. The contribution plan from the Group to the Costain Pension Scheme runs from 1 July 2023 to 31 March 2027 and is for a payment of £3.3m per year, payable in monthly instalments, scheduled to increase in line with inflation (CPI) each 1 April.

An assessment of the Scheme funding position was carried out on 31 March 2024 and, as the funding level (on a Technical Provisions basis) was more than 101%, contributions were not required from 1 July 2024 to 30 June 2025.

In addition to contributions not being required, as the funding level was above 101%, 'dividend parity' was suspended for a year. Under the dividend parity arrangement, an additional matching contribution (the excess of the total dividend above the Scheme contribution) is paid to the Costain Pension Scheme when the total of the interim and final dividends (or other return of capital such as a buyback) is greater than the contributions paid into the Scheme in the previous Scheme financial year, which runs from 1 April to 31 March.

A further assessment of the Scheme funding position will be carried out on 31 March 2025 which is expected to conclude in July 2025, enabling the Board to review future capital allocations. We continue to review options for restructuring the defined pension scheme with the new sole Trustee of the Scheme.

Capital allocation
Costain continues to perform well against its strategic targets and expects to deliver long-term sustainable value for its stakeholders. The Group's capital allocation priorities are: investing for growth, a progressive dividend, selective M&A and returning surplus capital.

- **Investing for growth**. The Group's Transformation programme, which simplifies and increases efficiencies within the business, was completed during FY 24. In FY 24, we invested around £5.0m in upgrading our HR system to increase efficiencies within the business and have also invested in office moves. Costain will continue to make disciplined investment in the coming years in key areas such as systems and digitisation that will accelerate its business improvement.

- **Progressive dividend.** The Board recognises the importance of dividends for shareholders. Dividend payments take into account the cash flow generated in the period, and the potential impact of the "dividend parity" arrangement relating to the defined benefit pension scheme, which continues until 31 March 2027. The Board has a target dividend cover of around three times adjusted earnings, which provides headroom for further dividend growth to achieve the target cover level as and when the dividend parity arrangement is no longer in place.

  Dividend payments were resumed in FY 23 with a full year dividend of 1.2p per share for the year, in line with the pension payments level under the dividend parity arrangements. The Board has proposed a final dividend of 2.0p per share (H2 23: 0.8p) for the six months ended 31 December 2024, an increase of 150% for the final FY 24 dividend, and an increase of 100% for the year.

- **Selective M&A**. The Board retains optionality to pursue strategic investments in technology, skills and capabilities to enhance our ability to support customers.

- **Returning surplus capital**. After ensuring a strong balance sheet and cash position, identified surplus capital will be returned to shareholders through share buybacks or special dividends. The current outlook and trading across Costain's markets is encouraging and is supportive of our strategy. In August 2024, having reviewed the Group's strong cash performance and ongoing capital requirements, we announced an on-market share buyback programme for up to £10m. This programme was completed in November 2024 and the Group purchased 9,718,950 Ordinary Shares in aggregate for cancellation.

Dividend
An interim dividend of 0.4 pence per ordinary share was paid on 18 October 2024 (2023: 0.4 pence). The Board is proposing a final dividend of 2.0 pence for the year ended 31 December 2024 (2023: 0.8 pence) which, if approved, will be paid on 29 May 2025 to shareholders on the register of members at close of business on 22 April 2025. The total dividend paid for the year will therefore be 2.4 pence per ordinary share (2023: 1.2 pence).

Payment of the final dividend will be both as a cash dividend and scrip dividend alternative (to be renewed at the 2025 AGM). Shareholders wishing to join the scrip dividend scheme should return a completed mandate form to the Registrar, Equiniti, by 7 May 2025. The scrip dividend reference price will be announced on 28 April 2025.

DIVISIONAL REVIEW

TRANSPORTATION

£m	FY 24 adjusted[1]	FY 24 reported	FY 23 adjusted[1]	FY 23 reported	Change (adjusted)[1]
Road	*307.3*	*307.3*	*399.5*	*399.5*	*(23.1%)*
Rail	*454.9*	*454.9*	*500.2*	*500.2*	*(9.1%)*
Integrated transport	*83.6*	*83.6*	*43.4*	*43.4*	*92.6%*
Total revenue	**845.8**	**845.8**	**943.1**	**943.1**	(10.4)%
Divisional operating profit	29.9	29.9	28.0	20.9	6.8%
Divisional operating margin	3.5%	3.5%	3.0%	2.2%[2]	0.5%pt

1. See notes 1 to 4 of the financial statements for adjusted metric details and definitions, and reconciliation to reported metrics.

- As expected, revenue of £845.8m was down 10.4%, reflecting lower volumes in Road due to the completion of some contracts and delays to the start of a new contract, and in Rail due to the successful completion of our main works for Gatwick Station.
- Increased revenue in Integrated Transport was due to our expanding work at Heathrow and with TfL.
- Adjusted operating margin increased by 0.5pt to 3.5%, due to improved operating performance and margins in newer contracts.
- Revenue secured for FY 25 is £606m for Transportation as at 31 December 2024.

Our revenue in FY 24 was mainly from a number of complex project delivery schemes for HS2 and National Highways. We are transitioning towards a better-balanced portfolio, benefitting from activities in Rail, Roads, Aviation and Local Government.

Road revenue declined by 23.1% in FY 24 compared with the prior year, as expected, as a result of the completion of a number of schemes. As a strategic partner for National Highways, we support their key investment programmes through the Regional Delivery Partnerships (RDP) major projects frameworks, the Smart Motorways Programme (SMP) Alliance, the SPaTs2 consultancy framework, and Area 14 highway maintenance.

On RDP, in Cornwall we opened to traffic the widened A30 dual carriageway between Chiverton and Carland Cross. The upgrade to the A1 around Newcastle progressed well with opening to traffic of the new Birtley to Coal House section in December 2024. As previously indicated, during 2024 we agreed the scheme budget for the M60 Simister Island scheme, and have progressed to the detailed design phase, and are continuing to deliver highway maintenance activities on our Area 14 contract.

Within the SMP Alliance, our delivery of the M6 Junction 21a-26 smart motorway upgrade opened to traffic in December 2024, and we are supporting the National Emergency Area Retrofit programme on the M1 for smart motorways through design and delivery of additional stopping areas.

We have a growing pipeline of opportunities in Road for local government bodies, as well as National Highways, and see good long-term prospects in this market.

Rail provides a mixture of complex programme delivery and consultancy to key clients, mainly HS2 and Network Rail. Revenue decreased by 9.1% in FY 24, principally because of the successful completion of our main works at Gatwick Station in the period. The Skanska Costain STRABAG (SCS) JV contract to construct the southern section of HS2, which has a twin bore tunnel, has seen the first of the four tunnel boring machines (TBM) complete its drive with the other three TBMs making good progress and due to complete their drives during 2025. The HS2 programme is currently navigating a change in its programme delivery strategy with an integrated programme being developed and work is expected to commence on a revised programme with the supply chain, including the SCS JV.

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We continue to expand our portfolio of work for Network Rail and DfT through our framework contracts, where we are providing professional consulting services. These include being a key partner to protect the rail network from extreme weather, supporting Bradford Metropolitan District Council in the development of their local infrastructure plan, and working with Network Rail to improve train safety and performance.

In December 2024, we announced that Costain had won two major system contracts with HS2. The first was as a sole supplier to deliver tunnel and lineside mechanical and electrical systems for HS2, with a total contract value worth a minimum of £400m to Costain. The second was with a Siemens Mobility and Costain Limited 50/50 Joint Venture which will deliver high-voltage power supply systems for the HS2 project valued of around £300m to the joint venture. The delivery schedule for these contracts is being assessed in line with the developing HS2 integrated programme.

Integrated Transport provides a mix of consulting and complex project delivery to sub-national transport bodies, Central Government and to Aviation customers. Revenue increased by 92.6% in FY 24 on the prior year, reflecting growing work volumes at Heathrow and with TfL.

During FY 24, we continued to work on the Gallows Corner Flyover Detailed Design & Build contract and on the design phase for Brent Cross for TfL. We also commenced the next phase of delivery work on the A40 Westway and continue to support TfL's CCTV service.

We also increased the volume of our work at Heathrow to shape, create and deliver asset renewal and construction projects through the H7 Terminal Asset Renewal Partner and Major Project Partner frameworks. We also continue to support other aviation customers at East Midlands, Gatwick, Manchester and Stansted airports. We continue to work with a number of local and regional government organisations to deliver engineering and professional services.

We expect that Aviation, Ports, local and devolved transport bodies will offer strong growth opportunities for the business.

NATURAL RESOURCES

£m	FY 24 adjusted[1]	FY 24 reported	FY 23 adjusted[1]	FY 23 reported	Change adjusted[1]
Water	*251.5*	*251.5*	*245.3*	*245.3*	*2.5%*
Energy	*46.2*	*46.2*	*45.6*	*45.6*	*1.3%*
Defence and Nuclear Energy[2]	*107.6*	*107.6*	*98.0*	*98.0*	*9.8%*
Total revenue	**405.3**	**405.3**	**388.9**	**388.9**	4.2%
Divisional operating profit	*23.8*	23.8	21.8	21.7	9.2%
Divisional operating margin	5.9%	5.9%	5.6%	5.6%	0.3%pt

1. See notes 1 to 4 of the financial statements for adjusted metric details and definitions, and reconciliation to reported metrics.
2. Defence and Nuclear Energy includes nuclear-related revenue previously included in Energy, following the Natural Resources reorganisation.

- Revenue increased by 4.2% to £405.3m, reflecting growth in Defence and Nuclear Energy and in Water with stable revenues in Energy.
- Divisional adjusted operating profit increased to £23.8m (FY 23: £21.8m), and adjusted operating margin increased by 0.3pt to 5.9% due to a higher mix of consultancy revenue.
- Revenue secured for FY 25 is £340m for Natural Resources as at 31 December 2024.

Water delivers a broad range of services to improve asset and operational resilience across the Water sector, together with decarbonisation capabilities. Revenue increased by 2.5% as the industry moves from AMP7 to AMP8 projects. We have good visibility across our ongoing five-year AMP7 programmes through to 2025, and our AMP8 projects for the period 2025-2030, where we expect to see strong growth in this area. Our work for Tideway, where in a joint venture we are responsible for the eastern section, moved into the final stage of the programme commissioning and the tunnel become operational.

The breadth of our service offering continues to grow with work including wastewater to gas, water quality assurance and water treatment, as well as design, maintenance, capital delivery and strategic resource options. We continue to work on capital delivery programmes for Anglian Water, Severn Trent Water, Southern Water, and Thames Water in AMP7. We have also started clay compaction trials and the provision of constructability advice to support the design of a new reservoir in Oxfordshire for Thames Water. We have a managed service provider contract with United Utilities and a professional service contract with Yorkshire Water.

We have strongly increased our presence in the Water sector in the year, with the combination of the rollover of current contracts, contract extensions and new customer wins. During FY 24 these include: major AMP8 contract wins with Northumbrian Water, United Utilities and Southern Water; finalising contract extensions with Severn Trent Water and Thames Water; and the provision of programme management services through to 2032 as part of a major framework for Thames Water. Our CMDP+ joint venture with MWH Treatment was awarded contracts by Southern Water as part of its AMP7 investment programme.

Energy revenue increased by 1.3% in FY 24 on the prior year. We expect significant long-term growth in this sector given the requirement for energy infrastructure investment to support economic growth, tackle climate change and enhance the natural environment. We provide our customers in this sector with a range of services including engineering design, managed services and programme management, solving our customers' complex energy challenges through excellence in engineering and delivery.

Our strategic focus areas are energy transition (hydrogen and carbon capture), energy resilience (brownfield modifications for enhanced longevity and performance, energy storage and carbon reduction) and energy connectivity (gas and electricity networks).

We have been awarded the contract to oversee and manage the engineering, procurement and construction of the onshore CO_2 gathering systems for the £4bn East Coast Cluster investment. We have commenced work on the detailed design and delivery phase of bp's Net Zero Teesside Power and Northern Endurance Partnership joint ventures of the interconnecting CO_2 pipeline and associated utilities, and the H2Teesside new hydrogen pipeline, as an augmentation of our scope for the East Coast Cluster. In energy resilience, we have been supporting a number of clients, including INEOS FPS and Dana Petroleum, with studies and design activities to progress their sustainability initiatives.

In energy connectivity, we continue to manage the safety-critical gas mains replacement programme for Cadent in the East of England, the contract for which has been extended by three years. We are also providing pre-feed assessment for a green hydrogen project which we expect to increase in volume during 2025.

We continue to support bp as it progresses the wider de-carbonisation of the local energy supply and pursues innovative carbon capture and storage solutions and were selected by Wales and West Utilities to lead a series of studies to develop their hydrogen vision.

We see growth in project delivery and opportunities in supporting our long-standing petrochemical customers in decarbonising their midstream operations through large scale energy switching engineering projects, including hydrogen generation and transportation. In addition, we expect to see growth in the energy transmission market.

Defence and Nuclear Energy supports several public and private sector organisations in a variety of customer-side, delivery partnership roles, across the UK Defence Nuclear Enterprise. Revenue increased by £9.6m, 9.8% on the prior year, driven by a growth in demand within our current delivery partnership roles for executive non-departmental public and Government bodies, and with other Tier 1 companies.

During FY 24, we were awarded two new framework contracts in the nuclear energy sector as previously reported and expect further growth in this area.

We are currently well positioned across the Defence Nuclear Enterprise and our ambition is to be the delivery partner of choice for the Ministry of Defence (MoD), and its prime contractors, for its future strategic infrastructure needs.

STRATEGY

The Group provides solutions which transform the performance of the UK's infrastructure ecosystem, creating a sustainable future for a more prosperous, resilient and decarbonised UK. We are focused on predictable, best in class delivery for our customers, a growing and more resilient customer mix, building a meaningful consultancy service, and growing in strong markets, as we carry out our purpose of 'Improving People's Lives'.

Markets

In line with the priorities of the National Infrastructure Commission's Second National Infrastructure Assessment, the Government's five Missions and outline 10-year Infrastructure Strategy, we are strategically well positioned in our four chosen markets of Transport, Water, Energy and Defence. These markets are essential to ensuring the UK has the infrastructure to meet our critical national needs for increased prosperity, national resilience and a decarbonised UK. Our leading service expertise, strong long term customer relationships, and differentiated broader offering positions the business to benefit from a greater share of our customers' long-term investment plans, providing significant opportunities for growth.

Customers

Within our chosen markets we work with a growing number of Tier 1 customers who choose to work with their partners on strategic five-to-ten-year programmes of work, aligned to us meeting their five-year business plan outcomes. The strategic nature of these contracts allows us to build strong, long-lasting, valued relationships; to broaden our service value and for us to maintain consistency and continuity of workflows over the business plan period. Both ensure a good quality of work and service, and an optimal risk profile.

Services

In working with our customers, our business is differentiated in seeking to meet their broader business needs, and not merely their new capital infrastructure needs. This includes asset maintenance, extending the life and optimising the performance of existing assets, advising on long term asset planning and overseeing development programmes. We achieve this by working with our customers as construction, and consulting infrastructure partners.

PERFORMANCE

Key measures of our performance are:

○ Financial performance on growth and margins.

○ New customer wins and expansions of existing customer relationships, further diversifying our revenue base.

○ Our infrastructure legacy in creating a sustainable future, delivering a more prosperous, resilient and decarbonised UK.

Our risk management processes on contracts continues to ensure a robust operational performance. In addition, we have secured further opportunities with our customers. Our strategy provides for assured delivery, lower risk contracts, together with a broader business mix, and our ambition remains to deliver improving long-term operating margins.

We have performed well against our operational milestones, outlined in March 2023:

- We delivered an adjusted operating margin of 4.4% in H2 24, exceeding our target of an adjusted operating margin run-rate of 3.5% during the course of FY 24, as we increased effectiveness within the business through the implementation of our Transformation programme, the growth of our consultancy services, the increased effectiveness in procurement and ongoing control of operating costs.
- We remain on track to deliver an adjusted operating margin run-rate of 4.5% during the course of FY 25 to be reached by improving margins within complex programme delivery (construction contracts), further efficiencies from our Transformation programme and an increasing mix of higher-margin contracts.
- We continue to have an ambition for an adjusted operating margin in excess of 5.0%.
- We expect that central costs will be around 1.0% of revenue during FY 25 and we expect divisional margins to increase during the period to achieve our Group target.

Customer growth
During FY 24, we:

- Expanded our customer portfolio adding East West Rail, Northumbrian Water, Sizewell C, and Wales and West Utilities.
- Deepened and broadened our presence through our frameworks with Anglian Water, bp, Babcock, Heathrow, Thames Water and TfL.
- Extended our presence in Water, winning a series of major contracts including significant AMP8 agreements with:
    - Northumbrian Water, where we will shape and deliver its strategic infrastructure upgrade programme over a potential 12-year period.
    - Severn Trent Water, which will see us improve water and wastewater treatment infrastructure across the Company's portfolio.
    - Southern Water, with our joint venture.
    - United Utilities, where we will work with other partners to deliver a £3bn programme to upgrade assets including water and wastewater treatment sites, pumping stations and reservoirs.
- Won additional contracts with Southern Water and Thames Water to support new strategic assets, water supply resilience and improved wastewater treatment.
- Were confirmed as National Highways' partner for the next stage of the M60 Simister Island upgrade.
- Have been selected by bp's Net Zero Teesside Power and Northern Endurance Partnership joint ventures to oversee the construction of a CO_2 gathering systems for carbon capture and storage, and by bp's H2Teesside to design a new hydrogen pipeline, both for the East Coast Cluster.
- We have secured a place on a National Grid zero value framework to support their grid upgrade.
- Grew our rail consultancy with work on critical national programmes such as Northern Powerhouse Rail, Weather Resilience and R&D programmes.
- Were appointed by TfL to progress refurbishment of critical pieces of transport infrastructure and expanded our work with Heathrow.
- Have been chosen by Wales and West Utilities to examine the integration of hydrogen refuelling stations into the UK's gas network.
- Won additional project management commissions for significant defence customers and new nuclear energy contracts.
- And significantly, at the end of the year, Costain won two HS2 major systems contracts, one as a sole provider and one as a joint venture with Siemens Mobility, with a total value of at least £550m to the Group.

Enhancing existing infrastructure

In addition to new work outlined above, we continue to improve the quality of infrastructure through the projects we deliver, including:

- Road Capacity, Safety, Resilience:
    - Upgrading A30/B2CH/M6 road capacity and safety.
    - During FY 24, Costain, with client National Highways, completed a 10-mile upgrade of the M6 along the Warrington to Wigan corridor
    - On the A30, the widening of a nine-mile stretch of road is significantly reducing congestion and providing improvements to journey reliability for motorists, cutting journey times along the route.
    - M6 scheme created two additional lanes, one in each direction and is now providing extra capacity, reducing congestion, improving travel times and making journeys more reliable for the estimated 120,000 vehicles that use the route each day.
- Working with Cadent to ensure the resilience and safety of existing gas networks across the East of England, whilst also improving productivity.
- Ensuring for our Water customers that they met their key regulatory dates.

PEOPLE

Safety

The safety of our people is a core value, and we are working to eliminate all harm. In FY 24 we continued our focus as a learning organisation in driving improvements through our leading indicators for performance. These include workforce engagement and targeted assurance activities, which are contributing to our aim of eliminating harm across all our activities. We delivered another year of strong performance against our three key safety performance measures:

- Accident Frequency Rate - 0.03 our equal lowest ever.
- Lost Time Injury Rate - 0.11 reduced from 2023 and our second lowest.
- High Potential Event Frequency Rate - 0.16 reduced from 2023 and our second lowest.

This performance was delivered with over 30 million hours worked by an average daily workforce of 14,500 across more than 170 project sites. We believe that an engaged workforce works safely, and since 2016, we have increased our engagement measure and during the same period halved incidents.

Developing skills, capabilities, and talent

Costain has made good progress in People in 2024. The most significant achievement has been launching a brand new human capital management system which improves ways of working and marks a significant moment in Costain's transformation. The design and implementation of the new system allowed the organisation to streamline and automate processes, bringing improved employee experience, enhanced cybersecurity, and enabling greater digital integration.

A diverse, inclusive and thriving workforce

Costain is delighted to have retained its one-star "A Very Good Company to Work for" accreditation with Best Companies following its annual engagement survey in Q4 24 with 75% of Costain's colleagues completing the survey. Costain has seen a year-on-year increase in its response rate and Best Companies Index (BCI) score, with an increase of 20 BCI points achieved in 2024. Engagement factors Leadership, Giving Something back and My Company saw the biggest increase in engagement compared to 2023.

Ensuring appropriate rewards

In 2024, Costain enhanced its maternity and adoption leave offerings to 26 weeks at full pay, paternity leave to eight weeks at full pay and introduced five days paid carers' leave.

Costain continues to improve workplace accessibility, with direct input from employee networks to the design of the new offices and site setup standards. In 2024, Costain attained the Disability Confident level 3 standard, and is awarded the accolade of being a Disability Confident Leader under the conditions of the scheme.

Community engagement and initiatives

In H1 24 we launched our new social value plan, which is underpinned by our comprehensive social value framework. The social value plan demonstrates our commitment and enabling actions to achieve our goal of improving one million lives by 2030. As part of this initiative, we rolled out a new social value tool to enhance our ability to forecast, measure, monitor and evaluate our social value, ensuring greater transparency and accountability.

We continue to prioritise our community relationships, ensuring we are a good neighbour and present a positive image of the construction industry. In 2024, the Considerate Constructor Scheme rated Costain contracts on average 46/50 (FY 23: 45/50) considerably exceeding the industry average of 41/50 for the eleventh consecutive year. This third-party industry assessment highlights the high standards expected of Costain contracts, confirming Costain's position as an industry leader in responsible business.

Applying sustainable procurement principles is optimising the value we provide for our customers and enhancing the social and environmental outcomes achieved. In 2024, our contracts (including joint ventures) spent £650m with SMEs, representing 41% of total spend, exceeding the UK Government target of 33%, and exceeding our FY 23 performance of 40%.

PLANET

Carbon and climate change

Through the delivery of low-carbon design, best-in-class delivery and creating climate-resilient infrastructure, Costain is well placed to support our customers in their transition to net zero emissions.

In October 2024 the Costain Board approved Costain's climate transition plan which sets out an accelerated ambition to achieve operational decarbonisation (Scopes 1 & 2) by 2035, and to decarbonise our supply chain (Scope 3) by 2045. We will do this through accelerated actions and industry-wide commitments that focus on the urgent challenge of decarbonising the construction industry, while providing the UK with infrastructure solutions needed for people and planet to thrive.

In 2024 Costain obtained the London Stock Exchange's Green Economy Mark, which highlights listed companies or funds that derive 50% or more of total annual revenues from products and services that contribute to the global green economy.

Driving our services towards Net Zero

In 2024 we implemented a new carbon tool to enable enhanced data analytics, integration with technical baselines and the ability to track performance with greater frequency. The tool will fundamentally improve how data is collected across all scopes, including supplier-sourced Scope 3 emissions.

In Q4 24 Costain achieved verification to PAS2080:2023 Carbon Management in Infrastructure and Built Environment with the British Standards Institution (BSI). The verification demonstrates Costain's commitment to the future of sustainable infrastructure, and to managing and reducing carbon emissions from its projects.

The culmination of our active approach to reducing emissions for Costain and our customers means that in 2024 our absolute emissions reduced by 1% year-on-year and when normalised by turnover (tCO_2e/£M) emissions reduced by 9% compared to Costain's 2021 baseline.

Nature

To safeguard our planet's future, action on restoring nature and becoming nature positive is critically linked to the transition to net zero emissions. Costain has committed to delivering biodiversity net gain on all construction contracts (where relevant) and contributing to a wider restoration of nature, aligning with the increased priority of our customers. Costain is taking a leading role on biodiversity and nature through various industry groups and has been at the forefront of the sector by voluntarily disclosing against the Task Force for Nature Related Financial Disclosure (TNFD) recommendations in our 2024 Sustainability Report.

FINANCIAL REVIEW

Divisional adjusted to reported reconciliation

	Transportation			Natural Resources			Group		
	FY 24	FY 23	Change	**FY 24**	FY 23	Change	**FY 24**	FY 23	Change
Revenue £m									
Reported	**845.8**	943.1	(10.3%)	**405.3**	388.9	4.2%	**1,251.1**	1,332.0	(6.1%)
Operating profit £m									
Adjusted	**29.9**	28.0	6.9%	**23.8**	21.8	9.2%	**43.1**	40.1	7.5%
Adjusting items	-	(7.1)		-	(0.1)		**(12.0)**	(13.3)	
Reported	**29.9**	20.9	43.1%	**23.8**	21.7	9.7%	**31.1**	26.8	16.0%

Central costs
We incurred central costs of £10.6m in FY 24 (FY 23: £9.7m) on an adjusted basis with the increase on FY 24 being driven mainly by inflation. On a reported basis we incurred central costs of £22.6m (FY 23: £15.8m), with the increase on FY 23 being driven by the one-off costs related to legacy business detailed below.

Administrative expenses
The Group incurred administrative expenses of £72.2m in FY 24, a decrease of £5.8m on the same period last year (FY 23: £78.0m). £4.5m of the decrease has been driven by benefits from our Transformation programme, net of cost and wage inflation and incremental investment. £1.3m of the decrease relates to lower adjusting items as discussed below.

Adjusting items
We incurred £5.4m (FY 23: £6.2m) in respect of this final year of our Transformation programme, and £nil (FY 23: £7.1m) of restructuring costs. The restructuring costs in FY 23 included £5.3m related to an impairment of an intangible asset following the repositioning of digital services. In H2 24 we settled a claim for fire safety compliance related to the design and build of a development which was completed in 2001, and we have identified one other fire safety liability for a building completed in 2013 with a provision created in respect of this.

Net financial income
Net finance income amounted to £5.4m (FY 23: £4.1m). The interest payable on loans and other similar charges was £1.4m (FY 23: £2.3m) and the interest income from bank deposits amounted to £6.7m (FY 23: £4.8m). In addition, the net finance income includes the interest income on the net assets of the pension scheme of £2.6m (FY 23: £3.2m), the interest expense on lease liabilities of £2.5m (FY 23: £1.5m) under IFRS 16, and other interest expense of £nil (FY 23: £0.1m).

Tax
The Group has a tax charge of £5.9m (FY 23: £8.8m) giving an effective tax rate of 16.2% (FY 23: 28.5%). The adjusted effective tax rate was 18.3% (FY 23: 24.2%). The lower than expected tax rate was due to the ongoing tax relief on the exercise of share-based payments, together with a revised treatment of the 2023 impairment. We expect the effective tax rate in 2025 to remain marginally below the blended statutory tax rate of 25%.

Cashflow
The Group generated adjusted free cash flow of £27.1m in FY 24 (FY 23: £72.0m), lower than last year largely due to the timing of year-end working capital and higher tax and capital expenditure payments as we invest in new systems, partially offset by lower pension deficit contributions.

£m	**FY 24**	**FY 23**
Cash from operations	41.7	69.6
Add back adjusting items	8.6	9.2
Add back pension deficit contributions	2.0	8.1
Less cash flows on cash and cash equivalents - with restrictions	(14.0)	(14.1)
Less taxation	(2.2)	(0.7)
Less capital expenditure	(9.0)	(0.1)
Free cash flow	**27.1**	**72.0**

The Group had a positive net cash balance, excluding cash with restrictions, of £158.5m as of 31 December 2024 (FY 23: £164.4m,; H1 24: £166.0m) comprising Costain cash balances of £95.8m (FY 23: £105.2m; H1 24: £96.2m), cash held by joint operations of £62.7m (FY 23: £59.2m; H1 24: £69.8m) and borrowings of £nil (FY 23: £nil; H1 24: £nil). During FY 24, the Group's average month-end net cash balance was £169.8m (FY 23: £141.4m; H1 24: £173.9m) and the Group's average week-end net cash balance was £164.3m (FY 23: £141.0m; H1 24: £168.2m). Utilisation of the total bonding facilities as of 31 December 2024 was £65.3m (FY 23: £69.9m, H1 24: £65.3m).

£m	**FY 24**	**FY 23**
Cash and cash equivalents at the beginning of year	164.4	123.8
Net cash flow	(5.9)	40.6
Cash and cash equivalents at the end of year	158.5	164.4
Borrowings	-	-
Net cash	**158.5**	**164.4**

Pensions
Cash contributions made to the scheme during FY 24 amounted to £2.0m (FY 23: £8.1m) and the charge to operating profit in respect of the administration cost of the UK Pension Scheme in FY 24 was £0.2m (FY 23: £0.2m).

As at 31 December 2024, the Group's pension scheme was in surplus in accordance with IAS 19 at £54.9m (FY 23: £53.5m surplus; H1 24: £55.1m surplus). The movement in the IAS 19 valuation, being a slight increase in surplus from 31 December 2023 to 31 December 2024 was due to a change in discount rate assumptions resulting in a decrease in benefit obligations.

Forward work position
Our forward work position is the combination of our order book and preferred bidder book and stood at £5.4bn at period end (FY 23: £3.9bn).

Our order book stood at £2.5bn at period end (FY 23: £2.1bn; H1 24: £1.8bn). The order book evolves as contracts progress and as new contracts are added at periods aligned to our customers' strategic procurement windows which are typically every five years. The order book does not therefore provide a complete picture of the Group's potential future revenue expectations.

We have seen a continuing shift towards the preferred bidder book away from the order book as we continue to secure long-term (five-to-ten-year) framework positions with our customers, especially in the water sector, providing a reliable and long-term stream of future work.

The preferred bidder book increased to £2.9bn at period end (FY 23: £1.8bn; H1 24: £2.5bn) and includes contracts in Water, Rail, Energy, Defence and Nuclear Energy, Road and Integrated Transport, including Heathrow. The preferred bidder book comprises contracts for which we have been selected on frameworks where a further works order is required prior to the works commencing the works commencing.

We note that some of our framework and consulting revenue is not recorded in our order book, or preferred bidder book, as it is undefined and is expected to represent an increasing proportion of our future revenue.

DIRECTORS REPORT

Going concern
In determining the appropriate basis of preparation of the financial statements for the year ended 31 December 2024, the directors are required to consider whether the Group and the Company can continue in operational existence for the foreseeable future, being a period of at least twelve months from the date of approval of the accounts. Having undertaken a rigorous assessment of the financial forecasts, including its liquidity and compliance with covenants, the Board considers that the Group has adequate resources to remain in operation for the foreseeable future and, therefore, have adopted the going concern basis for the preparation of the financial statements. Please see note 1 for more details.

For and on behalf of the Board

Alex Vaughan
Chief Executive Officer
10 March 2025

Helen Willis
Chief Financial Officer

Cautionary statement
This report contains forward-looking statements. These have been made by the directors in good faith based on the information available to them up to the time of their approval of this report. The directors can give no assurance that these expectations will prove to have been correct. Due to the inherent uncertainties, including both economic and business risk factors underlying such forward-looking information, actual results may differ materially from those expressed or implied by these forward-looking statements. The directors undertake no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

Shareholder information
There is a large amount of information about our business on our website, www.costain.com. This includes copies of recent investor presentations as well as London Stock Exchange announcements.

GROUP INCOME STATEMENT

For the year ended 31 December 2024

£m	Note	2024	2023
Revenue	4	**1,251.1**	1,332.0
Cost of Sales		**(1,147.8)**	(1,227.2)
Gross profit		**103.3**	104.8
Administrative expenses		**(72.2)**	(78.0)
Operating profit		**31.1**	26.8
Finance income	5	**9.3**	8.0
Finance expense	5	**(3.9)**	(3.9)
Net finance income		**5.4**	4.1
Profit before tax		**36.5**	30.9
Taxation	6	**(5.9)**	(8.8)
Profit for the year attributable to equity holders of the parent		**30.6**	**22.1**
Earnings per share			
Basic	7	**11.3p**	8.1p
Diluted	7	**11.1p**	7.8p

GROUP STATEMENT OF COMPREHENSIVE INCOME AND EXPENSE

For the year ended 31 December 2024

£m	2024	2023
Profit for the year	**30.6**	22.1
Items that will not be reclassified to profit or loss:		
Remeasurement of retirement benefit asset	**(3.1)**	(17.9)
Tax recognised on remeasurement of retirement benefit asset	**0.8**	4.3

Total items that will not be reclassified to profit or loss	**(2.3)**	(13.6)
Other comprehensive expense for the year	**(2.3)**	(13.6)
Total comprehensive income for the year attributable to equity holders of the parent	**28.3**	**8.5**

GROUP BALANCE SHEET

As at 31 December 2024

£m	Note	2024	2023 (as restated)*
Assets			
Non-current assets			
Intangible assets	9	**51.2**	45.7
Property, plant and equipment	10	**35.3**	26.8
Equity accounted investments		**0.4**	0.4
Retirement benefit asset		**54.9**	53.5
Trade and other receivables		**4.3**	4.2
Insurance recovery asset		**-**	1.7
Deferred tax		**8.6**	11.8
Total non-current assets		**154.7**	144.1
Current assets			
Trade and other receivables		**185.3**	198.3
Insurance recovery asset		**8.8**	11.0
Income tax	6	**1.5**	-
Cash and cash equivalents - with restrictions		**38.4**	24.4
Cash and cash equivalents	11	**158.5**	164.4
Total current assets		**392.5**	398.1
Total assets		**547.2**	542.2
Liabilities			
Non-current liabilities			
Other payables		**1.8**	2.2
Lease liabilities		**12.8**	14.0
Total non-current liabilities		**14.6**	16.2
Current liabilities			
Trade and other payables		**271.0**	281.4
Income tax		**-**	0.6
Lease liabilities		**13.0**	10.3
Provisions for other liabilities and charges		**12.9**	14.3
Total current liabilities		**296.9**	306.6
Total liabilities		**311.5**	322.8
Net assets		**235.7**	**219.4**
Equity			
Share capital	13	**2.7**	138.3
Share premium		**16.5**	16.4
Translation reserve		**0.6**	0.6
Treasury shares		**(0.7)**	(1.9)
Capital redemption reserve		**136.5**	-
Retained earnings		**80.1**	66.0
Total equity		**235.7**	**219.4**

*See note 14 for more information on restatements.

GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

£m	Share capital	Share premium	Translation reserve	Treasury shares	Capital redemption reserve	Retained earnings	Total equity
At 1 January 2023	137.5	16.4	0.6	-	-	56.7	211.2
Profit for the year	-	-	-	-	-	22.1	22.1

Other comprehensive expense	-	-	-	-	-	(13.6)	(13.6)
Issue of ordinary shares under employee share option plans	0.8	-	-	(0.6)	-	(0.2)	-
Shares purchased to satisfy employee share schemes	-	-	-	-	-	(0.1)	(0.1)
Equity-settled share-based payments	-	-	-	-	-	2.2	2.2
Acquisition of treasury shares	-	-	-	(1.3)	-	-	(1.3)
Dividends paid	-	-	-	-	-	(1.1)	(1.1)
At 31 December 2023	**138.3**	**16.4**	**0.6**	**(1.9)**	-	**66.0**	**219.4**
At 1 January 2024	**138.3**	**16.4**	**0.6**	**(1.9)**	-	**66.0**	**219.4**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**30.6**	**30.6**
Other comprehensive expense	**-**	**-**	**-**	**-**	**-**	**(2.3)**	**(2.3)**
Issue of ordinary shares under employee share option plans	**0.9**	**-**	**-**	**(0.6)**	**-**	**(0.3)**	**-**
Shares awarded to satisfy employee share schemes	**-**	**-**	**-**	**1.7**	**-**	**(1.7)**	**-**
Equity-settled share-based payments	**-**	**-**	**-**	**-**	**-**	**2.3**	**2.3**
Acquisition of treasury shares	**-**	**-**	**-**	**(1.1)**	**-**	**-**	**(1.1)**
Nominal value reduction	**(136.4)**	**-**	**-**	**1.2**	**136.4**	**(1.2)**	**-**
Share buy back	**(0.1)**	**-**	**-**	**-**	**0.1**	**(10.0)**	**(10.0)**
Dividends paid	**-**	**0.1**	**-**	**-**	**-**	**(3.3)**	**(3.2)**
At 31 December 2024	**2.7**	**16.5**	**0.6**	**(0.7)**	**136.5**	**80.1**	**235.7**

GROUP CASH FLOW STATEMENT

For the year ended 31 December 2024

£m	Note	2024	2023 (as restated)*
Cash flows generated from/(used by) operating activities			
Profit for the year		**30.6**	22.1
Adjustments for:			
Finance income	5	**(9.3)**	(8.0)
Finance expense	5	**3.9**	3.9
Taxation	6	**5.9**	8.8
Loss/(profit) on disposals of property, plant and equipment		**0.6**	(2.2)
Depreciation of property, plant and equipment	10	**11.9**	14.8
Impairment of intangible assets	9	**-**	5.3
Amortisation of intangible assets	9	**0.3**	1.3
Shares purchased to satisfy employee share schemes		**-**	(0.1)
Share-based payments expense		**2.3**	2.2
Cash generated from operations before changes in working capital and provisions		**46.2**	48.1
Decrease in inventories		**-**	0.2
Decrease/(increase) in receivables		**15.0**	(21.9)
(Decrease)/increase in payables		**(13.4)**	50.0
(Decrease)/increase in provisions		**(4.2)**	1.2
Movement in employee benefits		**(1.9)**	(8.0)
Cash generated from operations		**41.7**	69.6
Interest received		**6.7**	4.0
Interest paid		**(3.5)**	(3.1)
Taxation paid		**(2.2)**	(0.7)
Net cash generated from operating activities		**42.7**	69.8
Cash flows generated from/(used by) investing activities			
Additions to owned property, plant and equipment and leasehold improvements		**(5.5)**	-
Additions to intangible assets		**(3.6)**	(0.1)
Proceeds on disposals of property, plant and equipment		**0.1**	-
Net cash used by investing activities		**(9.0)**	(0.1)
Cash flows generated from/(used by) financing activities			
Ordinary dividends paid		**(3.2)**	(1.1)
Share buyback		**(10.0)**	-
Acquisition of treasury shares		**(1.1)**	(1.3)
Repayments of lease liabilities - principal		**(11.3)**	(12.6)
Net cash used by financing activities		**(25.6)**	(15.0)
Net increase in cash and cash equivalents - with restrictions		**14.0**	14.1
Net (decrease)/increase in cash and cash equivalents		**(5.9)**	40.6
Net increase in cash and cash equivalents (including cash with restrictions)		**8.1**	54.7
Cash and cash equivalents at beginning of the year (including cash with	11	**188.8**	134.1

restrictions)			
Cash and cash equivalents at end of the year (including cash with restrictions)	11	**196.9**	**188.8**

Cash and cash equivalents at beginning of the year (excluding cash with restrictions)	**164.4**	123.8
Net (decrease)/increase in cash and cash equivalents	**(5.9)**	40.6
Cash and cash equivalents at end of the year (excluding cash with restrictions)	**158.5**	**164.4**

*See note 14 for more information on restatements.

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

Costain Group PLC ("the Company") is a public limited company domiciled in England and incorporated in England and Wales. The consolidated financial statements of the Company for the year ended 31 December 2024 comprise the Group and the Group's interests in associates, joint ventures and joint operations and have been prepared and approved by the directors in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. A duly appointed and authorised committee of the Board of directors approved the preliminary announcement on 10 March 2025. The financial information set out above does not constitute the Company's statutory consolidated financial statements for the years ended 31 December 2024 and 2023 but is derived from those financial statements. Statutory financial statements for 2023 have been delivered to the Registrar of Companies and those for 2024 will be delivered in due course.

The auditor has reported on these financial statements. Their report for 2024 was (i) unqualified and (ii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006. Their report for the financial statements of 2023 was (i) unqualified, and (ii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

While the financial information included in this preliminary announcement has been prepared in accordance with UK-adopted international accounting standards, this announcement does not itself contain sufficient information to fully comply with UK-adopted international accounting standards.

The accounting policies have been applied consistently by the Group to each period presented in these financial statements.

Going concern

The Group's principal business activity involves work on the UK's infrastructure, mostly delivering long-term contracts with a number of customers. To meet its day-to-day working capital requirements, it uses cash balances provided from shareholders' capital and retained earnings and its borrowing facilities.

The Group's bank and bonding facilities, which expire in September 2026, comprise an £85m sustainability-linked revolving credit facility (RCF) and surety and bank bonding facilities totalling £270m. The RCF facility is currently undrawn.

These facilities have a leverage covenant of net debt/adjusted EBITDA ≤1.5 times, an interest covenant of adjusted EBITA/net interest payable of ≥4.0 times and a liquidity covenant whereby the aggregate of, without double counting, any cash and cash equivalent investments and the available commitment under the facility does not fall below £50m. These financial covenants are tested quarterly. As at 31 December 2024, the Group had a leverage covenant ratio of below zero (the Group had no net debt) and an interest covenant ratio of 11.1 times. As part of its contracting operations, the Group may be required to provide performance and other bonds. It satisfies these requirements by utilising its £20m bank bonding and £250m surety company bonding facilities.

In determining the appropriate basis of preparation of the financial statements for the year ended 31 December 2024, the directors are required to consider whether the Group and the Company can continue in operational existence for the foreseeable future, being a period of at least twelve months from the date of approval of the financial statements.

In assessing the going concern assumption, the Board reviewed the Group's base case plans for the 15 month period to 30 June 2026, being a period of more than 12 months from the date of approval of these financial statements. The directors have assumed that the current RCF remains in place with the same covenant requirements through to its current expiry date, which is beyond the end of the period reviewed for Going Concern purposes. The base case assumes delivery of the Board approved strategic and financial plans. As part of the assessment, the Board also identified severe but plausible downsides affecting future profitability, working capital requirements and cash flow. The severe but plausible downsides include applying the aggregated impact of lower revenue, lower margins, higher working capital requirements and adverse contract settlements.

Both the base case and severe but plausible forecasts show significant headroom and indicate that the Group and the Company will be able to operate within available banking facilities and covenants throughout this period.

Having undertaken a rigorous assessment of the financial forecasts, including its liquidity and compliance with covenants, the Board considers that the Group and the Company have adequate resources to remain in operation for the foreseeable future and, therefore, the directors have adopted the going concern basis in the preparation of the financial statements.

Alternative performance measures

Income statement presentation - adjusting items

The Group discloses alternative performance measures, in addition to statutory disclosures, to provide investors with supplementary information which may be relevant to the Group's future performance. 'Adjusted profit' excludes 'adjusting items', which are significant items of income and expenditure that the Board considers are incremental to business operations and do not reflect the long-term performance of the Group. These adjusted measures are reconciled to statutory disclosures, with the tax impact given, in note 3, and disclosed in the segmental reporting in note 4. Presenting results on this basis is consistent with internal reporting to the Board. Alternative performance measures do not have standardised meanings and, therefore, they may not be comparable between companies.

The directors exercise judgement in determining classification as an 'adjusting item' using quantitative and qualitative factors. Consideration is given, both individually and collectively, to the circumstances giving rise to the item, its materiality and whether it is expected to recur.

'Adjusted profit' may exclude income and expenditure related to acquisitions, discontinued operations, transformation costs, restructuring costs, claims and litigation, and impairments, where the impairment is the result of an isolated, non-recurring event. 'Adjusted earnings per share' is calculated using 'Adjusted profit'.

The Group also presents 'net cash/bank debt' and 'adjusted free cash flow' as alternative performance measures in the front of the annual report. 'Net cash/bank debt' is defined as cash and cash equivalents less interest-bearing borrowings (excluding leases under IFRS 16 and net of unamortised arrangement fees) and excluding 'cash and cash equivalents - with restrictions'. 'Adjusted free cash flow' is defined as cash generated from operations, excluding cash flows relating to 'adjusting items' and pension deficit contributions, less taxation and capital expenditure and excluding cash flows related to 'cash and cash equivalents - with restrictions'. The directors consider that these measures provide useful information about the Group's liquidity position.

2. SIGNIFICANT AREAS OF JUDGEMENT AND ESTIMATION

The estimates and underlying assumptions used in the preparation of these financial statements 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 most critical accounting policies and significant areas of estimation and judgement arise from the accounting for long-term contracts under IFRS 15, 'Revenue from Contracts with Customers', specific provisions, the carrying value of goodwill, the assumptions used in the accounting for defined benefit pension schemes under IAS 19, 'Employee benefits', the recognition of deferred tax assets in relation to tax losses and the items classified as 'adjusting items'.

Long-term contracts

The majority of the Group's activities are undertaken via long-term contracts and IFRS 15 requires the identification and separation of individual, distinct performance obligations, which are then accounted for individually. The most common type of contracts undertaken by the Group with multiple performance obligations are framework contracts. In most cases, the obligations are satisfied over time and estimates are made of the total contract costs and revenues. In many cases, these obligations span more than one financial year. Both cost and revenue forecasts may be affected by a number of uncertainties that depend on the outcome of future events and may need to be revised as events unfold and uncertainties are resolved. Cost forecasts take into account the expectations of work to be undertaken on the contract. Revenue forecasts take into account compensation events, variations and claims and assessments of, for example, the impact of pain/gain arrangements and disallowed or withheld costs, to the extent that the amounts the Group expects to recover can be reliably estimated and are highly probable not to reverse.

Management bases its estimates of costs and revenues and its assessment of the expected outcome of each long-term contractual obligation on the latest available information. This includes detailed contract valuations, progress on discussions over compensation events, variations and claims with customers, progress against the latest programme for completing the works, forecasts of the costs to complete and, in certain cases, assessments of recoveries from insurers, suppliers and contractors, where these are considered virtually certain. Revenue is recognised to the extent that amounts forecast from compensation events, variations and claims are agreed or considered in management's judgement highly probable to be agreed.

There are a small number of material contracts where management has been required to make significant accounting estimates and, which result in estimation uncertainty, as at 31 December 2024. In relation to these contracts, the Group has included estimated recoveries with a combined value of £8.6m (2023: £11.9m), on the basis that these are considered highly probable not to reverse. However, there are a range of factors which will affect the ultimate outcome once these contracts are finalised. Management considers that the estimation uncertainty in relation to these contracts ranges from a potential upside of £11.2m to a downside of £8.6m (2023: a potential upside of £29.7m to a downside of £11.9m.

The ultimate financial impact of this estimation uncertainty will depend, inter alia, on the terms of the contract and the interaction with incentive arrangements, such as pain/gain mechanisms and bonus or KPI arrangements, as well as final conclusions regarding claims and compensation events and assessments of, for example, costs disallowed under the contract.

In addition, the HS2 programme is currently navigating a change in its programme delivery strategy with an integrated programme being developed and work is expected to commence on a revised programme with the supply chain, including the Skanska-Costain-Strabag Joint Venture. Our 2024 financial result reflects the current contractual position.

The estimates of the forecast contract outcome and the profit or loss earned to date are updated regularly and significant changes are highlighted through established internal review procedures. The impact of any change in the accounting estimates both positive and negative is then reflected in the financial statements.

While management believes it has recorded positions that are highly probable not to reverse on the basis of existing facts and circumstances, there are uncertain factors which will impact the final contract outcome and could give rise to material adjustments within the next financial year. Given the inherent complexity and pervasive impact of the various judgements and estimates impacting revenue, cost of sales and related balance sheet amounts, it is not considered plausible to quantify the impact of taking alternative assessments on each of these judgements.

Rectification provision: Contract in the Water sector

In 2021, the Group recognised a provision in respect of the estimated future costs of expected rectification works required at a customer's water treatment facility where the Group had been prime contractor.

As at 31 December 2022, after working with designers, insurers and the customer, there was greater clarity as to the scope and cost of rectification work required and the Group's best estimate of the cost of the single most likely rectification solution at this time was £17.0m. Costs of £4.8m had been incurred at the end of 2022, and accordingly, a provision of £12.2m was included in the statement of financial position. A number of assumptions were made in arriving at the cost estimate and management considered that the ultimate cost would fall within a range of ±30% of the estimated total.

As at 31 December 2023, progress in design and procurement had enabled management to validate the assessed programme and narrow estimation uncertainty to a range of -8%/+13% with the revised estimated total cost being £19.3m. Costs of £7.7m had been incurred to date and therefore the provision disclosed in the statement of financial position was £11.6m.

During 2024, the detailed design of the solution has been completed and works have commenced on site. Costs of £16.1m have been incurred to date against a revised total estimated cost of £21.9m, with this increase predominantly as a result of civils costs and delays in the supply chain. The provision disclosed in the statement of financial position is therefore £5.8m. Work is now due to be completed in 2025.

As first reported in 2022, Costain has engaged with its insurers and received confirmation that insurance cover is available and that all reasonable costs of rectification work that are validly incurred will be met by insurers. Consistent with this, insurers continued to make interim payments on account during 2024. On this basis, management has made a judgement that the costs of rectification, after deduction of insurers' excess and amounts already received from insurers, will be recovered. Accordingly, an insurance receivable of £8.8m is recognised in the statement of financial position as a current asset at 31 December 2024 in accordance with IAS 37 on the basis that recovery is considered virtually certain and is expected in 2025. There is a cap on insurance but the cap is significantly in excess of the cost estimate. As at 31 December 2023 and 2022 respectively, £12.7m and £13.4m had been recognised as an insurance receivable.

Carrying value of goodwill

Assessing the recoverability of the carrying value of goodwill recognised on acquisition requires an estimation of the value in use of the cash generating units to which the goodwill has been allocated. These assessments involve estimation and judgement, principally in respect of the levels of operating margins, growth rates and future cash flows of the cash generating units and also include consideration of the impact of potential sensitivities in respect of those assumptions. The discount rates used to calculate present values and, where a reasonable possible change in assumptions may give rise to an impairment, related sensitivities are set out in note 9.

Defined benefit pension schemes

Defined benefit pension schemes require significant estimates in relation to the assumptions for the discount rate, inflation and member longevity that underpin the valuation. Each year in selecting the appropriate assumptions, the directors take advice from an independent qualified actuary. The assumptions and resultant sensitivities are set out in note 12.

Deferred tax

Included in deferred tax assets is an asset for tax losses recorded in current and prior years. The asset is recognised on the basis that the losses will be used against future taxable profits of the Group over an estimated period of three years (2023: four years). The significant judgement in assessing the recoverability relates to the ability of the Group to achieve its taxable profit forecasts and the ability of these estimated numbers to withstand the application of what the Board considers appropriate sensitivities.

Adjusting items

As described in note 1, management has used judgement to determine the items classified as 'adjusting items' as set out in note 3.

3. RECONCILIATION OF REPORTED OPERATING PROFIT TO ADJUSTED OPERATING PROFIT

'Adjusted operating profit' and 'adjusted earnings per share' are presented as non-GAAP alternative performance measures. The Board considers the adjusted measures better reflect the underlying trading performance of the Group for the reasons described in note 2.

The profit adjustments represent amounts included in the income statement.

In 2024, Costain settled a fire safety compliance claim in relation to the design and build of a development which completed in 2001. The settlement closes out all known and unknown future claims on the building. The settlement is partially offset by a related insurance credit. A detailed review has identified one other obligation on a building completed in 2013; a provision has been created for this liability in year. Both the net settlement and the provision have been treated as adjusting items totalling £6.7m, reflecting that the costs are not related to Costain's normal course of business.

£5.4m was incurred on the Group's Transformation programme in 2024, the final year of the programme (2023: £6.2m) and £nil (2023: £1.8m) of restructuring costs.

A £0.1m credit has been recognised as a result of the sale of assets in 2024, which were written down to £nil as part of the restructure of the Group's digital hardware activities in 2023.

In 2023, the Group restructured its digital hardware activities to focus on service capabilities. As a result, the capitalised development costs of products being developed under the Group's manufacturing capabilities were impaired by £5.3m to £nil as the Group had exited this manufacturing.

Year ended 31 December 2024	**Adjusted**	**Other items**	**Total**
	£m	**£m**	**£m**
Revenue	**1,251.1**	**-**	**1,251.1**
Cost of sales	**(1,147.8)**	**-**	**(1,147.8)**
Gross profit	**103.3**	**-**	**103.3**
Administrative expenses before adjusting items	**(60.2)**	**-**	**(60.2)**
Adjusting items:			
Restructuring credit	**-**	**0.1**	**0.1**
Transformation costs	**-**	**(5.4)**	**(5.4)**
Fire safety claims	**-**	**(6.7)**	**(6.7)**
Administrative expenses	**(60.2)**	**(12.0)**	**(72.2)**
Operating profit/(loss)	**43.1**	**(12.0)**	**31.1**

Net finance income	**5.4**	**-**	**5.4**
Profit/(loss) before tax	**48.5**	**(12.0)**	**36.5**
Taxation	**(8.9)**	**3.0**	**(5.9)**
Profit/(loss) for the year attributable to equity holders of the parent	**39.6**	**(9.0)**	**30.6**
Basic earnings per share	**14.6p**		**11.3p**

Year ended 31 December 2023	**Adjusted**	**Intangible impairment**	**Other items**	**Total**
	£m	**£m**	**£m**	**£m**
Revenue	1,332.0	-	-	1,332.0
Cost of sales	(1,227.2)	-	-	(1,227.2)
Gross profit	104.8	-	-	104.8
Administrative expenses before adjusting items	(64.7)	-	-	(64.7)
Adjusting items:				
Restructuring costs	-	-	(1.8)	(1.8)
Transformation costs	-	-	(6.2)	(6.2)
Impairment of intangible asset	-	(5.3)	-	(5.3)
Administrative expenses	(64.7)	(5.3)	(8.0)	(78.0)
Operating profit/(loss)	**40.1**	**(5.3)**	**(8.0)**	**26.8**
Net finance income	4.1	-	-	4.1
Profit/(loss) before tax	**44.2**	**(5.3)**	**(8.0)**	**30.9**
Taxation	(10.7)	-	1.9	(8.8)
Profit/(loss) for the year attributable to equity holders of the parent	**33.5**	**(5.3)**	**(6.1)**	**22.1**
Basic earnings per share	**12.2p**			**8.1p**

4. OPERATING SEGMENTS

The Group has two business segments: Transportation and Natural Resources. These segments are strategic business units with separate management and have different customers or offer different services. Segmental information is provided to the chief executive who is the chief operating decision maker. The segments are discussed in the Strategic Report section of the financial statements.

The Group evaluates segment performance on the basis of profit or loss from operations before interest and tax expense and before 'adjusting items'. The segment results that are reported to the chief executive include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Other items are allocated to the operating segments where appropriate but otherwise are viewed as Central costs.

2024	Natural Resources £m	Transportation £m	Central costs £m	Total £m
Segment revenue				
Revenue	**405.3**	**845.8**	**-**	**1,251.1**
Segment profit/(loss)				
Operating profit/(loss) before adjusting items	**23.8**	**29.9**	**(10.6)**	**43.1**
Adjusting items:				
Restructuring credit	**-**	**-**	**0.1**	**0.1**
Transformation costs	**-**	**-**	**(5.4)**	**(5.4)**
Remedial costs	**-**	**-**	**(6.7)**	**(6.7)**
Profit/(loss) from operations	**23.8**	**29.9**	**(22.6)**	**31.1**
Net finance income				**5.4**
Profit before tax				**36.5**

2023	Natural Resources £m	Transportation £m	Central costs £m	Total £m
Segment revenue				
Revenue	388.9	943.1	-	1,332.0
Segment profit/(loss)				
Operating profit/(loss) before adjusting items	**21.8**	**28.0**	**(9.7)**	**40.1**
Adjusting items:				
Restructuring costs	-	(1.8)	-	(1.8)
Transformation costs	(0.1)	-	(6.1)	(6.2)
Impairment of intangible asset	-	(5.3)	-	(5.3)
Profit/(loss) from operations	**21.7**	**20.9**	**(15.8)**	**26.8**
Net finance income				4.1
Profit before tax				**30.9**

5. FINANCE INCOME/(EXPENSE)

£m	2024	2023
Interest income from bank deposits	**6.7**	4.8
Interest income on the net assets of the defined benefit pension scheme	**2.6**	3.2
Finance income	**9.3**	**8.0**
Interest payable on interest bearing bank loans, borrowings and other similar charges	**(1.4)**	(2.3)
Interest expense on lease liabilities	**(2.5)**	(1.5)
Other interest	**-**	(0.1)
Finance expense	**(3.9)**	**(3.9)**
Net finance income	**5.4**	**4.1**

Other similar charges includes arrangement and commitment fees payable.

6. TAXATION

£m	2024	2023
On profit for the year		
UK corporation tax at statutory rate of 25.0% (2023: blended rate of 23.5%)	**(4.1)**	(5.4)
Adjustment in respect of prior years	**1.0**	1.0
Current tax charge for the year	**(3.1)**	**(4.4)**
Deferred tax charge for the current year	**(4.0)**	(3.2)
Adjustment in respect of prior years	**1.2**	(1.2)
Deferred tax charge for the year	**(2.8)**	**(4.4)**
Tax charge in the consolidated income statement	**(5.9)**	**(8.8)**

£m	2024	2023
Tax reconciliation		
Profit before tax	**36.5**	**30.9**
Taxation at 25.0% (2023: 23.5%)	**(9.1)**	(7.2)
Amounts qualifying for tax relief and disallowed expenses	**1.0**	(1.4)
Adjustments in respect of prior years	**2.2**	(0.2)
Tax charge in the consolidated income statement	**(5.9)**	**(8.8)**

7. EARNINGS PER SHARE

The calculation of earnings per share is based on profit of £30.6m (2023: £22.1m) and the number of shares set out below.

	2024 Number (millions)	2023 Number (millions)
Weighted average number of ordinary shares in issue for basic earnings per share calculation	**271.3**	273.6
Dilutive potential ordinary shares arising from employee share schemes	**3.3**	8.5
Weighted average number of ordinary shares in issue for diluted earnings per share calculation	**274.6**	**282.1**

8. DIVIDENDS

An interim dividend of 0.4p per share was paid for the six months ended 30 June 2024. The Board is proposing a final dividend of 2.0p per share.

9. INTANGIBLE ASSETS

	Goodwill £m	Customer relationships £m	Other acquired intangibles £m	Other intangibles £m	Total £m
Cost					
At 1 January 2023	54.1	15.4	9.7	16.2	95.4
Additions	-	-	-	0.1	0.1
Disposals	-	-	-	(0.1)	(0.1)
At 31 December 2023	54.1	15.4	9.7	16.2	95.4
At 1 January 2024	**54.1**	**15.4**	**9.7**	**16.2**	**95.4**
Additions	**-**	**-**	**-**	**5.8**	**5.8**
Disposal	**-**	**-**	**-**	**(7.6)**	**(7.6)**
At 31 December 2024	**54.1**	**15.4**	**9.7**	**14.4**	**93.6**
Accumulated amortisation and impairment					
At 1 January 2023	9.0	15.4	9.7	9.1	43.2
Charge in year	-	-	-	1.3	1.3
Impairment in year	-	-	-	5.3	5.3
Disposals	-	-	-	(0.1)	(0.1)
At 31 December 2023	9.0	15.4	9.7	15.6	49.7
At 1 January 2024	**9.0**	**15.4**	**9.7**	**15.6**	**49.7**
Charge in year	**-**	**-**	**-**	**0.3**	**0.3**
Disposals	**-**	**-**	**-**	**(7.6)**	**(7.6)**
At 31 December 2024	**9.0**	**15.4**	**9.7**	**8.3**	**42.4**
Net book value					
At 31 December 2024	**45.1**	**-**	**-**	**6.1**	**51.2**
At 31 December 2023	45.1	-	-	0.6	45.7
At 1 January 2023	45.1	-	-	7.1	52.2

Goodwill has been allocated to the applicable cash generating units of the Transportation segment (£15.5m (2023: £15.5m)) and the Natural Resources segment (£29.6m (2023: £29.6m)).

The Group reviews the value of goodwill and in the absence of any identified impairment risks, tests are based on internal value in use calculations of the cash generating unit (CGU). The key assumptions for these calculations are: operating margins, discount rates and growth rates.

Discount rates have been estimated based on pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The rate used to discount the forecast cash flows for both the Transportation and Natural Resources CGUs was 15.9%. In 2023, the rates used to discount the forecast cash flows for the Transportation and Natural Resources CGUs were 15.8% and 15.7% respectively.

The value in use calculations use the Group's four-year cash flow forecasts, which are based on the expected revenues and profitability of each CGU, taking into account the current level of secured and anticipated orders, extrapolated for future years by the expected growth rate applicable to each CGU, 2.0% for both Transportation and Natural Resources (2023: 2.0% for both Transportation and Natural Resources).

At 31 December 2024, based on the internal value in use calculations, management concluded that the recoverable value of both the Natural Resources and the Transportation cash generating units exceeded their respective carrying amounts with substantial headroom.

The directors consider that there is no reasonable possible change in assumptions that would give rise to an impairment, for example, a 30.0% reduction in absolute business unit operating profit, a 1.0% decrease in growth rate and a 1.0% increase in discount rate in combination would not result in an impairment.

10. PROPERTY, PLANT AND EQUIPMENT

			Right-of-use assets		
	Leasehold improvements £m	Plant & Equipment £m	Land & Buildings £m	Vehicles, plant & equipment £m	Total £m
Cost					
At 1 January 2023	-	24.6	21.8	28.3	74.7
Additions	-	-	0.5	9.7	10.2
Disposals	-	(9.6)	(2.8)	(5.3)	(17.7)
At 31 December 2023	-	15.0	19.5	32.7	67.2
At 1 January 2024	**-**	**15.0**	**19.5**	**32.7**	**67.2**
Additions	**8.2**	**0.1**	**7.3**	**11.2**	**26.8**
Disposals	**-**	**(7.1)**	**(10.9)**	**(15.5)**	**(33.5)**
At 31 December 2024	**8.2**	**8.0**	**15.9**	**28.4**	**60.5**
Accumulated depreciation and impairment					
At 1 January 2023	-	23.3	7.6	11.8	42.7
Charge in year	-	0.9	4.8	9.1	14.8

Charge in year	-	0.9	4.8	9.1	14.8
Disposals	-	(9.6)	(2.6)	(4.9)	(17.1)
At 31 December 2023	-	14.6	9.8	16.0	40.4
At 1 January 2024	**-**	**14.6**	**9.8**	**16.0**	**40.4**
Charge in year	**0.2**	**0.2**	**2.8**	**8.7**	**11.9**
Disposals	**-**	**(7.1)**	**(8.3)**	**(11.7)**	**(27.1)**
At 31 December 2024	**0.2**	**7.7**	**4.3**	**13.0**	**25.2**
Net book value					
At 31 December 2024	**8.0**	**0.3**	**11.6**	**15.4**	**35.3**
At 31 December 2023	-	0.4	9.7	16.7	26.8
At 1 January 2023	-	1.3	14.2	16.5	32.0

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are analysed below and include the Group's share of cash held by joint operations of £62.7m (2023: £59.2m).

	2024 £m	2023 £m
Cash and cash equivalents	**158.5**	164.4
Net cash	**158.5**	164.4

Cash and cash equivalents - with restrictions

'Cash and cash equivalents - with restrictions' comprise amounts held in trust accounts on behalf of certain customers and designated for future payment to suppliers (see note 14).

	2024 £m	2023 (as restated)* £m
Cash and cash equivalents - with restrictions	**38.4**	24.4
Cash and cash equivalents - with restrictions in the cash flow statement	**38.4**	24.4

12. PENSIONS

The Group operates a defined benefit pension scheme in the UK; contributions are paid by subsidiary undertakings. There are also two defined contribution pension schemes in place in the UK, to which contributions are made by both subsidiary undertakings and employees. The total pension charge in the income statement is £12.2m, comprising £14.8m included in operating costs less £2.6m interest income included in net finance income (2023: £11.4m, comprising £14.6m included in operating costs less £3.2m interest income included in net finance income).

Defined benefit scheme

The defined benefit scheme was closed to new members on 31 May 2005 and from 1 April 2006, future benefits were calculated on a Career Average Revalued Earnings basis. The scheme was closed to future accrual of benefits to members on 30 September 2009. A full actuarial valuation of the scheme was carried out as at 31 March 2022 and this was updated to 31 December 2024 by a qualified independent actuary. At 31 December 2024, there were 2,886 retirees and 2,601 deferred members (2023 (restated): 2,886 retirees and 2,601 deferred members). In previous annual reports, Costain has reported the actual number of retirees and deferred members as provided by its administrator; however, as per IAS 19, the number of retirees and deferred members used in the IAS 19 calculation should be reported and therefore Costain has restated the 2023 comparatives. The number now reported represents membership data taken from the March 2022 triennial valuation; it is not rolled forward in the IAS 19 calculations. The weighted average duration of the obligations is 11.0 years (2023: 11.9 years).

	2024 £m	2023 £m	2022 £m
Present value of defined benefit obligations	**(497.5)**	(542.6)	(527.1)
Fair value of scheme assets	**552.4**	596.1	587.3
Recognised asset for defined benefit obligations	**54.9**	53.5	60.2

Movements in present value of defined benefit obligations

	2024 £m	2023 £m
At 1 January	**542.6**	527.1
Interest cost	**25.0**	25.5
Remeasurements - demographic assumptions	**0.5**	(1.0)
Remeasurements - financial assumptions	**(41.0)**	14.8
Remeasurements - experience adjustments	**3.7**	10.5
Benefits paid	**(33.3)**	(34.3)
At 31 December	**497.5**	**542.6**

Movements in fair value of scheme assets

	2024 £m	2023 £m
At 1 January	**596.1**	587.3
Interest income	**27.6**	28.7
Remeasurements - return on assets	**(39.9)**	6.5
Contributions by employer	**2.0**	8.1
Administrative expenses	**(0.1)**	(0.2)

Benefits paid	**(33.3)**	(34.3)
At 31 December	**552.4**	**596.1**

Expense recognised in the income statement

	2024 £m	2023 £m
Administrative expenses paid by the pension scheme	**(0.1)**	(0.2)
Administrative expenses paid directly by the Group	**(1.8)**	(1.8)
Interest income on the net assets of the defined benefit pension scheme	**2.6**	3.2
	0.7	**1.2**

Fair value of scheme assets

	2024 £m	2023 £m
Global equities	**90.0**	99.5
Multi-asset growth funds	**20.7**	65.9
Multi-credit fund	**83.8**	96.6
LDI plus collateral	**339.7**	323.8
Cash	**18.2**	10.3
	552.4	**596.1**

Principal actuarial assumptions (expressed as weighted averages)

	2024 %	2023 %
Discount rate	**5.50**	4.75
Future pension increases	**2.95**	2.90
Inflation assumption	**3.10**	3.05

Weighted average life expectancies from age 65 as per mortality tables used to determine benefits at 31 December 2024 and 31 December 2023 are:

	2024		2023	
	Male (years)	Female (years)	Male (years)	Female (years)
Currently aged 65	**21.9**	**23.8**	22.0	23.8
Non-retirees currently aged 45	**22.9**	**25.1**	22.9	25.1

The discount rate, inflation and pension increase and mortality assumptions have a significant effect on the amounts reported. Changes in these assumptions would have the following effects on the defined benefit scheme:

	Pension liability £m	Pension cost £m
Increasing the discount rate by 0.25%, decreases pension liability and increases pension income/reduces pension cost by	**13.4**	**0.7**
Decreasing inflation by 0.25% (which reduces pensions increases), decreases pension liability and increases pension income/reduces pension cost by	**12.0**	**0.7**
Increasing life expectancy by one year, increases pension liability and reduces pension income/increases pension cost by	**16.9**	**0.9**

As highlighted in the table above, the defined benefit scheme exposes the Group to actuarial risks such as longevity, interest rate, inflation and investment risks. The LDI portfolio is designed to respond to changes in gilt yields in a similar way to a fixed proportion of the liabilities. With the LDI portfolio, if gilt yields fall, the value of the investments will rise to help partially match the increase in the trustee valuation of the liabilities arising from a fall in the gilt yield-based discount rate. Similarly, if gilt yields rise, the value of the matching asset portfolio will fall, as will the valuation of the liabilities because of an increase in the discount rate. The leverage within the LDI portfolio means the equivalent of 95% of the value of the assets is sensitive to changes in interest rates and inflation and this mitigates the equivalent movement in the liabilities of the scheme as a whole.

In accordance with the pension regulations, a triennial actuarial review of the Costain defined benefit pension scheme was carried out as at 31 March 2022. In June 2023, the valuation and updated deficit recovery plan were agreed with the Scheme Trustee resulting in cash contributions of £3.3m for each year commencing 1 July 2023 (increasing annually with inflation) until the deficit is cleared, which would be in 2027, on the basis of the assumptions made in the 2022 valuation and agreed recovery plan. As at the annual review on 1 April 2024, the pension scheme had a surplus of 101%, on the technical provisions basis, resulting in the Company's contributions not being required from 1 July 2024 in accordance with the recovery plan. The next annual review will be on 1 April 2025.

The next triennial actuarial review will be carried out as at 31 March 2025 and completed by March 2026.

In addition, as previously implemented, the Group will continue to make an additional contribution so that the total deficit contributions match the total dividend amount paid by the Company each year, if required. As a result of the surplus at the annual review on 1 April, 'dividend parity' was suspended for a year also. Any additional payments in this regard would have the effect of reducing the recovery period in the agreed plan. The Group will also pay the expenses of administration in the next financial year.

Any surplus of deficit contributions to the Costain Pension Scheme would be recoverable by way of a refund, as the Group has the unconditional right to any surplus once all the obligations of the Scheme have been settled. Accordingly, the Group does not expect to have to make provision for these additional contributions arising from this agreement in future financial statements.

In June 2023, the High Court judged in the Virgin Media vs NTL Pension Trustee case that certain amendments made to the NTL Pension Plan were invalid because the scheme's actuary had not provided the necessary confirmations ('Section 37 Certificates'). The High Court's decision has wider ranging implications, affecting other schemes (such as the Costain Pension Scheme) that were contracted-out on a salary-related basis, and made amendments between April 1997 and April 2016.

The ruling was appealed and the case was heard by the Court of Appeal in June 2024. In July 2024 the case was upheld and the original judgement stands. There is still the potential for overriding government legislation to be introduced. As a result the Company and the Trustee of the Costain Pension Scheme cannot at this stage be certain of the potential implications (if any). The Company and the Trustee of the Costain Pension Scheme will continue to seek legal advice on the matter and act accordingly as the situation evolves.

Defined contribution schemes

Two defined contribution pensions schemes are operated. The total expense relating to these plans was £12.9m (2023: £12.6m).

13. SHARE CAPITAL

	2024		2023	
	Number (millions)	**Nominal value £m**	**Number (millions)**	**Nominal value £m**
Issued share capital				
Shares in issue at beginning of year - ordinary shares of 50p each, fully paid	**276.7**	**138.3**	275.1	137.5
Issued in year (see below)	**1.8**	**0.9**	1.6	0.8
Nominal value reduction	**-**	**(136.4)**	-	-
Share buyback	**(9.7)**	**(0.1)**	-	-
Shares in issue at end of year - ordinary shares of one pence each (2023: 50p each), fully paid	**268.8**	**2.7**	**276.7**	**138.3**

The Company's issued share capital comprised 268,766,087 ordinary shares of one pence each as at 31 December 2024 (2023: 276,718,885 ordinary shares of 50 pence each).

All shares rank pari passu regarding entitlement to capital and dividends.

The 2021 LTIP vested in the year and 1,630,000 shares were issued in April 2024 to satisfy this vesting.

A total of 136,152 shares were issued under the Scrip Dividend Scheme during 2024.

On 17 May 2024, the Company reduced the nominal value of its 278,348,885 ordinary shares in issue at that date from £0.50 to £0.01. The reduction was completed by subdividing each £0.50 ordinary share in issue into one ordinary share of £0.01 and one deferred share of £0.49. All deferred shares were then bought back for total aggregate consideration of £0.01 and cancelled on 20 May 2024. The Company's issued ordinary share capital remained unchanged immediately after the transaction and each shareholder's proportionate interest in the share capital of the Company remained unchanged. Aside from the change in nominal value, the rights attaching to the ordinary shares (including voting and dividend rights and rights on a return of capital) remained unchanged.

In August 2024, Costain announced an on-market share buyback programme. This programme was completed in November 2024 and resulted in the purchase of 9,718,950 Ordinary Shares in aggregate for cancellation.

14. PRIOR PERIOD RESTATEMENTS

Gross up to other receivables and accruals

During the year, it was identified that £15.7m of accrued expenses and other receivables related to one of our joint operations, as reported as at 31 December 2023 and disclosed in the 2023 financial statements were incorrectly netted off, resulting in no net impact on the statement of financial position. There is no material impact on the profit and loss account or the statement of cash flows; however, the movements in receivables and payables have been restated in the statement of cash flows. The prior year statement of financial position has been restated and the impact of the restatement is as shown in the table below. At the opening balance sheet date of the earliest period presented, being 1 January 2023, the gross up was £11.4m.

	As reported 2023 £m	**As restated 2023 £m**
Other receivables	6.6	22.3
Accruals and deferred income	100.1	115.8

Gross up to contract assets and contract liabilities

During the year it was identified that contract assets and liabilities totalling £57.9m had been understated in the prior year, resulting in no net impact on the statement of financial position. There is no impact on the profit and loss account or the statement of cash flows; however, the movements in receivables and payables have been restated in the statement of cash flows. The prior year statement of financial position has been restated and the impact of the restatement is as shown in the table below. At the opening balance sheet date of the earliest period presented, being 1 January 2023, the gross up was £24.1m.

	As reportedd2023 £m	As restated 2023 £m
Contract assets	26.9	84.8
Contract liabilities	(5.1)	(63.0)

Cash and cash equivalents - with restrictions

For the year ended 31 December 2024, the Group has changed the presentation of amounts held in trust bank accounts on behalf of certain customers and designated for future payment to suppliers. These were previously recognised in the Group's balance sheet as a trade receivable from the customer depicting that the cash is held in trust for the customer and does not represent the Group's cash. In 2024, the Group has re-presented these accounts as 'cash and cash equivalents - with restrictions' and restated the comparative at 31 December 2023 resulting in no net impact on the statement of financial position. There is no impact on the profit and loss account. The statement of cash flows has been restated to include these amounts and the in year movements thereon including a restatement to the movements in receivables. The opening cash balance as at 1 January 2023 has also been restated in the statement of cash flows. The impact of the restatement is as shown in the table below.

	As reported 2023 £m	As restated 2023 £m
Cash and cash equivalents - with restrictions at 1 January	-	10.3
Cash and cash equivalents - with restrictions at 31 December	-	24.4
Trade receivables	92.5	68.1

15. EVENTS AFTER THE REPORTING DATE

There are no events after the reporting date.

END

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