



AWE PLC

**Annual Report and Accounts
31 March 2025**

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Government of the United Kingdom

AWE NUCLEAR SECURITY
TECHNOLOGIES

AWE PLC

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31 March 2025**

Presented to Parliament

by the Secretary of State for Defence

by Command of His Majesty

January 2026



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Strategic Report

Chair's Statement

I am pleased to introduce the AWE plc Annual Report & Accounts for the year ending 31 March 2025.

In the context of current geopolitical environment and turbulence, the UK's nuclear deterrent is more important than ever. At AWE, our contribution is crucial in ensuring the Continuous at Sea Deterrent (CASD) remains effective – protecting our country and our allies. This involves not only continuing to support the current capability but also developing enhanced capabilities in a world of rapid technological advancement.

This past year has been a significant period of growth, achievement, and transformation for our organisation. One of these key milestones is our Aldermaston site returning to a routine level of regulatory attention. This is a testament to the dedication and commitment of our teams.

In parallel with this progress, we launched our rebrand of AWE Nuclear Security Technologies, a change that reflects both our evolution and the expanding scope of our impact. This transformation is not just in name – it is a symbol of our strengthened role in national security, innovation, and cutting-edge technology.

As part of our mission to push boundaries and extend our reach, our national expansion is well underway and our partnerships with catapult centres and universities have been strengthened. This strategic move reinforces our commitment to pioneering advancements that will both shape the future of national security and provide new opportunities for collaboration and innovation on a broader scale.

Our commitment to research and development has driven us to undertake several critical trials over the past year, including some that have not been performed for over a decade. These efforts highlight our dedication to progress, resilience, and the pursuit of technical excellence.

Moreover, our support for academic advancement is stronger than ever, with an increased focus on sponsoring PhD candidates. By fostering new talent and encouraging groundbreaking research, we are investing in the next generation of experts who will propel the industry forward.

At the heart of our operations, we are also placing greater emphasis on our Nuclear Threat Reduction work. Our engagement with the Home Office and other government agencies is instrumental in ensuring that we continue to provide vital expertise and support in protecting national interests.

Each of these accomplishments represents not just progress, but a collective effort of passion, expertise, and a drive to excel. As we look ahead, we remain committed to innovation, security, and strengthening our contributions to the nation.

I would like to say a personal thank you to every single person who works for AWE in any capacity – we could not succeed without you. The plc Board will continue to offer its strongest support to the Defence Nuclear Enterprise (DNE), the Executive and all our people and partners in support of our mission.

Sam Laidlaw, Chair

Chief Executive's Statement

It is a privilege to lead AWE plc in the 75th anniversary year of work commencing on the UK's strategic deterrence programme at our Aldermaston site. Seventy-five years on and AWE is at another vitally important stage of its history as we deliver a once in a generation challenge – to maintain our current in-service warhead whilst also designing, testing and building a new future warhead. This, together with providing the nuclear threat reduction services to protect vital national interests and maintaining an enduring national capability in nuclear science and technology, gives AWE a critical role to play in the defence of the UK, our allies and our democratic way of life.

This year we have focused on growing productivity and efficiency and on building the foundations to transform the business through a major recapitalisation and development of our infrastructure, processes, systems, and workforce. We are accelerating high-performance and delivering a major transformational change programme focussed on people, organisation, infrastructure, and technology.

We have once again improved our delivery performance and, as a safety critical business, we are proud to have delivered world class levels of safety. In March 2025 our Aldermaston site was returned to a routine level of regulatory attention by the Office of Nuclear Regulation (ONR). This reflected the major progress we have made in the effective management of our ageing facilities through a programme of improvement, maintenance, and decommissioning.

Our science, technology and engineering capability is a strategic national asset and the quality and commitment of our people is key to our success. We have actively expanded our footprint across the UK with a mix of new permanent locations and a strong focus on industrial and academic outreach. This year we sponsored around 100 science and engineering PhDs across the UK. Aided by our new brand, launched in April 2024, and a comprehensive communication and recruitment programme, we have achieved record levels of recruitment across the organisation with significant hiring of apprentice and graduate early careers in particular. Our percentage of female hires has increased to industry leading levels.

We are committed to building purposeful and effective relationships, based on trust and collaboration. We are working in close partnership with our Ministry of Defence (MOD) shareholder, our main defence customer, the Defence Nuclear Organisation (DNO), as well as across the wider DNE with industry, academia and international allies. The ongoing support of our trade unions, Prospect and Unite, is essential and I am pleased to see the ongoing collaboration between us focussed on building a truly high-performing business.

At AWE, we are all incredibly proud of our purpose to protect the UK through nuclear science and technology and we are committed to meeting this purpose as effectively and efficiently as we can in what will be a transformational 75th year for the company. I would like to thank everyone who has supported the impressive progress that has been made over the past year, and I look forward to building on this momentum in the year ahead.

Nick Elliott, Chief Executive Officer (CEO)

AWE and our Mission

AWE's purpose is to protect the UK through nuclear science and technology.

Its mission is to design and manufacture warheads and provide nuclear services to meet the needs of defence.

Since 1945, the people of the United Kingdom have elected Governments that have maintained a policy to have a nuclear deterrent. AWE is proud to play its part in the DNE, delivering its product for the DNO, and working in partnership with the DNO Warhead Group (WHD). The success of a CASD requires a stockpile of UK-manufactured warheads of sufficient quantity, reliability, safety, and effectiveness to achieve deterrence – AWE delivers this mission through its expertise in science, technology, and manufacturing.

For a generation, the UK warhead capability has been based on a single sovereign warhead. Under Operation Relentless, at least one Vanguard-class submersible ship ballistic nuclear (SSBN) submarine is always at sea, carrying Trident II ballistic missiles, on which the current Mk4A warheads sit. With the announcement of the Astraean replacement warhead in February 2020, AWE has been working with the DNO to move to managing a stockpile that integrates the existing Mk4A with the future Astraean warheads.

AWEs Purpose and Mission are underpinned by the six commitments we have made to defence, which align to the DNO Warhead Group Strategic Objectives.

These commitments are:

1. Provide enough warheads
2. Possess the science and technology to maintain and design warheads
3. Support counter terrorism and non-proliferation
4. Build and maintain fit for purpose infrastructure
5. Enable our people and transform AWE
6. Support the DNO's Strategic Warhead Plan

These commitments are AWE's unique offering to defence, and as we move into the next generation of warhead production we will continue to generate and sustain the capabilities that deliver our mission outputs and fulfil our purpose to protect the UK through nuclear science and technology.

We will ensure stability, consistency, and discipline across the portfolio; invest heavily into the future of our people, plants and processes; and commit to a cultural and operational transformation that ensures we are a world class, modern business.

AWE Business Model & Organisational Structure

The MOD owns the AWE sites. AWE is responsible under a contract with the MOD for operating the sites safely and securely as well as delivering a safe, effective, and efficient nuclear warhead programme. AWE employs the workforce, holds the nuclear site licences, environmental permits, and other regulatory permissions.

The Non-Departmental Public Body (NDPB) structure was selected by the Government to strengthen alignment, simplify the relationship with AWE, and improve value for money.

Financial Review

Company financial performance for the year ended 31 March 2025

The financial statements for the year ended 31 March 2025 show the following:

- Revenue of £2,148.6 million (31 March 2024: £1,818.2 million).
- Gross loss of £58.4 million (31 March 2024: gross loss of £33.0 million).
- Net loss for the year of £30.3 million (31 March 2024: net loss of £11 million).
- Net liabilities of £97 million (31 March 2024: net liabilities of £201.1 million).
- Capital contribution of £7.5m (31 March 2024: £30 million) received in relation to an equity contribution from the owner of the Company equal to the amounts paid by the Company to the pension scheme in respect of the deficit funding of the scheme and permanent capital contributions).

The majority of revenue (98%) (31 March 2024: 99%) came from AWE's core operations, primarily the Management & Operations (M&O) contract with the MOD. This contract covers the operation of AWE sites and delivery of the UK's nuclear warhead programme. The increase in revenue reflects higher activity levels, particularly investment in infrastructure for current and future facilities.

Revenue from the M&O contract includes reimbursement of costs and fees related to Trident and replacement warhead commitments. These costs cover site operations, workforce expenses, and infrastructure projects at Aldermaston, Burghfield, and Blacknest. Since the MOD owns the infrastructure, related investments are correctly recorded as programme costs in AWE's Income Statement rather than capital assets in AWE's balance sheet. The recording of the assets on the MOD's balance sheet is a matter for the MOD.

The gross loss for the year ended 31 March 2025 of £58.4 million (31 March 2024 £33.0 million) is due to a fee earned on M&O and other contracts of £2.2 million (31 March 2024: £2.5 million), RDEC repayments for prior year claims of £33.4million (31 March 2024: £nil). Being offset by a £43.6 million Research and Development Expenditure Credit (RDEC) returned to the MOD, and £14 million (31 March 2024: £15million) in pension-related costs. These pension costs are part of the cost of sales.

The net loss of £30.3 million (31 March 2024: £11 million) results from the gross loss, partially offset by RDEC income of £43.6 million (31 March 2024: £20.5 million), and further impacted by administrative and finance expenses, and corporation tax.

Net liabilities principally arise as a result of the net liability in respect of the defined benefit pension scheme. The net liability of the defined pension scheme has decreased to £97 million (31 March 2024: £209 million). This included the £nil deficit repair payment for the current financial year (31 March 2024 £30 million). Further details are provided in note 15 in the financial statements.

A full breakdown of AWE's finances is available in the financial statements (pages 104 to 110). Note that land and properties used by AWE are owned by the MOD and are not included in AWE's accounts.

Going concern

The financial statements are prepared on the basis that AWE continues as a going concern. Further details regarding this assessment are set out in the Directors' Report on page 56.

Performance and KPIs

Performance and Key Performance Indicators (KPIs)

This section outlines the performance of the company as measured through KPIs, for the year ended 31 March 2025.

Summary

AWE's overall performance continues to improve. We are seeing that reflected in more consistent outcomes and the reconstitution of capabilities that have not been in place for considerable time. We have more effective planning and management of the business against a clear set of objectives and outcomes, aligned to an agreed plan with the DNO; the Strategic Warhead Enterprise Plan (SWEP). AWE's alignment to the SWEP continues to drive focus into our delivery through improved understanding of dependencies across the enterprise. This insight enables us to make prioritisation decisions in the delivery of AWE's critical activities that best support the outcomes required.

Our safety performance is world class, and the Aldermaston site has recently moved to a routine level of regulatory attention by the Office of Nuclear Regulation (ONR) after more than 10 years at an enhanced level. This year, which is our 75th year in Aldermaston, we have undertaken a major re-branding and outreach campaign that has resulted in record levels of recruitment including around 500 early career graduates, apprentices and mid-degree placements at levels of diversity above sector norms. We have embarked on a location strategy that will relocate large numbers of staff away from our nuclear licenced sites to new facilities in Reading and around the country.

However, there is still more to do if we are to become a truly high performing business. We must continue to strive for the highest standards of delivery, underpinned by a world class approach to safety, quality and efficiency. The historic lack of investment not only requires the ongoing re-capitalisation of outdated and failing infrastructure, but also a major transformation of our processes, systems and organisation. We must think differently, improve productivity, deliver more efficiently and demonstrate greater agility to meet the challenging and changing demands of the UK's deterrent requirements. This year we have focused on that transformation, and we are well into the journey to become a truly high-performing business.

Key Performance Indicators the (KPIs)

At Board level, performance against the approved 24/25 Business Plan was measured through a suite of 18 Tier 1 KPIs include safety, milestone delivery, stockpile availability, quality, financial performance and people metrics. Two of these KPIs report on specific activities which are restricted for security reasons but the remaining 16 are included in this report. These Tier 1 KPIs, and the underpinning milestones, represent the top-tier metrics that the AWE Board considers most effective in assessing progress towards objectives and strategy, in monitoring principal risks, and in measuring the performance and development of the organisation.

To drive future strategic alignment, as well as ensuring ongoing operational delivery, AWE's KPIs and milestones focus both on mission delivery outputs and activities which contribute to improving long-term sustainable business performance.

AWE's KPIs are set out in five sections, aligned to our key principles of performance:

- Are we safe and secure?
- Are we delivering?
- Do we have the right people?
- Are we using our resources effectively?
- Is the portfolio under control?

Business Transformation

We are undergoing major transformational change to organise ourselves more effectively and improve efficiency. Following the completion of six core Task Force transformation initiatives earlier in the year we are taking the outputs forward through a refreshed transformation portfolio grouped into four key themes (Workforce, Organisation, Infrastructure and Technology).

In April 2024, we launched our re-brand to AWE Nuclear Security Technologies, with a purpose to protect the UK through nuclear science and technology. The brand, which has been well received by our staff and stakeholders, has been widely advertised enabling us to connect with a greater pool of potential candidates and suppliers with over 14m individuals reached to date.

We are focusing heavily on technology transformation through a major project to digitise our engineering systems and processes from the dated, in some cases, analogue, systems used today. We are also pursuing the implementation of numerous AI initiatives in the areas of both product development and business effectiveness.

Key Performance Indicators (KPIs)

Table 1: Financial Year 2025 KPI performance

	KPI	FY25 Target	FY25 Achieved
Are we safe and secure?	US Occupational Safety and Health Administration (OSHA) Rate	≤ 0.3	0.224
	Environmental Sustainability & Climate Change	≥ 80%	67%
	Regulatory Performance	Routine attention	Routine attention
	Security Incidents per 100,000 hours	≤ 1.5	1.363
Are we delivering?	Order Book Performance	≥ 85%	63%
	Business Plan Milestone Delivery	100%	94%
Do we have the right people?	Workforce Attrition	≤ 8%	6.38%
	Diversity – Female Employees	≥ 30%	27.73%
	Employee Engagement	≥ 67%	66.42% (trending)
Are we using our resources effectively?	Workforce Demand	< 5%	-11.92%
	Enabling Functions Workforce Utilisation	≥ 90%	81%
	Equipment (Asset) Availability	≥ 85%	62%
Is the Portfolio under control?	Actuals vs Budget End of Year forecast	≤ 1%	-8.3%
	£ Efficiency - End of Year forecast	100%	131%
	SCM Delivery Performance	> 80%	85%

The following commentary provides additional context to the data presented in Table 1.

Are we safe and secure?

OSHA Rate

We monitor a range of input and output safety metrics, but the primary measure of safety used for reporting is the US Occupational Safety and Health Administration (OSHA) safety incident rate. This provides the best international benchmark and allows us to conduct comparison with similar facilities in the US. Our OSHA threshold of 0.300, aligns to a world class level of safety performance. We outperformed this threshold with an OSHA safety rate for a rolling 12-month period of 0.224 which was also an improvement on last year.

We also monitor our safety using Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR), a more common metric in the UK. Our RIDDOR target is 0.08, the benchmark for outstanding safety performance. In the rolling 12 months to February, we are outperforming this threshold with a score of 0.052.

Environmental Sustainability & Climate Change

This year we set demanding environmental goals in our Climate Transition Plan which were not fully met. Going forward we need to more fully align agreed actions with our business priorities. As we gain new insights, adapt to external factors, and evolve our Climate Transition Plan, we must remain responsive to the realities of business operations and the wider climate landscape. Increased focus has been given to this KPI during FY26 through business unit governance and accountability, as outlined in the Environmental Sustainability Report.

Regulatory Performance

Our Aldermaston site had been in enhanced regulatory attention since 2013 due to issues resulting from ageing facilities and delays to the delivery of new build projects and decommissioning. However, we have now demonstrated to the ONR that we have the capability and capacity to deliver sustainable performance through various programmes of improvement, maintenance and decommissioning. On 06 March 2025, the ONR announced our formal move out of enhanced regulation. The accompanying ONR press release stated:

“We are satisfied that the site has clearly demonstrated positive steps forward in terms of leadership, organisational capability, decision-making, and internal assurance and challenge which has allowed us to return them to routine regulatory attention.”

Security Incidents

AWE has a strong security culture, and we regularly review and test our cyber and physical security systems. We have had no major security incidents this year and were within target for security incidents on a 12-month rolling basis. We achieved the target maturity level of 3.0 (out of 4.0) in the Annual Cyber Compliance Framework audit, conducted by the MoD Cyber Defence & Risk Directorate (CyDR).

Are we delivering?

Priority Order Book Performance

Total order book performance of over 1000 items was 95% with average on time delivery at 89% compared to 78% in the last financial year. Priority order book delivery performance, a key subset of order book items, was below target at 63%. Delivery was mainly impacted by operational pauses in ageing facilities resulting from infrastructure and maintenance issues. These pauses were used to focus on safety assurance and work control improvements giving greater confidence in future delivery.

Business Plan Milestone Delivery & On Time Milestone Delivery

Milestone delivery was strong this year with 94% delivery of those milestones baselined for delivery in year, of which 85% were delivered on time or early. This compares to 85% overall delivery and 77% on time or early delivery in the previous financial year. We delivered 10 out of 13 Anchor milestones, 39 out of 42 Strategic milestones and all 51 Project milestones. Those missed milestones mainly resulted from change or maturing requirements and have either been change controlled to reflect new requirements or re-scheduled for delivery in FY 25/26.

Do we have the right people?

Workforce Attrition

Workforce attrition has remained stable throughout the year. It began the year at 6.66% and closed at 6.38% – below the 8% monthly average target. There have been no adverse gender attrition trends and attrition has reduced for those with 0 to 5 years length of service.

Diversity

This KPI measures female employees as a percentage of total AWE employees. AWE's score of 27.73% is an improvement against our FY24 score of 25.80% and continues

the upward trend towards an ambitious target of 30% (compared to sector averages). AWE continues to perform well in this measure against defence prime comparators, and gender specific attraction campaigns are increasing our talent pool reach. Broader diversity metrics are measured and reported at a level below this Tier 1 measure.

Employee Engagement

In September this year we launched a comprehensive new employee engagement survey which received a 75% response rate and an overall engagement score of 64%. Ongoing engagement measured through quarterly pulse surveys is positively trending, with latest scores at 66.42%. The move to a new survey provider prevents a direct comparison with FY24. The survey feedback has informed our new 'cultural deal' which is part of our people transformation programme. The deal focuses on AWE acting as a supportive and fair employer in return for our employees signing up to a high-performance culture where they are willing (and proud) to go above and beyond to deliver our mission.

Are we using our resources effectively?

Workforce demand

The KPI shows an average 11.92% undersupply against the forecast demand requirement. However, in the context of overall business performance we achieved high levels of output with 94% milestone delivery in year. This indicates that the more robust demand challenge implemented in year is starting to have an effect.

Enabling Functions Workforce Utilisation

Workforce utilisation has remained stable throughout at a level at 81%, which although below the start of year target, has been proven, through ongoing review over the year, to be more reflective of the realistic optimal workforce utilisation required to support the operational business. The target has been adjusted for 2025/26 to 80% to reflect this.

Asset availability

Whilst the facilities are safe, secure, and capable, the age of many of the assets presents some challenges in maintaining full operational capability. This KPI measures the availability of the ten most sensitive major pieces of equipment and is updated annually as we systematically maintain and replace the equipment. Availability of this year's top ten has fluctuated throughout the year averaging 62%. This has been driven by a range of issues including furnace repairs and coolant problems. It was also affected by a safety pause on operations taken in one of the facilities to deal with an emerging work control issue. Of the ten items referred to, five of them will be replaced with new equipment within the coming financial year.

Is the Portfolio under control?

Actuals vs Budget End of Year Forecast

Main Programme expenditure was £2,105m against a start of year budget of £2,295m (-8.3%) and a mid-year reforecast of £2,067m (+1.8%). The mid-year reforecast was principally driven by decisions to pause some work in our capital programme in order to pursue emerging efficiency opportunities in schedule and cost.

Efficiency - End of Year forecast

Cash efficiencies are delivered through a company-wide programme in which all staff are asked to identify opportunities for efficiency in their areas. This year's target of around £26m was exceeded some £8m with total validated efficiencies of some £34m (131% of target).

SCM Delivery Performance

This KPI measures the monthly average on-time delivery of new contracts and contract renewals over the course of the year. In this financial year around 600 contracts were awarded of which on average 85% were delivered to the required baselined business requirement date.

Principal Risks

This section outlines the principal risks that AWE plc has identified and is actively managing as of the date of this report.

The Board has reviewed the key risks and uncertainties facing the company, assessed their potential impact and likelihood, and considered how these risks have changed over the year. Each risk is assigned to a member of the Executive Committee, who is responsible for managing it. The effectiveness of the actions taken to reduce these risks is regularly reviewed through AWE's governance processes.

These risks are managed to reduce their impact on AWE's ability to achieve its strategic objectives. AWE's risk appetite is built into how risks are assessed and addressed across the organisation. AWE's principal risks are set out in Table 2 below.

Table 2: AWE Principal Risks

Principal Business Risk		Impact / Mitigation Actions
AWE Current Capabilities Risk Owner Chief Operating Officer	<p>Unavailability of current plant, facilities and enabling infrastructure to support the programme.</p> <p>AWE has a large and complex operation across multiple sites with some ageing plant and supporting infrastructure.</p> <p>Failure to manage risks associated with ageing and obsolescence has potential to result in delays and increased potential of a serious safety incident.</p>	<p>Potential Impact</p> <ul style="list-style-type: none">• Delays to operations and resource management inefficiencies.• Increase in frequency &/or significance of Environment, Safety, Health & Quality (ESH&Q) events.• Increased costs through extra maintenance and monitoring to keep current facilities operational.• Resource management inefficiencies <p>Mitigating actions</p> <ul style="list-style-type: none">• Delivery of re-kit programmes delivering projects to replace equipment and upgrade facilities to required standards.• Delivery of Estates strategy and asset management plans• Robust risk-based asset through life management plans implemented.• Single points of failure prioritised for investment.• Continued focus on managing operations safely and securely, maintain Licence to Operate controls.• Robust on-site emergency response and business resilience capability.

Principal Business Risk		Impact / Mitigation Actions
AWE Future Capabilities Risk Owner Chief Operating Officer	<p>Unavailability of future plant, facilities and critical infrastructure to support the programme.</p> <p>As above, the large and complex operations across multiple sites require the right capabilities to be in place at the right time to deliver the long term and future programmes.</p> <p>Failure to manage risks associated with these uncertainties over future capability has the potential to result in delays and increased potential of a serious safety incident through continued use of aged facilities.</p>	<p>Potential Impact</p> <ul style="list-style-type: none"> • Delays to operations. • Increase in frequency &/or significance of ESH&Q events. • Financial penalties arising from fines, legal action and project delay / prolongation and increased costs. • Resource management inefficiencies <p>Mitigating actions</p> <ul style="list-style-type: none"> • Delivery of new Capital builds and re-kit programmes • Delivery of Estates Strategy and Master Plan. • Robust risk-based asset through life management plans implemented. • Single points of failure prioritised for investment. • Investment in utilities through the Infrastructure Capability Plan. • Continued focus on managing operations safely and securely, maintain Licence to Operate.
AWE Sites Risk Owner Executive Director Estate & Liabilities	<p>Impediment to the use of AWE sites preventing operations to continue for more than 1 day.</p> <p>AWE sites and operations are subject to a variety of external threats that require close management. These include pandemic, protestor action natural disaster or extreme weather events.</p>	<p>Potential impact</p> <ul style="list-style-type: none"> • Restriction or delays to operations on some or all AWE sites. • Increased cost resulting from recovery of operations and/or project delay / prolongation. <p>Mitigating actions</p> <ul style="list-style-type: none"> • Business resilience and continuity capability with established routine exercising of continuity plans. • Security controls, including physical and personnel security. • Robust on-site emergency response capability in place and regularly exercised. • Commercial horizon scanning activities

Principal Business Risk	Impact / Mitigation Actions
<p>People & Places</p> <p>Risk Owner Chief People Officer</p> <p>Inability to attract, develop, positively engage, retain, and appropriately manage resourcing can impact on both our current and future capacity and capability to deliver against our mission.</p> <p>AWE's employees are critical to its current and future performance. AWE needs to identify, recruit, engage, develop and retain the right people with the right skills, experience and behaviours to ensure current and future delivery.</p>	<p>Potential impact</p> <ul style="list-style-type: none"> • Adverse effect on delivery of AWE's business objectives • Damage to AWE's brand and reputation as an effective member of the Nuclear Enterprise and Employer of Choice. • Potential Regulatory and legal compliance issues due to lack of SQEP resource. • Wellbeing issues including overwork, stress and absence. • Additional cost for higher-than-expected recruitment activity. • Deterioration in safety performance impacting safety and regulatory compliance. • Potential damage to AWE's employee engagement, climate, and culture <p>Mitigating actions</p> <ul style="list-style-type: none"> • Strategic & Operational Workforce Planning Gap Analysis. • Location Strategy to promote inclusivity and unlock innovation, diversity and access to talent increase resilience in the capability. • Reward framework to ensure pay and conditions remain fair, competitive and appropriate. • Strive to maintain an effective and inclusive work environment and culture. • Investment in Leadership and SQEP skills development. • Focussed engagement and employee experience strategy. • Wellbeing – Mental Health focus action plan. • Continue to offer development and growth through training, job progression, career and learning pathways. • Talent Pipeline and Programmes • Staff & capability STEM development outreach programme. • Partnering with industry through enduring relationships.

Principal Business Risk		Impact / Mitigation Actions
Supply Chain Risk Owner Chief Financial Officer	Insufficient capability and capacity within the supply chain to fully support the complexity and risk within AWE's programmes of work. AWE relies on its supply chain for delivery of its programmes and projects. Maintaining close and effective working relationships with the supply chain is a priority for AWE. With the significant increase in future procurement activity required by AWE, supplier fragility and the global supply chain challenges remain a concern.	<p>Potential impact</p> <ul style="list-style-type: none"> Reduced ability to set up longer term agreements and foster collaborative supplier relationships focussed on proactively pre-empting issues. Unavailability of critical goods and services impacting on delivery delays and increased costs Conducting existing business becomes increasingly challenging, with increased cost of materials and supplies. Damage to relationships with critical suppliers. <p>Mitigating actions</p> <ul style="list-style-type: none"> Provide a robust forward looking demand plan and procurement pipeline. Develop and maintain long-term strategic relationships with critical and high-risk category supply chain partners and sub-contractors through an industrial strategy across the business. Support delivery focussed contract management in all areas.

Principal Business Risk		Impact / Mitigation Actions
Funding Risk Owner Chief Financial Officer	Insufficient funding available to AWE from MoD or an inability for AWE to react to changing demands in a timely manner, all whilst facing affordability challenges, can prevent us from achieving the short-, medium- and long-term funding requirements to deliver our mission.	<p>Potential impact</p> <ul style="list-style-type: none"> • Inability to invest sufficiently in both people and capability, adversely affecting delivery of AWE's business objectives. • Cessation of some or all operations in the short/medium term. • Conducting existing business (programmes and projects) becomes increasingly difficult. • Loss of confidence by key stakeholders. <p>Mitigating actions</p> <ul style="list-style-type: none"> • Business Case Assurance capability within AWE to improve the effectiveness of Business Cases and work with the DNO and MOD as appropriate to secure funding in appropriate timelines. • Build and maintain strong relationships with MoD, and DNO to ensure appropriate prioritisation to AWE's programme requirements and governance of programme change. • Maintain processes to escalate and prioritise funding for safe and critical operations
Environment, Safety & Health Risk Owner Director ESH&Q	Failure to maintain safe and sustainable operational environment and prevent a major incident. AWE operations sites are inherently complex with many and varied hazardous operations and significant legacy issues that require continuous management of environmental, health, safety and sustainability issues.	<p>Potential Impact</p> <ul style="list-style-type: none"> • Restriction or delays to operations. • Worker fatality, serious injury or environmental release. • Increased cost resulting from fines or prosecution, recovery of operations. • Restriction to, or suspension of operations on some or all AWE sites <p>Mitigating actions</p> <ul style="list-style-type: none"> • Maintain Licence to operate controls. • Business continuity and emergency response capabilities established and exercised. • Continuing process of Periodic Review of Safety (PRS) across critical hazardous facilities. • Continuing programme of decommissioning plans to reduce net hazard of legacy facilities. • ESH&Q strategy delivery, including leadership behaviours, Culture of Care and Safety culture.

Principal Business Risk		Impact / Mitigation Actions
Quality Risk Owner Director ESH&Q	<p>Inadequate quality and process control and quality control assurance systems could lead to a failure to produce a product or output.</p> <p>Quality is a critical enabler to mission success and to Nuclear Safety, Security and Environmental Performance.</p>	<p>Potential impact</p> <ul style="list-style-type: none"> • Quality assurance and quality control failures. • Production-focused failure and defects, re-work, lost production time and reputational damage. • Restriction of some or all operations • Erosion in the MOD confidence in products delivered by AWE. <p>Mitigating actions</p> <ul style="list-style-type: none"> • AWE engagement survey actions plans driving changes in behaviour. • Maintain Quality training. • Supply Chain Quality Requirements for Suppliers • Learning Organisation Approach • Auditing compliance with quality processes/procedures/standards.
External Shock Risk Owner Executive Director Corporate Assurance & General Counsel	<p>Increased volatility in previously stable markets, uncertainties that follow political change or serious accidents, and changing views of Nuclear deterrence or nuclear operators.</p> <p>Views and opinions related to Nuclear deterrence programmes and Nuclear operators are changing and potential impacts arising from major events need to be understood and potential consequences managed.</p>	<p>Potential impact</p> <ul style="list-style-type: none"> • Significant change to the funding and scope of work. • Significant change to the requirement, schedule and programme of work. • Politically motivated regulatory change and increasing regulatory burden. <p>Mitigating actions</p> <ul style="list-style-type: none"> • Undertake geopolitical risk assessments as part of regular due diligence. • Established crisis-response and business resilience capabilities. • Strategy, PR, and government-relations teams.

Principal Business Risk		Impact / Mitigation Actions
Cyber Security – Data Loss & Loss of Information Services Risk Owner Chief Information Officer and Executive Director, Security	AWE is exposed to cyber-attack leading to denial of IS services and loss of data. Failure to keep up to date with the cyber-attack landscape as well as protecting from current conventional cyber risks could cause denial of IS services and loss of control of sensitive data.	<p>Potential impact</p> <ul style="list-style-type: none"> • Breach of IT security, denial or interruption of services. • Escape of sensitive information to the public domain. • Financial penalties from ICO for personal data breach. • Reputational damage to AWE <p>Mitigating actions</p> <ul style="list-style-type: none"> • Continual programme of upgrades to technology to respond to changing threats. • Effective IT and cyber controls • Routine cyber monitoring and analysis for potential anomalous activity • IT Business Resilience and incident response
Sustainability and Climate Change Risk Owner Director ESH&Q	Failure to mitigate, adapt and respond to the transitional consequences and evolving nature and scale of climate change, including exposure to more frequent extreme weather events, impacts on both our operating environment and our longer-term strategy including achieving net zero carbon. Insufficient identification and adaption to climate change and an inability to incorporate and implement changes restrict our transition to a low carbon way of working.	<p>Potential impact</p> <ul style="list-style-type: none"> • High cost of adapting to low carbon economy • Extreme weather disruption on operations, supply chain, resources and programme delivery • Environmental impact and regulatory non-compliance • Missed opportunities from not being an early adopter or pioneer • Global conflict, instability and civil unrest arising from climate migration <p>Mitigating actions</p> <ul style="list-style-type: none"> • Climate Transition Plan. • Climate Change Risk Assessments and Adaptation Planning • Decarbonisation of Heat & Implementation of Heating Strategy. • Sustainable Procurement Through Supply Chain Management.

Environmental Sustainability Report

The environmental data and associated financial costs presented in this section are consistent with the requirements of HM Treasury's Sustainability Reporting Guidance 2024 to 2025 and includes the Taskforce on Climate Related Financial Disclosure (TCFD), performance against the Greening Government Commitments (GGC) and Streamlined and Energy Carbon Reporting (SECR).

AWE introduced its first Environmental Sustainability Strategy (ESS) in 2019 with subsequent updates aligning to the MOD strategic approach to climate change and the GGC. It sets out AWE's vision and goals for becoming a more sustainable organisation against three themes: reducing carbon and adapting to climate change, implementing a circular economy and enhancing biodiversity. During FY25 the ESS was reviewed and updated to take stock of AWE as a business, reflect on achievements and identify how AWE can build on successes.

External benchmarking and workshops held with the AWE Senior Leadership Team and key stakeholders concluded that the three themes and related visions remain valid. The review has extended the scope of the ESS to include other AWE locations and refined key supporting activities.

Underpinning the three themes are the UN Sustainable Development Goals (SDGs) which provide a blueprint to achieving a better and more sustainable future for all. AWE has identified and prioritised those key SDGs that it will contribute towards; SDG 12 responsible consumption, SDG 13 climate action and SDG 15 life on land.

Task Force on Climate-related Financial Disclosures (TCFD)

Introduction

This disclosure summarises progress in implementing the TCFD recommendations, and planned actions for the year ended 31 March 2026.

The TCFD was established in 2017 by the Financial Stability Board and set out eleven recommendations aligned to four pillars for climate reporting.

- **Governance:** Disclose the organisation's governance around climate related risks and opportunities.
- **Strategy:** Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.

- **Risk management:** Disclose how the organisation identifies, assesses, and manages climate-related risks.
- **Metrics and targets:** Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 amend sections 414C, 414CA and 414CB of the Companies Act 2006 to place requirements on certain publicly quoted companies and large private companies to incorporate TCFD aligned climate disclosures in their annual reports. Alongside this, in December 2024, HM Treasury finalised “TCFD-aligned disclosure application guidance” in consultation with the Financial Reporting Advisory Board (FRAB), requiring UK Government departments and larger arms-length bodies (ALBs) to incorporate TCFD aligned climate disclosures in their annual reports. AWE’s disclosure has been prepared to align with both sets of requirements.

AWE has reported on climate-related financial disclosures consistent with HM Treasury’s TCFD-aligned disclosure application guidance, which interprets and adapts the framework for the UK public sector. Disclosures have been made against all recommendations under the four TCFD pillars, Governance, Strategy, Risk Management, and Metrics and Targets. AWE will continue to further develop and enhance reporting and disclosures on Strategy, Risk Management and Metrics and Targets in future reporting periods.

Key Disclosure Milestones for FY25

Whilst activities are already underway to decarbonise the estate, understand risk and build climate resilience, it is recognised that a more structured approach is required to build upon this. To this end, a Climate Transition Plan (CTP) has been prepared in-line with Transition Plan Taskforce guidance. This provides a framework delivery plan for coordination across key areas of activity, clarifying delivery and accountability. It brings together management and coordination of both climate mitigation and adaptation activities within a single risk management plan.

The CTP was developed through a series of workshops involving parts of the organisation that have the greatest influence on mitigating carbon emissions and managing climate risk. Identified actions have been categorised across eight climate transition themes:

- Greening the site
- Net zero operations
- Net zero supply chain
- Financing the transition
- Building climate resilience
- Governance and planning
- Measurement and reporting

- Sustainable behaviours

The CTP is a 'live' document, which will be updated annually to ensure ongoing alignment with the ESS and wider AWE commitments; it feeds into the annualised targets used to track progress and delivery, with performance reported through Tier 1 and 2 KPIs which are reported at Executive and Board Level. Ownership and ongoing delivery for AWE's sustainability commitments is assigned at Executive level.

External climate risk specialists continue to support AWE, with particular focus on performing both qualitative and quantitative scenario analysis.

Key areas of focus for FY26

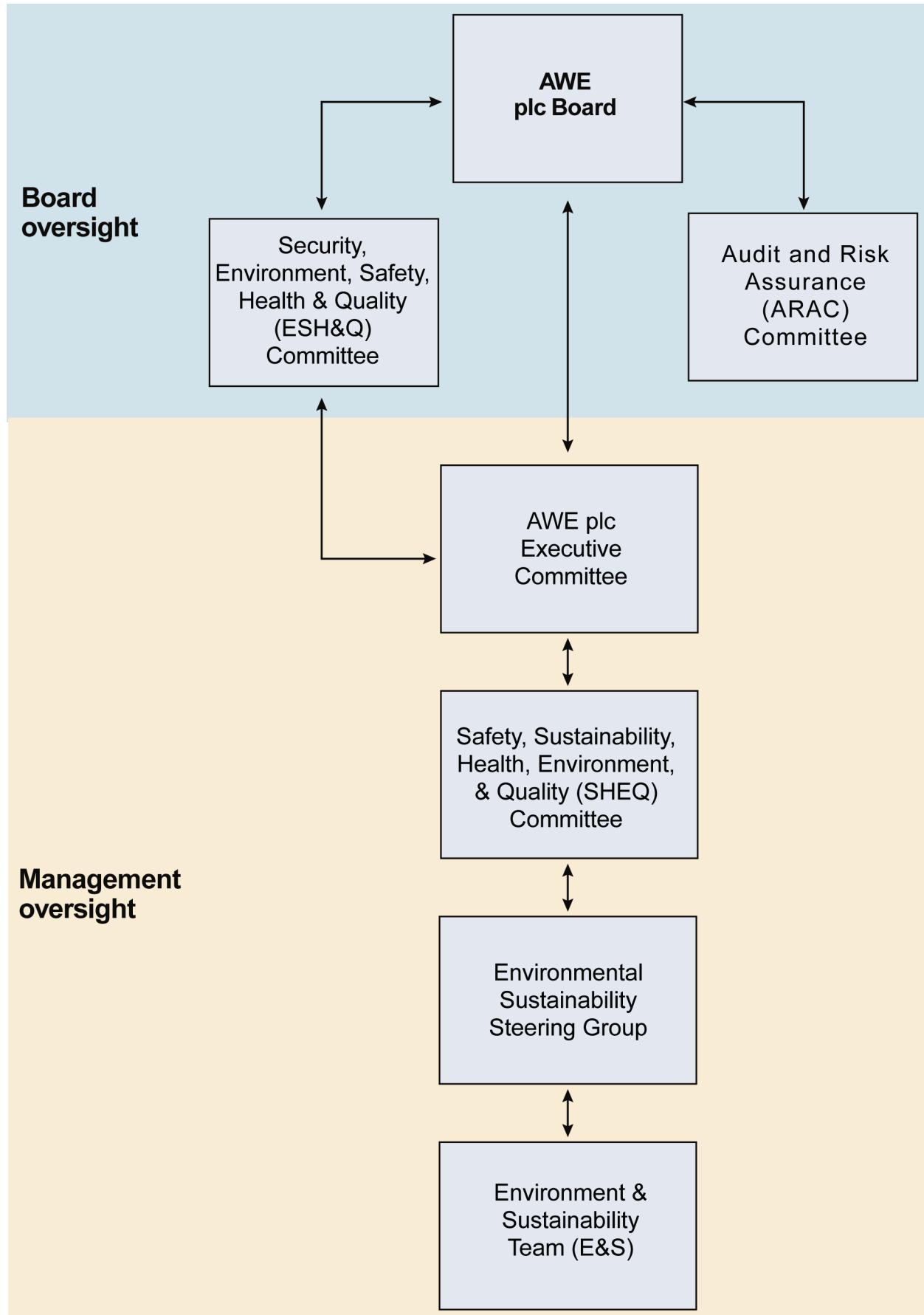
Over the next year work is planned on the following areas to continue to progress the maturity of AWE's TCFD implementation including:

- Expand awareness of climate related risks across the organisation
- Coordinate delivery of the climate transition plan (CTP); through implementation of Sustainability Plans to embed sustainability and delivery across the business
- Widen climate risk scenario analysis to further quantify physical and transition risks, including costs of inaction, drawing on qualitative risks already identified
- Continue to evolve the climate risk register and further embed the climate risk identification process
- Expand metrics and targets to monitor climate risks and opportunities beyond GHG reduction

Governance

AWE's strong system of governance is essential to making progress against the ESS and implementation of the Climate Transition Plan. To meet its obligations the Board has established seven Board committees with advisory, scrutiny or decision-making delegated authority, of which two work closely on the monitoring and management of climate-related risks.

Figure 1: AWE's Climate-related Risk Governance Structure



Board Oversight of Climate Related Risks

The Board's responsibilities include: ensuring safety, security and environmental responsibilities are carried out in accordance with AWE's nuclear site licence conditions, authorisation conditions and environmental permitting requirements; proposing the AWE plc business strategy to the MOD as shareholder; setting the culture and providing leadership direction; providing assurance on the significant commitments AWE plc makes to the MOD customer; providing oversight of management of delivery; and setting and overseeing the control framework within AWE delegations.

The Board have ultimate responsibility for governance of the climate change risk within the organisation and have responsibility for approving the TCFD disclosure. The Board also approved the Business Plan Strategic Milestone to produce the Climate Transition Plan.

As is commonly the case for companies of AWE's size and complexity, the Board has delegated some of its powers to the CEO and Executive Committee of AWE plc which in turn has delegated some of its authority to other governance meetings.

The SESH&Q Committee provides independent scrutiny on behalf of the Board, of the arrangements in place for the management of security, environment, sustainability, safety, health, and quality matters at AWE. Climate change is one of the strategic risks overseen by the SESH&Q Committee who meet on a quarterly basis. Both AWE Executive and Non-Executive Directors attend the SESH&Q Committee. Climate change risk and progress against the CTP and associated KPIs is a regular agenda item and will remain so in the future. The Sustainability and Climate Change Risk was also considered as part of the agenda for the Board Risk Day.

Management Oversight of Climate-related Risks

The SHEQ Executive Director chairs the Safety, Sustainability, Health, Environment & Quality (SHEQ) Board and is the owner of the climate change risk. The SHEQ Board provides guidance, direction and assessment of environment, sustainability, safety, health and quality performance, including the development and progress of the ESS and the CTP and tracking progress against the commitments made in the CTP and monitoring issues and risks. This includes carbon and climate change targets that have been agreed for mitigating and managing the risk. The SHEQ Board meet on a quarterly basis. Progress against the Sustainability and carbon targets is discussed at each meeting.

The Environmental Sustainability Steering Group is chaired by the Head of Environment and meets monthly. Progress against the annualised sustainability targets including the carbon and climate change targets is monitored including improvements against the alignment of the TCFD recommendations.

Acknowledging the increasing importance of Sustainability a new Director of Environment and Sustainability has been appointed, reporting directly to the SHEQ Executive Director to elevate the importance of sustainability. Previously Environment and Sustainability was the accountability of the ESH Director. The Director of Environment and Sustainability is responsible for embedding sustainable practices into all aspects of our operations, fostering innovation and ensuring compliance with evolving environment and sustainability standards. This includes a Business Milestone to *Evolve Climate Transition Plan to empower ownership and delivery*.

Strategy

Approach to defining climate risk

Climate change is a strategic risk for AWE, and the risks and opportunities it poses have strategic implications for the business. AWE plays a fundamental role in the CASD and defence of the United Kingdom. However, AWE must simultaneously decarbonise its operations to comply with increasing regulation supporting the UK's statutory target of a net zero economy by 2050. This includes minimising exposure to transition risks such as changing regulations and adapting to the physical effects of climate change to ensure continued operations. AWE's ESS provides the framework to enable AWE to become a more sustainable business, including the intention to achieve Net Zero Carbon by 2050 and become a climate resilient organisation.

In FY25 AWE developed an internal Climate Transition Plan, building on the prior Carbon Management Strategy. This Plan was developed in line with the best practice principles of the Transition Plan Taskforce. It was created to define the implementation mechanisms for AWE's climate strategy, both in terms of climate adaptation and GHG mitigation. This Transition Plan was formally adopted by AWE's Executive Committee in February 2025; it now forms a central framework for coordinating future implementation activities across the organisation.

AWE has the potential to be impacted by the physical impacts of climate change due to extreme weather events such as storms and flooding or longer-term changes in weather patterns such as sustained higher temperatures. In addition, climate change transition risks from moving towards a low carbon economy may also have an impact, including increasing regulations, increasing carbon taxation and impacts on supply chain including construction, transport and plant.

Physical risk detail

To understand the component risks under this broad strategic risk, specific climate-related risks and opportunities have been identified using the Defence Infrastructure Organisation (DIO) Climate Impact and Risk Assessment Methodology (CIRAM). This methodology identifies the physical climate risks posed by current and projected impacts of climate change and extreme weather events.

The methodology utilises the UK Climate Projections (UKCP18) and assessments are undertaken against two scenarios: RCP2.6 which is compatible with aims to limit global warming compared to pre-industrial levels to well below 2°C, in line with the Paris Agreement and RCP8.5: considered to be a reasonable worst-case scenario with an increase of around 4.3°C by 2100 above pre-industrial temperatures.

Long-term timescales are used in order to span the design life of new build project including operations and decommissioning. The output of these assessments is used to inform adaptation measures and design decisions. Further to this, climate related risks are assessed under the external hazard assessments of Safety Cases.

More frequent or intense floods and storms could affect the health and safety of our people, damage assets and affect the continuity of operations. Impacts could include damage to infrastructure and access roads; flooding at operational sites; rainwater ingress due to heavy rainfall; disrupted transportation and supply chains; damage to energy infrastructure; discharges of untreated water into surrounding areas.

Higher temperatures during more frequent heatwaves present risks to the workforce's health and productivity. These challenges include heat-related illnesses and potential impairment of decision-making capacities. The heightened energy demand during these heatwaves may place pressure on operational machinery and equipment impacting internal energy demand and cooling systems. Drought conditions can lead to a shortage of water, which is important for welfare facilities and operations reliant on water, including supplier operations.

Building on the output from the CIRAM assessment during FY25 an impact pathway mapping exercise was undertaken to start identification of the potential financial risks associated with an increase in capital and operational expenditure and disruption to operations.

Work has also commenced on quantitative scenario analysis with a focus on the impact that physical climate risks may have on the supply chain and the broad implications for AWE's operations. Three scenarios based on the IPCC's 6th Coupled Model Intercomparison Project have been used. The output from this work is currently being assessed to understand the potential operational and financial impacts.

Transition risk detail

Regulatory change as the UK transitions to a net zero economy poses a risk to operational expenditure. For example, increased operating costs due to the broadening in scope of the UK Emission Trading Scheme, withdrawal of free allowances from UK Government, increasing cost of carbon allowances, or early retirement of existing assets where emissions reduction is not economically viable.

AWE already participates in the UK Emissions Trading Scheme (UK ETS) and has a GHG Emissions Permit for emissions of carbon dioxide from combustion plant. Under the scheme AWE is required to purchase additional carbon allowances equating to 3% of total energy cost. During FY25 quantitative scenario analysis has been undertaken to understand potential future costs.

Future scenarios for price increases were determined using both UK-specific data from the Department for Energy Security and Net Zero (DESNZ) and global data from the International Energy Agency (IEA). This brings together internationally comparable, TCFD-aligned scenarios for changes in energy mix and carbon pricing policy with UK tailored projections.

Initial conclusions suggest that the cost of future purchases and carbon taxation will remain a small proportion of total energy costs out to 2050, although may add 13% to energy costs under IEA's Net Zero Emissions scenario. Following a steady state emissions trajectory in which AWE does not decarbonise operations is also expected to incur significantly higher allowance purchase costs than if AWE followed a net zero-aligned decarbonisation trajectory. There may also be reputation risk to AWE if management is perceived to have made an insufficient response to climate-related risks. This risk is relevant to AWE's reputation and relationship with the MOD, UK Parliament, and the wider public.

Transition opportunities

AWE's CTP outlines how the ambitious new build programme provides significant opportunity for the construction of sustainable buildings compatible with Net Zero, improving energy efficiency, reducing future running costs and improving building resilience. Key areas of focus include contracting for low carbon, moving towards diesel free sites, reducing both the most carbon intensive concrete and steel in new infrastructure. AWE is progressing a solar farm project with support from specialist contract resources

Impact on AWE's strategy and financial planning

AWE will continue to monitor the evolution of climate-related risks via scenario analysis and impact quantification to inform strategic decision making for future operations, including the financial impacts and enhanced understanding of the long-term cost of inaction.

Risk management

The approach to climate risk management is embedded within the existing Enterprise Risk Management (ERM) processes.

Risk Identification

AWE's strategic risk was developed using an approach consistent with TCFD and Government guidance including the NAO and HM Treasury. It includes both physical and transitional risks because of climate change. The physical risk resulting from climate change are identified through the CIRAM process also outlined in the Strategy section above. New build projects also undertake CIRAM assessments to help inform the design process.

There is also a defined process for identifying and responding to emerging sustainability-related legislation, in line with ISO14001:2015. The environmental subject matter experts meet quarterly to discuss any changes to the regulatory landscape and monitor changes through a Compliance Obligation Register.

Risk Management

Due to the cross-cutting nature of climate change and impact this has on other risks, Executive Leadership have formally defined climate change as a Strategic Risk, which consequently, faces greater scrutiny. All Strategic risks are assessed based on likelihood and impact. Climate Change has been ranked a "medium" level risk after controls and mitigations in the short-medium term (2030) and longer term recognises the uncertainty of climate related risks under different climate scenarios.

The Climate Transition Plan identifies the key activities over the short and medium term for managing the risk and reducing the overall risk score. These activities form the FY26 carbon and climate change targets. Owners have been assigned for each of the targets including an Executive Director Sponsor.

Reporting of performance against the carbon and climate change targets and therefore action for mitigating and managing the risk are monitored via KPIs which are reported to the Executive on a monthly basis and to the Board bi-monthly.

A sustainability dashboard is used to centrally monitor and report the status of each of the targets and key metrics. This covers the three themes of the ESS: reducing carbon, implementing the circular economy, and enhancing biodiversity.

Climate risk integration

AWE has an existing risk management framework in which climate is embedded. Active Risk Manager (ARM) is a corporate risk monitoring tool and holds all reportable risk registers from the Strategic risks and those from the Programme, Functional and

Operational areas. A dedicated climate risk register is being prepared, this will be further developed to aid the full integration of climate risk with AWE's existing enterprise risk and management processes described above.

Metrics and targets

To assess progress against the implementation of the ESS and CTP metrics and targets are monitored and reported.

Targets

The ESS includes a long term 2050 vision for becoming a more sustainable organisation. The strategy documents the management framework in place for delivery and sets interim goals for 2025, 2030 and 2040, adopting an epoch approach that aligns with the MOD Strategic Approach to Sustainability and Climate Change and the GGC (2021-2025).

Annualised targets are set against the three environmental sustainability themes of: reducing carbon emissions; enhancing biodiversity and implementing the principles of the Circular Economy. This approach ensures continuous progress towards the interim goals. In response to the new Business Plan strategic milestone to evolve the Climate Transition Plan, each business area will develop their own Sustainability Plan with actions aligned to the ESS and CTP. Owners will be assigned for each of the targets including an Executive Director Sponsor and reporting of progress via tiered KPIs. This approach will embed ownership and accountability across the business.

GHG Emissions

AWE has set a target to achieve Net Zero emissions across the value chain by 2050 and Net Zero for Scope 1 and 2 emissions by 2040. This is supported by interim reduction targets following the Science Based Targets Initiative (SBTi) net zero target methodology for Scope 1 and 2 emissions.

AWE discloses GHG emissions and a variety of other metrics under GGC performance and mandatory Streamlined Energy and Carbon Reporting (SECR). As part of this, Scope 1, 2 and Scope 3 Category 6 Business Travel have been disclosed in more detail in that section on page 41.

AWE has continued to baseline and refine understanding of Scope 3 emissions from the wider value chain, which are several times greater than Scope 1 and 2 emissions. This is not unusual for organisations the scale of AWE. The GHG Protocol Corporate Value Chain (Scope 3) Standard has been followed. Of the 15 Scope 3 categories, category 1 purchased goods and services and category 2 capital goods are the most significant

and a carbon footprint software tool is being used to interrogate this data further. This will enable future targets to be set.

During FY24 an exercise was undertaken to assess the alignment of Strategic Rank (SR) 1 suppliers (~35) to AWE's environmental sustainability values including commitment to Net Zero by 2050. This determined that 70% of SR1 suppliers have made a commitment to Net Zero Carbon by 2050. During FY25 this exercise was applied to Strategic Ranks 2 (~75) suppliers, this demonstrated that 46% have made a commitment of Net Zero 2050.

Regular engagement with the supply chain on sustainability and climate-related issues is undertaken. Meetings with key service providers are held on a quarterly basis to identify and implement initiatives that reduce environmental impact and support the sustainability goals.

Alongside GHG Emissions, AWE monitors and reports on broader environmental sustainability metrics which are disclosed under the GGC below.

Environmental Metrics

Further monitoring includes performance against carbon compliance schemes which relate to the risks and opportunities outlined in the Strategy section above. For example, the Aldermaston site is subject to a GHG Emissions Permit and participates in the UK ETS. 80% of Scope 1 emissions are required to be reported under the scheme and purchased carbon allowances surrendered at a value of £613,340, for 2024¹ emissions (based on the 2024 calendar year purchased price of carbon allowances). Furthermore, energy efficiency improvements completed during FY25 have saved 9,514,949 kWh/year which has an equivalent value of £1,048,378 and 2059 tCO₂e saved.

Performance against the GGC

The following section provides a summary of performance against the overarching GGC 2021-2025 for the period 1st April 2024 to 31st March 2025 (FY25). Improvements continue to be made to the collection and reporting of data to ensure it meets the reporting requirements. Unless otherwise stated the data is reported for AWE's designated sites Aldermaston, Burghfield and Blacknest.

¹ Reportable emissions for UK ETS are based on calendar year.

Mitigating Climate Change: Working towards net zero by 2050

Headline GGC Target - Reduce Overall GHG Emissions from 2017-18 baseline²

Table 1 provides a summary of Scope 1 and Scope 2 emissions from operations at AWE designated sites Aldermaston, Burghfield and Blacknest (including other satellite locations) and Scope 3 emissions from energy transmission and distribution losses and business travel. Emissions have also been reported for upstream leased properties separately. This data is also reported in fulfilment of the Requirements SECR. To minimise duplication the GGC and SECR data has been consolidated into one table.

Quantification and Reporting Methodology

GHG emissions are reported as tonnes of carbon dioxide equivalent (tCO₂e) and have been calculated using the 2024 UK Government GHG conversion factors published by the Department for Energy Security and Net Zero (DESNZ), unless otherwise stated. AWE has followed the GHG Emissions Protocol and HM Government Environmental Reporting Guidelines with respect to SECR. An operational approach has been used to define the boundary and emission scopes.

Scope 2 emissions from purchased electricity are reported using the location-based and market-based methodologies. The location-based method reflects the average emissions intensity of the grid on which energy consumption occurs and uses the UK Government GHG conversion factors. The market-based method reflects emissions from electricity that companies have purposefully chosen. As of April 2019, AWE's purchased electricity has been a "Renewable Backed Supply" through participation in the 'Renewable Energy Guarantees of Origin' (REGOs) scheme, emissions are therefore reported as zero.

The primary source for gas and electricity data is supplier invoices. Where invoices are not in line with the financial year a pro rata calculation has been used to estimate the usage which falls within the reporting period. Where upstream leased assets are not directly invoiced, landlord supplied data is used or an estimate is used based on the size and type of premises and CIBSE energy benchmarks applied. Propane usage is based on delivered quantities and is reported under other gaseous fuels. Liquid Petroleum Gas (LPG) is based on the estimated annual usage used in UK ETS reporting and reported under other fuels.

² The Department for Energy Security and Net Zero (DESNZ) have not specified a specific target for AWE.

Fuel used in AWE vehicles (Scope 1) has been calculated from the litres used taken from both on-site dispensing records and fuel card data. Grey Fleet (Scope 3) transport data for private vehicles was calculated using mileage claim data and emissions factors for average vehicle of unknown fuel type. Emissions from hire cars were calculated from either litres used or estimated mileage and average vehicle types. Flight data was calculated using the distance, flight type (domestic, short haul, long haul) and class of travel as provided by the travel provider.

Carbon data reported against the requirements of SECR, including energy, travel and transport is externally assured by a Carbon Management Consultant. The scope of this assurance exercise included the validation of the final energy and emissions data and reviewed the following areas: data collection and methodologies, emission factors used, assumptions and estimations used, documentation and processes and communication and reporting.

Where data is reported for the UKETS, there has been additional third-party verification as required by the regulations. Figures have been rounded to the nearest whole number.

Table 3 – GHG Emissions for AWE Designated Sites

GHG Emissions AWE Designated Sites - Scope 1, 2 and 3 GHG Emissions from Energy

		Financial Year – 1 April to 31 March					
		2024/25	2023/24	2022/23	2021/22	2020/21	Baseline 2017/18
Non-Financial Indicators tCO₂e	Total Scope 1	34,813	32,871	32,727	35,003	37,130	40,317
	Natural Gas	33,012	30,911	31,847	33,687	35,116	37,360
	Other gaseous fuels	2	2	2	1	1	
	Liquid fuels	668	1,136	258			
	Fuel for AWE vehicles	560	517	534	616	648	921
	Fugitive Emissions	570	305	87	699	1,366	2,036
	Total Scope 2 – Purchased Electricity Location based	29,568	27,069	26,352	28,645	31,061	43,282
	Total Scope 2 – Purchased Electricity Market Based	0	0	0	0	0	43,282

		Financial Year – 1 April to 31 March					
		2024/25	2023/24	2022/23	2021/22	2020/21	Baseline 2017/18
	Total Scope 1 and 2 Location Based	64,381	59,940	59,079	63,678	68,191	83,599
	Total Scope 1 and 2 Market Based	34,813	32,871	32,727	35,033	37,130	83,599
	Scope 3 – T&D Losses Location Based	2,558	2,342	2,411	2,535	2,671	4,047
	Scope 3 – T&D Losses Market Based	0	0	0	0	0	4,047
Related Energy Consumption kWh (000s)	Natural Gas	180,492	168,978	174,463	183,923	190,983	202,860
	Purchased Electricity	142,804	130,780	136,297	134,908	133,228	123,115
	Other gaseous fuels	9,722	8	8	6		
	Liquid fuels	2,650					
	Fuel for AWE vehicles	2,348					
Gross Expenditure (£000)	Energy	45,722	36,003	27,279	21,185	20,401	16,338
	Off Sets	0	0	0	0	0	0

GHG Emissions Scope 3 from Business Travel

		Financial Year – 1 April to 31 March					
		2024/25	2023/24	2022/23	2021/22	2020/21	Baseline 2017/18
Non-Financial Indicators tCO₂e	UK Vehicle Hire	166	284	245	137		
	Private mileage claims	183	199	159	99		
	Rail	62	50	27	11		
	Domestic Air Travel	249	217	155	46		
	Domestic Air Travel Distance – km's	912,182	795,155				
	International Air Travel (Short Haul)	291	209	132			
	International Air Travel (Short Haul) Distance – km's	1,592,460	1,129,302				
	International Air Travel (Long Haul)	9,133	8,543	5,377			
	International Air Travel (Long Haul) Distance – km's	30,905,495	26,674,099				
Gross Expenditure (£000)	Business Travel	13,058	11,775	8,888	2,077		

SECR Intensity Measurements

		Financial Year – 1 April to 31 March					
		2024/25	2023/24	2022/23	2021/22	2020/21	Baseline 2017/18
SECR Intensity Measurements	Total SECR kWh's '000s	327,130	303,892	314,615	321,741		
	Total SECR Emissions tCO ₂ e - Location Based	66,049	61,324	61,548	65,556		
	Total SECR Emissions tCO ₂ e – Market Based	33,923	31,913	32,786	34,379		
	Intensity Measurement m ² Floor Area	568,999	568,999	569,531	593,620		
	Intensity Ratio location based tCO ₂ e/m ² Floor Area	0.1161	0.1078	0.1081	0.1104		
	Intensity Ratio market based tCO ₂ e/m ² Floor Area	0.0596	0.0561	0.0576	0.0579		

Table 4 – GHG Emissions for AWE Leased and Licensed Sites

GHG Emissions AWE Upstream leased locations - Scope 1, 2 and 3 GHG Emissions from Energy

		Financial Year – 1 April to 31 March		
		2024/25	2023/24	2022/23
Non-Financial Indicators tCO₂e	Total Scope 1 – Natural Gas	0	0	0
	Total Scope 2 – Purchased Electricity Location based	133	12	5
	Total Scope 2 – Purchased Electricity Market Based	104	7	5
	Total Scope 1 and 2 Location Based	133	12	5
	Total Scope 1 and 2 Market Based	104	7	5
	Scope 3 – T&D Losses Location Based	12	1	0
	Scope 3 – T&D Losses Market Based	9	1	0
SECR Intensity Measurements⁵	Total SECR kWh's '000s	643	58	27
	Total SECR Emissions tCO ₂ e - Location Based	145	13	5
	Total SECR Emissions tCO ₂ e - Market Based	113	7	5
	Intensity Measurement m ² Floor Area	8,950	903	103
	Intensity Ratio location based tCO ₂ e/m ² Floor Area	0.0162	0.0144	0.0533
	Intensity Ratio market based tCO ₂ e/m ² Floor Area	0.0126	0.0074	0.0486

AWE aims to achieve net zero carbon (GHG) emissions across the value chain by 2050 and net zero for scope 1 and 2 emissions by 2040. GHG reduction targets for Scope 1 and 2 emissions are aligned to the Science Based Target Initiative (SBTi) methodology for setting net zero targets. Both short-term and long-term targets are set and cover the AWE designated sites Aldermaston, Burghfield and Blacknest.

Since setting its SBT in 2019, AWE has achieved its annual carbon reduction targets. However, in FY25 there has been an increase in overall scope 1 and 2 GHG emissions

and the annual reduction target was not achieved. This was primarily due to an increase in electricity usage. As of March 2025, AWE has achieved a 23% reduction in GHG emissions against the FY18 baseline. These are ambitious targets, and AWE remains committed to reducing GHG emissions aiming to achieve a 50% reduction in scope 1 and 2 emissions in 2030.

AWE is on a REGO backed electricity supply and is therefore able to report emissions as zero using the market-based methodology. However, AWE's reduction targets are set using the location-based methodology which uses the grid averages. This is to drive the right behaviour and to strive to improve energy efficiencies and demonstrate decarbonisation.

The implementation of energy efficiency improvements has continued throughout FY25 including:

- HVAC System upgrades saving 4,546,828 kWh/year and 902 tCO2e
- Steam pipe lagging saving 3,399,444 kWh/year and 625 tCO2e
- Fault repairs identified during audit saving 877,716 kWh/year and 161 tCO2e
- LED Lighting upgrades saving 53,504 kWh/year and 12 tCO2e

There has been an on-going programme of energy audits to identify further opportunities. Work has continued to progress the solar farm and implementation of site heating recommendations and electrification of heating. This will be a significant step towards achieving the 2030 target.

Reducing Emissions from AWE Fleet Vehicles

AWE owned vehicles are fuelled with diesel. In support of the GGC for 100% of the government car and van fleet to be fully zero emissions at the tailpipe by 31 December 2027 AWE has a plan to transition to Ultra Low Emission Vehicles (ULEV). This includes the implementation of electric vehicle (EV) charging infrastructure. Progress has continued with the installation of 100 EV charging point with beneficial use expected in 2025. AWE's site-based car hire pool fleet is provided by a third-party supplier, the cars provided are a mixture of mild hybrids (36.5%), petrol (44%) and diesel (19.5%).

Reducing Emissions from Domestic Flights and Travel Policy

Carbon emissions from domestic flights continues to be below the 2017-18 baseline (954 tCO2e) and the GGC target of a 30% reduction has been maintained, however emissions from domestic flights have increased compared to FY24, as have international business flights. AWE is currently reviewing its Travel Policy which will include additional details on sustainable travel options and is in process of developing material to help raise awareness on the impact of business travel on GHG emissions and to encourage more sustainable travel behaviours.

Carbon Offsets

Carbon offsets are not purchased. AWE's purchased electricity is a "Renewable Backed Supply" through participation in the REGOs scheme.

Minimising waste and promoting resource efficiency

Headline GGC Target – Reduce the overall amount of waste generated by 15% from the 2017-18 baseline.

AWE is a diverse organisation that produces a wide range of wastes including radioactive, aqueous, gaseous, and explosive waste types.

Radioactive waste is minimised through the application of Best Available Technique (BAT) and discharges are made in compliance with the Environmental Permits, regulated by the Environment Agency.

For this report, 'controlled wastes' have been reported, defined as wastes arising from conventional operations, such as offices, maintenance, laboratories and workshops, that is neither radioactive, explosive, aqueous or gaseous discharges. Construction waste management is covered in under the section on Sustainable Construction.

Table 5 shows the overall operational controlled wastes categorised by the waste hierarchy. Hazardous waste quantities and expenditure has also been reported.

Whilst there has been a small increase in the quantity of controlled waste generated over the last 12 months compared to last year, AWE has achieved a reduction of 14.9% against the 2017/18 baseline. It is acknowledged that the overall quantity of waste generated fluctuates as operations increase and due to the removal of assets that are no longer required and disposal of legacy wastes as operations modernise and prepare to move into the new facilities that are being built. AWE continues to embed the principles of a circular economy and identify opportunities to re-use and recycle. In FY25, the landfill diversion rate was 99% and the reuse and recycle rate was 71% for controlled waste resulting from business as usual.

Table 5 – Waste Management Performance

	Financial Year – 1 April to 31 March					
	2024/25	2023/24	2022/23	2021/22	2020/21	Baseline 2017/18
Controlled Waste ³ (tonnes)	1947	1689	3,446	1,662	1,425	2,287
Reused Waste (tonnes)	229	161	131	57	99	319
Recycled Waste (tonnes)	1152	1043	2,901	1,163	945	1,270
Recovered Waste (tonnes)	39	38	334	352	304	431
Recovered (Energy from Waste) (tonnes)	370	3	-	-	-	-
Disposed (Incineration) (tonnes)	155	103	-	-	-	-
Disposed (Landfill/other) (tonnes)	3	1.5	80	90	77	267
ICT Waste (tonnes) ⁴	26	27	27	15	16	32
Food Waste (tonnes) ⁵	32	18	9 ⁶	Not previously recorded.		
Hazardous waste ⁷ (tonnes) ⁸	477	407	Not previously reported as a separate category.			
Gross Expenditure (£000) (Includes Waste Contract Costs & Electronic Media Shredding and hazardous waste)	1,185	1,164	988	851	780	-
Hazardous waste costs ⁹ (£000)	311	27	Not previously reported as a separate category			

During FY25, AWE has continued to work with its catering supplier ESS to segregate and record the quantities of food waste from the Aldermaston site canteen and coffee shops. Trial food waste collections have also been undertaken in high occupancy

³ Asbestos and asbestos containing materials have been excluded from this data as at present these wastes can only go to landfill in the UK.

⁴ ICT waste is included within overall controlled waste figures.

⁵ Food waste is included within the overall controlled waste figures.

⁶ Food waste was first recorded in November 2022.

⁷ Hazardous waste is included within the overall controlled waste figure.

⁸ Hazardous waste removed from site by waste contractors and DESA where it is deemed to be an asset.

⁹ Cost of hazardous waste removed by waste contractor. Hazardous waste removed by DESA is at no additional cost to AWE.

facilities. Approximately 31.7 tonnes of food waste have been sent for anaerobic digestion.

ICT waste is removed from site via a Defence Equipment Sales Authority (DESA) contractor and is taken away for checking, repairing and reuse.

Reducing Paper Usage

Printer paper continues to dominate AWE paper office supply, averaging around 77% of all paper products that it purchases. The data in Table 6 represents the volumes of printer paper purchased for A3 and A4 reams. AWE only started recording this purchasing data in FY21. However, AWE's paper printing records do go back to 2017/18 and whilst analysis of that data shows a similar recent trend of increased paper printing, it also shows that compared to the baseline 2017/2018 year there has been a 50% reduction in printing, despite an increasing workforce size.

Table 6 – Printer Paper Purchased

	Financial Year – 1 April to 31 March				
	2024/25	2023/24	2022/23	2021/22	2020/21
A3 Paper Total No. Reams (500 sheets per ream)	769	444	488	1,490	1,790
A3 Paper Total No. Boxes (5 reams per box)	154	89	98	298	358
A4 Paper Total No. Reams (500 sheets per ream)	11,139	8,768 ¹⁰	8,560	10,726	9,684
A4 Paper Total No. Boxes (5 reams per box)	2,127	1,754 ¹¹	1,712	2,145	1,936

Removing Single-Use Plastics

AWE has removed all Single-Use Plastics (SUP), as defined by UK legislation. The focus of this has been in the canteen. All cutlery is either washed and reused or is wooden, take away boxes are made from compostable materials and condiment sachets have been replaced with refillable dispensers.

¹⁰ Previously reported as 8,658 in FY24. Updated to reflect more accurate reporting.

¹¹ Previously reported as 1,732 in FY24. Updated to reflect more accurate reporting.

AWE has continued to work with its service partners to reduce the levels of Consumer Single Use Plastics (CSUP) in its office stationery, cleaning and catering supply chains. It is estimated that now only 8% of products procured in these areas could be classified as a CSUP and that the volume of those CSUP items procured in these areas has reduced by 6% in the last three years.

Re-Use Schemes

AWE has created its own SharePoint Reuse site that is available to all employees to maximise the use of MoD assets, reduce the amount of waste produce and reduce the number of products consumed. Since the beginning of FY22 AWE has rehomed over 100 separate items using this platform.

Reducing finite resource consumption and water use

Headline GGC target – Reduce water consumption by at least 8% from the 2017-18 baseline

Water is abstracted from on-site boreholes at the Aldermaston and Burghfield sites. There is also a mains water supply at Aldermaston and Blacknest. Most of the water is used for welfare supplies (i.e., provision of water for staff), however there is some process use, notably within the site boiler houses and the raising of steam for site heating purposes. There has been a 24% reduction against the baseline. Direct Scope 1 and 2 water consumption is shown in Table 7. Scope 3 indirect water consumption from the wider value chain is not currently measured.

Table 7 – Water Consumption from AWE Designated Sites

	Financial Year – 1 April to 31 March					
	2024/25	2023/24	2022/23	2021/22	2020/21	Baseline 2017/18
Aldermaston Borehole Abstraction m ³ Scope 1 Water controlled by the organisation	510,291	491,189	457,296	496,304	483,221	603,826
Burghfield Borehole Abstraction m ³ Scope 1 Water controlled by the organisation	150,997	148,178	181,986	146,567	214,147	165,706
Aldermaston Main Water Supply m ³ Scope 2 Water - purchased water	55,047	112,896	178,840	129,713	116,333	177,653
Blacknest Main Water Supply m ³ Scope 2 Water - purchased water	8,268	7,560	7,310	6,034	4,739	1,316
Total m³	724,603	759,823	825,432	778,618	818,440	948,501
Gross Expenditure (£) (Purchased Water)	117,717	193,283	244,883	189,005	163,631	198,383

Sustainable Procurement

AWE undertook a gap analysis against International Organisation for Standardisation (ISO) 20400: Sustainable Procurement in 2022. Following the gap analysis, an improvement plan was produced, which led to actions on updating documentation including the implementation of a sustainable procurement policy, reassessing drivers of sustainable procurement, and communication and training plans to educate commercial staff on how to procure sustainably. In FY26, AWE will re-evaluate its arrangements against the same standard to identify additional improvement opportunities to further embed sustainable procurement practices into Commercial arrangements and business processes.

Environmental compliance and sustainability approaches are evaluated throughout the tender process for all relevant procurements and during supplier onboarding, to ensure AWE works with suppliers who share its values. In addition, Social Value forms part of the award criteria for competitive procurements and is evaluated by experts in environment, ethics and people management to support the Commercial team. Further advancements are planned in FY25/26 for additional sustainability and social value

metrics to be embedded into contracts, enabling AWE to monitor and report on advancements.

A collaboration forum has been set up for onsite suppliers, to advance our collective sustainable practices and reduce our environmental impacts across all of AWE's three key sustainability themes.

Nature Recovery

AWE is committed to protecting and enhancing the biodiversity of the estate it manages,¹² and published its Nature Recovery Plan (NRP) in 2022. The NRP sets out how AWE's Vision, Goal and Objectives relating to enhancing biodiversity will be achieved. AWE continues to progress implementing its NRP, key areas of focus include:

- **Engaging with external stakeholders:** AWE is an active participant of both the Landowners Working Group of the Local Nature Recovery Strategy and the UK Nuclear Ecology Peer Group (which includes biodiversity leads from across the nuclear sector). These interactions help ensure our actions taken to enhance biodiversity both complement wider regional goals and reflect best practice.
- **Raising staff awareness of biodiversity issues:** a variety of internal presentations, workshops, engagement activities and articles have been delivered. Several targeted training sessions have been delivered on sustainability topics, including biodiversity. Specific biodiversity related training has been delivered to AWE environmental professionals, this included training on statutory Biodiversity Net Gain (BNG). In addition, AWE has worked collaboratively with delivery partners across a range of construction activities and maintenance to proactively raise awareness, and opportunities to enhance the value of natural features across our estate.
- **Integrating biodiversity considerations into all relevant service areas and functions:** Progress has been made against this area of focus in several ways. All major development projects are on target to achieve at least 10% BNG. BNG related enhancements will be aligned with priorities of the Berkshire Local Nature Recovery Strategy. A variety of onsite surveys have been conducted to measure wildlife diversity onsite and ensure relevant information is captured. A review incorporating the organisation's performance of biodiversity related objectives and Environmental Management System components was conducted against the requirements of the Wildlife Trust's Biodiversity Benchmark. All requirements were found to have been met, although certification against this benchmark was not taken forward. In addition, approximately 13% of the estate has been identified as being suitable for on-going biodiversity management.

¹² AWE does not own or lease any areas of peatland, nor does it directly manage any protected sites.

- **Protecting and enhancing tree planting and woodland cover:** The 2030 target to increase the area of woodland on the AWE estate by 10% (against the 2021 baseline of 8.1% of the estate under canopy cover) will be achieved through three main activities: compensatory planting when trees are felled at a 3:1 ratio (new:old), influencing landscape and BNG schemes for new build developments to ensure they include appropriate planting of native tree species, and planting has continued to significantly increase the traditional style orchard at our Burghfield site (600 trees to date).
- **Protecting and enhancing pollinator friendly habitat:** The target to increase the area of reduced mow grassland has increased on an annual basis and now totals 250,000 m². This is a significant increase in comparison to an initial target of 30,000m² by 2025. These grassland areas are not mowed between 1st April and the 30 August across the AWE estate. In addition, the planting of the orchard referenced above and influencing the BNG schemes of the new build projects will also increase the area of pollinator friendly habitat.
- **Recognising the potential of, and deploying, Nature Based Solutions:** there is an aspiration to build on the existing assessment of carbon sequestration benefits of woodland areas on the estate to cover a broader range of habitats. Additionally, a variety of green (land-based) and blue (water-based) infrastructure interventions have been recognised as suitable for implementation within our capital build programme. These will each be assessed on a project basis.
- **Developing a Natural Capital Approach:** A detailed register of the habitats on the AWE estate has taken place and informed the basis of a Natural Capital register. This register will continually be updated with further survey data as the capital build programme develops.
- **Reporting against the Nature Recovery Plan and Biodiversity Performance Indicators:** reporting of progress against the Nature Recovery Plan is undertaken regularly to a range of internal stakeholders. Additionally, ecological surveys have been undertaken to provide a baseline against which a suite of Biodiversity Indicators are being developed. These are due to be implemented in the next financial year.

Adapting to Climate Change

Work has continued building understanding of the implications of a changing climate on operations as described in the earlier TCFD disclosure.

Sustainable Construction

All new build and major refurbishment projects at AWE are required to undertake a sustainability assessment using the MOD Defence Related Environmental Assessment Methodology (DREAM) to identify sustainable design and build opportunities.

Infrastructure Projects Delivery at AWE is adopting a holistic and systematic approach to carbon management using industry best practice. Energy and Carbon Management Plans are produced to assist progress towards a more sustainable energy system, prioritising energy saving and efficiency opportunities.

All new build and significant refurbishment projects are required to undertake a CIRAM assessment to identify climate related risks and opportunities as part of the design process.

AWE is focussed on improving current arrangements to promote sustainable procurement and continues to work closely with supply chain partners to identify sustainability opportunities. A cross collaboration working group has been set up to share industry best practice. Key areas of focus include contracting for low carbon, moving towards diesel free sites, reducing both the quantity and carbon intensity of concrete and steel in new infrastructure.

Measures are taken to minimise waste produced from construction projects at AWE. In FY25, 99% of construction and demolition waste has been diverted from landfill and 98% re-used or recycled.

Reducing environmental impacts from ICT and digital

AWE remains committed to modernising and bringing new information and technology capabilities to AWE, improving ways of working and minimising the impact on the environment. ICT suppliers are assessed following AWE's sustainable procurement processes and further supplier engagement is undertaken through the Sourcing Strategy, including how suppliers can demonstrate their current carbon footprint and how they intend to reduce this over the term of the contract. This includes but is not limited to hardware and software provision be it on site or off.

As previously described the quantities of ICT waste are recorded and are removed from site via a DESA contractor and are taken away for checking, repairing and resale. The Sourcing Strategy works is also used to identify where improvements can be made to further drive this behaviour across all our ICT suppliers.

All AWE staff receive awareness and training in data hygiene, cyber security, and data protection. This work aligns to the objectives in the Greening Government ICT and Digital Services Strategy.

Section 172(1) Statement

This is the section 172(1) statement of AWE, made pursuant to the Companies Act s414CZA. It sets out the way in which the directors of AWE have had regard to the matters set out in s172(1)(a) to (f) of that Act.

The board of directors of AWE retains overall challenge to and oversight of the activity of the Company. It operates under AWE's Articles of Association and Terms of Reference (TOR) which includes a statement of those decisions which are reserved to the board.

For national security reasons, this statement does not discuss individual decisions in detail. The board's main areas of focus in the reporting period have been oversight of the Company's performance of its programme of work in alignment with the objectives and mission of MOD, and of the continued execution of the Company's transformation programme.

The board reviewed and approved the Company's Business Plan; this Plan sets out among other matters the programme that the Company undertakes in support of the UK's strategic deterrent and is developed through close working with DNO to ensure alignment with the wider defence nuclear programme.

The board also reviewed the continued implementation of the Company's strategy, including the delivery of eight key transformation initiatives. These initiatives are focused on driving productivity, leveraging technology and ensuring the Company's organisational structure is suitable to meet the future manufacturing and capability requirements. One important activity included the introduction of delivery through business units, where accountability for enduring capability including operational planning and infrastructure investments is held by each unit. The board has also reviewed the Company's performance of in year delivery and forecasted delivery against the Strategic Weapons Enterprise Plan (SWEP), a multi-decade programme to support CASD. Other activities involving board review included the Company's location strategy to establish locations outside its existing sites – this included assessing the effectiveness of the transfer of Dstl's radiation science capability to the Company.

In taking such decisions, the board takes into account the considerations referred to in s172(1) as follows:

- long term consequences: The nature of AWE's principal activities often require planning ahead for many years so that it is able to respond to the requirements of its principal customer, the MOD. Near-term decisions are taken within the context of longer-term plans which are developed and shared with MOD.

- employee interests: The workforce of AWE is fundamental to its ability to discharge its role. The Company has well established processes and engages in ongoing dialogue with trades unions and other employee representatives. The board has reviewed AWE's programmes of leadership development, its strategic workforce planning and career development structures which underpin the opportunities available to employees, and measures including safety and anti-bullying and harassment training, and the provision of an award-winning programme for health and wellbeing.
- supplier, customer, and other relationships: The board recognises that fulfilling AWE's mission requires close liaison with MOD and its other customers, together with careful management of internal resources and skills drawing on best-in-class capabilities from its supply chain, including strategic partners and specialist providers encompassing small and medium enterprises as well as ultimate shareholder resources. Recognising that work for AWE can be of particular significance to the prosperity of some, particularly, of its specialist providers, the Company takes careful account of the reliability and sustainability of support from its supply chain.
- community and environment: AWE maintains a regular executive-led meeting with focus on the engagement between the Company and the wider community and environment. This meeting considers both the impact and potential impact of the Company's operations on the local community and environment, and the opportunities for employment and educational benefits. This meeting is complemented by regular liaison with local community groups comprised of local authorities and other representatives. All decisions taken by the Company with regard to its estate consider not just its obligations to comply with environmental regulation, but also the opportunities to enhance local conditions for flora and fauna on its sites and the within wider community.
- reputation for high standards of business conduct: AWE takes its corporate responsibility very seriously. As a Company and, since its change of ownership a publicly owned body, whose operations are of significant national importance, AWE is conscious that its actions are open to scrutiny from the press and public at large as well as parliamentary and other formal forums. AWE takes its decisions in the light, not just of their operational appropriateness, but also of the requirement to demonstrate the integrity and fairness of its decision-making including impacts on and relationships with others.
- acting fairly as between members: Following transition to public ownership, the sole shareholder of AWE is the Secretary of State (SoS) for Defence so that the issue of competing interests among the Company's members does not arise. The board supports its relationship with the shareholder by ensuring that the Company balances the interests of all of its wider stakeholders in its decision-making and implementation.

Approved and signed on behalf of the board on 20 November 2025

A handwritten signature in black ink, appearing to read "Nick Elliott".

Nick Elliott, Chief Executive Officer

Corporate Governance Report

Directors' Report

Directors who have held office on the AWE board between 1 April 2024 and 31 March 2025 are:

- Sam Laidlaw, Chairman – appointed 1 January 2025
- Sir John Manzoni, Chairman – resigned 31 December 2024
- Nick Elliott, CB MBE, CEO
- Iain Stevenson, Deputy CEO- resigned 27 July 2024
- Barry Hunter, Deputy CEO and Chief Financial Officer
- Richard Elsy, CBE, Non-Executive Director
- Claire Flint, Non-Executive Director
- Dame Sue Ion, Non-Executive Director – resigned 5 June 2025
- Richard Keys, Non-Executive Director
- Henry Lloyd, Non-Executive Director (MOD appointed)
- Bridget Rosewell, CBE, Non-Executive Director
- Dr J Stephen Rottler, Non-Executive Director
- Mark Wild, OBE, Non-Executive Director – appointed 12 September 2024
- Paul Howarth, Non- Executive Director - Appointed 4 August 2025

Directors' interests

We have established procedures in place, in accordance with the Company's Articles of Association, to ensure compliance with the directors' conflicts of interest duties within the Companies Act 2006. This includes requiring each director to identify all external interests (whether or not they present an actual or potential conflict with the interests of the Company). Where any actual or potential conflict is identified, appropriate procedures are agreed on and recorded. These typically entail the relevant directors' recusing themselves from all decision-making associated with the conflict.

The following interests which were identified as having potential conflicts were held by members of the board during the year ended 31 March 2025:

Henry Lloyd was an employee of UKGI, which works alongside the SoS for Defence, who is the sole shareholder of the Company.

Nick Elliott was a NED of Helsing Ltd.

No conflicts have arisen with respect to these interests.

External auditor

The directors who were members of the board of directors at the time of approving the Directors' Report are listed above. Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirms that:

- So far as they are each aware, there is no relevant audit information (that is, information needed by the Company's auditor in connection with the preparation of the annual report) of which the Company's auditor is unaware.
- Each director has taken all the steps a director might reasonably be expected to take to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Pensions

The Company operates both a defined benefit pension scheme and defined contribution scheme which have been accounted for under International Financial Reporting Standards (IFRS). The defined benefit scheme was closed to new entrants and future accrual for existing members, other than the members working at Coulport, on 31 January 2017. On 21 July 2022 MOD provided a guarantee in favour of the trustees of the defined benefit pension scheme (the "Scheme"), under which it committed to meet any payment due to the trustees in relation to the scheme that was not met by AWE when due. The Scheme deficit on 31 March 2025 was £97m (31 March 2024: £209m).

Dividends

The directors have declared no dividends during the current year (2024: £nil).

Personal data

There were no disclosures of any personal data during the reporting period that were reportable to the Information Commissioner's Office (ICO). However, a single breach relating to the use of an employee's photograph outside the scope of the permissions they had given for its use was reported by the Company to the ICO after the end of the reporting period. The Information Commissioner has decided to take no further action.

Political donations and expenditure

The Company made no political donations or expenditure during the year ended 31 March 2025 (31 March 2024: nil).

Financial instruments

The Company has established a risk and financial management framework whose primary objectives are to protect the Company from events that hinder the achievement of the Company's performance objectives. The objectives aim to limit undue counterparty exposure, ensure sufficient working capital exists and monitor the management of risk.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for another party by failing to discharge its obligation. The directors consider the credit risk to be low given that the principal customer is the MOD, and therefore the UK Government. The liquidity and cash flow risk is also considered low as this is managed through the government banking facilities, the Government Banking Service (GBS), of which AWE is part. It is not considered that there is any significant credit risk arising from the trade debtors held by the Company.

Research & Development

Research and development expenditure is principally carried out for the purposes of the performance of the Management and operations (M&O) Contract with the MOD. Research and development expenditure is not capitalised as assets remain in government ownership.

Likely future developments

The Company expects to continue with its principal activities for the foreseeable future. No other significant developments are anticipated.

Overseas branch

The Company maintains a branch in France.

Events after the reporting period

Events after 31 March 2025 to the date the accounts were authorised for issue:

Proposed change to organisational structure announcement

On 12 November 2025 we announced a redundancy programme to change our organisational structure designed to help us meet the demands of the future. This proposed restructure is about building the right structure, skills, and capabilities to deliver on AWE's mission and meet future challenges. The restructure supports our strategic priorities. Management has determined that this event is a non-adjusting event, as the conditions for this obligation arose after the balance sheet date. It is too early in the process to make an estimate of the financial effect.

International Accounting Standards require AWE to disclose the date on which the accounts are authorised for issue. The Accounting Officer (AO) has authorised these accounts to be issued on the date they were certified by the Comptroller and Auditor General.

Going concern

The Company's business activities, together with the factors likely to affect its future development, its performance and position are described in the Directors' Report on page 59 and in the accounting policies on pages 111 to 147.

The Company is expected to continue to generate positive cash flows on its own account under existing contractual and non-contractual arrangements with the MOD. The Company's banking arrangements are dealt with by Government Banking. Government Banking provides a shared banking service across central government and wider public sector customers. Current arrangements include the provision of sufficient funding secured from the MOD which will enable the Company to continue operating.

The directors consider that the Company has a secure long-term position on which to base their expectation that the Company will continue as a going concern, based on the national requirement and associated funding for the activities carried on at the facilities operated by the Company, and the Company's practical tenure as the operator. The only UK facilities currently capable of maintaining and manufacturing the nuclear warheads necessary to deliver the UK's (CASP) posture are those managed and operated by the Company. The directors have considered the possibility that the Company could be replaced with another operator of these facilities within the timeframe to be considered for going concern purposes. They have been advised that such a change would require lengthy and substantial regulatory and other processes and that consequently there is a sound basis for assuming that the Company will continue to be the manager and operator of the facilities for that timeframe at a minimum, and that the continuation of the UK's CASP policy means that the

requirement for the activity conducted by the Company at the facilities will continue for the foreseeable future.

Based on these arrangements, the directors believe that the Company will continue to receive support from the MOD in carrying out its principal activities for several years, which is corroborated through funding forecasts received from the MOD which indicate this. Based on their assessment of the Company's financial position, the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for at least the period through to 30 November 2026.

In making this assessment the directors have considered the current external social, political, and economic environment and have considered the impact of plausible downside scenarios including the plausibility of a reverse stress case. The implications of the current economic and business environment have been considered in arriving at this conclusion. These events and circumstances do not alter the directors' assessment of the Company's ability to continue as a going concern as set out above.

Engagement with suppliers, customers and other in a business relationship with the Company

Please see the commentary in relation to Companies Act s172(1) on page 53 and 54.

Engagement with employees

Please see the commentary in the People Report on page 86.

Approved and signed on behalf of the board on 20 November 2025

A handwritten signature in black ink, appearing to read 'Nick Elliott'.

Nick Elliott, Chief Executive Officer

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations and for ensuring that proper accounting records are maintained that disclose, with reasonable accuracy at any time, the financial position of AWE and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company (as recorded on AWE's balance sheet) and for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The SoS for Defence has also directed AWE to prepare for each financial period a set of financial statements in the form and on the basis set out in the Framework Document. The financial statements are prepared on an accruals basis and must give a true and fair view of the state of affairs of AWE and of its income and expenditure, balance sheet and cash flows for the financial period.

In preparing the accounts, the directors are required to comply with the requirements of the Companies Act 2006, and apply additional disclosure requirement of the Government Financial Reporting Manual (FReM) where these are compatible with the requirements of the Companies Act, and in particular to:

- Observe the Accounts Direction detailed in the Framework Document, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis.
- Make judgements and estimates on a reasonable basis.
- Prepare the accounts on a going concern basis.
- State whether applicable accounting standards as set out in the relevant statutes, primarily Companies Act 2006 and as specified in the Framework Agreement, principally IFRS as adopted in the UK, including reference where relevant to the FReM, have been followed, and disclose and explain any material departures in the financial statements.

The Permanent Secretary of the MOD, as the MOD Principal AO (Accounting Officer), has designated the CEO of AWE plc as the AO of AWE plc. The responsibilities of an AO, including responsibility for the propriety and regularity of the public finances for which the AO is answerable, for keeping proper records and for safeguarding AWE's assets (as recorded on AWE's balance sheet), are set out in Managing Public Money published by the HM Treasury.

The directors have taken all the steps that ought to have been taken to make themselves aware of any relevant audit information and to establish that AWE's auditors are aware of that information. So far as they are aware, there is no relevant audit information of which the auditors are unaware.

The directors confirm that to the best of their knowledge the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for the Shareholder to assess the Company's performance, business model and strategy.

Governance Statement

The AWE board

The Board of Directors plays a crucial role on governance of AWE.

The AWE board met eleven times this year, in a combination of meeting remotely and in person. The board has seven committees, whose roles and activities in the reporting period are described on pages 67–74 and which undertake closer scrutiny and challenge on behalf of the board.

The board is accountable to the Responsible Minister as representative of the shareholder, and is responsible for:

- Providing effective leadership of AWE and setting the standards and values within a framework of prudent and effective controls.
- Determining AWE's Strategy, and Corporate Plan and Business Plans and seeking approvals by the SoS for Defence.
- Establishing and taking forward the strategic aims and objectives of AWE within the policy framework and resources determined by the SoS for Defence.
- Ensuring that the SoS for Defence is kept informed of any significant changes which are likely to impact on the strategic direction of AWE or on the attainability of its targets, and determining the steps needed to deal with such change.
- Ensuring that the AWE board operates within the limits of the delegated authority agreed with the MOD, and in accordance with any other conditions relating to the use of public funds and that, in reaching decisions, AWE board takes into account guidance issued by His Majesty's Government (HMG) as notified to it by the MOD.
- Reviewing regular financial and other relevant information concerning the management of AWE ensuring it is informed in a timely manner about any material concerns about the activities of AWE, and where relevant, providing positive assurance to the Shareholder that appropriate action has been taken on such concerns.
- Ensuring that effective arrangements are in place to provide assurance on AWE's major projects, programmes and procurements, risk management, governance, health, environment, safety, and security, finance, and internal controls, alongside ensuring the effective performance of AWE generally.
- Ensuring the necessary financial and human resources are in place for AWE to meet its objectives.
- Reviewing management performance in light of AWE's strategic aims, objectives, Corporate and Business Plans and budgets.
- Fostering a culture of partnership and transparency between the MOD and AWE.

The size and composition of the board is agreed with the Shareholder from time to time, having regard to guidance and best practice on other boards in the public and private sectors, in order to ensure the right balance of skills, experience and challenge.

The board and its committees conduct annual assessments of their effectiveness, including the quality of information provided to them to enable them to fulfil their roles. In 2023 the board was subject to a voluntary externally facilitated review.

Board commitment and attendance

Biographies of the current board members are published on the www.awe.co.uk website. The appointment and resignation or retirement dates of board members in the reporting period have been set out in the Directors' Report on page 56.

The following table sets out attendance at board meetings and sub-committees of which the relevant Director was a member. All board members are invited to attend sub-Committees whether or not they are members, except where they have a conflict of interest.

Table 3: Attendance at board meetings and sub-committees

Board member	Board	ARAC	ESTAC ¹	Infra. Cttee	Nom. Cttee	P&P Cttee	Rem. Cttee	SESHQ Cttee
Sam Laidlaw ²	2/2*							
Nick Elliott	10/10							
Richard Elsy	9/10			1/1	3/3	2/2*		
Claire Flint	7/10				3/3		4/5*	1/3
Barry Hunter	10/10							
Dame Sue Ion	10/10		1/1*			2/2		3/3
Richard Keys	10/10	4/4*		1/1			5/5	
Henry Lloyd	10/10	4/4	1/1	1/1	3/3	2/2	5/5	3/3
Bridget Rosewell	8/10	4/4		1/1*	0/1	2/2		
Dr J Stephen Rottler	10/10	3/4	1/1			2/2		3/3*
Mark Wild ³	6/6							
Sir John Manzoni ⁴	8/8*				3/3*			
Iain Stevenson ⁵	2/4							

* Denotes chair of the board or committee

¹ In addition to the one formal ESTAC meeting, three detailed day long reviews of key topics were carried out during the year.

² Sam Laidlaw was appointed on 1 January 2025

³ Mark Wild was appointed 12 September 2024

⁴ Sir John Manzoni resigned on 31 December 2024

⁵ Iain Stevenson resigned on 27 July 2024

Board experience and roles

Sam Laidlaw	Nick Elliott CB MBE
Chair	Chief Executive Officer
Appointed:	
1 January 2025	20 March 2024
Committees:	
N (chair)	None
External appointments:	
Neptune Energy DE (Chair) Saïd Business School (Board Member & Global Leadership Council Chair) Senior Independent Director, Rio Tinto PLC National Centre for Universities and Business (Chair) Red Birdwing LLP (Managing Partner)	Helsing Ltd (NED)
Prior roles:	
Centrica plc (CEO) Enterprise Oil Limited (CEO) UK Prime Minister's Business Advisory Group (member)	UK Vaccine Taskforce (DG); Defence Equipment & Support (Deputy CEO); Submarine Delivery Agency (NED); Nuclear Decommissioning Authority (NED)

Henry Lloyd	Barry Hunter	Richard Ely CBE	Claire Flint	Dame Sue Ion GBE
MOD-appointed non-executive director	Deputy Chief Executive Officer and Chief Financial Officer	Independent non-executive director	Senior Independent Non-executive director	Independent non-executive director
Appointed:				
30 June 2021	11 October 2021	1 July 2021	1 July 2021	1 July 2021
Committees: ¹³				
A, E, N, P, R, S	None	I, N, P (chair)	N, R (chair), S	E (chair), P, S

¹³ A – ARAC; E – ESTAC; I – Infrastructure; N – Nominations; P – Production & Programme; R – Remuneration; S – SESH&Q

Henry Lloyd	Barry Hunter	Richard Elsy CBE	Claire Flint	Dame Sue Ion GBE
External appointments				
UKGI (director) Sizewell C (Holding) Limited (NED)	None	AB Dynamics PLC (Chair)	Oxford University Hospitals NHS Foundation Trust (Senior Independent NED)	Office for Nuclear Regulation (ONR) – Independent Advisory Panel member Royal Society – Chair of Science and Industry Translation Committee
Prior roles:				
Department of Business, Energy and Industrial Strategy; The Insolvency Service; Non-Executive Director of Defence Equipment & Support	London Luton Airport Operations Ltd (CFO)	High Value Manufacturing (HVM) Catapult (CEO); Land Rover and Jaguar (Engineering Director); Torotrak plc (CEO)	Scope, the Disability Charity (Vice- Chair); National Nuclear Laboratory (NNL) (SID) Oxford Instruments plc (HR and Brand Director)	British Nuclear Fuels Limited (BNFL) (CTO); Nuclear Innovation Research Advisory board (Chair) University of Central Lancashire (Board Chair)

Richard Keys	Bridget Rosewell CBE	Dr J Stephen Rottler	Mark Wild OBE
Independent non- executive director	Independent non- executive director	Independent non- executive director	Independent non- executive director
Appointed:			
1 July 2021	13 December 2023	27 January 2021	12 September 2024
Committees:			
A (Chair), I, R	A, I (Chair), P	A, E, P, S (Chair)	None

Richard Keys	Bridget Rosewell CBE	Dr J Stephen Rottler	Mark Wild OBE
External appointments			
Merrill Lynch International Dept of Transport	Flood Re (Chair) M6 Toll (Chair) UK Infrastructure Bank (Chair) Audit and Risk, Northumbrian Water Ltd (NED)	Triad National Security LLC (Director) Battelle Memorial Institute (Senior Vice President) Sandia National Laboratories (Leadership Development Consultant)	HS2 (CEO) ONDE Ltd (Director) Energy Networks Association (Director)
Prior roles:			
Sainsbury's Bank (NED) Wessex Water plc (NED), NATS (NED), Dept for International Development University of Birmingham (Council member) Pricewaterhouse Coopers LLP (PwC) Partner and latterly Global Chief Accountant	Atom Bank (Chair) Network Rail (NED); Ulster Bank (NED), Department for Work and Pensions (DWP) and Department for Transport (DfT); Chief Economic Adviser to the Mayor of London	Sandia National Laboratories (Deputy Director and Executive Vice President)	Crossrail (CEO) Public Transport Victoria (CEO) Westinghouse Signals (Managing Director) Energy Networks Association Limited (Director) SGN Futures (H100) Limited (CEO) IGEM Future Energy Networks Ltd (CEO)

Board sub-committees

There are seven sub-committees of the board with advisory or decision-making delegations. Reports on these committees are set out below.

Audit and Risk Assurance Committee (ARAC)

The role of the Audit and Risk Assurance Committee is to support the board in monitoring the Company's business control systems, its management of risk and in reviewing the Company's financial statements. The remit of the Committee includes: oversight of the risk management processes of the Company; the appointment of the external auditor, including their performance, remuneration, terms of engagement and their reports and other output from their audit processes; and the oversight of the internal audit function including the appointment of the head of internal audit, the review,

approval and performance of the function's annual audit work plan, the adequacy of internal audit resources and their findings and reports. The Committee meets a minimum of four times a year and is chaired by Richard Keys (NED). The other NED committee members in the reporting period were as follows: Henry Lloyd, Dr J Stephen Rottler, and Bridget Rosewell. The NAO, as external auditor, are also invited and have attended all the Committee's meetings through the reporting period.

In the period, the Committee met four times. The matters considered by the committee during the reporting period included:

- The Committee received regular reports on the Company's Internal Control Assurance Framework, the established second line of defence in respect of internal financial control, key strategic risks, risk management, and internal audit including their reports on internal controls. As part of these reviews the Committee has reviewed the effectiveness of the system of internal controls. The Committee was also responsible for reviewing and recommending the approval of the Annual Report & Accounts of AWE plc to the board. The NAO, as external auditors, reported the findings of their audit of the Annual Report and Accounts to the Committee.
- During the period the Committee reviewed the Company's arrangements for risk management and its policy and handling of whistleblowing.
- The Committee also reviewed the Future Material Campus (FMC) initial approach to governance, risk management and assurance, and the evolution of the integrated approach to corporate assurance. During the year, agreement was reached with the Government Internal Audit Agency on the model of future engagement support to be provided to the Company as part of the Company's own internal audit capability. This agreement was approved by the Committee.
- The Committee has also reviewed the Company's approach to reporting on environmental, social, and governance (ESG) matters in conjunction with the work of the Security, Environment, Safety, Health, and Quality (SESH&Q) committee including compliance with the Task Force on Climate-related Financial Disclosures (TCFD) requirements.

Engineering, Science and Technical Capability Assurance Committee (ESTAC)

The role of the ESTAC is to support the board by reviewing the status of the Company's Engineering, Science, Technology and Nuclear Threat Reduction capabilities and of its technical outreach and international relations.

The Committee meets a minimum of three times a year and is chaired by a non-executive director Dame Sue Ion. The other committee members are non-executive directors - Dr J Stephen Rottler and Henry Lloyd and four independent members who are not members of the board.

The Committee has considered the following matters during the year:

- Space Park Leicester overview
 - Briefing of the Space Park Leicester Facilities and Capabilities
 - Delivering Innovation and Strategic Technologies Through Partnership
 - SPL Programme
 - Better Awareness and Integration with the UK Enterprise
 - Broader Opportunities for AWE Collaboration
- Science Labs Business Unit
- High Performance Computing (HPC)
- Nuclear Threat Reduction (NTR)
- ESTAC Board Effectiveness Review
- Deep Dive into Future Materials Campus (FMC) PLANT Process and Equipment:
 - New Pu manufacturing facility
 - New U manufacturing facility
 - Analytical support for fissile materials
 - Two new buildings to support the FMC for the treatment of some of the materials arising from the two main manufacturing facilities to enable
 - their reuse.

The Committee considered the way in which the Science and Engineering resource supports ongoing manufacture, how to better target interventions and the requirements for future tests and trials.

The Committee has undertaken tours of the following locations and facilities:

- Space Park Leicester, Leicester.
- Nuclear Threat Reduction, AWE.
- Manufacturing Technology Centre (MTC), Coventry.

Infrastructure Committee

In support of current and future operations and the broader masterplan for both Aldermaston and Burghfield sites, AWE has an extensive investment programme in new build facilities and refurbishment of existing facilities. The infrastructure committee has been established to provide oversight of the planning, preparation and execution of the investment plan.

The oversight is undertaken both at the individual project level and programme level. Programme oversight is particularly focussed on the capability requirements in support of the manufacture of fissile components for the future replacement warhead. This programme is defined as the Future Materials Campus (FMC). The broader infrastructure requirements are grouped into a portfolio entitled the Future Infrastructure Programme (FIP)

The committee reports to the board on the adequacy of controls in place to deliver the defined requirements. The committee also receives updates on safety performance across the infrastructure portfolio together with assessments of supply chain performance.

The committee, chaired by Bridget Rosewell (NED) aims to meet 3 times a year. The other committee members in the reporting period were Richard Elsy, Richard Keys and Henry Lloyd.

The matters considered by the committee during the reporting period included:

- Progress of individual projects within FIP and the establishment of FMC
- Updates on the evolving commercial strategy for both FMC and the future projects within FIP
- The strategy for logistics spanning the full investment plan
- Progress on the establishment of the business-wide digital capital platform in support of project delivery and future operations
- Monitoring the evolution of future funding application for the FMC programme and the preparation of individual business cases for specific projects
- The evolution of the integrated master schedule and programmatic risks for FMC

Nominations Committee

The Nominations Committee reviews the membership and composition of the board and its committees, including the appointment of directors and executives. The Committee also considers succession planning for the board and executive teams, talent management, leadership development, inclusion strategies and performance.

The Committee meets twice a year and is chaired by the Chair of the board; this was Sir John Manzoni during this reporting period. Other committee members are Richard Elsy, Claire Flint, and Henry Lloyd.

Performance during the year

The Committee met twice in the reporting period and focused on:

Board succession

Following Sir John Manzoni's notice of resignation in March 2024, the Committee undertook a search process, supported by UKGI to appoint a new chair. Sam Laidlaw was approved by the SoS to assume the role of chair of the Company with effect from 1 January 2025. Following appointment in the previous financial year, Mark Wild joined the Board in September 2024.

Further to the Secretary of State's approval for the reappointment of AWE non-executive directors on varying length terms, Dame Sue Ion informed the committee of her intent to resign from the Board in June 2025. Dr J Stephen Rottler will step down in December 2025. The Board agreed to seek replacements from the UK and US respectively. Given the required specialised technical expertise an external search firm was not utilised, and instead a list of potential candidates was drawn from personal knowledge of those who had the necessary experience. Following a rigorous interview process, Paul Howarth has been appointed to replace Dame Sue Ion and will join the Board on 1 August 2025, he will also Chair the ESTAC. Dame Sue Ion will continue to support AWE by providing her expertise as an Independent Member of the SESH&Q committee and Independent Advisor to the ESTAC committee.

A process was commenced to appoint a US National to the Board to replace Dr J Stephen Rottler, the successful candidate will be confirmed following the necessary Ministerial approval.

The committee have also appointed Kirsty Armer to join the Board in April 2026, in preparation to succeed Richard Elsy when he steps down in June 2026. To support Kirsty's onboarding to AWE, she will join both the ESTAC in April and SESH&Q committee from June 2025.

The chair remains confident that the Board has the required mix of skills and capabilities to oversee the Company's strategy and performance. Of the 11 Board current board members, 27% are female. The new Board appointments provide the opportunity to improve the gender mix which is a key consideration of the committee. All members hold British nationality, with the exception of Dr J Stephen Rottler, who is a US citizen. It is noted that national security requirements limit broader diversity opportunities but that consideration of improving the diversity of the board membership remains a key focus.

An internal board effectiveness review was undertaken over the summer of 2024. The new Chair has commissioned a fresh external board effectiveness evaluation to take place in Autumn 2025.

Executive succession

During the reporting period the committee reviewed executive succession resilience, and the formation of a new senior leadership group which is now 36% female. In April, the committee oversaw the creation of a new Chief Nuclear Officer role and the succession of the Chief Information Officer, effective September 2024.

The committee provided oversight and support for the company's talent programmes, noting that the leadership breakthrough programme was meeting the 50% gender balance mix ambition to support the strengthening of diversity in the talent pipeline.

The committee also reviewed the implementation of a new operating model, ensuring that the pivot to a business unit model structure achieved its objectives and was managed appropriately.

Inclusion

The committee continued to encourage the measures being taken to improve the diversity of employees at AWE, noting a 2% improvement in gender hiring at 32% for all roles, for corporate functions the gender hiring rate was 59%, reflecting the challenge of STEM based role hiring. Gender specific attraction campaigns were noted to be very successful in increasing the talent pool reach for early careers schemes; evidenced by an 11% increase in female hires for Graduates (40%) and a 9% increase for female hires for apprentice schemes (31%).

Production and Programme Committee (P&P)

The Production and Programme (P&P) Committee reviews the performance by AWE in delivering its Mission for its customers, which is chiefly the warhead programme in support of the MOD. Accordingly programme and production status is assessed against schedule, in addition to business cases which are being progressed to ensure enduring capability.

The P&P Committee sat on two occasions through Financial Year 2025 (FY25), in May-24 and September-24, although items of interest were raised at the intervening monthly Board meetings. Chaired by the Non-Executive Director (NED), Richard Elsy, other Committee members were non-executive directors, Henry Lloyd, Dr J Stephen Rottler, and Dame Sue Ion. The TOR for the Committee also allow for representation from industrial experts to provide the Company with guidance and experience from other advanced manufacturing sectors.

The Committee has considered the following matters during the period:

- Programme Deep-Dives – several detailed reviews were conducted through the reporting period of AWE's programmes in support of the MoD. Furthermore, the status of these programmes were reviewed both at preceding Warhead Portfolio Boards and the AWE Board meeting
- Capability Maintenance – regular reviews of performance in maintaining existing capabilities within AWE's production Technology Centres
- Technology Centre performance – Technology Centre performance throughout FY25, including on-time delivery and right first time
- Off-site partnering – significant progress has been shared with the committee, demonstrating AWE's efforts to collaborate with external industry

Security, Environment, Safety, Health, and Quality Committee (SESH&Q)

The SESH&Q Committee provides assurance and oversight to the board that effective arrangements are in place for the management of security, environment, safety, health and quality matters at AWE. The Committee monitors and reviews the Company's SESH&Q performance and supports the executive team on effective strategies for eliminating or mitigating related risks. As a key part of its remit, the Committee reviews the Estates and Liabilities activities and performance in addition to the Company complying with statutory and regulatory requirements in relation to SESH&Q matters affecting the Company's business.

The Committee has met three times in the reporting period and is chaired by a non-executive director, Dr J Stephen Rottler. The other committee members in the reporting period were non-executive directors – Claire Flint, Dame Sue Ion and Henry Lloyd, supported by independent advisors. Every quarter, the chair meets one-on-one and in small groups with the Company's executive management and staff to review and discuss the Company's SESH&Q performance, estates and liabilities, risk management, and related improvement programmes. The Committee chair also meets with the ONR to discuss the Company's performance as a nuclear site licensee and any ONR concerns about the Company.

Over the past year, the Committee has considered the following key matters:

- SHEQ performance across Safety, Sustainability, Environment and Quality at AWE through the performance scorecard used by the Executive Director SHEQ
- Board oversight of the Hub Forward Action Plan (FAP) that was put in place following the learning from the Hub incident on 6 July 2023
- Review and approval of the updated AWE ESS 2024 and the first AWE Climate Transition Plan
- Review and approval of the Environmental Sustainability report for the company Annual Report and Accounts
- Review of the strategic risks across SESHQ, including contractor safety oversight
- Independent review of AWE's Licence Condition 13 arrangements (Nuclear Safety Committee)
- Deep dives into security and cyber-security, including AWE's off-site locations
- Regular reports from the Chief Nuclear Officer and Internal Oversight to give independent assessment of the health of the Company's controls and performance in relation to its security, environmental, safety, health and quality activities
- Review of the improvements being made to Licence Condition 26 (Work Control) across the organisation

- Review of the programme of work undertaken across Estates and Liabilities; this included decommissioning and demolition, as well as key site infrastructure such as utilities

Remuneration Committee

The Remuneration Committee supports the board by conducting oversight of the management of reward. This includes ensuring that AWE's remuneration policies fit within the freedoms granted to AWE by government and enabling it to attract and retain people with the experience, skills and capabilities to deliver the AWE mission. The Committee meets at least four times a year and is chaired by the Senior Independent Director Claire Flint. The other committee members were also non-executive directors as follows: Richard Keys and Henry Lloyd. The chair of the Committee issues a report providing appropriately detailed commentary on remuneration approach, rationale and outcomes (including effectiveness of any freedoms) on an annual basis through the Remuneration Report section of the AWE Annual Report and Accounts. The Committee has met five times during the reporting period.

The matters considered by the committee during the reporting period included:

- A review of business performance over the previous financial year and approval of the resulting incentive payments to senior leaders and executive directors along with annual salary reviews for the executive directors.
- Overseeing the metrics used for the long-term incentive scheme for FY26 to further drive the long-term transformation of AWE and support the strategic objectives of the DNO.
- Continuing to monitor the effectiveness of performance management across the organisation and oversaw the creation of an appropriate annual pay award mandate request into central government.
- Approving the business case for government requesting appropriate pay freedoms to support the attraction and retention of suitably experienced executives and senior leaders.

Willis Towers Watson (WTW) continue in their appointment to provide executive remuneration benchmarking to the Committee, which is considered alongside other information and data from the public sector as part of its decision making. WTW also provide investment and actuarial advice on pensions to the Company. There is no connection between any individual director and WTW.

Risk Management and Internal Control

AWE's risk management framework aligns with HM Treasury Guidance and the Cabinet Office Framework for the Management of Risk in Government and ISO 31000:2018 Risk Management.

AWE applies a structured risk methodology, which identifies threats in the business that have the potential to impact on the Company. Risk and Opportunity Management is embedded in the management processes and reported through the Executive Committees, Programme Performance Reviews and Risk and Opportunity Management boards.

As a nuclear licensed site, AWE has a 'Cautious Risk Culture' in our day-to-day operations. This is defined as:

- A preference for delivery options that have a low degree of residual risk.
- Applying innovation prudently where the risks are low and are fully understood.
- Consideration of some near-term investment to deliver benefits where there is high benefits realisation certainty.

Both management and external stakeholders expect decisions regarding deliverables, current and new technologies and systems to be made carefully and with great attention to detail, risks and safety. We accept some schedule risk on key projects, such as modernisation of the site.

AWE's risk appetite is embedded within the Company's assessment of risks and the associated responses. Our risk appetite is regularly reviewed.

Modern Slavery Act

The Company supports the Government's objectives to eradicate modern slavery and human traffic. It carries out measures in relation to its employees and its supply chain to verify that it is not supporting these practices either directly or indirectly. Further information is set out in the modern slavery statement on the Company's website.

Internal Control

AWE has a mature financial control framework which is designed to mitigate the risk of material financial error or misstatement. The financial control framework was introduced in 2017 when AWE was required to demonstrate conformance with the US Sarbanes Oxley Act (SOX), following Lockheed Martin's acquisition of a controlling interest in AWE Management Limited, AWE's then parent company. There is clear ownership of financial processes and individual controls, a compliance testing regime, and a process

to monitor controls in need of remediation. AWE is now required to comply with the MOD's Internal Control Assurance Framework which is a similar financial control framework to SOX. AWE's controls are mapped against MOD's controls annually, which identified two low-risk gaps (Import Duty and Fixed Assets/Inventory) for this year. These gaps are being addressed by process owners. Existing processes continue to be reviewed and improved as risks are routinely reviewed, these include Supply Chain Management, Payroll and Estimate at Complete processes.

The Company Management System captures the policies and procedures that the organisation operates to. It describes what AWE does and how it does it operates across functions and delivery units to reflect the way work and information flows. It contains high level policies, processes, and detailed procedures to ensure that activities are conducted in a safe and consistent manner, ensuring they comply with regulatory requirements in particular the ONR Licence Conditions.

The Company Management System has been approved against ISO9001:2015 (Quality Management) and ISO14001:2015 (Environmental Management) standards.

Assurance

The Company adopts the three lines model as recommended within the HM Treasury guidance and is continuing to mature the associated Assurance Map against strategic and functional risks.

There is a designated Corporate Assurance and Legal (CAL) function which consists of Internal Audit, Internal Regulation, Technical Assurance and Legal. The purpose of CAL is to provide independent and objective assurance and legal advice to the company.

Internal Audit provides risk-based assurance over the operation of risk management, internal control, and governance processes.

Internal Regulation provides independent peer review of safety submissions, audit/inspection against ONR Licence Conditions and other regulatory requirements, and a programme of facility surveillance, providing independent technical assessment to the AWE Executive along with Regulators.

Technical Assurance deliver a programme of independent reviews of AWE technical capability. They assess specific technical areas within the business and provide the AWE Executive and key stakeholders information to help inform decision making.

A combined plan of the Corporate Assurance activities is produced to demonstrate coverage of the strategic risks and allow for progress against the plan to be monitored and discussed at the appropriate Executive Committee meeting and relevant board sub-committee.

Head of Internal Audit opinion

The Head of Internal Audit's annual report for the year ended 31 March 2025 noted that the Internal Audit programme of work undertaken during the year was developed to provide assurance against the AWE strategic risks. The approach to each activity is risk-based and aims to support the expression of a formal opinion on the overall effectiveness of Governance, Risk Management and Internal Control as required by Public Sector Internal Audit Standards.

The Head of Internal Audit has noted some improvements in respect of the adequacy and effectiveness of governance, risk management and control for the period April 2024 to March 2025. However, the overall opinion remains Limited Assurance. This opinion corresponds to a finding that the system of internal controls is operating effectively except for some areas, supporting the strategic risks of the organisation, where significant weaknesses have been identified. Whilst this opinion is similar to that provided in the previous three years, (since AWE became an ALB of the MOD) it should be recognised that the Head of Internal Audit has noted a continual drive to improve the organisation. Overall, the direction of travel in respect to an annual opinion is positive.

Where appropriate, reliance is placed on other assurance providers to avoid duplication and achieve greater coverage across the organisation. Annual assessments are undertaken on these teams to determine the level of reliance that can be placed on the output of the activities they have undertaken during the year. The Internal Financial Control Framework is an area where an opinion of Substantial Assurance is provided. This is based on the adequacy of the related governance, risk management and controls which consist of clearly defined controls with oversight by a designated compliance team. Internal Audit also place reliance on the activities of the Independent Oversight (formerly Internal Regulation) and Quality Management System Compliance teams for assurance over environment, safety and health and production related activities.

Key themes from audit work undertaken were highlighted through the year, which largely point to the need for Governance, Risk Management and Internal Control processes to continue to develop, mature and embed (in keeping with Public Sector expectations) following the move to ALB status. These included weaknesses identified in audit review of new initiatives but also covered general business controls and in areas of inherent public sector scrutiny. Themes include the need for clarity in roles and responsibilities; clear and up to date policies and accountabilities; articulation of key controls that reflect the risk profile of the organisation given its expansion; and the need to address certain activities which operate in isolation which do not effectively follow common organisation wide defined processes and controls. In addition, several audit reviews were postponed as the risk mitigations were not yet in place or the initiatives to address them had been paused pending the roll out of a new approach.

Management actions are in place to address weaknesses specifically identified through the work of Internal Audit which will continue to be monitored by Internal Audit to ensure effective closure of issues, with appropriate overview from the Audit and Risk Assurance Committee.

As with previous years, the report recognised that AWE continues to undertake significant organisational change in order to meet the future programme demand. It also acknowledges that during the period AWE was continuing, and had made progress in, the process of maturing its approach to governance, risk management and the internal control framework. The Head of Internal Audit's opinion of Limited Assurance has been accepted and agreed by the Audit and Risk Assurance Committee noting the context of the significant period of transformation that AWE is undergoing.

Anti-corruption and bribery

AWE has a zero-tolerance approach to bribery and corruption and commits to acting professionally, fairly and with integrity in all its business dealings and relationships. AWE implements and enforces effective systems to counter bribery wherever it operates. AWE upholds all applicable laws relevant to countering bribery and corruption.

The Company provides training on compliance with laws (including those relating to anti-bribery and corruption), regulations, professional standards and the AWE Code of Conduct to all employees joining the firm, and every two years thereafter. It keeps under review its anti-bribery systems and controls to ensure that these meet the requirements of legislation.

Whistleblowing arrangements

AWE offers a number of mechanisms through which employees and contractors can raise concerns or blow the whistle. These include an internal phone number and e-mail address, a helpline and website supported by an external provider, Safecall, an Ethics office and sixteen Ethics Ambassadors throughout the business. The mechanisms for contact are all monitored by the Ethics Manager who carries out any investigations that are required, including working with Subject Matter Experts as appropriate. Anonymous reports can be made through the internal phone line and through the external provider. The non-executive lead on ethics for the board of directors is Claire Flint.

AWE keeps a record of the number of contacts with the Ethics department. Whilst the overall number of contacts continues to increase, none of the cases raised in the period would be described as whistleblowing in the legal sense. Nonetheless, all contacts are followed up regardless of whether they meet the criteria for whistleblowing.

A range of methods to promote the ways to raise concerns are used including regular articles in in-house publications, presentations to teams and posters circulated to all buildings on all sites. A Whistleblowing Policy and Procedure are available in addition to the Code of Ethics. There is also an Ethics intranet site which has information for workers including links to relevant documents and the details for raising concerns.

Annual ethics training is mandatory for all employees and typically 97% of those required to complete it do so within a four-week period. Training is by way of an online presentation followed by a test which must be passed before the training is complete.

Governance framework

AWE has adopted an internal governance model which is generally consistent with the principles of the Financial Reporting Council's UK Corporate Governance Code 2018. There are certain respects in which AWE does not comply with the Code, principally as a result of its being a Non-department public body (NDPB). These are as follows:

- General: AWE's report and accounts have been prepared in accordance with IFRS as explained in the accounts and having regard to the HM Treasury Financial Reporting Manual (FReM), which contains requirements for disclosure on similar lines to those addressed by the Code. Where differences exist between the requirements of the Code and the FReM, AWE has addressed disclosure in light of the FReM requirements
- Workforce engagement: AWE's communication and engagement with its workforce is described in the People Report. This is a comprehensive set of processes building on those in place under the previous ownership structure and includes full engagement by the board and remuneration committee on key areas. The board is satisfied, at the present time, that this provides the most optimal approach and has not adopted any of the three options suggested by the Code. (Provision 5).
- Annual re-election of directors: Under AWE's Articles of Association its single shareholder may terminate the appointment of a director on notice taking immediate effect, so directors are not subject to annual re-election. (Provision 18).
- Appointment of external auditor: Under the terms of the Framework Agreement between AWE and the MOD, the Comptroller and Auditor General assisted by the NAO acts as AWE's external independent auditor and was appointed by AWE to carry out this role without a tendering exercise. (Provision 26).
- Remuneration of non-executive directors and Chair: The remuneration of the non-executive Chair and of the non-executive directors is set by the SoS in each case. (Provisions 33 and 34).

Accounting Officer's introduction

The Chief Executive Officer and designated AO of AWE is personally responsible for safeguarding the public funds under their control, for ensuring propriety, regularity, and value for money in the handling of those public funds, for keeping proper records, for safeguarding the Company's assets (as recorded on AWE's balance sheet), and for the day-to-day operations and management of AWE. The AO is required to ensure that AWE is run on the basis of the governance, decision-making and financial management standards that are set out in HM Treasury's 'Managing Public Money'. This Governance Statement sets out how the AO have discharged these responsibilities during the reporting period.

Role of the Accounting Officer

The AO's role is fully set out in the Framework Document. The AO's responsibilities include ensuring that effective systems of corporate governance are in place including adequate systems for internal and financial control and effective measures against fraud and theft.

Accounting Officer's Annual Assurance Report

The report was prepared in line with previous years and the AO gave a Limited Assurance opinion. This opinion remains the same as reported in 2023-24. This reflects the changes that have resulted from transition to an NDPB and the ongoing transformation programme. Some improvement initiatives reached full operating capability during the year, which has clarified accountability and provides the foundation upon which enterprise risk management, internal controls and assurance can be matured.

Conclusion

This report is for the year ended 31 March 2025 and, in relation to significant balance sheet events, to the date of signing.

The Business Plan sets out what AWE needs to achieve and prioritises the need to modernise delivery.

The continued operation of a mature financial control environment provides a solid foundation for developing AWE's other, non-financial controls and ensuring their operation is consistently evidenced and monitored.

Remuneration Report

Overview

This Remuneration Report includes the remuneration of the Chair and other members of the board of AWE. The Remuneration Committee oversees and governs the remuneration policy and its implementation. Changes in the composition of the board and a summary of its members' attendance at scheduled meetings in the year ended 31 March 2025 are shown in the Directors' Report and Governance Statement on pages 56 and 64 respectively.

Remuneration policy

The Committee's priority is to ensure that remuneration policy is sufficient for AWE to be able to attract and retain talented staff with the skills, values and behaviours required to deliver AWE's mission.

As an NDPB, AWE is required to align with the Government's approach to public sector pay policy and ensure that pay awards are fair to public sector workers and the taxpayer. To meet its unique needs and ensure it can retain a competitive offering, AWE has been granted exemption from the Civil Service Pay Remit to allow it to separately negotiate with its Trade Unions a suitable pay deal for its employees. The use of these freedoms, and wider AWE remuneration policy, is overseen by the Committee to ensure they remain in line with wider public sector policy and company performance.

In application of the remuneration policy for 2024-25, annual incentive payments were determined by an assessment of company performance as well as individual performance of those board members eligible for incentives. Long-term incentives payments were determined by the overall company over a 3-year period.

Directors' contracts

Directors were appointed and their remuneration determined as follows:

- **Executive Directors** Appointed with the approval of the MOD, and remuneration reviewed by the Remuneration Committee with reference to the prevailing market conditions:
 - Nick Elliott (Chief Executive Officer)
 - Iain Stevenson (Interim Chief Executive Officer – stepped down as Director on 27 June 2024)
 - Barry Hunter (Chief Financial Officer and Deputy Chief Executive Officer)

- **Chairman** Appointed by the MOD and remuneration decided by the MOD with reference to the prevailing market conditions:
 - Sam Laidlaw (Appointed 1 January 2025)
 - Sir John Manzoni (Stepped down on 31 December 2024)
- **Shareholder representative** non-executive director appointed by the MOD. He is not separately remunerated for his role as a director of the Company:
 - Henry Lloyd
- **Non-executive directors** Appointed with the approval of the MOD, and remuneration decided by the MOD in line with the remuneration set for other independent non-executive directors:
 - Richard Elsy
 - Claire Flint
 - Dame Sue Ion
 - Richard Keys
 - Dr J Stephen Rottler
 - Bridget Rosewell
 - Mark Wild (appointed Director from 12 September 2024)

Directors' remuneration

The fees, salaries and other amounts that were paid to the directors for the year ended 31 March 2025, and also the prior year, are shown below in Table 4 (where these were not paid for a full year, full year equivalent amounts are shown in brackets).

Table 4: Director's Remuneration

Full name	Year	Fees & salary (£'000) ¹⁴	Annual bonus (£'000)	Benefits in kind £ (to the nearest £100)	Pension Benefits £ (to the nearest £1,000)	Total (£'000)
Sam Laidlaw	2024-25	35-40 (150-155)	-	-	-	35-40 (150-155)
	2023-24	-	-	-	-	-
Sir John Manzoni	2024-25	110-115 (150-155)	-	-	-	110-115 (150-155)
	2023-24	150-155	-	-	-	150-155

¹⁴ Fees and Salaries also includes payments in lieu of pension. More detail is provided on the following page.

Full name	Year	Fees & salary (£'000) ¹⁴	Annual bonus (£'000)	Benefits in kind £ (to the nearest £100)	Pension Benefits £ (to the nearest £1,000)	Total (£'000)
Nick Elliott ¹⁵	2024-25	450-455	-	600	-	450-455
	2023-24	30-35 (450-455)	-	-	-	30-35 (450-455)
Iain Stevenson ¹⁶	2024-25	140-145 (435-440)	-	-	-	140-145 (435-440)
	2023-24	335-340 (405-410)	-	-	25,000 (32,000)	360-365 (440-445)
Barry Hunter ¹⁷	2024-25	315-320	70-75	2,500	-	390-395
	2023-24	290-295	85-90	2,500	11,000	390-395
Richard Elsy	2024-25	25-30	-	-	-	25-30
	2023-24	25-30	-	-	-	25-30
Claire Flint	2024-25	25-30	-	-	-	25-30
	2023-24	25-30	-	-	-	25-30
Dame Sue Ion	2024-25	25-30	-	-	-	25-30
	2023-24	25-30	-	-	-	25-30
Richard Keys	2024-25	25-30	-	-	-	25-30
	2023-24	25-30	-	-	-	25-30
Henry Lloyd ¹⁸	2024-25	-	-	-	-	-
	2023-24	-	-	-	-	-
Dr J Stephen Rottler	2024-25	25-30	-	-	-	25-30
	2023-24	25-30	-	-	-	25-30

¹⁵ Nick Elliott was appointed CEO and Company Director from 4 March 2024. The fees and salaries figure for Nick includes £50-55k of payment in lieu of pension.

¹⁶ Iain Stevenson was appointed Interim CEO and Company Director from 7 June 2023 and received an annualised basic salary of £280-285k, plus annualised role-based allowances of £120-125k and £35-40k of payment in lieu of pension. Iain stepped down as a director from 27 June 2024.

¹⁷ The fees and salaries figure for Barry Hunter includes £35-40k of payment in lieu of pension.

¹⁸ Henry Lloyd is a UK Government Investments employee who received no additional remuneration for duties as a Director of AWE.

Full name	Year	Fees & salary (£'000) ¹⁴	Annual bonus (£'000)	Benefits in kind £ (to the nearest £100)	Pension Benefits £ (to the nearest £1,000)	Total (£'000)
Bridget Rosewell ¹⁹	2024-25	25-30	-	-	-	25-30
	2023-24	10-15 (25-30)	-	-	-	10-15 (25-30)
Mark Wild ²⁰	2024-25	15-20 (25-30)	-	-	-	15-20 (25-30)
	2023-24	-	-	-	-	-

Pension entitlements

AWE offers a defined contribution scheme (Group Personal Pension). Executive directors are entitled to the same contribution structure as all employees. In the reported period, no Executive directors participated in this plan and instead received a taxable payment in lieu of pension equivalent to 13% of their base salary. This payment is included within the fees & salary figure in the remuneration table.

Fair Pay Disclosures

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director and the median remuneration of the Company's workforce, on an annualised basis (Table 10). Employee's figure excludes the highest paid director.

Table 5: Fair pay disclosures

Remuneration element	Category	2024-25 (annualised)	2023-24 (annualised)	% Change
Salary and allowances	Highest paid director ²¹	£452,500	£452,500	0%
	Average for employees	£54,598	£54,341	0.5%
Performance pay and bonuses	Highest paid director	£0	£0	0%
	Average for employees	£2,378	£1,694	40.4%

¹⁹ Bridget Rosewell was appointed Non-Executive Director from 13 December 2023.

²⁰ Mark Wild was appointed Non-Executive Director from 12 September 2024.

²¹ Mid-point of the salary band disclosed for the highest paid Director in the remuneration table above

Remuneration in the ratios shown in

Table 6 and staff ranges refers to annualised salary, performance pay and benefits. It does not include any pension values.

Table 6: Pay ratios vs highest paid director

Year	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2024-25	11:1	9:1	6:1
2023-24	11:1	9:1	7:1

Reporting bodies are required to set out for each of the ratios the total pay, performance pay and benefits, and the salary component of this. The figures for the ratios for the year ended 31 March 2025 are in Table 7.

Table 7: Ratios of the year ended 31 March 2025

Percentile	Staff figure: pay including performance pay and benefits	Salary element only
25 th percentile	£40,994	£37,031
Median	£52,813	£46,690
75 th percentile	£69,578	£63,694

The pay ratios for all reported statistics are broadly unchanged compared to the ratios for the prior period (12 months ended 31 March 2024). This is a result of average remuneration statistics being similar in both reporting periods. The ratios are consistent with the pay, reward and progression policies of AWE.

Actual staff remuneration on an annualised basis for full-time work on 31 March 2025 (including the highest paid director and performance pay; excluding pension benefits) ranges from £16,280 to £477,167 per annum (2024: £14,800 - £452,000). This upper range figure was paid to an employee who was not a director or board member.

The Remuneration Committee recognises the need to be aware of public sector pay constraints and policies, which it must seek to balance with the need to remain competitive in a private sector market. Base pay and incentive levels continue to be carefully reviewed and monitored to ensure they meet the needs of the business, in consultation with the MOD.

People Report

Overview

At AWE, we are committed to fostering a high-performance culture grounded in inclusivity, agility, and empowerment. Our People Strategy is designed to support this vision by attracting, retaining, and motivating a highly skilled workforce. Given the nature of our work – often conducted in high-hazard environments – maintaining a robust safety culture is essential. This is supported by a comprehensive training programme. In parallel, security remains a top priority due to the critical role AWE plays in national defence.

In a competitive local employment market, where certain skill sets are in short supply, it is vital that our employee value proposition remains compelling. The following information outlines how we are delivering on our People Strategy and meeting our reporting obligations.

Employee Voice

In 2024, AWE partnered with a new survey provider to enhance our understanding of the employee experience. This platform enables us to conduct both experience and lifecycle surveys, offering a more holistic view of employee sentiment.

Our first annual census survey, conducted in September 2024, yielded an engagement score of 64% – 4% below the UK average. Key performance indicators assessed included Intent to Stay, Inclusion, Expectations, and Wellbeing. Encouragingly, our first quarterly pulse survey following the census showed a 3% improvement in engagement across the organisation.

As AWE undergoes transformational change, the employee experience remains a central focus. This year, we introduced a new 'Cultural Deal' that clearly articulates the mutual expectations of working at AWE. Informed by employee feedback, we are also launching a refreshed Inclusion Strategy and prioritising the revitalisation of our performance recognition approach to align with this new deal.

We have adopted a multi-faceted listening strategy – combining qualitative and quantitative methods – to continuously gather insights into employee experiences. In addition to surveys, we engage through Engagement Champions, Listening Forums, intranet portal feedback, and regular dialogue with our recognised Trade Unions.

Communication and Engagement

Effective communication is key to building trust and alignment. AWE uses a variety of channels to keep employees informed and engaged, including our company intranet, leadership briefings, Team Talk cascades, an in-house magazine, and targeted communications such as toolbox talks for operational teams.

Recognising that line managers are often the most trusted source of information; we invest in developing their communication and leadership capabilities. We also maintain strong engagement with our workforce through our voluntary recognition agreement with Prospect and Unite the Union, as well as through our Employee Forum.

Trade Union Relationships

AWE maintains constructive relationships with the Trade Unions Unite and Prospect, underpinned by collective bargaining agreements that cover a significant portion of our workforce. The data in tables 13,14&15 has been compiled in accordance with the Trade Union (Facility Time Publication Requirements) Regulations 2017, for the reporting year ending 31 March 2025:

Table 8: Relevant Union Officials

Year	Number of employees who were relevant union officials during the relevant period	Full-time equivalent (FTE) employee number
2024-25	53	49.3
2023-24	35	33.91

Table 9: Percentage of time spent on Facility Time

Percentage of time	31 March 2025	31 March 2024
	Number of employees	
0%	7	-
1-50%	244	27
51%-99%	4	7
100%	-	-

Table 10: Percentage of pay bill spent on Facility Time

Activity	31 March 2025	31 March 2024
	Spend	
Total cost of Facility Time	£628,972	£648,323
Total Pay Bill	£525,399,000	£411,497,000
Percentage of pay bill spent on facility time	0.12%	0.16%

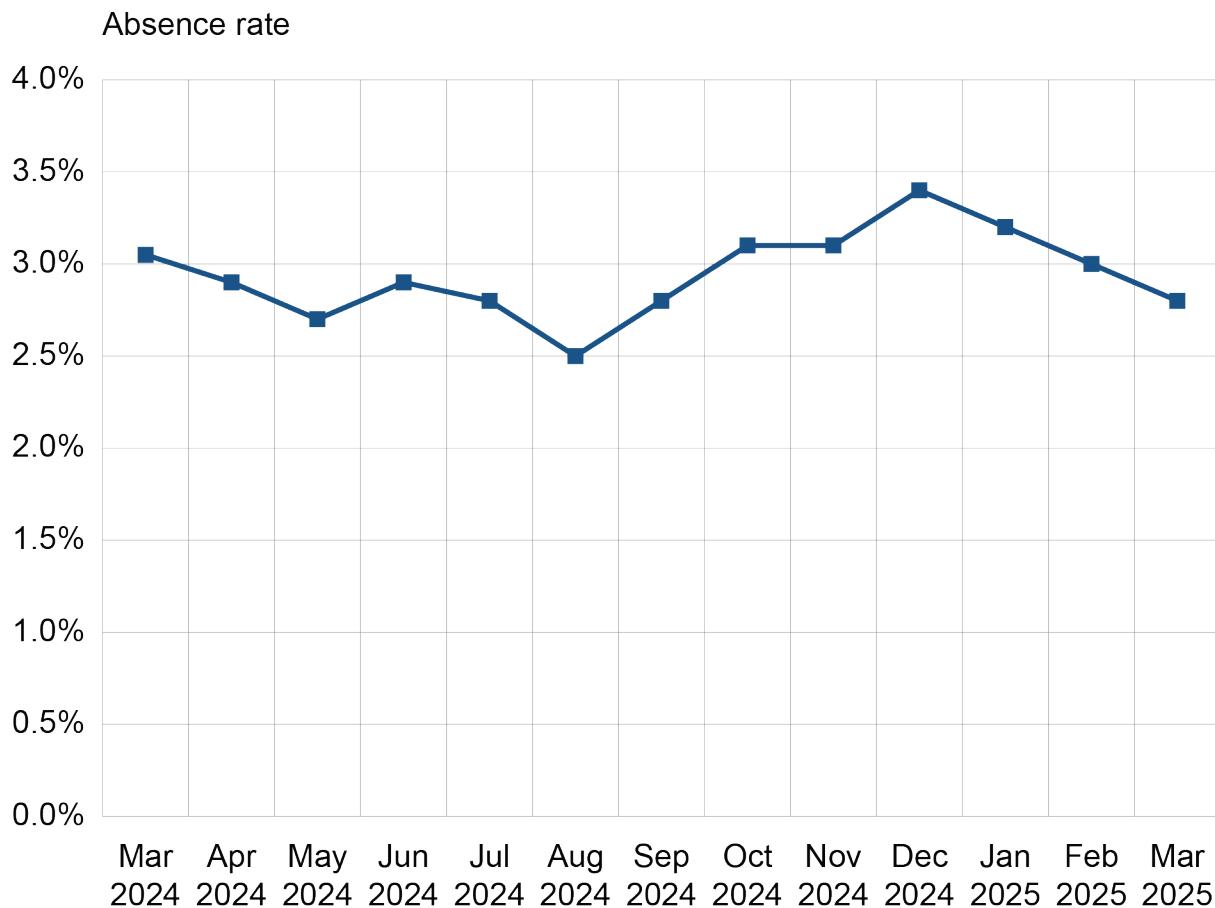
Table 11: Paid Trade Union activities

	31 March 2025	31 March 2024
Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as: (total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) x 100	100%	100%

Employee Health & Wellbeing

Between April 2024 and March 2025, AWE's sickness absence rate ranged from 2.5% (August 2024) to 3.4% (December 2024), calculated as a percentage of hours lost due to sickness against total available hours.

Figure 1: Absence rate for the year ended 31 March 2025



AWE's dedicated HR Health and Wellbeing Team leads the implementation of our Employee Health and Wellbeing Strategy. This strategy envisions a thriving workforce supported by long-term physical and mental wellbeing. It plays a vital role in sustaining workforce resilience, safeguarding operational continuity, and driving long-term health improvements.

The strategy prioritises prevention and early intervention, with a focus on optimising existing support services and using data-driven insights to measure impact. Key initiatives include educational events on mental health, musculoskeletal health, healthy lifestyle habits, and social wellbeing. Building on the success of previous years, we delivered our second on-site flu vaccination programme and continued to expand our network of volunteer Wellbeing Champions.

Equity, Diversity, and Inclusion

Equity, Diversity, and Inclusion remain central to AWE's people agenda. Our new Inclusion Strategy is built around three strategic objectives:

- Representation – Ensuring our workforce reflects the diversity of the communities in which we operate.
- Culture – Fostering an inclusive, informed, and engaged workplace.
- Support – Enhancing organisational support for women and front-line workers.

We continue to make progress toward our gender diversity target of 30%, with the current female headcount at 27.7%. Notably, the proportion of women joining through early careers programmes increased by nearly 3% over the past year.

Employee resource groups play a vital role in shaping our inclusive culture. Over the past year, they have led initiatives to mark key events such as International Women's Day, Black History Month, Inclusion Week, Neurodiversity Awareness Week, and Pride Month.

To embed inclusion into our infrastructure, we have introduced Equality Impact Assessments into key location programmes. ERGs have also contributed to the design of new buildings, ensuring workspaces are inclusive and accessible for all.

In 2024, AWE was proud to receive the Armed Forces Covenant Gold Award, recognising our support for veterans, reservists, and cadet volunteers. This included enhanced paid leave for reservists, career development initiatives, and our commitment to the Pride in Veterans Standard. We were also delighted that one of our employees received the Graduate of the Year award at the LGBTQ+ Defence Awards.

Employment of Disabled Persons

AWE is listed as disability confident committed to fair and inclusive recruitment practices. We ensure that applicants with disabilities are fully supported throughout the recruitment process, with adjustments made as needed.

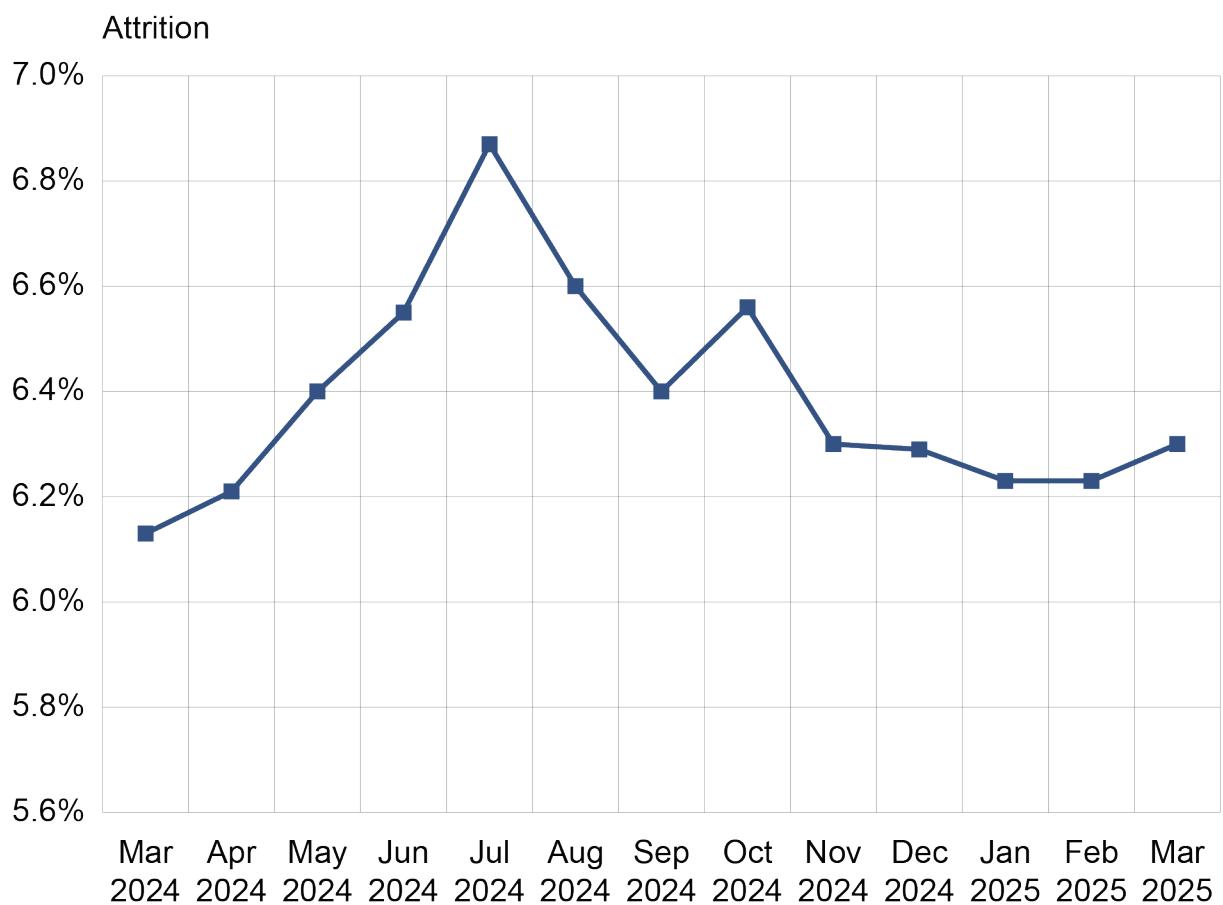
In FY25, we launched the "My Diversity Data" campaign, encouraging employees to voluntarily disclose disability status. This data helps us better understand representation across the organisation and informs future inclusion initiatives. We continue to partner with the Business Disability Forum to ensure our practices reflect the latest guidance and best practice.

Employee Turnover

Attrition in AWE is calculated by taking the number of staff exiting the organisation in the 12 months period prior to the reporting date and dividing by the average headcount for the same period. Average headcount is calculated by summing the headcount at each accounting period end and dividing by 12.

The attrition rate for March 2025 was 6.23%. We experienced a decrease in attrition through the first half of FY24. Attrition has remained consistent through the last quarter of the Financial Year.

Figure 2: Attrition rate for the year ended 31 March 2025



Staff composition (FTE)

Staff composition for year ended 31 March 2025

As of 31 March 2025, the proportion of female employees, based on (FTE) figures and excluding zero-hours contracts, stood at 27.6%, representing a year-on-year increase from 26.6% reported in March 2024 (**Table 12 & Table 13**).

Please note that the total employee figure presented here may differ from the figure disclosed in the Staff Costs and Numbers section of this report. This is due to the figures below reflecting the workforce composition at the end of the reporting period, rather than an average over the year.

Table 12: Executive director gender composition for year ended 31 March 2025

Staff category	31 March 2025		31 March 2024	
	Number (FTE)	%	Number (FTE)	%
Executive directors	Total Executive Team – 13		Total Executive Team – 12	
Male	11	84.6%	10	83.3%
Female	2	15.3%	2	16.7%

Table 13: Staff gender composition for year ended 31 March 2025

Staff category	31 March 2025		31 March 2024	
	Number (FTE)	%	Number (FTE)	%
Senior managers	Total senior managers – 287		Total senior managers – 281	
Male	217	75.6%	213	75.8%
Female	70	24.4%	68	24.2%
Employees	Total other employees – 8,595		Total other employees – 7,140	
Male	6,227	72.4%	5,241	75.4%
Female	2,368	27.5%	1,899	26.6%

Excluding zero hours, secondees in and Contingent Workers.

Off-payroll engagements

In line with the review of tax arrangements for public sector appointees, originally published by the Chief Secretary to the Treasury on 23 May 2012, organisations are required to report on off-payroll engagements and associated tax arrangements, as specified by HM Treasury. This disclosure excludes independent panel members.

Table 14 below presents data on off-payroll workers engaged as of 31 March 2025, whose daily rate of pay is £245 or higher.

Table 14: Highly paid off-payroll worker engagements as at 31 March 2025, earning £245 per day or greater

Number of existing arrangements as of 31 March 2025	260
Of which, no. that existed:	
Less than 1 year	148
For between 1 and 2 years	79
For between 2 and 3 years	12
For between 3 and 4 years	9
For 4 or more years	12

Table 15 below sets out all highly paid off-payroll worker engagements at any point during the year ended 31 March 2025, earning £245 per day or greater.

Table 15: Highly paid off-payroll worker engagements at any point during the year ended 31 March 2025, earning £245 per day or greater

Number of temporary off-payroll workers engaged during the year ended 31 March 2024	396
Of which:	
Not subject to off-payroll legislation	3
Subject to off-payroll legislation and determined as in-scope of IR35	271
Subject to off-payroll legislation and determined as out-of-scope of IR35	122
No. of engagements reassessed for compliance or assurance purposes during the year	141
Of which: No. of engagements that saw a change to IR35 status following review	23

Following the extension of IR35 legislation to the private sector in April 2021, AWE is required to determine the employment status of all off-payroll workers for tax purposes. To ensure compliance, AWE conducts an IR35 assessment for every contingent worker role prior to advertising the requirement through Public Sector Resourcing. This ensures that the employment status is clearly defined at the outset of the recruitment process.

A Status Determination Statement (SDS) is issued between the offer stage and the commencement of the assignment. This statement is shared with both the contingent worker and Public Sector Resourcing to provide full transparency.

AWE's approach to IR35 compliance has been subject to validation by HMRC, as well as internal and external audits, confirming the robustness of our processes.

There were no off-payroll engagements involving board members during the reporting period.

Staff Costs, Numbers and Exit Packages

Table 16: Staff costs and staff numbers

Staff costs comprise	Year ended 31 March 2025			Year ended 31 March 2024		
	Permanent staff (£'000)	Agency staff (£'000)	Total (£'000)	Permanent staff (£'000)	Agency staff (£'000)	Total (£'000)
Salaries and wage costs	488,853	39,580	528,433	405,483	29,662	435,145
Social security costs	50,404	-	50,404	40,994	-	40,994
Pension costs	54,987	-	54,987	44,876	-	44,876
Redundancy and severance payments	1,550	-	1,550	1,394	-	1,394
Total	593,793	39,580	635,374	492,747	29,662	522,409

Table 17: Employee numbers (FTE) by Job Family (excluding zero hours)

Category	Year ended 31 March 2025				Year ended 31 March 2024			
	Permanent staff	Agency staff	Secondees	Total	Permanent staff	Agency staff	Secondees	Total
Science	1,377	0	17	1,394	1,278	1	19	1,298
Engineering and manufacturing	3,994	43	51	4,088	3,207	62	45	3,314
Business services	3,483	229	44	3,756	2,954	173	12	3,139
Total	8,854	272	112	9,238	7,439	236	76	7,751

Table 18: Exit packages

Exit package cost band	Year ended 31 March 2025			Year ended 31 March 2024		
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	-	23	23	-	7	7
£10,000 - £25,000	-	5	5	-	8	8
£25,00 - £50,000	-	3	3	-	-	-
£50,00 - £100,000	-	8	8	-	6	6
£100,00 - £150,000	-	5	5	-	1	1
£150,00 - £200,000	-	1	1	-	-	-
£200,00 - £250,000	-	1	1	-	-	-
£250,00 - £300,000	-	1	1	-	1	1
£300,000- £350,000	-	-	-	-	-	-
£350,000- £400,000	-	3	3	-	1	1

Exit package cost band	Year ended 31 March 2025			Year ended 31 March 2024		
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
Total number of exit packages	-	50	50	-	24	24
Total cost of exit packages	-	£1,883,086	£1,883,086	-	£1,393,874	£1,393,874

Consultancy

For the year ended 31 March 2025, AWE's expenditure on consultancy services, delivered through individuals contracted to provide specialist support, totalled £39.5 million, compared to £29.7 million in the previous financial year (ending 31 March 2024).

Independent Auditor's Report to the Members of AWE plc

Opinion on financial statements

I have audited the financial statements of the Atomic Weapons Establishment plc (AWE plc) for the year ended 31 March 2025 under the provisions of the Companies Act 2006.

The financial statements comprise the AWE plc:

- Balance Sheet as at 31 March 2025;
- Income Statement, Statement of Other Comprehensive Income, Cash Flow Statement and Statement of Changes in Shareholder's Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and the UK adopted International Accounting Standards.

In my opinion the financial statements:

- give a true and fair view of the state of AWE plc's affairs as at 31 March 2025 and its loss for the year then ended; and
- have been properly prepared in accordance with the UK adopted International Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom* (2024). My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my report.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2024*. I am independent of AWE plc in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that AWE plc's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

My evaluation of the director's assessment of the entity's ability to continue to adopt the going concern basis of accounting included a review of the evidence supporting the director's assessment which included consideration of the long-term plans and continued programme of work under the main contract with the Ministry of Defence.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on AWE plc's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report but does not include the financial statements and my auditor's report thereon. The directors are responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of AWE plc's environment obtained in the course of the audit, I have not identified material misstatements in the Strategic Report or the Directors' Report.

I have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires me to report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- I have not received all of the information and explanations I require for my audit; or
- a corporate governance statement has not been prepared by the parent company.

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within AWE plc from whom the auditor determines it necessary to obtain audit evidence;

- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error;
- preparing financial statements, which give a true and fair view, in accordance with the Companies Act 2006;
- preparing the Annual Report in accordance with the Companies Act 2006; and
- assessing AWE plc's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and report on the financial statements in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)).

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

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of AWE plc's accounting policies, key performance indicators and performance incentives;
- inquired of management, AWE plc's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to AWE plc's policies and procedures on:
 - identifying, evaluating and complying with laws and regulations;
 - detecting and responding to the risks of fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including AWE plc's controls relating to AWE plc's compliance with the Companies Act 2006 and Managing Public Money;
- inquired of management, AWE plc's head of internal audit and those charged with governance whether:
 - they were aware of any instances of non-compliance with laws and regulations; and
 - they had knowledge of any actual, suspected, or alleged fraud;
- discussed with the engagement team and the relevant internal and external specialists, including pensions and financial instruments experts regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within AWE plc for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of AWE plc's framework of authority and other legal and regulatory frameworks in which AWE plc operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of AWE plc. The key laws and regulations I considered in this context included Companies Act 2006, Managing Public Money, employment law, pensions legislation, tax Legislation, health and safety legislation, Office for Nuclear Regulation regulations, Environment Agency regulations and anti-money laundering regulations.

I considered:

- the results of analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reviews of internal audit reports; and
- knowledge gained through enquiries of management to understand the governance and control processes relating to compliance with laws and regulations.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit and Risk Assurance Committee and in-house legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports;
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements on estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- attended Audit and Risk Assurance Committee meetings and had regular communication with management, internal audit and in-house legal counsel to identify any instances of fraud or non-compliance with laws and regulations.

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:
www.frc.org.uk/auditorsresponsibilities. This description forms part of my report.

Other auditor's responsibilities

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control I identify during my audit.



Hilary Lower (Senior Statutory Auditor)

26 November 2025

For and on behalf of the
Comptroller and Auditor General (Statutory Auditor)

National Audit Office
157-197 Buckingham Palace Road
Victoria London SW1W 9SP

Financial Statements

Income Statement

Year ended 31 March 2025

	Note	Year ended 31 March 2025	Year ended 31 March 2024
		£'000	£'000
Revenue	3	2,148,615	1,818,236
Cost of sales	5	(2,207,048)	(1,851,260)
Gross loss		(58,433)	(33,024)
Other operating income	4	43,550	20,596
Administrative expenses		(124)	(1,157)
Operating loss		(15,007)	(13,585)
Financial income		878	
Financial expenses	8	(883)	(33)
Net financing expenses		(5)	(33)
Loss before tax		(15,012)	(13,618)
Taxation	9	(15,331)	2,571
(Loss) for the year		(30,343)	(11,047)

Notes 1 to 24 form part of these accounts

Statement of Other Comprehensive Income

Year ended 31 March 2025

	Note	Year ended 31 March 2025	Year ended 31 March 2024
		£'000	£'000
(Loss) for the year		(30,343)	(11,047)
Other comprehensive income/(loss)			
<i>Items that will not be reclassified to profit or loss:</i>			
Actuarial movement in relation to pension fund	15	126,000	14,000
<hr/>			
Other comprehensive income/(loss) for the year		126,000	14,000
<hr/>			
Total comprehensive income for the year		95,657	2,953
<hr/>			

Notes 1 to 24 form part of these accounts

Balance Sheet

Registered number 02763902

at 31 March 2025

	Note	31 March 2025	31 March 2024
		£'000	£'000
Non-current assets			
Investments in group companies	10	1	1
Other financial assets	18	-	-
Deferred tax assets	11	2,142	8,475
Right-of-use assets	19	20,701	1,504
		22,844	9,980
Current assets			
Contract assets	3	82,890	130,334
Other financial assets	18	-	3
Trade and other receivables	12	126,722	95,273
Deferred tax assets	11	1,700	-
Cash and cash equivalents	13	143,099	107,782
		354,411	333,392
Total assets		377,255	343,372
Current liabilities			
Lease liabilities	19	4,638	660
Trade and other payables	14	350,491	317,393
Contract liabilities	3	3,508	14,735
Provisions	16	91	279
Other financial liabilities	18	-	-
		358,729	333,067
Non-current liabilities			
Lease liabilities	19	18,121	832
Trade and other payables	14	1,376	1,508
Employee benefits	15	97,000	209,000
Provisions	16	0	83
		116,497	211,423
Total liabilities		475,226	544,490
Net liabilities		(97,972)	(201,118)
Balance Sheet (continued)			

Registered number 02763902

at 31 March 2025

	Note	31 March 2025	31 March 2024
		£'000	£'000
Equity			
Share capital	17	50	50
Retained earnings		(198,511)	(294,168)
Capital reserves	17	100,489	93,000
Total equity		(97,972)	(201,118)

Notes 1 to 24 form part of these accounts.

These financial statements were approved and signed on behalf of the board on
20 November 2025



Nick Elliott, Chief Executive Officer

Company registered number: 02763902

Statement of Changes in Shareholder's Equity

Year ended 31 March 2025

		Share capital	Retained earnings	Capital reserves	Total equity
	Note	£'000	£'000	£'000	£'000
Balance at 1 April 2023		50 (297,121)		63,000 (234,071)	
Total comprehensive income for the year					
Profit for the year		- (11,047)		- (11,047)	
Other comprehensive income	15	- 14,000		- 14,000	
Total comprehensive income for the year		- 2,953		- 2,953	
Transactions with controlling party, recorded directly in equity					
Capital contributions	17	-	-	30,000	30,000
Balance at 31 March 2024		50 (294,168)		93,000 (201,118)	

	Note	Share capital £'000	Retained earnings £'000	Capital reserves £'000	Total equity £'000
Balance at 1 April 2024		50	(294,168)	93,000	(201,118)
Total comprehensive income for the year					
Profit for the year		-	(30,343)	-	(30,343)
Other comprehensive income		-	126,000	-	126,000
Total comprehensive income for the year		-	95,657	-	95,657
Transactions with controlling party, recorded directly in equity					
Capital contributions	17	-	-	7,489	7,489
Balance at 31 March 2025		50	(198,511)	100,489	(97,972)

Notes 1 to 24 form part of these accounts.

Cash Flow Statement

Year ended 31 March 2025

	Note	Year ended 31 March 2025	Year ended 31 March 2024
		£'000	£'000
Cash flows from operating activities			
(Loss)/profit for the year		(30,343)	(11,047)
<i>Adjustments for:</i>			
Fair value losses/(gains) on derivatives	8	-	13
Interest paid	8	883	20
Depreciation of right-of-use assets	19	3,539	642
Taxation	9	15,331	(2,571)
		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
		(10,590)	(12,943)
(Increase)/decrease in trade and other receivables	12	(48,587)	(18,920)
Increase in contract assets/contract liabilities	3	36,217	(24,910)
Increase in trade and other payables	14	32,966	36,200
(Decrease)/increase in costs of employee benefits	15	14,000	(15,000)
Decrease in provisions	16	(271)	(814)
		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
Tax paid		6,443	(8,570)
		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
Net cash (used in)/from operating activities		30,179	(44,957)
 Cash flows from financing activities			
Capital contribution	17	7,489	30,000
Principal repayments on leases	19	(1,468)	(612)
Interest repayments on leases	19	(883)	(20)
Net cash from financing activities		5,138	29,368
		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
Net (decrease)/increase in cash and cash equivalents		35,317	(15,589)
Cash and cash equivalents at 1 April	13	107,782	123,371
Cash and cash equivalents at 31 March	13	143,099	107,782
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

Notes 1 to 24 form part of these accounts.

Notes to the Financial Statements

1 Accounting policies

AWE is a public limited company incorporated, domiciled, and registered in England in the UK. The registered number is 02763902 and the registered address is Room 20, Building F161.2, Atomic Weapons Establishment, Aldermaston, Reading, Berkshire, RG7 4PR. The Company's principal activities are the management and operation of AWE comprising a number of sites including Aldermaston and Burghfield on behalf of its parent the MOD. The assets managed and operated by AWE are owned by the MOD. The recording of those assets on the MOD's balance sheet is a matter for the MoF.

These financial statements present information about the Company as an individual undertaking and not about its group. They have been prepared on the basis set out in the Framework Document as directed by the SoS for Defence.

The Company financial statements have been prepared and approved by the directors in accordance with UK-adopted international accounting standards ("UK-adopted IFRS"). The financial statements have been prepared for the year ended 31 March 2025.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. As a NDPB, the Company also, where considered appropriate, adopts the interpretations but not adaptions of IFRS in the FReM. The Company applies additional disclosure requirements in the FReM, where these are compatible with the requirements of the Companies Act. Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed on page 121.

Measurement convention

The financial statements are prepared on the historical cost basis except certain financial assets and liabilities (including derivatives) that are measured at their fair value.

The financial statements are presented in sterling which is the companies functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Going concern

The Company's business activities, together with the factors likely to affect its future development, its performance and position, financial risk management objectives, details of its financial instrument and derivative activities are described in the Directors' Report on page 56 and in the accounting policies on pages 111 to 147.

The Company is expected to continue to generate positive cash flows on its own account under existing contractual arrangements with the MOD. The Company has its banking arrangements with Government Banking. Government Banking provides a shared banking service across central government and wider public sector customers. Current arrangements include the provision of sufficient funding secured from the MOD which will enable the Company to continue operating.

The directors consider that the Company has a secure long-term position on which to found their expectation that the Company will continue as a going concern, based on the national requirement and associated funding for the activities carried on at the facilities operated by the Company, and the Company's practical tenure as the operator. The only UK facilities currently capable of maintaining and manufacturing the nuclear warheads necessary to deliver the UK's CASD posture are those managed and operated by the Company. The directors have considered the possibility that the Company could be replaced with another operator of these facilities within the timeframe to be considered for going concern purposes. They have been advised that such a change would require lengthy and substantial regulatory and other processes and that consequently there is a sound basis for assuming that the Company will continue to be the manager and operator of the facilities for that timeframe at a minimum, and that the continuation of the UK's CASD policy means that the requirement for the activity conducted by the Company at the facilities will continue for the foreseeable future.

Based on these arrangements, the directors believe that the Company will continue to receive support from the MOD in carrying out its principal activities for a number of years, which is corroborated through funding forecasts received from the MOD which indicate this.

On the basis of their assessment of the Company's financial position, the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for at least the period through to 30 November 2026. In making this assessment the directors have given sufficient consideration to the current external social, political, and economic environment and have considered the impact of plausible downside scenarios including the plausibility of a reverse stress case. These events and circumstances do not alter the directors' assessment of the Company's ability to continue as a going concern as set out above.

Foreign currency

The presentational and functional currency is GBP. Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities

that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

Financial instruments

(i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

The Company holds financial assets that are either classified as measured at amortised cost or FVTPL.

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

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

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

Derivative financial instruments, like the forward foreign currency contracts held by the Company, are measured at FVTPL. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. The Company has elected to not adopt hedge accounting under IFRS 9.

Investments in subsidiaries are accounted for in accordance with IFRS 9.

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

Financial liabilities and equity

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

(iii) Impairment

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

Loss allowances for trade receivables and contract assets are measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held), or
- the financial asset is more than 90 days past due.

Write-offs

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

(iv) Derecognition

Financial assets

The Company derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or

- it transfers the rights to receive the contractual cash flows in a transaction in which either:
 - substantially all of the risks and rewards of ownership of the financial asset are transferred; or
 - the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans and other post-employment benefits is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Company determines the net interest on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the accounting period to the net defined benefit liability/(asset).

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income (OCI) and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs. The Company then calculates the current service cost for the remainder of the reporting period, post the amendment or curtailment, using the same actuarial assumptions as those used to remeasure the net defined benefit liability/(asset).

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. The gain or loss on a settlement is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement and the settlement price, including any plan assets transferred and any payments made directly by the Company in connection with the settlement.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Revenue

Income principally comprises revenue from the provision of supplies and services arising from contracts with customers. It is included within operating income, exclusive of related VAT, where applicable.

Income from contracts with customers is recognised in accordance with IFRS 15: *Revenue from Contracts with Customers* which has been applied in full. The Company follows the five-step model in IFRS 15 by applying the following steps:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise the revenue when (or as) the entity satisfies a performance obligation.

The bulk of what the Company provides to external customers is the provision of services on a rolling basis, i.e., M&O and secondments. The performance obligations in these projects are satisfied over time using output methods to recognise revenue on the basis of direct measurement of value to the customer using items such as milestones and time elapsed. In some instances, the Company provides goods and services where the performance obligations are satisfied at a point in time. In these cases, the performance obligations are deemed to be met when the customer assumes control of the relevant asset.

The profile of invoicing and/or cash payments is not the primary driver of revenue recognition as these are payment mechanisms and may not be linked to the transfer of control to the customer as explained below.

Invoices issued and/or paid before performance of the service or delivery of goods will not be included in revenue for the accounting period and will be shown as a contract liability on the balance sheet. Revenue is recognised as detailed above and where revenue exceeds the value that has been invoiced, it accumulates as a contract asset.

The primary contract with MOD is the M&O contract. This is a Qualifying Defence Contract and requires AWE to deliver and maintain the nuclear warhead capability of the United Kingdom on behalf of MOD. A suite of agreements govern the delivery of this obligation which, in addition to the M&O contract, include the Pension Scheme Management Contract (PMC). Under the M&O contract AWE is recompensed for all costs and liabilities arising together with a small contractual margin.

For the duration of AWE's obligations under the M&O, it is obliged, *inter alia*, to provide suitably qualified and experienced personnel (SQEP) to discharge its obligations and acts as employer incurring all the costs, expenses and liabilities of doing so. This

includes the provision of pension benefits for both current employment and the maintenance of benefits for current and former employees who have deferred pension rights as members of the Company's defined benefit pension scheme. The M&O also requires the Company to undertake the effective management and administration of the pension schemes and in exchange AWE is recompensed for all costs and liabilities arising pursuant to the PMC contract; this obligation contained in the M&O contract being fully extended by that contract and being applicable to services provided under the PMC.

While the M&O and PMC are separate contracts they are closely linked and the latter cannot exist in its current form without the former being in place and in force. In the opinion of the directors and following the receipt of independent legal advice, they are satisfied that in substance the PMC is an extension of the M&O and is based on the same commercial principles of provision of services for consideration. Accordingly, these contracts are treated as linked for the purposes of assessing revenues under IFRS15.

The Company receives payments with regards to its pension schemes as part of the MOD's fulfilment of the Pension Management Contract (PMC). The PMC sets out that the MOD is obliged to pay to AWE plc the contributions and the charges with regards to the 'operation, management and administration' of all AWE pension schemes, including both the defined benefit and defined contribution schemes. Charges include all costs and expenses and include payments in relation to past service deficits.

The payments received by the Company in respect of the defined benefit pension scheme deficit funding are distinguished from the payments received for regular cost of service pension provision primarily in respect of the defined contribution scheme. The latter payments are accounted for as revenue in the income statement. Payments in respect of the deficit funding are provided as a direct reimbursement of payments made by the Company under a commitment from MOD in respect of liabilities incurred principally in periods prior to the acquisition of the Company by MOD. This funding obligation is also reflected in the guarantee provided by HM Treasury to the trustees of the defined benefit scheme to meet that liability directly should the Company be unable to do so. Accordingly, the deficit funding payments from MOD are recognised as a transaction with MOD as shareholder and dealt with as a contribution to equity.

Expenses

Financing income and expenses

Financing expenses include interest payable and finance charges on lease liabilities recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy).

Financing income comprises interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Current tax takes into consideration the tax payable on any imputed profit over and above the profit recorded in the taxable income or loss for the year with regards to the performance of contracts with customers. The imputed profit arises in circumstances where the profit applied for the purposes of assessing the tax liability on any contract is assessed to be different to the profit reported in revenue, and therefore the taxable income or loss.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Leases

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

As a lessee

At commencement or on modification of a contract that contains a lease component, along with one or more other lease or non-lease components, the Company accounts for each lease component separately from the non-lease components. The Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price and the aggregate stand-alone price of the non-lease components.

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability as explained below.

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

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

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

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

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset. To the extent that the right-of-use asset

is reduced to nil, any further adjustment required from the remeasurement is recorded in profit or loss.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets and short-term leases (i.e., leases with a lease term of less than 12 months). The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

UK-adopted IFRS not yet applied

The following UK-adopted IFRSs have been issued but have not been applied in these financial statements. Their adoption is not expected to have a material effect on the financial statements:

- Amendments to References to the Conceptual Framework in IFRS 3.
- Amendments to IAS 16: Property, Plant and Equipment—Proceeds before Intended Use.
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current.
- Amendments to IAS 37: Onerous Contracts—Cost of Fulfilling a Contract.
- Annual Improvements to IFRS Standards 2018-2020.
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to introduce a new definition for accounting estimates.
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statements 2 Making Materiality Judgements: Disclosure of Accounting Policies.
- Amendments to IAS 12 Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction.

Accounting estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements have had the most significant effect on amounts recognised in the financial statements:

Defined benefit pension scheme

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount

rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating. Those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rates. Further details are given in note 15.

Other operating income - Research and Development Tax Credit (RDEC)

Refer to note 4 for consideration of the accounting estimates and judgements relating to the Research and Development Tax Credit (RDEC).

Provisions

Refer to note 16 for consideration of the accounting estimates and judgements relating to provisions.

Leases

None of the underlying lease contracts had an identifiable internal rate of borrowing (IBR). In these cases, the Company has applied the HM Treasury IBR of 4.81% (*year ended 31 March 2024: 4.72%*) for any new contracts entered.

2 Segmental Analysis

AWE has assessed its operating segments based on the structure on which it reports and reviews management information and performance internally.

In the table below, revenue is disaggregated by these operating segments.

The four segments that form part of the M&O contract, with the MOD, are: Mission Delivery, which aligns and integrates the programme delivering the AWE core programmes (Trident, Replacement Warhead (RW), Nuclear Threat Reduction (NTR), and Warhead Underpinning Technology (WUT)); Operations, which produces warheads and supports the underwriting of product performance; Infrastructure Programme Delivery (IPD), which enhances and renews AWE's critical infrastructure; and Enabling and Corporate functions, which provide the specialist skills and knowledge to the programmes and enterprise, including engineering and science functions.

The other operating segments are: Pension, which provides the pension provisions for the company under contract with the MOD; Other Government Departments (OGDs) which comprises work undertaken for HMG outside of M&O contract; Coulport, which comprises work undertaken in relation to the ABL alliance contract at the Royal Naval Armament Depot (RNAD) at Coulport; Other, which is for all other activity principally

commercial activity outside of government. RDEC is the income received from HMRC in respect of our expenditure on research and development.

	Year ended 31 March 2025	Year ended 31 March 2024
	£'000	£'000
Mission Delivery	263,734	250,093
Operations	157,039	115,322
Infrastructure Programme Delivery	1,085,937	921,430
Enabling and Corporate Functions	582,484	468,282
Total M&O	2,089,194	1,755,126
Pension	52,652	43,189
Other Government Departments (OGDs)	29,955	22,383
Coulport	17,229	15,733
Other	3,135	2,400
Total Non M&O	102,971	83,706
RDEC	(43,550)	(20,596)
Total Revenue	2,148,615	1,818,236

3 Revenue

(i) Disaggregation of revenue

In the table below, revenue is disaggregated by the type of customer and timing of revenue recognition. 100% of the Company's revenue is derived from UK sources. The Company's Executive does not review the business on a geographical basis. Therefore, a geographical analysis is not necessary to aid users' understanding of these financial statements.

Type of customer	Year ended 31 March 2025	Year ended 31 March 2024
	£'000	£'000
MOD	2,100,655	1,795,853
Non-MOD	47,960	22,383
	2,148,615	1,818,236

Timing of transfer of goods or services	Year ended 31 March 2025	Year ended 31 March 2024
	£'000	£'000
Products and services transferred at a point in time	145	129
Products and services transferred over time	2,148,470	1,818,107
Total	2,148,615	1,818,236

(ii) Contract balances

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

	Note	31 March 2025	31 March 2024
		£'000	£'000
Receivables	12	8,354	540
Contract assets		82,890	130,334
Contract liabilities		(3,508)	(14,735)

The contract assets primarily relate to the Company's rights to consideration for work completed but not billed at the reporting date on the contract with the MOD. The contract assets are transferred to receivables when the rights become unconditional. The contract liabilities primarily relate to the advance consideration received for the contract with the MOD.

The amount of revenue recognised in the current period from performance obligations satisfied (or partially satisfied) in previous periods was £nil (*year ended 31 March 2024: £nil*).

The amount of revenue recognised in the current period that was included in the contract liability balance at the beginning of the period was £14,735k (*year ended 31 March 2024: £16,404k*). The amount of deferred revenue at 31 March 2025 is £3,353k (*year ended 31 March 2024: £1,980k*).

(iii) Performance obligations

The M&O contract and its dependent contracts with the MOD are treated as a single performance obligation. This is based on the premise that in the absence of the M&O contract the other contracts would not be in place. A single fee rate is used to calculate revenue for all components of the combined contracts. The M&O and its dependents are accounted for as service contracts and revenue is recognised over time. As all allowable costs under the M&O contract and its dependents are reimbursable, the revenue on these contracts is calculated using the 'cost plus' method.

4 Other operating income

	Year ended 31 March 2025	Year ended 31 March 2024
	£'000	£'000
Research and Development Tax Credit	43,550	20,596

The other operating income balance relates to research and development tax relief received from HMRC through the Research and RDEC scheme.

The RDEC income for the current period represents the best estimate of qualifying research and development expenditure at period-end, which is based on project manager and subject matter expert assessments made at the commencement of, and during, the period. Variations to the actual income received could arise as a result of changes arising during the completion of a further detailed review of the RDEC

assessment in advance of the submission of the claim to HMRC and/or HMRC making adjustments to the claim thereafter.

5 Expenses and auditor's remuneration

Included in the income statement

	Year ended 31 March 2025	Year ended 31 March 2024
	£'000	£'000
<i>Included in cost of sales:</i>		
Foreign exchange loss/(gain) (except those arising on financial instruments at FVTPL)	4	29
Depreciation on right-of-use assets	3,539	642

	Year ended 31 March 2025	Year ended 31 March 2024
<i>Auditor's remuneration:</i>		
Audit of these financial statements	230	215
Amounts receivable by the Company's auditor and its associates in respect of audit related assurance services	-	-

6 Staff numbers and costs

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

	Number of employees	
	Year ended 31 March 2025	Year ended 31 March 2024
Science	1,403	1,506
Engineering and manufacturing	3,447	2,700
Business services	3,716	2,991
	8,566	7,196

The aggregate payroll costs of these persons were as follows:

	Year ended 31 March 2025	Year ended 31 March 2024
	£'000	£'000
Wages and salaries	488,853	406,877
Social security costs	50,404	40,994
Expenses related to defined benefit plans	4,000	4,000
Net interest on net defined benefit pension plan liability	10,000	11,000
Contributions to defined contribution plans	54,987	44,876
	608,244	507,747

7 Directors' remuneration

	Year ended 31 March 2025	Year ended 31 March 2024
	£'000	£'000
Directors' remuneration	1,686	1,361
Post-retirement benefit costs	-	35
	1,686	1,396

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director in the year ended 31 March 2025 was £453k (*year ended 31 March 2024: £370k*). The amount paid into the AWE defined contribution scheme for the highest paid director in the year ended 31 March 2025 was £nil (*year ended 31 March 2024: £11k*).

None of the directors were accruing retirement benefits in the company defined benefit scheme in the year ended 31 March 2025 (*year ended 31 March 2024: none*).

8 Financial expenses and Income

Recognised in the income statement

	Year ended 31 March 2025	Year ended 31 March 2024
	£'000	£'000
Net loss/(gain) on forward foreign currency contracts measured at FVTPL	-	13
Interest expense on lease liabilities	883	20
Finance Income - Interest	(878)	-
Total finance expenses/(income)	5	33

9 Taxation

Recognised in the income statement

	Year ended 31 March 2025	Year ended 31 March 2024
	£'000	£'000
Current tax		
Current year	7,709	4,500
Adjustments for prior years	2,989	(3,756)
Current tax expense	<u>10,698</u>	<u>743</u>
Deferred tax		
Current year	7,906	1,949
Adjustment for prior years	(3,273)	(5,264)
Deferred tax charge	<u>4,633</u>	<u>(3,315)</u>
Total tax charge	<u>15,331</u>	<u>(2,571)</u>

Reconciliation of effective tax rate

	Year ended 31 March 2025	Year ended 31 March 2024
	£'000	£'000
Loss for the period	(15,004)	(13,618)
Tax using the UK corporation tax rate of 25% (2024: 25%)	(3,751)	(3,405)
Pension scheme contributions	-	(7,500)
Pension scheme tax deduction	3,500	3,750
Tax arising on imputed fee	15,848	13,514
Other non-deductible	18	-
Other short term timing differences	-	90
Adjustment in respect of prior years	<u>(284)</u>	<u>(9,021)</u>
Total tax charge	<u>15,331</u>	<u>(2,571)</u>

The imputed fee arises as a result of the fee applied for the purposes of assessing the tax liability on certain contracts. This has been assessed as higher than the actual fee

reported in revenue, and therefore the taxable income or loss is increased accordingly. The imputed profit rate used in the tax calculation is based on an estimate disclosed to but not yet agreed with HMRC. HMRC have not challenged the position to date.

The adjustment in respect of prior years reflects the recognition in the current year of the tax impact on both current and deferred tax of the prior year RDEC restriction and final tax loss utilisation, not recognised in the prior year accounts.

The current corporation tax rate is 25%, which came into effect from 1 April 2023. Prior to this the rate was 19%, effective since 1 April 2017. The Company remeasured its deferred tax asset at the end of the prior reporting period using the higher rate of 25%.

10 Investment in subsidiaries

The Company has the following investments in subsidiaries:

	Room 20, Building F161.2 Atomic Weapons Establishment, Aldermaston, Reading, England, RG7 4PR	Ordinary	Ownership		
			Class of shares held	31 March 2025	31 March 2024
AWE Pension Trustees Limited			100%	100%	

AWE Pension Trustees Limited is incorporated in England and Wales and is a trustee of the AWE Pension Fund and is a dormant company.

11 Deferred tax assets

Recognised deferred tax assets

A deferred tax asset arises with regards to the items set out below. The deferred tax asset arising on the pension scheme contributions arise as the result of the application of the HMRC requirement to spread the tax relief on employer pension scheme contributions. The deferred tax arising on the RDEC restriction is reported as a prior year adjustment in the current year on the basis this position was crystallised on the completion of the final tax return during the year ended 31 March 2025. It has been assessed that future taxable profits in excess of profits arising from the reversal of existing taxable timing differences are sufficient for the utilisation of the deferred tax assets included in the balance sheet. The movement in the deferred tax balance is as follows:

	Provision s	Pension scheme contribution s		RDEC restrictio n		Total £'000
		Tax loss £'000				
			£'000	£'000	£'000	
Balance at 1 April 2023		224	4,937	-	-	5,161
Additions		-	-	5,250	3,134	8,384
Adjustment in respect of prior years		-	812	-	4,452	5,264
Recognised in income statement		(133)	(5,749)	-	(4,452)	(10,334)
Balance at 31 March 2024		91	-	5,250	3,134	8,475
Balance at 1 April 2024		91	-	5,250	3,134	8,475
Additions		-	-	-	-	-
Adjustment in respect of prior years		377	-	(38)	2,934	3,273
Recognised in income statement		(101)	-	(1,737)	(6,068)	(7,906)
Balance at 31 March 2025		367	-	3,475	-	3,842

12 Trade and other receivables

	31 March 2025	31 March 2024
	£'000	£'000
Current		
Trade receivables due from related parties	8,301	540
Other trade receivables	53	-
VAT receivable	-	276
Other receivables	54,896	60,398
Prepayments	63,472	34,059
	126,722	95,273

13 Cash and cash equivalents

	31 March 2025	31 March 2024
	£'000	£'000
Opening balance		
Opening balance	107,782	123,371
Net change in cash and cash equivalent balances	35,317	(15,589)
Closing balance	143,099	107,782
Analysis of cash and cash equivalents:		
Cash held with Government Banking	143,099	107,782
	143,099	107,782

14 Trade and other payables

	31 March 2025	31 March 2024
	£'000	£'000
Current		
Trade payables due to related parties	3,412	5,890
Other trade payables	105,121	88,197
VAT payable	21,016	-
Social security cost payable	12,833	18,875
Non-trade payables and accrued expenses	208,110	204,431
	350,492	317,393
Non-current		
Accrued expenses	1,376	1,508

The payables expected to be settled in more than 12 months consist of the accruals for the employee bonus.

15 Employee benefits

Pension plans - defined benefit

The Scheme is a funded defined benefit scheme. Retirement and death benefits are based on members' final pensionable salary on leaving the scheme and will increase annually in line with inflation after leaving service. On 31 January 2017, the defined benefit pension scheme closed to new entrants and future accruals for existing members, other than the members working at Coulport, following agreement between the Company, the pension scheme trustees and the Government on 21 July 2022 MOD provided a guarantee in favour of the trustees of the defined benefit pension scheme (the "Scheme"), under which it committed to meet any payment due to the trustees in relation to the Scheme that was not met by AWE when due. The Company continues to make payments in accordance with periodic calculations as advised by the Scheme Actuary.

The Trustee has a risk register that outlines all risks associated with the Scheme. The Trustee has a Statement of Investment Principles that outlines how Scheme assets are invested.

There have been no plan amendments, curtailments or settlements in the year ended 31 March 2025 (year ended 31 March 2024 – none).

The information disclosed below is in respect of the one defined benefit scheme for which the Company is the sponsoring employer. The plan has been assessed in accordance with the requirements of International Accounting Standard No 19 (IAS19).

	31 March 2025		31 March 2024	
	£'000		£'000	
Defined benefit asset			(1,238,000)	(1,295,000)
Defined benefit liability			1,335,000	1,504,000
Net liability for defined benefit obligations (see following table)			97,000	209,000
	Defined benefit obligation	Fair value of plan assets	Net defined benefit liability/(asset)	
	31 March 2025	31 March 2024	31 March 2025	31 March 2024
	£'000	£'000	£'000	£'000
Opening balance	1,504,000	1,530,000	(1,295,000)	(1,292,000)
Included in profit or loss				
Current service cost	4,000	4,000	-	-
Interest cost/(income)	70,000	70,000	(60,000)	(59,000)
Included in OCI				
Remeasurements loss/(gain):				
Actuarial (gain)/loss	(168,000)	(32,000)	42,000	18,000
			(126,000)	(14,000)
Other				
Contributions paid by the employer	-	-	-	(30,000)
Benefits paid	(75,000)	(67,000)	75,000	67,000
				-
				-

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability/(asset)	
	31 March 2025	31 March 2024	31 March 2025	31 March 2024	31 March 2025	31 March 2024
	£'000	£'000	£'000	£'000	£'000	£'000
Closing balance	1,335,000	1,504,000	(1,238,000)	(1,295,000)	97,000	209,000

The above table rounds figures to the nearest £m.

Expenses are now incurred directly by the pension scheme and there were no expenses reimbursed to the pension scheme in the year ended 31 March 2025. There was no past service deficit payments made in the year ended 31 March 2025 (year ended 31 March 2024: £30m).

Plan assets

The fair value of the assets in the scheme at each balance sheet date were:

	31 March 2025	31 March 2024
	£'000	£'000
Cash and cash equivalents	48,000	35,000
Equity instruments	187,000	337,000
Debt instruments e.g., Government bonds	357,000	360,000
Real estate	113,000	118,000
Infrastructure	44,000	48,000
Derivatives	230,000	104,000
Investment funds	259,000	293,000
Total	1,238,000	1,295,000

All equity securities and government bonds have quoted prices in active markets. All government bonds included in the debt instruments above are issued by European governments and are AAA- or AA-rated. All other plan assets are not quoted in an active market.

Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages):

	31 March 2025	31 March 2024
Discount rate at period end	5.7%	4.8%
Rate of increase in pensionable pay	2.7%	2.8%
Rate of increase in pensions in payments		
Uncapped	2.7%	2.8%
Subject to 5%pa cap	2.7%	2.7%
Rate of increase in pensions in deferment		
Uncapped	2.7%	2.8%
Subject to 5%pa cap	2.7%	2.7%
Inflation assumption (CPI)	2.7%	2.8%

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: male – 22.2 years (2024: 22.5 years), female – 24.0 years (2024: 24.6 years).
- Future retiree upon reaching 65 (current age 45): male – 23.7 years (2024: 24.1 years), female – 25.4 years (2024: 26.1 years).

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out below. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased (decreased) as a result of a change in the respective assumptions by $-\frac{1}{2}$ per cent a year. Opposite changes in the assumptions will produce approximately equal and opposite changes in the liability.

	31 March 2025	31 March 2024
	£'000	£'000
Discount rate	90,000	116,000
Future pension increases	(78,000)	(101,000)

In valuing the liabilities of the pension fund at 31 March 2025, mortality assumptions have been made as indicated above. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31 March 2025 would have increased by £39.0m (*year ended 31 March 2024 – £46.0m*).

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation at 31 March 2021 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

Funding

The contributions due to the Scheme are set out in the schedule of contributions. The most recent schedule of contributions was signed on 1 August 2022 as part of the actuarial valuation of the scheme as at 31 March 2021. On 21 July 2022 a Crown Guarantee from the SoS for Defence to the Trustee of the Scheme became effective.

The Company has made contributions for additional employer deficit reduction to the defined benefit plan in the year ended 31 March 2025 for £0m (*2024 - £30.0m*).

Based on the existing agreements the following payments are expected from the company in the year to 31 March 2026:

- The employer contribution rate payable for the remaining active Coulport members is 34.2% of pensionable pay.

No deficit contributions are due.

The weighted average duration of the defined benefit obligation at the 31 March 2025 is 14 years (*31 March 2024: 15 years*).

Pension plans – defined contribution

The Company operates a defined contribution pension plan.

UK High Court - benefit amendments

The 2024 Virgin Media ruling has raised concerns about the validity of past pension scheme amendments. Where amendments were made, s37 of the Pensions scheme act 1993 required Scheme Actuaries to certify that the scheme still met the standards for contracted out schemes. We understand that legal advisors to the scheme have been asked to consider various amendments to the scheme and whether a written confirmation was required and provided. At this stage, we understand the process of

reviewing written confirmations is ongoing and the Trustees have no reason to believe the amending amendments were not properly executed. As such we expect no formal recognition of a change in the defined benefit obligation resulting from the Virgin Media ruling will be made as part of the accounting disclosure as at 31 March 2025. Pending final completion of this work the Trustees are unable to finally conclude on this matter.

16 Provisions

	ACP provision £'000	Contract provisions £'000	Total £'000
Balance at 1 April 2023	894	282	1,176
Provisions raised	-	-	-
Provisions utilised	(532)	-	(532)
Provisions released	-	(282)	(282)
Balance at 31 March 2024	362	-	362
Balance at 1 April 2024	362	-	362
Provisions raised	-	-	-
Provisions utilised	(271)	-	(274)
Provisions released	-	-	-
Balance at 31 March 2025	91	-	91
Non-current	-	-	-
Current	91	-	91
	91	-	91

ACP provision

The ACP provision reflects the anticipated payments due to ex-employees who have left the company with a redundancy package or settlement agreement. All annual payments are approved at the outset of the agreement and are payable until the recipient reaches 60 years of age. The liability arises substantially in respect of a collective redundancy package put in place 2015. This package is due to complete in December 2025 and covers 13 ex-employees (31 March 2023: 25).

The provision represents the estimated cost to be incurred until the end of the agreements and is reduced monthly by the amount paid to recipients.

There are two uncertainties within the provision. The annual payment amount per person increases each April in-line with inflation. This is estimated and included in the provision for future years with a true up reflected in April once the actual inflation amount is known. In addition, payment and therefore the company's remaining liability ceases in respect of a recipient should they die during the period of the arrangement.

Contract provisions - pain/gain:

Certain engineering contracts provide a mechanism whereby the benefits of cost savings (contractor gain) or burdens of cost overruns (contractor pain) are shared with the contractor when certain thresholds are met. This results in the recognition of an asset or liability on the Company's balance sheet depending on the contract position. A review of the contract position is triggered when thresholds relating to percentage completion of contract and cost to complete are breached. There is a de minimis limit applied at +/- £0.2m on all pain/gain calculations before the adjustment will be recognised.

At 31 March 2025 there are no contract provisions (31 March 2024: no provisions).

17 Capital and reserves

Share capital

The authorised, issued and fully paid-up share capital of the Company are as follows:

	31 March 2025	31 March 2024
	£	£
50,001 (2024: 50,001) ordinary shares of £1 each	50,001	50,001

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. The Company did not issue any ordinary shares during the year.

Dividends

No dividends were paid for the period ending 31 March 2025 (2024: £nil)

Year ended	Year ended
31 March 2025	31 March 2024
£'000	£'000
£nil (2024: £nil) per qualifying ordinary share	-

The directors have declared no dividends since the change in ownership on 1 July 2021.

Capital reserves

	31 March 2025 £'000	31 March 2024 £'000
Balance at 1 April	93,000	63,000
Capital contribution	7,489	30,000
Balance at 31 March	100,489	93,000

Since the change in ownership on 1 July 2021, AWE received £100m in funding from the MOD equal to the amounts paid by the Company to the pension scheme (£93m) in respect of the deficit funding on the scheme and permanent contribution to capital funding (£7m).

18 Financial instruments

Fair values

Fair value measurements are categorised into a three-level hierarchy, based on the type of inputs to the valuation techniques used, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

In the previous financial year ended 31 March 2024, financial instruments remained in Level 1.

At 31 March 2025 the Company did not have any liabilities classified at level 1, 2 or 3.

All trade receivables and payables recognised by the Company at the reporting date are measured at their transaction price and not fair value as they do not contain a significant financing component. The carrying amounts of these financial instruments have been disclosed in Notes 12 and 14 respectively.

The fair value of the derivative financial instruments is discussed below.

Market risk:

The Company holds the following financial instruments that are exposed to exchange rate risk:

31 March 2025	Euro	US Dollar	Total
	£'000	£'000	£'000
Cash and cash equivalents	318	311	629
Trade payables	(66)	(219)	(285)
	252	92	344

31 March 2024	Euro	US Dollar	Total
	£'000	£'000	£'000
Cash and cash equivalents	267	33	300
Trade payables	(683)	(17)	(700)
	(416)	16	(400)

Outstanding contracts	Average contractual exchange rate		Notional value		Fair Value	
	31 March 2025	31 March 2024	31 March 2025	31 March 2024	31 March 2025	31 March 2024
			£'000	£'000	£'000	£'000
Less than 12 months	-	1.3997	-	33	-	36
1-2 years	-	-	-	-	-	-
2-3 years	-	-	-	-	-	-
Purchase USD			-	33	-	36
Less than 12 months	-	-	-	-	-	-
1-2 years	-	-	-	-	-	-
2-3 years	-	-	-	-	-	-
Purchase EUR			-	-	-	-
Less than 12 months	-	-	-	-	-	-
1-2 years	-	-	-	-	-	-

Outstanding contracts	Average contractual exchange rate		Notional value		Fair Value	
	31 March 2025	31 March 2024	31 March 2025	31 March 2024	31 March 2025	31 March 2024
			£'000	£'000	£'000	£'000
2-3 years	-	-	-	-	-	-
Purchase GBP sell USD			-	-	-	-
			-	33	-	36
Fair value adjustment					-	3

Outstanding forward contracts

	Current		Non-current		Total	
	31 March 2025	31 March 2024	31 March 2025	31 March 2024	31 March 2025	31 March 2024
	£'000	£'000	£'000	£'000	£'000	£'000
Asset	-	3	-	-	-	3
Liability	-	-	-	-	-	-

Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers.

The Company's customer base consists almost entirely of UK government departments and other UK governmental bodies. As a result, the credit risk exposure associated with the Company's trade receivables and contract assets are low given the balances are ultimately owed by the UK government.

Accordingly, the probability of default is considered to be very low, and no impairment loss allowance has been recognised on trade receivables or contract assets at the reporting date.

Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The liquidity and cash flow risk is also considered low as this is managed by the funding provided by and available from the Company's shareholder, the MOD.

A maturity analysis for lease liabilities has been included in Note 19. The entire balance included in trade and other payables (with the exception of the employee bonus accrual which is immaterial) is expected to be settled within 12 months, therefore a maturity analysis has not been provided for these financial liabilities.

The Company occupies facilities, and utilise motor vehicles, plant and machinery and IT equipment which are treated as lease obligations and valued in accordance with IFRS 16. All contractual future cash flows are fixed and have been reflected in the measurement of the lease liabilities below. As at the reporting date the remaining lease terms of the facilities span between one and seven years.

19 Leases

Right-of-use assets

Net book values	Building	Motor vehicle	Plant & machinery	IT equipment	Total
	£'000	£'000	£'000	£'000	
Balance at 1 April 2023	1,142	349	135	10	1,635
Additions to right-of-use assets	154	356	-	-	511
Depreciation charge for the year	(403)	(205)	(23)	(10)	(642)
Balance at 31 March 2024	<u>893</u>	<u>500</u>	<u>112</u>	<u>-</u>	<u>1,504</u>

	Building	Motor vehicle	Plant & machinery	IT equipment	Total
	£'000	£'000	£'000	£'000	
Balance at 1 April 2024	893	500	112	-	1,504
Additions to right-of-use assets	22,736	-	-	-	22,736
Depreciation charge for the year	(3,210)	(306)	(23)	-	(3,539)

	Building	Motor vehicle	Plant & machinery	IT equipment	Total
	£'000	£'000	£'000	£'000	
Balance at 31 March 2025	20,419	194	89	-	20,701

Lease liabilities

	31 March 2025	31 March 2024
	£'000	£'000
<i>Maturity analysis - contractual undiscounted cash flows</i>		
Less than one year	2,351	666
One to five years	15,211	836
More than five years	13,443	33
Total undiscounted cash flows	31,005	1,535

Lease liabilities included in the statement of financial position

Non-current	18,121	832
Current	4,638	660
	22,759	1,492

Amounts recognised in profit or loss:

Interest on lease liabilities	883	20
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Amounts recognised in statement of cash flows

Total cash outflow for leases	2,351	632
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Payments were made during the year £nil (year ended 31 March 2024: £13k) relating to short-term leases, low-value leases or variable lease payments.

20 Contingencies

A contingent liability is a potential liability that may occur depending on the outcome of an uncertain future event; they do not meet the criteria for a provision. Unless their likelihood is considered to be remote, the Company discloses them as contingent liabilities. As at the balance sheet date the Company does not have any contingent liabilities.

Remote contingent liabilities

Under IFRS contingent liabilities that are considered to be remote are not disclosed, however, their narrative disclosure is required by the FReM. Remote contingent liabilities occur where the possibility of future settlement is very small. As at the balance sheet date the Company does not have any remote contingent liabilities.

21 Losses and special payments

Managing Public Money requires the Company to provide a statement showing losses and special payments by value and by type where they exceed £300,000 in total and those that, individually, exceed £300,000.

During this year ended 31 March 2025, 29 special payments under the category of special severance payments, were incurred/made for £2,512k (*year ended 31 March 2024: £873k*).

Highest payment	Mean Payment	Lowest Payment
£	£	£
341,822	86,604	5,677

22 Related parties

During the year ended 31 March 2025, AWE had a significant number of material transactions with the MOD, the Company's controlling party, predominantly sales totalling £2,644m (31 March 2024: £2,138.3m) and receivables outstanding at 31 March 2025 of £0.1m (31 March 2024: £0.4m). The amount billed to the MOD each month represents an individually significant transaction.

During the year ended 31 March 2025 there were transactions with other central government bodies totalling £27m (31 March 2024: £26.1m) and receivables outstanding at year ended 31 March 2025 £242k (31 March 2024: £140k).

Transactions between the Company, its subsidiary AWE Pension Trustees Limited, and other related parties (i.e., other entities that are under the control/significant influence of AWE directors) for the year ended 31 March 2025 have been disclosed below.

	Gross supplies and services purchased		Payables outstanding	
	Year ended	Year ended	Year ended	Year ended
	31 March	31 March	31 March	31 March
	2025	2024	2025	2024
	£'000	£'000	£'000	£'000
AWE Pensions Trustees Limited	-	24	-	-
Sheffield Forgemasters Engineering Limited (SFEL)	12,736	6,604	1,865	5,890
Mace Limited	44,041	30,687	-	-
ONR	4,432	6,299	-	-
Other related parties	13,758	3,856	1,547	-
	74,967	47,470	3,412	5,890

The figure presented for related parties' transactions are presented based on invoices issued in the financial year and have not been adjusted for prepayments or accruals. All figures shown are presented gross, inclusive of VAT.

At 31 March 2025, there were no provisions held in relation to bad or doubtful debts in respect of amounts owed by MOD (31 March 2024: £nil).

Other than their remuneration and business-related expenses, none of the board members have undertaken any material transactions with the Company or its related parties during the year ended

31 March 2025 (year ended 31 March 2024: none), and none have a financial interest in the activities of the Company such as to influence their work with the Company (year ended March 2024: none).

AWE Pension Trustees Limited transactions relate to transactions entered with the pension benefit scheme and not the dormant company, AWE Pension Trustees Limited.

Transactions with key management personnel

Compensation with key management personnel has been disclosed in Note 7 and the Directors' Remuneration Report.

23 Ultimate parent company and parent company of larger group

The ultimate controlling party is the MOD.

The largest and smallest group in which the results of the Company are consolidated is that headed by the MOD, Whitehall, London, SW1A 2HB, United Kingdom. The consolidated financial statements of this group are available on the gov.uk website.

These financial statements present information about the Company as an individual undertaking and not about its group. The Company has used the exemption to prepare consolidated accounts on the basis the subsidiary is dormant.

24 Events after the reporting period

Events after 31 March 2025 to the date the accounts were authorised for issue:

Proposed change to organisational structure announcement

On 12 November 2025 we announced a redundancy programme to change our organisational structure designed to help us meet the demands of the future. This proposed restructure is about building the right structure, skills, and capabilities to deliver on AWE's mission and meet future challenges. The restructure supports our strategic priorities. Management has determined that this event is a non-adjusting event, as the conditions for this obligation arose after the balance sheet date. It is too early in the process to make an estimate of the financial effect.

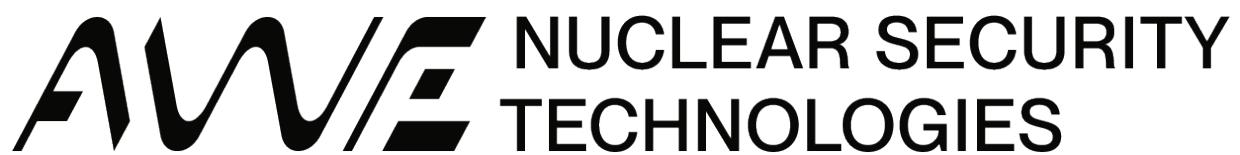
International Accounting Standards require AWE to disclose the date on which the accounts are authorised for issue.

The board has authorised these accounts to be issued on the date they were certified by the Comptroller and Auditor General.

Glossary of Terms and Abbreviations

AASH	Annual Assessment of Stockpile Health
ACP	Annual Compensation Payment
AO	Accounting Officer
BAT	Best Available Technique
BEIS	Department for Business, Energy, and Industrial Strategy
BNG	Biodiversity Net Gain
CAL	Corporate Assurance and Legal
CASD	Continuous at sea deterrent
CEO	Chief Executive Officer
CFO	Chief Financial Officer
DESA	Defence Equipment Sales Authority
DNE	Defence Nuclear Enterprise
DNIC	Defence Nuclear Investment Committee
DNO	Defence Nuclear Organisation
DREAM	Defence Related Environmental Assessment Methodology
DSTL	Defence Science and Technology Laboratory
ECL	Expected credit losses
ENEI	Employers Network for Equality & Inclusion
ESH&Q	Environment, Safety, Health & Quality
ESS	Environmental Sustainability Strategy
ETS	Emissions Trading Scheme
Framework Document	The Framework Document is publicly available at: https://www.gov.uk/government/publications/awe-plc-framework-document
FReM	Government Financial Reporting Manual
FTE	Full-time equivalent
FVTPL	Fair value through profit or loss
GAAP	Generally accepted accounting principles
GBS	Government Banking Service
GGC	Greening Government Commitments
GHG	Greenhouse Gas
HMG	His Majesty's Government
HPC	High Performance Computing
IAC	Investment Approvals Committee
IBP	Integrated Business Plan.

IBR	Incremental borrowing rate
ICO	Information Commissioner's Office
ICT	Information Communication Technology
IFRS	International Financial Reporting Standards
IR35	Employment legislation
ISO	International Organisation for Standardisation
LPG	Liquefied petroleum gas
M&O	Management and operations
MOD	Ministry of Defence
NAO	National Audit Office
NDPB	Non-department public body
NNC	Non-Nuclear Components
ONR	Office for Nuclear Regulation
OSHA	Occupational Safety and Health Administration
PMO	Portfolio Management Office
PMS	Programme Master Schedule
PRS	Periodic Reviews of Safety
RBG	Responsible Business Group
RDEC	Research and Development Expenditure Credit
REGO	Renewable Energy Guarantees of Origin
RIDDOR	Reporting of Injuries, Diseases and Dangerous Occurrences Regulations
RSG	Radiation Science Group
SDS	Sustainable Development Goals
SECR	Streamlined Energy and Carbon Reporting
SESH&Q	Security, Environment, Safety, Health, and Quality
SET	Science, and technical support
SoS	Secretary of State
SOX	Sarbanes Oxley
SQEP	Suitably Qualified and Experienced Personnel
SRO	Senior Responsible Officer
STAR	Sustainable Technology Advice and Reporting
STEM	Science, technology, engineering, and mathematics
T&D	Transmission and Distribution
TCFD	Task Force on Climate Related Financial Disclosures
TOR	Terms of Reference
TU	Trade Union
ULEV	Ultra-Low Emission Vehicles



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