NUCLEAR SECURITY TECHNOLOGIES

AWE PLC

Annual Report and Accounts for the year ended 31 March 2026

Registered number 02763902

November 2026

CP 1692



Government of the United Kingdom
Ministry of Defence

AWE PLC

Annual Report and Accounts for the year ended 31 March 2026

Presented to Parliament

by the Secretary of State for Defence

by Command of His Majesty

November 2026

CP 1692

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ISBN 978-1-5286-6494-3

E03605730 11/26

Printed on paper containing 40% recycled fibre content minimum.

Printed in the UK by HH Associates Ltd. on behalf of the Controller of His Majesty's Stationery Office.

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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 2026.

It is a privilege to serve as Chair of the AWE Board at a time of strategic transformation and renewal. As the UK strengthens its defence posture in the face of geopolitical change, rapid technological innovation and evolving threats to national security, AWE’s purpose - to protect the UK through nuclear science and technology - has never been more vital.

Over the past year, AWE has taken significant steps to modernise how it operates, not only in what it delivers, but in how it leads, governs and performs. The organisation is becoming more agile, more accountable and more focused on outcomes. This is essential as we balance the demands of sustaining the current warhead stockpile with the delivery of the next warhead programme.

The Board is clear in its support for a culture that empowers decision-making, rewards performance, and ensures that every investment, in people, infrastructure, or technology, delivers value to the nation at pace. We are seeing the benefits of this approach in the way AWE is accelerating delivery and strengthening its partnerships across government, industry and academia.

Looking ahead, the challenge is not only to deliver today’s mission, but to ensure AWE is ready for that of tomorrow. That means building resilience into our systems, clarity into our governance and confidence into our long-term planning. It means investing in the right capabilities, at the right time, with the right discipline. AWE’s mission is enduring, but how we deliver it must evolve.

I am grateful for the dedication and commitment of our employees, suppliers and partners as we go through this period of significant transformation. I would also like to thank fellow Board members Dame Sue Ion and Dr Steve Rottler for their outstanding contribution to the Board over many years, as we welcome Jill Hruby and Kirsty Armer to the Board. The plc Board will continue to offer its strongest support to the Defence Nuclear Enterprise, the Executive and all our people and partners in support of our critical mission.

Sam Laidlaw, Chair

Chief Executive’s Statement

At AWE we are entrusted with one of the most complex and consequential missions in Government: protecting the UK through nuclear science and technology. Whilst this mission has defined us for many years, the challenges of delivering it are growing, and we must evolve to meet them.

This year, we have made important progress in strengthening how AWE operates, improving our infrastructure and the way we organise our work. We have simplified our structure and clarified accountability, helping us make decisions more quickly and effectively, while continuing to uphold the high standards of safety and security that are fundamental to everything we do.

We are now operating at a scale and complexity unlike any time in our history.

During the year, AWE continued to respond to the recommendations of the Nuclear Regulatory Taskforce, reinforcing the importance of proportionality, reducing unnecessary complexity and learning from best practice across the nuclear sector.

With 9,500 people and a budget of £2.7 billion, we are delivering two warhead programmes at the same time; these warheads sit at the centre of the UK’s nuclear deterrent. We are also undertaking a significant infrastructure programme to support this delivery. Major programmes, including the Future Materials Campus and the Engineering & Science Hub, are laying the foundations for a lasting national capability.

This demands a relentless focus on delivering efficiently and effectively, at the right pace and cost, not just in our operations but across how we lead, how we work and how we use technology. We are investing in the systems, skills and facilities that will define AWE’s future. This includes improving our digital systems, strengthening how we work together and deliver, and ensuring our people have the tools and environment they need to succeed. We are also deepening our partnerships across Government, industry and academia because delivering the UK’s deterrent is a national endeavour.

This past year, AWE marked its 75th anniversary, celebrating our history and record of delivery. Now, our focus is firmly on what comes next. Our ambition is to embed the capabilities, partnerships and ways of working that keep us ready for the next era of deterrence. We will deliver today’s mission while preparing for tomorrows with the discipline, agility and ambition that this moment demands. Government priorities for AWE are clear: deliver the next generation of warhead - known as Astraea - as soon as possible, while sustaining the current Mk4A warhead for as long as necessary. We will not compromise on safety or quality, while maintaining a clear focus on delivery.

We remain fully committed to supporting the Defence Nuclear Organisation in delivering the nuclear deterrent, ensuring AWE has the skills, facilities and partnerships required

to meet stockpile needs. Together, we will continue to provide strong oversight of safety, environmental stewardship, and regulatory compliance, while championing innovation, inclusion and resilience.

I am extremely proud of what we have achieved this year and confident in what we will deliver next.

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 Defence Nuclear Enterprise (DNE)[1], delivering its product for the Defence Nuclear Organisation (DNO), and working in partnership with the DNO Warhead Group (WHG). The success of a nuclear deterrent 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 sits. With the announcement of the Astraea 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 Astraea warheads.

AWE's 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

[1] The Defence Nuclear Enterprise (DNE) is the partnership of organisations responsible for delivering and sustaining the UK's nuclear deterrent capability. It comprises the Defence Nuclear Organisation (DNO), the Royal Navy, Cyber & Specialist Operations Command (CSOC), the Submarine Delivery Group, AWE Nuclear Security Technologies, Sheffield Forgemasters, and civil industry partners. The DNO provides strategic oversight of defence nuclear business across the Enterprise, excluding operational activity

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 Ministry of Defence (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.

AWE is an arm's-length body incorporated as a public limited company (PLC). The organisation and its Board of Directors operate independently in their day-to-day decision-making and activities, while remaining compliant with the requirements of the Companies Act.

Financial Review

Company financial performance for the year ended 31 March 2026

The financial statements for the year ended 31 March 2026 show the following:

- Revenue of £2,564 million (31 March: £2,148.6 million).
- Gross loss of £44.9 million (31 March 2025: gross loss of £58.4 million).
- Net loss for the year of £24.8 million (31 March 2025: net loss of £30.3 million).
- Net liabilities of £69.8 million (31 March 2025: net liabilities of £97 million).

The majority of revenue (98%) (31 March 2025: 98%) 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, Alverstoke, 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.

For the financial year 31 March 2026, the Company reported a gross loss of £44.9 million (2025: £58.4 million). This reflects fee income earned on the M&O and other contracts of £2.5 billion (2025: £2.2 billion), offset by contract costs of £2.6 billion (2025: £2.2 billion). The current year financial results are indicative of ongoing business operations and are not considered to represent an increased risk to AWE's financial position.

Under the Ownership Agreement, AWE claims all qualifying research and development expenditure through the Research and Development Expenditure Credit (RDEC) scheme. Amounts received from HMRC, net of applicable restrictions and corporation tax, are payable to the Ministry of Defence (MOD). Revenue is subject to transfer pricing, specifically an imputed fee of 3% where the contractual fee margin is below this threshold. In addition, pension-related costs of £9.3 million (2025: £14.0 million) have been recognised within revenue and cost of sales, as the associated charges are recoverable through MOD.

Other operating income includes the estimated FY26 RDEC gross claim of £33.0 million (2025: claim of £33.1 million) recognised in respect of amounts receivable from HMRC. Interest income of £0.7 million (2025: £0.9 million) and finance expenses of £1.4 million (2025: £1.0 million) are presented within finance income and finance costs, respectively. Interest income primarily relates to a VAT repayment received, while finance expenses principally comprise interest arising on lease liabilities.

The taxation charge of £17.3 million (2025: £15.3 million) represents management's estimate of the corporation tax liability for the year ended 31 March 2026. The final corporation tax return, including the associated RDEC claim, is expected to be submitted in March 2027.

After taking account of the items described above, the Company reported an overall loss for the year of £24.8 million (2025: £30.3 million).

Net liabilities principally arise in respect of the defined benefit pension scheme. This has decreased to £53 million (31 March 2025: £97 million). This included the £nil deficit repair repayment for the current financial year (31 March 2025 £7.5 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 105 to 112). Note that land and other tangible fixed assets 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 and key judgements made by the directors in this regard are set out in the Directors' Report on page 53.

Business Transformation

Transformation at AWE is not optional. It is essential if we are to deliver against our commitments.

Over the past year, we have continued to reshape how the organisation operates, simplifying structures, clarifying accountability and aligning effort more closely to our priorities. This is helping us focus, prioritise and deliver and improve delivery across increasingly complex programmes.

AWE is also responding to the recommendations of the Nuclear Regulatory Review, building on the opportunity to modernise how we approach nuclear safety and delivery. This includes applying lessons from across the sector, reducing unnecessary

complexity and supporting a clearer, more proportionate approach that enables safe and effective delivery.

At the same time, we are putting in place the tools and environments needed for a more modern organisation, including wider use of digital technologies such as artificial intelligence, progressing the implementation of a modern resource planning system for our operations areas, and continued investment in new facilities, including the opening of a new office in Reading for our corporate functions.

The success of the change depends on how we engage our people and, with them, continue to build our culture. We are strengthening how we communicate priorities, setting clearer expectations around performance, and improving the experience of working at AWE - including practical changes to key moments that matter to people, such as a continued focus on addressing bullying and harassment.

This remains a long-term effort and there is more to do. Transformation will continue to be a leadership priority and will be delivered in close collaboration with our employees and their representative Trade Unions.

Performance and KPIs

This section outlines the performance of the Company as measured through KPIs, for the year ended 31 March 2026.

Summary

AWE's overall performance this year has continued to improve while the organisation undergoes significant transformation. We have continued to improve the way business activity is planned, governed and managed against a clear set of objectives aligned to our long-term mission. Despite the scale of change, delivery outcomes have been consistent, reflecting increasing maturity in how dependencies are understood and managed across the Defence Nuclear Enterprise. This stronger grip on planning and delivery enables more informed prioritisation of AWE's critical activities in support of UK national security.

Safety, security, and regulatory performance remain strong and central to everything we do. AWE has continued to operate safely and securely, with no major incidents affecting delivery, and regulatory confidence has continued to build following sustained improvements in leadership, assurance, and operational discipline. Alongside this, AWE has continued to invest in its people and places, attracting new talent, growing early career pathways and building a strong and increasingly diverse pipeline for the future and strengthening its presence beyond the nuclear licensed sites through modern, fit-for-purpose facilities.

Whilst continuing to sustain the current nuclear deterrent, AWE has continued to progress delivery of the future warhead programme. Key assurance activities confirmed the ongoing safety and effectiveness of the existing system, while important milestones were achieved in the development of the replacement capability. This year has also deepened understanding of the challenge ahead and sharpened focus on the actions required to improve future performance, while maintaining the highest standards of safety and quality.

While progress has been made, there is more to do to become a truly high performing organisation. Addressing historic underinvestment requires the continued modernisation of ageing infrastructure, improved productivity, and more efficient ways of working. This year has been a pivotal step in this, including changes to how the organisation is structured, led and operated.

AWE is well into this journey, and the foundations now in place position the organisation to accelerate delivery, improve efficiency and continue to meet the evolving demands placed upon it.

Key Performance Indicators (KPIs)

At Board level, performance against the approved 25/26 Business Plan was measured through a suite of Tier 1 KPIs including safety, milestone delivery, quality, financial performance and people metrics. 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?
- Is the portfolio under control?
- Do we have the right people?
- Are we using our resources effectively?

Table 1: Financial Year 2026 KPI performance

	KPI	FY26 Target	FY26 Achieved
Are we safe and secure?	US Occupational Safety and Health Administration (OSHA) Rate	≤ 0.3	0.287
	Environmental Sustainability & Climate Change	≥ 80%	100%
	Regulatory Performance	85%	100%
	Security Performance	≥80%	81.6%
Are we delivering?	Business Plan Milestones Delivered (On Time)	100%	*92%* (87%)
	Order Book Performance (On Time)	100%	*82%* (58%)
	Capability Availability	80%	83.3%
	Customer Service Commitment Performance (Science and NTR) – External	95%	98.5%
Is the Portfolio under control?	Actuals vs Budget EOYF	-1%	2.2%
	Commercial Delivery Performance	100%	94%
	Top Tier Projects Health	70%	82.8%
	Transformation Projects Health	70%	88.8%

	KPI	FY26 Target	FY26 Achieved
Do we have the right people?	Diversity – Females	30%	28.3%
	Employee Engagement	67%	64.5%
	Delivery of employee Mid-Year and Year End Performance Reviews on Time	97%	97.8%
	Scarce and Vulnerable Skills	90%	84.8%
Are we using our resources effectively?	Workforce Demand Met – Baseline Integrated Business Plan (IBP) vs Actual	<5%	-3.1%
	Latest Workforce Demand Signal vs Actual	<5%	-0.3%
	Utilisation – Overall workforce Efficiency	80%	81.3%
	Utilisation – Deployment Effectiveness	80%	86.8%
	Technological Advancements	Trend of >0	0.097

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

Are we safe and secure?

This objective is to drive continuous improvement in the safety and security of our people and resources in a manner that enables the business, whilst remaining within industry leading benchmarks and measures.

The KPIs presented measure safety performance, security maturity, regulatory compliance, and progress against sustainability and environmental commitments.

OSHA Rate

We monitor a range of input and output safety metrics, but one of our primary safety reporting measures is the US Occupational Safety and Health Administration (OSHA) incident rate. This metric provides the strongest international benchmark and enables comparison with similar facilities in the United States. Our target is to achieve an OSHA rate below 0.300, which reflects world-class safety performance. We outperformed this target, realising a rolling 12-month OSHA incident rate of 0.287 per 200,000 hours worked.

We also track our safety using Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR), a metric commonly used in the UK. Our target is to achieve a RIDDOR rate below 0.080, the benchmark for outstanding safety

performance. In the same rolling 12-month period, we also outperformed this target, achieving a RIDDOR incident rate of 0.032 per 100,000 hours worked.

Environmental Sustainability & Climate Change

This year we evolved the Climate Transition Plan to shift to business-led implementation, supported by clear requirements for Sustainability Plans and governance. Performance improved over the course of the year as these arrangements were established and consistently adopted across the business, reflecting increasing organisational maturity. By year end, all business areas and units have approved plans and governance in place, achieving 100% performance against the FY26 Tier 1 Environmental Sustainability and Climate Change KPI.

Regulatory Performance

Having successfully been moved to a routine level of regulatory attention by the Office of Nuclear Regulation (ONR) in the previous year, this KPI was updated to reflect the timely submission of evidence to close regulatory issues. A performance of 100% was achieved, reflecting a step change in behaviours driven by sustained management focus and proactive regulatory engagement. The establishment of a consistent culture of timely responses has strengthened regulatory confidence in AWE and enabled more effective discussion of wider regulatory matters.

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 we have consistently met the corporate KPI for security, using a basket of cyber, physical, supply chain and personnel security measures, showing improvement through the course of the year. We were within target for security incidents on a 12-month rolling basis. We achieved the target maturity level of 3.0 (out of 4) in the Annual Cyber Compliance Framework audit, conducted by the MoD Cyber Defence & Risk Directorate (CyDR).

Are we delivering?

This objective is to deliver the programme and transformation milestones within the business plan to meet our commitments and prepare our business for the future to deliver our mission.

The KPIs presented measure timely delivery of planned outcomes, fulfilment of customer commitments, and organisational readiness to support future mission requirements.

Business Plan Milestone Delivery & On Time Milestone Delivery

Milestone delivery performance was solid again this year with 92% (115/125) business plan milestones delivered within the year, of which 87% (109/125) were delivered on time or early compared to 85% on time or early delivery in the previous financial year. We delivered all Anchor milestones, with 67 out of 74 Strategic milestones and 34 out of 37 Project milestones either on time or early; these milestones are key to the successful delivery of meeting our commitments.

Priority Order Book Performance

Total order book performance of over 1,000 items was 89% with average on-time delivery at 78%, compared to 89% in the last financial year. On-time delivery of priority order book items, a key subset of order book items, was below target at 58%, an improvement on 45% in FY25. Additionally, 82% of the priority order book was delivered in year, a 19% improvement on FY25. A large proportion of delivery was primarily impacted by residual operational issues from FY25. Priority order book items are part of an integrated plan and can be dependent, resulting in knock-on impacts.

Capability Availability

Capability availability finished the year solidly at over 80% with an average capability availability of 73%. The stand up of the Business Units has enabled additional funding to address breakdowns at pace. This was a new metric for FY26 and so comparative data for FY25 is not available.

Customer Service Commitment Performance (Science and NTR) - External

The Customer Service Commitment Performance KPI was introduced in FY26 to focus on performance of AWE’s science business units’ service provision to their customers, both within the main contract with DNO (M&O) and externally to other government departments and commercial customers (non-M&O). Performance against this KPI during FY26 remained strong throughout the year, with an overall delivery performance of 95% for the full year, in line with the target. Delivery performance was consistent across all contributing groups. Science Labs Business Unit (SLBU) delivered 93.3% of commitments, reflecting stable workflow planning and strong customer engagement. Nuclear Threat Reduction Business Unit (NTR BU) delivered 95.5% of commitments which included three key AWE business plan milestones.

Overall, customer service commitment performance remained robust during FY26, demonstrating a strong service culture across the science business units, effective planning processes, and close alignment with customer expectations.

Is the portfolio under control?

This objective is to deliver our outputs in line with our budget and performance commitments.
The KPIs presented measure financial performance, delivery standards, and the overall control, health, and stability of the portfolio.

Actuals vs Budget End of Year Forecast

Main Programme expenditure was £2,536.3m against a start of year budget of £2,482.5m (+2.2%) and a mid-year reforecast of £2,539m (-0.1%). This was a deliberate decision to maintain momentum on infrastructure projects, allowing contractors to accelerate work that would otherwise have been delivered in subsequent years. This was partially offset with reductions in functional and central costs.

Commercial Delivery Performance

This KPI measured the delivery and on-time forecast of Commercial activity, due in FY26, that supported delivery of business plan milestones. At the end of the financial year the KPI was at 93% and it maintained an average of 93% throughout the year. Commercial successfully delivered 57 activities in this KPI in FY26. These activities directly enabled the success criteria of 42 milestones expected to be delivered, 10 of which have been delivered.

Top Tier Projects Health

This KPI tracks projects against agreed cost, schedule and risks parameters. Performance remained steady throughout FY26, with a slight dip in July and August; however, the KPI represents strong project health.

Transformation Projects Health

The Transformation Health KPI assesses major change initiatives and has improved month on month throughout FY26 as the portfolio has matured with clearer scope and delivery plans. In FY27, we will shift to a delivery and outcome-focused model, moving from point-in-time measures to dynamic KPIs that provide timely insight and support earlier intervention. Portfolio control has strengthened, ending the year at a ‘97% compliant’ rating; a September review sharpened priorities and improved visibility of progress, risks and interdependencies. Next year we will reinforce an end-to-end transformation pipeline with consistent benefits and change frameworks.

Do we have the right people?

This objective is to measure the recruitment, retention and development of our people so that we have the skills for today and build the skills for the future across a diverse and inclusive workforce.

The KPIs presented measure workforce capability, engagement, diversity, and the resilience of critical skills required to support delivery.

Do we have the right people? Overall Summary

There is an overall improvement in female hiring since the start of this year but due to decisions noted below this may not sustain. Similarly, we are expecting to see an impact on the employee engagement KPI due to the proposed organisational changes and wider business transformation that is ongoing. AWE is developing its Strategic Workforce Plan aligned to the business strategy through the use of Foundry. This supports a strategic milestone in FY27, which models total workforce and affordability. This will identify capability and skills gaps to inform recruitment, learning and development pipelines required to deliver the future Programme.

Diversity- Females

A steady increase towards the target for female hires was seen up to October, followed by a very small decrease; however, all functions are achieving strong representation rates in line with, or above, industry standards. Marketing has been scaled back to a minimum with the primary focus on critical skills. Marketing and job Board budgets for FY26/27 have also been reduced; this may have an impact on attracting females.

Employee Engagement

The 2nd annual Employee Experience survey took place in September. Participation dipped this year, with 66% of colleagues taking part compared to 75% in 2024. The employee engagement score was 64.5% against a target of 67%. 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.

Delivery of Employee Mid-Year and Year End Performance Reviews on Time

A vast improvement on the 86% start to the FY was made at mid-year to 99.86%.

Scarce and Vulnerable Skills

The Scarce & Vulnerable Skills Tier 1 KPI remained stable, with a small improvement in overall supply despite a declining company headcount. Supply increased marginally during the year, with several priority skills now sufficiently improved to be removed from monitoring, although a core set of skills remains constrained and requires continued corporate oversight. Overall demand for priority skills has increased across the year, reinforcing the need for sustained workforce planning focus into FY26/27.

Are we using our resources effectively?

This objective is to drive efficiency, simplicity and utilisation of all our resources across multiple locations.

The KPIs presented measure effective deployment of resources, workforce productivity, utilisation discipline, and alignment to planned and in-year demand.

Are we using our resources effectively? Overall Summary

Workforce KPIs remained strong, showing we met planned requirements and adapted to in-year demand. Efficiency and deployment remained high, and benchmarking indicates strong performance versus other government and defence organisations. Overall workforce delivery was strong, closing FY26 at 96.9% of Business Plan requirement, with variation between functions explained in the sections below.

Utilisation KPIs help assess how effectively available workforce capacity is being deployed against programme, operational and support activity. Overall workforce efficiency provides a view of productive use of available time, while deployment effectiveness indicates how well colleagues are focused on planned project and programme tasks.

Workforce Demand Baseline IBP Vs Actual

The performance of the KPI for the reporting year ended on 89% for Corporate Services and 98.5% for the Enabling Functions; at an Enterprise level this achieved 96.8%.

The workforce delivery against Business Plan requirements varied, with Engineering and Estates & Liabilities exceeding planned capacity driven through goodwill hours rather than over-recruitment. Where there was under delivery of workforce this was attributed to the ongoing organisational design work through paused recruitment and higher attrition.

Latest Workforce Demand Signal vs Actual

The performance of the KPI for the reporting year ended on -0.3%, which means 99.7% of the in-year adjustments to workforce demand was met by the organisation.

This demonstrates that the organisation successfully managed to pivot the workforce to meet changing demand signals throughout the year.

Utilisation – Overall Workforce Efficiency

The performance of the KPI for the reporting year ended on 81.3%

The KPI remained stable across all Functions throughout the reporting year.

Utilisation – Deployment Effectiveness

The performance of the KPI for the reporting year ended on 86.8%

The KPI remained stable across the reporting year, demonstrating that colleagues remained focused on their project and programme tasks.

Technological Advancements

This KPI measures change in progress to government defence industry benchmarking. The measure is taken quarterly and has performed strongly throughout the reporting year. This demonstrates consistent progress in AWEs technological competence, benchmarked against industry peers.

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 keeps the key risks and uncertainties facing the Company under review and assesses their potential impact and likelihood and considers how these risks change over time. 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 reviewed regularly 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 1 below.

Table 1: AWE Principal Risks

Principal Business Risk		Impact / Mitigation Actions
Capability, Capacity & Culture **Risk Owner** Chief Operating Officer	If AWE is unable to develop and sustain the capacity and capability (be it technological or people, either within its own workforce or from the supply chain), there is a risk it cannot deliver its mission to time and/or quality.	**Potential Impact** • Failure to meet programme milestones and associated reputational damage • Failure to deliver against current customer commitments • Increased costs through extra maintenance and monitoring to keep current facilities and plant operational. • Resource management inefficiencies **Mitigating actions** • Increased operational preventative maintenance and condition monitoring. • Delivery of Estates strategy and asset management plans • Robust risk-based asset through life management plans implemented. • Continued focus on managing operations safely and securely, maintain Licence to Operate controls. • Robust emergency response, supply chain solutions and business resilience plans.

Principal Business Risk		Impact / Mitigation Actions
Reputation / Confidence within UK Government **Risk Owner** Chief Executive Officer	If AWE's reputation is impugned within UK Government, either from a lack of confidence in our financial controls, or delivery to time and quality, there is a risk that UK Government will lose confidence in AWE's ability to deliver the strategic requirement and seek alternative options from elsewhere.	**Potential impact** • Reduced stakeholder confidence in AWE's ability to deliver • Potential decreased delegations through lack of confidence in our financial controls or additional oversight on AWE decision making, slowing down processes • Potential associated reputational consequences including reduced number of suppliers available to work with, thereby reducing the ability to achieve value for money and creating single points of vulnerability in the supply chain **Mitigating actions** • Engagement forums with DNO for early warnings and escalations as appropriate. • Cross-government engagement to increase our visibility and reputation (for example work with the Home Office with NTR (nuclear threat reduction)). • Leveraging the capability of Executive Directors and Board members to aid us in purchasing, partnering or utilising connections. • Managing stakeholder relationships e.g. Press, MPs, Trade Unions, Regulators, Supply chain

Principal Business Risk		Impact / Mitigation Actions
Strategic Materials Risk Owner Chief Operating Officer	If AWE is unable to secure the necessary feedstock of strategic and key materials, there is a risk that it will not be able to deliver or sustain delivery of its mission.	**Potential impact** • Inability to deliver product in line with programme requirements • Impact on our ability to assure nuclear deterrence • Impact on capital build programme **Mitigating actions** • Annual Strategic Materials forecast and status report • Supply and demand forecasting process. • Effective Stakeholder Management • Capital builds to reprocess to reuse materials • Identify alternative procurement routes • Identify key suppliers / manufacturers for construction
International Relations Risk Owner Chief Operating Officer	If there is a significant shift in the relationship between AWE and our international partners, there is a risk that AWE will no longer have access to the 'support' required presently to deliver its mission.	**Potential Impact** • Lack of accessibility to facilities, data, materials, people, assets or technical advice • Potential loss of capability • Inability to deliver product or programmes **Mitigating actions** • JOWOGs (Joint Working Groups) and EIVRs (Exchange of Information via Visit Report). • Systems Working Group • Mutually beneficial stakeholder management. • Clearly communicating AWE priorities for other nations • Continued, ongoing wider scientific collaboration to encourage long-term sustained relationship

Principal Business Risk		Impact / Mitigation Actions
Safe & Secure Operations **Risk Owner** Executive Director, Safety, Sustainability, Health Environment & Quality And Chief Information Officer & Executive Director, Security	If AWE was to experience a significant failing in safety, environmental or security performance (resulting in a significant incident), there is a risk that AWE's reputation both within the local community and politically will be impacted and the regulatory authorities will revoke AWE's licence and permits to operate.	**Potential impact** • Worker fatality or serious injury • Damage to or loss of assets • Environmental release • Regulatory action including restriction to, or suspension of operations on some or all AWE sites • Increased cost resulting from fines or prosecution, recovery of operations following a significant event, and/or project delay / prolongation delays with operations and consequential impact on programme delivery • Loss of Programme through loss of Facilities and reputational damage. **Mitigating actions** • Nuclear Risk Management Arrangements • SHEQ strategy delivery, including leadership behaviours, Culture of Care and safety culture. • Safety & Health regulatory interfaces including maintaining positive regulatory relationships and benchmarking with other licensees • Maintain resilience strategies enabling site status green and Blacknest availability. (ex EPURE). • Security controls – including adequate MDP coverage. • Site Emergency Arrangements and Business Continuity plans.

Principal Business Risk		Impact / Mitigation Actions
Financing **Risk Owner** Chief Financial Officer	If there are difficulties with availability of funding with competing defence priorities, there is a risk that we do not get the funding at the right time to support the sequencing and scheduling of activities as needed to deliver its mission.	**Potential impact** • Inability to invest in people and capability, adversely affecting delivery of AWE's business objectives. • Lack of alignment with funding activities at the appropriate times • Cessation of some or all operations in the short/medium/long term. • Conducting existing business (programmes and projects) becomes increasingly difficult. • Loss of confidence by other stakeholders (international partners, regulators, suppliers or employees). **Mitigating actions** • Strong relationship management between MoD, DNO and AWE to re-build trust and confidence between organisations. • Regular and constructive engagement with the customer to provide assurance of the methodology used to prioritise AWE’s portfolio • Maintain processes to escalate and prioritise funding for safe and critical operations • Business Case Assurance capability to provide independent advice to budget holder and approval Boards on the investments likelihood of delivering to its Performance, Cost and Time (PCT) envelope

Principal Business Risk		Impact / Mitigation Actions
Cyber Security **Risk Owner** Chief Information Officer	If AWE do does not maintain sufficient cyber controls in an environment of ever-increasingly sophisticated cyber criminals, there is a risk that AWE is exposed to cyber-attack leading to denial of IS services and loss of data.	**Potential impact** • Severe breach of IT boundary security, denial or interruption of IS services leading to loss of operations or destruction of records • Escape of sensitive information to the public domain or hostile foreign intelligence services • Restrictions on use of information which could cause either delay to programme delivery or significant additional infrastructure (physical or IT) costs • Financial penalties and/or reputational damage. **Mitigating actions** • Routine cyber monitoring • Patching, firewalls and threat detection systems • Permanent call-off contract with Cyber Incident Response specialist company • All-user computer security training • Regular independent testing • Governance over emerging technologies, including Artificial Intelligence, to ensure appropriate use, information security, data management and assurance controls.

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 2025 to 2026 and guidance from the Taskforce on Climate Related Financial Disclosure (TCFD) and includes AWE's performance against key sustainability metrics including the Greening Government Commitments and Streamlined and Energy Carbon Reporting (SECR).

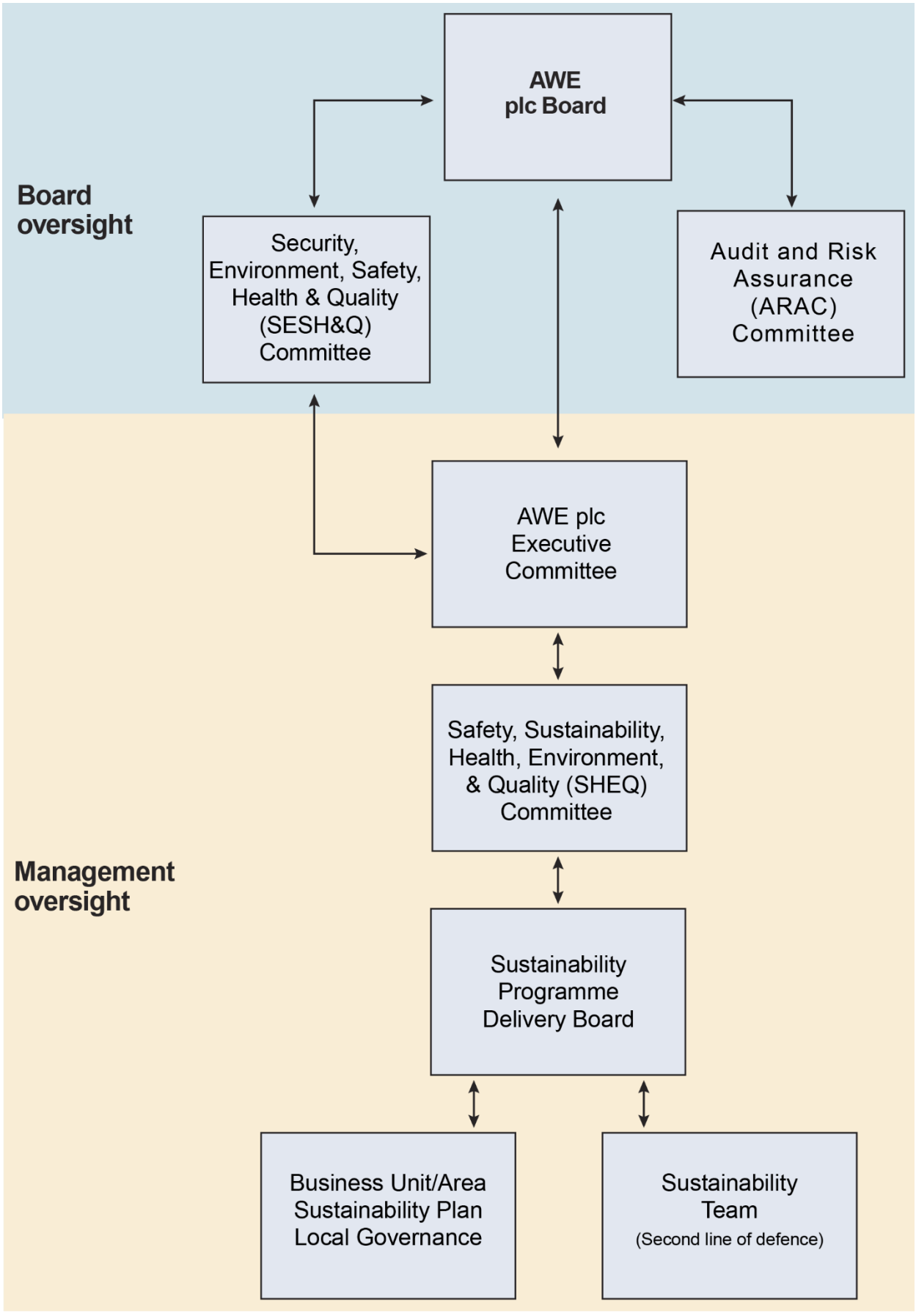
AWE's Environmental Sustainability Strategy (ESS) sets out our vision and goals for becoming a more sustainable organisation against three themes: reducing carbon and adapting to climate change, implementing a circular economy and enhancing biodiversity. Underpinning the three themes are the UN Sustainable 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)

Governance

The AWE plc Board has seven committees with advisory, scrutiny or delegated decision-making authority, two of which have primary responsibility for monitoring and managing climate-related risks. This governance structure integrates climate considerations into strategic planning and risk management, in line with TCFD recommendations.

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



Board Oversight of Climate Related Risks and Opportunities

The Board ensures AWE meets its safety, security and environmental obligations under its nuclear site licence, authorisation conditions and environmental permits. It proposes business strategy to the MOD, sets organisational culture and leadership direction, provides assurance on major commitments, oversees performance, and sets and oversees the internal control framework.

The Board continues to have overall responsibility for climate-related risk and approves the annual TCFD disclosure. During FY26 it approved the Business Plan Strategic Milestone to evolve the CTP and its delivery framework including sustainability plans. In line with TCFD expectations, the Board receives regular updates on ESS and CTP delivery and considers their implications for strategy and major investment decisions.

The Board delegates responsibilities to the CEO and Executive Committee, who then delegate specific matters to other governance groups. The Board reviews climate-related issues at least annually and receives quarterly escalations from the SESH&Q Committee.

The SESH&Q Committee continues to provide independent scrutiny of security, environment, sustainability, safety, health and quality matters on behalf of the Board. Climate change is one of the corporate risks it reviews. The Committee meets quarterly, includes both Executive and Non-Executive Directors, and has standing agenda items on CTP progress and related KPIs. This supports TCFD and UK public-sector disclosure requirements.

Management oversight of Climate Related Risks and Opportunities

The **SHEQ Executive Director** chairs the Safety, Sustainability, Health, Environment & Quality (SHEQ) Board and is the owner of the climate-change corporate risk. The SHEQ Board provides guidance, direction and assessment of environmental, sustainability, safety, health and quality performance, including the development and progress of the ESS and the CTP. It tracks delivery against CTP commitments and monitors issues and risks.

The SHEQ Board meets quarterly, with sustainability and progress against the CTP discussed at each meeting. The climate-change corporate risk was reviewed during FY26, and minor updates were presented to and approved by the SHEQ Board in September 2025.

The **Director of Environment and Sustainability** is responsible for embedding sustainable practices into all aspects of operations, fostering innovation and ensuring compliance with evolving environmental and sustainability standards.

In FY26, AWE strengthened CTP delivery by embedding defined accountabilities and establishing an organisation-wide sustainability delivery framework consistent with TCFD expectations for clear roles and governance competence. Sustainability Plans (SP) have been implemented across key Business Areas and Business Units to integrate climate, circular-economy and biodiversity objectives into business planning.

Each Business Unit and Business Area maintains a SP aligned to business priorities, owned by a Senior Leadership Team (SLT) delegate appointed by the relevant Director. Progress against the SP is governed by local arrangements in the Business Unit or Area. The Sustainability Team provides the second line of defence to assure the Executive delivery is on track. This is managed via the Sustainability Programme Delivery Board chaired by the Head of Environment.

Progress and risks are escalated to the SHEQ Board via Tier 2 KPIs, and overall progress against delivery of the SPs is reported to the SESH&Q Committee via a Tier 1 KPI, ensuring transparency and clear traceability from operational delivery to Board oversight.

Strategy

Impact on Strategy and Financial Planning

Climate change is a corporate risk for AWE with strategic implications for the organisation. While supporting the Continuous at Sea Deterrent, AWE must ensure that its operations and infrastructure remain resilient to the impacts of climate change and continue to reduce carbon emissions in support of the UK’s Net Zero target for 2050.

Climate change has the potential to disrupt operations through extreme heat and flooding, resulting in damage to infrastructure, restricted site access, delays across supply chains, and increased pressure on energy systems and overall energy resilience. Climate change also presents risks to workforce health, particularly during periods of extreme heat. Without effective risk management, adaptation and mitigation, these risks are expected to intensify under both the 2°C and 4°C warming scenarios.

The delivery of new buildings and infrastructure projects is key to AWE’s strategy and delivery of the mission. This work involves building state-of the-art facilities to enable nuclear science for generations to come. It is essential that climate risks are assessed and embedded into the design and construction of these new facilities and infrastructure to ensure long-term resilience.

Therefore, climate impact risk assessments are undertaken for new build projects to help inform design decisions such as heating and cooling requirements, to ensure they remain operationally resilient in future climates.

During FY26 work has commenced on implementing whole-life carbon assessments to quantify embodied and operational GHG emissions from new projects, helping to identify opportunities for emission reductions and optimise design through sustainable material selection in support of carbon reduction targets. This has included the development of a low carbon concrete and steel strategies.

AWE continues to progress an ambitious solar PV project to supply a significant share of total electricity demand with low-carbon power. The Burghfield site is expected to begin using solar energy by 2029, followed by the Aldermaston site by 2034. Electricity will be secured through a Power Purchase Agreement (PPA), with the Burghfield PPA expected to go out to initial tender in 2026.

Adapting to climate change and transitioning to net zero will require investment. AWE must therefore quantify the costs associated with decarbonisation and climate-related risks and opportunities and ensure these are fully incorporated into business cases and financial decision-making.

Refinements have been made to the sustainability criteria used in business-case evaluations, strengthening scrutiny from both a climate-resilience and carbon-reduction perspective and ensuring alignment with our transition objectives.

As part of our strategic response to climate-related risks and opportunities, delivery of the ESS will strengthen AWE’s climate resilience and support the transition to a net zero economy. The strategy also enables compliance with MOD and regulatory requirements, while improving energy and resource efficiency, reducing waste, enhancing biodiversity, and delivering wider business benefits including enhanced reputation, increased productivity and improved recruitment and retention.

To accelerate progress and address gaps in current activity, AWE is prioritising eight transition themes within its Climate Transition Plan: Greening our Sites, Net Zero Operations, Net Zero Supply Chain, Building Climate Resilience, Sustainable Behaviours, Governance and Planning, Financing the Transition, and Measurement and Reporting.

Climate Related Risk

Physical climate risks are assessed using the Defence Infrastructure Organisation’s Climate Impact Risk Assessment Methodology (CIRAM), applying UK Climate Projections 2018 (UKCP18) projections under a high-emissions scenario (RCP8.5) and a low-emissions scenario (RCP2.6).

Assessments cover long time horizons to reflect new-build project lifecycles and inform design and adaptation measures. Physical risks from external hazards including climate change are also assessed through Nuclear Safety Case hazard assessments. These demonstrate how nuclear facilities are resilient to climate-related hazards such as

flooding and excessive heat. Climate change risks to environmental permits are also being assessed to ensure continued compliance under future climate scenarios.

Potential impacts include damage to infrastructure, access disruption, flooding, supply chain delays, strain on energy systems and risks to workforce health, particularly during heatwaves or drought. AWE has mapped potential financial impacts and initiated quantitative scenario analysis focused on supply chain exposure, using IPCC CMIP6[2] scenarios.

Transition risks include increased costs from the expanding UK Emissions Trading Scheme (ETS)[3], the withdrawal of free allowances and higher carbon prices. AWE participates in the UK ETS, with purchased carbon allowances currently representing around 2.5% of total energy costs. Scenario analysis, using DESNZ and IEA data, suggests these costs are likely to remain a small proportion of total energy expenditure, although they could rise by up to 13% under the IEA Net Zero scenario. If AWE were to maintain emissions at current levels, rather than reducing them over time, this would lead to significantly higher long-term costs due to the continued need to purchase carbon allowances and potential increases in their price.

AWE recognises that further refinement of quantitative scenario analysis and financial impact assessment is required, and this remains a priority for future years. Initial analysis using RCP2.6 and RCP8.5 has begun to inform AWE's understanding of long-term strategic resilience, and future work will focus on strengthening the depth and application of these or other appropriate scenarios across the organisation. During FY26 work has been undertaken with the Met Office to refine understanding of climate data specific to AWE locations. The outcome of this work will be used to inform future assessments.

Table 1 summarises the key climate-related risks and opportunities over AWE's time horizons—Short Term (2030), Medium Term (2035) and Long Term (2050). These horizons align with TCFD expectations to use organisation-relevant timeframes, meet HM Treasury's requirement to include mid-century reference periods in public-sector climate reporting, and are consistent with the MOD sustainability and climate change strategy epoch approach.

[2] CMIP6 (Coupled Model Intercomparison Project Phase 6) is the internationally recognised framework providing future climate scenarios based on different pathways.

[3] The UK Emissions Trading Scheme (UK ETS) is a regulatory carbon trading scheme under which installations holding a Greenhouse Gas Emissions Permit are required to surrender allowances equivalent to their greenhouse gas emissions.

Table 1 – Key climate related risks

Risk type	Description (unmitigated potential impacts)		Time horizon	Mitigation
Physical risks	Acute	Increased frequency and severity of extreme weather events (heatwaves, flood, drought) disrupt operations, damage infrastructure and increase repair and maintenance costs, impact to employee wellbeing	short, medium long	CIRAM assessments and safety case external hazard assessments. Existing estate and new build facilities and infrastructure. Flood Risk Assessments and flood defence measures.
	Chronic	Changes in mean temperatures and precipitation impact operational resilience	short, medium long	
Transition risks	Policy and legal	Non-compliance with new policy and legislation and increasing costs from carbon taxation including UK emissions trading scheme.	Short medium	Environmental legislation is monitored via Environmental Management Systems (EMS) compliance arrangements. Cost of UK ETS allowances up to 2050 has been assessed. Decarbonisation activities will reduce carbon emissions and lower exposure to carbon taxes
	Technology	Financial, operational and security constraints may limit the use of new technologies.	Short Medium Long	Piloting technologies e.g. hydrogen generators Introducing whole life carbon costings
	Market	Increasing energy costs, costs of raw materials and disruption to supply chain from physical climate impacts	Short Medium Long	Transition to renewables building resilience in energy supply. Assessment of supply chain exposure.

Risk Management

AWE manages climate-related risk through its existing Enterprise Risk Management (ERM) processes.

Risk Identification

AWE's climate-related corporate risk is defined in line with TCFD and Government guidance, including the National Audit Office and HM Treasury. It covers both physical and transition risks. Physical risks are identified using the CIRAM methodology, which is also applied to new-build projects to inform design decisions.

Emerging sustainability and environmental legislation are monitored through an ISO14001-aligned process. Environmental specialists meet quarterly to review regulatory changes.

Physical and transition risks identified through CIRAM assessments and compliance monitoring help inform risk scoring within the ERM framework. Insights from ongoing climate-scenario analysis will increasingly support the identification and prioritisation of climate-related risks as AWE's understanding develops.

Risk Management

Corporate risks are assessed for likelihood and impact. After current controls, climate change is rated as a medium risk in the short to medium term (to 2030), with longer-term uncertainty dependent on future climate scenarios.

As described previously the delivery of the ESS, CTP and SPs provide the primary mechanism through which AWE manages and mitigates climate-related risks and opportunities, with performance monitored through defined governance arrangements.

Climate Risk Integration

Climate risk is embedded within AWE's wider risk framework. Risks are recorded in Active Risk Manager (ARM), which holds strategic, programme, functional and operational risk registers.

A dedicated climate-risk register continues to be developed to support full integration of climate risk into enterprise-wide risk management, strengthening alignment with TCFD expectations to embed climate-related risk processes within overall risk-management systems

Metrics and targets

AWE monitors and reports metrics and targets to track delivery of the Environmental Sustainability Strategy (ESS) and the Climate Transition Plan (CTP), in line with TCFD expectations to disclose metrics and targets relevant to climate-related risks and opportunities.

Targets

The ESS sets a long-term vision to 2050, with interim goals for 2025, 2030 and 2040. These goals follow an “epoch” approach aligned with the MOD Strategic Approach to Sustainability and Climate Change and the Greening Government Commitments. AWE’s long-term target is to achieve net zero across the value chain by 2050.

Annual targets are set across three key environmental themes. To embed accountability, key Business Areas and Business Units maintain Sustainability Plans aligned to the ESS and CTP. Each target has a designated owner, an Executive Director Sponsor, and progress is monitored through tiered KPIs reported to the Executive and Board.

Metrics

The metrics reported in Table 2 focus on AWE’s most material climate-related risks and opportunities, including energy use, emissions exposure, supply-chain resilience and resource efficiency.

AWE reports greenhouse-gas emissions in line with the Greening Government Commitments (GGC) and Streamlined Energy and Carbon Reporting (SECR) requirements. Scope 1, Scope 2 and Scope 3 Category 6 (Business Travel) emissions are disclosed. Progress against AWE’s GHG reduction targets is also monitored, as are energy efficiency savings.

AWE continues to refine its understanding of Scope 3 emissions, which are significantly larger than Scope 1 and 2. This work follows the GHG Protocol Corporate Value Chain Standard. During FY26, AWE baselined its Scope 3 emissions.

Categories 1 (Purchased Goods and Services) and 2 (Capital Goods) remain the most material for AWE. A FY26 carbon-foot printing analysis of FY25 spend data identified key emissions hotspots and priority areas but, as the dataset is unassured, results are not reported; AWE will refine its approach by incorporating supplier-specific data in line with the GHG Protocol to improve accuracy over time.

In addition to GHG emissions, AWE monitors wider environmental performance disclosed under the GGC, including waste-management performance and water consumption. Monitoring also includes participation in compliance schemes such as the

UK Emissions Trading Scheme (UK ETS), through which the Aldermaston site reports Scope 1 emissions and surrenders allowances annually.

AWE will continue to develop the quality, completeness and decision-usefulness of its climate-related metrics. These improvements will be phased in as methodologies mature and additional data becomes available. Table 2 presents the current metrics.

Table 2 – TCFD Metrics

Category	Metric	Value / Source
GHG Emissions (tCO_2e)	Scope 1	Table 3
	Scope 2	Table 3
	Scope 3 – Category 3	Table 3
	Scope 3 – Categories 1, 2, 4, 5, 6 & 7	Internal reporting only
Emissions Reduction Target (%)	Scope 1 & 2 reduction vs FY18 baseline	34%
Energy Consumption (kWh)	Gas	Table 3
	Electricity	Table 3
	Other fuels	Table 3
Financial Expenditure (£)	Total energy expenditure	Table 3
	Business Travel	Table 3
	Carbon offsets	Table 3
	UK ETS allowance cost (2025 emissions)	£1.03m
UK ETS Coverage (%)	Percentage of Scope 1 emissions that fall within the scope of the UK ETS	84%
Energy Efficiency (kWh)	Energy efficiency savings (estimated)	534,827
SECR Intensity Ratio	tCO_2e per m² floor area	Table 3
Environmental Performance	Waste management (tonnes)	Table 5
	Water usage (m³)	Table 6
Supply Chain – Net Zero Alignment (%)	Strategic Rank 1 suppliers	70%
	Strategic Rank 2 suppliers	46%
Scope 3 Category 1 & 2 Supplier GHG emissions	Strategic Rank 1	Internal reporting only
	Strategic Rank 2	Internal reporting only

Environmental Sustainability Performance

The following section provides a summary of performance against key sustainability metrics for greenhouse gas (GHG) emissions, waste management and water consumption, in line with HM Treasury Sustainability Reporting Guidance and the minimum reporting requirements. Where considered material additional information has been provided on sustainable procurement, nature recovery and sustainable construction. Following application of these minimum reporting requirements Scope 3 business travel emissions (flights) have been removed from external disclosure but continue to be monitored internally for management purposes.

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.

Greenhouse Gas Emissions

Table 3 provides a summary of Scope 1 and Scope 2 emissions from operations at AWE designated sites Aldermaston, Burghfield and Blacknest and Scope 3 emissions from electricity transmission and distribution losses and business travel. Scope 2 emissions have also been reported for upstream leased and licensed properties in Table 4. This data is also reported in fulfilment of the Streamlined Energy and Carbon Reporting Requirements (SECR).

Quantification and Reporting Methodology

GHG emissions are reported in tonnes of carbon dioxide equivalent (tCO_2e) and calculated using the UK Government's 2025 GHG Conversion Factors (DESNZ), unless otherwise stated. AWE follows the GHG Protocol and HM Government Environmental Reporting Guidelines for SECR, applying the operational control approach to define boundaries and emission scopes.

Scope 2 emissions are reported using both location--based and market-based methods. The location--based method uses national grid emission factors, while the market--based method reflects electricity procured through specific contracts. All purchased electricity has been supplied as a "Renewable Backed Supply" under the REGO scheme since April 2019, resulting in zero market--based emissions.

Energy data is primarily sourced from supplier invoices, with pro-rata estimates applied where invoice periods differ from the financial year. For leased assets without direct billing, landlord data or estimates based on building characteristics and CIBSE benchmarks are used. Propane emissions are based on delivered quantities, and other LPG emissions are determined from annual usage estimates used for UK ETS reporting.

Transport emissions are calculated from fuel records for AWE-owned vehicles, mileage claims for grey fleet travel, fuel or mileage data for hire cars, and flight information provided by the travel supplier and categorised by flight type (domestic, short haul, long haul).

Flight information is regularly reviewed and reported, there are significant levels of spend in both short and long-haul flights which are consistent with operational partnership requirements and obligations across territories. AWE is committed to responsible travel.

Carbon data reported is externally assured by a Carbon Management Consultant, who reviews emissions data, methodologies, assumptions and reporting processes. UK ETS data is independently verified in line with regulatory requirements. All figures are rounded to the nearest whole number.

Table 3 – Greenhouse Gas Emissions for AWE Designated Sites

		25/26	24/25	23/24	Baseline 17/18
GHG Emissions AWE Designated Sites – Scope 1, 2 and 3 GHG Emissions from Energy					
Non-Financial Indicators tCO_2e	Total Scope 1	30,696	34,812	32,871	40,317
	Natural Gas	29,122	33,012	30,911	37,360
	Other gaseous fuels	2	2	2	
	Liquid fuels	376	668	1,136	921
	Fuel for AWE owned vehicles	557	560	517	
	Fugitive Emissions	639	570	305	2,036
	Total Scope 2 – Purchased Electricity Location based	24,511	29,568	27,069	43,282
	Total Scope 2 – Purchased Electricity Market Based	0	0	0	43,282
	Total Scope 1 and 2 Location Based	55,207	64,380	59,940	83,599
	Total Scope 1 and 2 Market Based	30,695	34,813	32,871	83,599

		25/26	24/25	23/24	Baseline 17/18
	Scope 3 – T&D Losses Location Based	2,566	2,558	2,342	4,047
	Scope 3 – T&D Losses Market Based	0	0	0	4,047
Related Energy Consumption kWh (000s)	Natural Gas	159,170	180,492	168,978	202,860
	Purchased Electricity	138,483	142,804	130,780	123,115
	Other gaseous fuels	8	10	8	
	Liquid fuels	2,600	2,650		
	Fuel for AWE owned vehicles	2,286	2,348		
Gross Expenditure £ (000s)	Energy	39,800	45,722	36,003	16,338
	Off Sets	0	0	0	0
GHG Emissions Scope 3 from Business Travel					
Non-Financial Indicators (tCO_2e)	UK Vehicle Hire[4]	85	166	284	Data unavailable
	Private mileage claims	126	183	199	
	Rail	61	62	50	
	Domestic Air Travel	164	249	217	
	International Air Travel (Short Haul)	208	291	209	
	International Air Travel (Long Haul)	5,043	9,133	8,543	
Air Travel Distance (km)	Domestic Air Travel Distance - km	713,123	912,182	795,155	
	International Air Travel (Short Haul) Distance - km	1,654,670	1,592,460	1,129,302	

[4] Excludes non-pool car hire

		25/26	24/25	23/24	Baseline 17/18
	International Air Travel (Long Haul) Distance – km	28,856,020	30,905,495	26,674,099	
SECR Intensity Measurements					
SECR Intensity Measurements	Total SECR kWh's '000s	300,522	327,130	303,892	SECR reporting not required
	Total SECR Emissions tCO_2e- Location Based	56,758	66,049	61,324	
	Total SECR Emissions tCO_2e- Market Based	29,680	33,923	31,913	
	Intensity Measurement m^2 Floor Area	557,570	568,999	568,999	
	Intensity Ratio location based tCO_2e/m^2 Floor Area	0.1018	0.1161	0.1078	
	Intensity Ratio market based tCO_2e/m^2 Floor Area	0.0532	0.0596	0.0561	

Table 4 – Greenhouse Gas Emissions for AWE Leased and Licenced Sites

		Financial Year - 1 April to 31 March			
		25/26	**24/25**	**23/24**	**22/23**
GHG Emissions AWE Upstream leased locations - Scope 1, 2 and 3 GHG Emissions from Energy					
Non-Financial Indicators tCO_2e	Total Scope 1 – Natural Gas	30	0	0	0
	Total Scope 2 – Purchased Electricity Location based	226	133	12	5
	Total Scope 2 – Purchased Electricity Market Based	183	104	7	5
	Total Scope 1 and 2 Location Based	256	133	12	5
	Total Scope 1 and 2 Market Based	213	104	7	5
	Scope 3 – T&D Losses Location Based	24	12	1	0
	Scope 3 – T&D Losses Market Based	19	9	1	0
SECR Intensity Measurements	Total SECR kWh '000s	1,440	643	58	27
	Total SECR Emissions tCO_2e- Location Based	280	145	13	5
	Total SECR Emissions tCO_2e - Market Based	232	113	7	5
	Intensity Measurement m^2 Floor Area	51,056	8,950	903	103
	Intensity Ratio location based tCO2e/m² Floor Area	0.0055	0.0162	0.0144	0.0533
	Intensity Ratio market based tCO2e/m² Floor Area	0.0045	0.0126	0.0074	0.0486

FY26 saw a reduction in both Scope 1 and Scope 2 (location-based) greenhouse gas emissions on an absolute basis, with total emissions 34% lower than the baseline year, demonstrating progress towards AWE's net zero targets.

Scope 1 emissions decreased over the year, primarily driven by reduced natural gas consumption, which accounts for the largest share of these emissions. Natural gas usage fell by 12%, resulting in a corresponding reduction in emissions. This reflects improved efficiency following completion of burner upgrades in the boiler house, alongside rationalisation of the steam main and the demolition of redundant buildings.

Electricity consumption decreased by 3% during the year, while Scope 2 (location-based) emissions fell by 17%. The greater reduction in emissions is primarily attributable to continued decarbonisation of the UK electricity grid and lower emission factors, rather than reduced electricity consumption alone.

Energy efficiency improvements have continued throughout FY26, including:

- HVAC system upgrades, estimated saving 112,281 kWh/year and 22 tCO_2e
- Insulation measures, estimated saving 88,772 kWh/year and 89 tCO_2e
- Fault repairs identified during audits, estimated saving 333,774 kWh/year and 61 tCO_2e
- Low NOx burner upgrades (completed in FY26), with estimated savings 6,122,205 kWh/year and 1,120 tCO_2e

An ongoing programme of energy audits is in place to identify further opportunities. Work has also continued to progress the solar project as described above. These measures represent important steps towards achieving the 2030 target.

Carbon Offsets

Carbon offsets are not purchased. Purchased electricity for the designated sites is supplied as a Renewable Backed Supply through participation in the Renewable Energy Guarantees of Origin (REGO) scheme. In line with the market-based methodology, Scope 2 emissions are reported as zero.

Minimising waste and promoting resource efficiency

AWE manages a wide range of waste types, including radioactive, aqueous, gaseous and explosive wastes. Radioactive waste is minimised through the application of Best Available Techniques (BAT), and all discharges are made in compliance with Environmental Permits regulated by the Environment Agency.

This report covers *controlled wastes*, those arising from routine conventional operations such as offices, maintenance areas, laboratories and workshops. These exclude radioactive, explosive, aqueous and gaseous wastes. Construction waste is reported separately under Sustainable Construction.

Table 5 presents the total operational controlled waste, categorised according to the waste hierarchy, along with hazardous waste quantities and associated expenditure.

AWE has seen an increase in the amount of controlled waste generated in FY26 compared to FY25. Waste levels vary over time due to operational changes, disposal of redundant assets and the clearance of legacy wastes as older facilities are modernised and replaced. AWE continues to embed circular economy principles and seeks opportunities to maximise reuse and recycling. In FY26, the landfill diversion rate for controlled waste was 99%, with 67**%** reused or recycled as part of business-as-usual operations.

Approximately 29.6 **tonnes** of segregated food waste from the Aldermaston site canteen, coffee shops and various facilities (both Aldermaston & Burghfield), were sent for anaerobic digestion. Food waste caddies in individual facilities are being rolled out.

ICT waste is removed from site via a Defence Recycling and Disposals Team (DRDT) contractor for checking, repair and reuse. During FY26 there has been a reduction in ICT waste.

Table 5 – Waste Management Performance

	Financial Year – 1 April to 31 March				
	2025/26	**2024/25**	**2023/24**	**2022/23**	**2017/18 Baseline**
Controlled Waste[5] (tonnes)	2,218	1,947	1,689	3,446	2,287
Reused Waste (tonnes)	299	229	161	131	319
Recycled Waste (tonnes)	1,193	1,152	1,043	2,901	1,270
Recovered Waste (tonnes)	58	39	38	334	431
Recovered (Energy from Waste) (tonnes)	378	370	3	-	-
Disposed (Incineration) (tonnes)	290	155	103	-	-

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

	Financial Year – 1 April to 31 March				
	2025/26	**2024/25**	**2023/24**	**2022/23**	**2017/18 Baseline**
Disposed (Landfill/other) (tonnes)	0	3	1.5	80	267
ICT Waste (tonnes)[6]	11	26	27	27	32
Food Waste (tonnes)[7]	29	32	18	9[8]	Not previously recorded
Hazardous waste[9] (tonnes)[10]	286	477	407	Not previously reported as a separate category.	
Gross Expenditure (£'000) (Includes Waste Contract Costs & Electronic Media Shredding and hazardous waste)	1,423	1,185	1,164	988	-
Hazardous waste costs[11] (£'000)	392	311	27	Not previously reported as a separate category	

Resource Use

AWE continues to focus on reducing resource consumption across its operations. Focus on single-use plastic and paper use continues, with the introduction of reusable food boxes in the canteen to reduce disposable options and the business continues to maintain a 50% printed paper reduction compared to the 2017/2018 baseline, despite a significant increase in the workforce.

To further reduce consumption, AWE continues to use an internal SharePoint Reuse site to maximise the reuse of MoD assets, avoid unnecessary procurement and prevent usable items from becoming waste. Since the beginning of FY22, around 150 items have been redistributed through this platform.

6 ICT waste is included within overall controlled waste figures.
7 Food waste is included within the overall controlled waste figures.
8 Food waste was first recorded in November 2022.
9 Hazardous waste is included within the overall controlled waste figure.
10 Hazardous waste removed from site by waste contractors and DRDT where it is deemed to be an asset.
11 Cost of hazardous waste removed by waste contractor. Hazardous waste removed by DRDT is at no additional cost to AWE.

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 26% reduction against the baseline.

Table 6 – Water Consumption from AWE Designated Sites

	Financial Year – 1 April to 31 March				
	2025/26	**2024/25**	**2023/24**	**2022/23**	**2017/18 Baseline**
Aldermaston *Borehole Abstraction m³* *Scope 1 Water controlled by the organisation*	413,508	510,291	491,189	457,296	603,826
Burghfield *Borehole Abstraction m³* *Scope 1 Water controlled by the organisation*	170,829	150,997	148,178	181,986	165,706
Aldermaston *Main Water Supply m³* *Scope 2 Water – purchased water*	112,471	55,047	112,896	178,840	177,653
Blacknest *Main Water Supply m³* *Scope 2 Water – purchased water*	7,321	8,268	7,560	7,310	1,316
Burghfield[12] *Main Water Supply m³* *Scope 2 Water – purchased water*	811				
Total m³	**704,940**	**724,603**	**759,823**	**825,432**	**948,501**

[12] New connection June 2025

Sustainable Procurement

Over the past year, AWE has strengthened its sustainable procurement approach. Following its first independent ISO 20400 assessment in 2022, AWE commissioned a second gap analysis in 2025. This confirmed an improvement in AWE's maturity score from 1.71 ("Improving") to 2.22 ("Established"), showing clear progress in embedding sustainability across Commercial activities.

Sustainable procurement is considered throughout tendering and supplier onboarding to ensure suppliers align with AWE's values. Two sustainability collaboration forums with key partners continue to help reduce environmental impacts across AWE's three sustainability themes. In 2025, AWE also held "Sustainability Awareness Days" with major suppliers to share initiatives and promote its wider sustainability strategy across the organisation.

Nature Recovery

AWE is committed to protecting and enhancing the biodiversity of the estate it manages[13], 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:

External engagement: Active participation in the UK Nuclear Ecology Peer Group and UK Nuclear Biodiversity Net Gain (BNG) Group ensures that biodiversity actions align with regional priorities and reflect sector best practice. AWE was a key stakeholder in the Farmer and Landowner Working Group for the recently published Berkshire Local Nature Recovery Strategy (LNRS). As a result, parts of the of AWE estate have been included in the LNRS habitat map and are recognised for their strategic significance for localised nature recovery. AWE's recently published BNG Strategy is aligned to the LNRS priorities and will be an important mechanism for targeted habitat restoration (i.e. heathland) and creation (i.e. traditional orchard).

Staff awareness and capability: A range of internal presentations, workshops, engagement activities and articles has raised awareness of biodiversity issues. Targeted sustainability and biodiversity training, including statutory BNG, has been delivered to environmental professionals and shared with delivery partners across construction and maintenance activities.

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

Integration of biodiversity into operations: All major development projects remain on track to achieve a minimum 10% BNG, aligned with priorities in the Berkshire Local Nature Recovery Strategy. Extensive onsite ecological surveys have been completed.

Tree and woodland enhancement: Progress continues toward the 2030 target to increase woodland cover by 10% (against the 2021 baseline). Key activities include a 3:1 compensatory planting ratio for tree removal, incorporation of native tree planting within BNG and landscape schemes, and significant expansion of the traditional orchard at Burghfield (600 trees planted to date).

Pollinator-friendly habitats: Reduced-mow grassland now totals 400,000 m², significantly exceeding the original 2025 target of 30,000 m². These areas are not cut between 1 April and 30 August. Orchard expansion and BNG-driven planting will further increase pollinator habitat.

Nature-based solutions: Work is progressing to broaden the assessment of carbon sequestration from woodland to other habitat types. A range of green and blue infrastructure interventions has also been identified as suitable for future capital build projects.

Natural capital approach: A detailed habitat register for the estate has been developed as the basis of a Natural Capital Register, which will be updated as further survey data becomes available.

Monitoring and reporting: Regular reporting against the Nature Recovery Plan is undertaken for internal stakeholders. Baseline ecological surveys have informed the development of biodiversity performance indicators, scheduled for implementation in the next financial year.

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.

AWE implements measures to minimise waste arising from construction projects. In FY26, 45,328 tonnes of construction and demolition waste were generated, with 99% successfully diverted from landfill.

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 responsibility for the governance, strategic direction and oversight of the Company, including providing constructive challenge to management. It operates under AWE's Articles of Association and Terms of Reference (TOR) which include a statement of those decisions which are reserved to the Board. The Board was supported by a committee structure designed to provide focused scrutiny of delivery, risk, people, safety, and assurance, and by regular engagement with the shareholder and key stakeholders.

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 and organisational change programmes.

A. Long-term Consequences of Decisions

The nature of the Company's activities requires long-term planning over multi-decade timescales. Throughout the year, the Board considered decisions in the context of their long-term implications for delivery, affordability, capability, safety, and sustainability. The Board reviewed and approved the Company's Business Plan which sets out 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.

In exercising its oversight, the Board regularly reviewed performance against the Strategic Warhead Enterprise Plan (SWEP) and challenged management on the need to balance near-term delivery pressures with long-term mission outcomes. The Board considered the cumulative impacts of scope deferral, affordability challenges and infrastructure sequencing and sought assurance that decisions taken to manage in-year pressures did not undermine future delivery, safety, or resilience. Transformation initiatives were scrutinised not only for immediate benefits, but for their contribution to improving productivity, pace, and cost effectiveness over the longer term.

B. Interests of Employees

The Board recognised that the Company's workforce was fundamental to its ability to fulfil its mission. The Board reviewed leadership development, workforce planning and capability initiatives, and monitored the outcomes of employee engagement surveys, using these to inform its challenge to management and to shape expectations for improvement. It also emphasised the importance of maintaining trust through clear communication, transparency, and respect for employee concerns, while also ensuring that change was progressed at pace to reduce uncertainty.

C. Relationships with Customers, Suppliers and Other Stakeholders

The Board assessed the delivery of the Company's mission and noted this depended on strong and effective relationships with its principal customer, as well as regulators and the supply chain. Throughout the year, the Board considered how decisions affected the Company's ability to work collaboratively across the DNE, including alignment of plans, assumptions, and delivery priorities.

The Board also had regard to the importance of a sustainable and resilient supply chain. In reviewing major programmes and infrastructure projects, the Board considered supplier capacity, market conditions, risk allocation, and value for money for the taxpayer. Particular attention was given to ensuring that commercial and procurement decisions supported long-term delivery confidence and innovation.

D. Impact on the Community and the Environment

The Board recognises the Company's responsibilities to the communities and environments in which it operates. It received assurance on arrangements for community engagement and liaison with local authorities and stakeholder groups, informed by regular reporting and updates from management, and considered the social and economic benefits arising from the Company's operations, including employment, skills development, and educational outreach.

The Board reviewed progress against environmental and sustainability objectives, including climate-related risks and opportunities, and emphasised the need for regulatory compliance alongside continuous improvement.

E. Reputation for High Standards of Business Conduct

The Board places significant emphasis on maintaining high standards of governance, integrity and transparency, recognising the Company's national importance and the heightened level of public, parliamentary and regulatory scrutiny associated with public ownership. Throughout the year, the Board considered matters relating to safety, security, ethics, assurance, compliance, and information governance, and sought assurance that the Company's systems of control and risk management were effective.

F. Acting Fairly as Between Members

Following the Company's transition to public ownership, the sole shareholder of AWE was the Secretary of State (SoS) for Defence so the issue of competing interests among the Company's members did not arise. The Board supported open and constructive relations with the shareholder, while ensuring that the statutory duties of the Directors were properly discharged.

Approved and signed on behalf of the Board on October 2026



Nick Elliott, Chief Executive Officer

Corporate Governance Report

Directors' Report

Directors who have held office on the AWE Board between 1 April 2025 and 31 March 2026 are:

Sam Laidlaw, Chairman

Nick Elliott, CB MBE, CEO

Barry Hunter, Deputy CEO and Chief Financial Officer – resigned 3 September 2026

Kirsty Armer, Non- Executive Director – appointed 1 January 2026

Richard Elsy, CBE, Non-Executive Director – resigned 11 June 2026

Claire Flint, Non-Executive Director

Paul Howarth, Non- Executive Director – appointed 1 August 2025, resigned 26 February 2026

Jill Hruby, Non- Executive Director - appointed 1 January 2026

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 – resigned 31 December 2025

Mark Wild, OBE, Non-Executive Director

Directors appointed to the AWE Board after 31 March 2026:

Euan Hutton, Non-Executive Director – appointed 8 October 2026

Directors' interests

The Company has procedures in place, in accordance with its Articles of Association, to ensure compliance with Directors' duties under the Companies Act 2006 in relation to conflicts of interest. Directors are required to identify all external interests, whether or not they present an actual or potential conflict. Where a conflict is identified, appropriate procedures are agreed and recorded, which may include the relevant Director abstaining from consideration of the matter.

Directors declared a number of external interests during the year. None gave rise to an actual conflict requiring action during the period.

External auditor

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

- So far as they are aware, there is no relevant audit information needed by the Company's auditor in connection with the preparation of the Annual Report of which the auditor is unaware.
- Each Director has taken the steps they might reasonably be expected to take to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

Dividends

The Directors have declared no dividends during the current year (2025: £nil).

Personal data

There were no disclosures of personal data during the reporting period that were reportable to the Information Commissioner's Office (ICO).

Political donations and expenditure

The Company made no political donations or expenditure during the year ended 31 March 2026 (31 March 2025: nil).

Financial instruments

The Company has established a risk and financial management framework to protect it from events that may hinder achievement of its performance objectives. The framework aims to limit undue counterparty exposure, ensure sufficient working capital and monitor risk management.

Credit risk is the risk that one party to a financial instrument causes financial loss to another by failing to discharge its obligations. The Directors consider the credit risk to be low because the principal customer is the MOD, and therefore the UK Government. Liquidity and cash flow risk are also considered low as they are managed through the

Government Banking Service (GBS), of which AWE is part. The Directors do not consider there to be significant credit risk arising from the Company's trade debtors.

Research & Development

Research and development expenditure is principally incurred in performing the M&O Contract with the MOD. It 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.

Pensions

The Company operates both a defined benefit pension scheme and a 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 a small number of 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 2026 was £53m (31 March 2025: £97m).

The expected transfer of the Pension Scheme which was announced after the financial year end is discussed in the following section: Going Concern and the transfer of AWE Defined Benefit Scheme into government.

Events after the reporting period

Events after 31 March 2026 and up to the date the accounts were authorised for issue were as follows:

No significant events were identified after the reporting date other than the announcement of the expected transfer of the AWE Defined Benefit Scheme. As referenced above this matter is discussed further in the Going Concern section below.

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 and the transfer of AWE Defined Benefit scheme into government

The Company’s business activities, together with the factors likely to affect its future development, performance and position, are described in the Directors’ Report on page 53 and in the accounting policies on pages 113 to 124.

The Directors have assessed the appropriateness of adopting the going concern basis in preparing these financial statements. In doing so, they have considered the Company’s financial position, forecast cash flows, funding arrangements, principal risks and uncertainties, over a period of at least 12 months from the date of approval of these financial statements. The review covers the period up to 31st October 2027.

AWE plc operates under long-term contractual arrangements with the MOD, which fund the Company’s activities and support its ability to meet liabilities as they fall due. The Directors have considered the FY27 approved budget, the longer-term funding outlook, the UK Government’s continuing commitment to the Defence Nuclear Enterprise, and the strategic importance of the Company’s activities in support of the UK’s nuclear deterrent. The Directors have also considered severe but plausible downside scenarios, including operational disruptions, programme delay, supply chain pressure, workforce challenges and other principal risks facing the Company. In each of these cases, the Directors concluded that appropriate mitigations exist and that, where required, additional funding would be available from the shareholder in accordance with the Company’s contractual arrangements and established funding mechanisms.

The Government's proposed transfer of the AWE Pension Scheme is an important consideration in the Board's going concern assessment. Enabling primary legislation has now been enacted through the Pension Schemes Act 2026, providing the statutory framework for a new public sector pension arrangement and the transfer of accrued pension rights, assets and liabilities from the AWE Pension Scheme. The Government has stated its intention to bring the Scheme within central government control whilst maintaining members' existing benefits. Full implementation remains dependent on secondary legislation and related transitional arrangements. Current plans indicate that a substantial element of the Scheme’s assets may transfer to Government during FY27, with the legal transfer and arrangements for the discharge of pension liabilities expected to follow. This may result in a timing difference between the transfer of assets and the final extinguishment of AWE plc's pension-related obligations during this transition period.

In considering severe but plausible downside scenarios, the Directors have considered whether AWE plc could be required to provide support to Scheme funding obligations during the transition period before the final transfer of liabilities. Having regard to Government ownership of the Company, the legislative framework already enacted, the strategic importance of AWE's activities, and the established funding arrangements with the MOD, the Directors consider it reasonable to conclude that any such funding requirements would ultimately be supported by Government. This has been taken into account in assessing the Company's ability to remain a going concern. The Directors note, however, that until secondary legislation is passed and appropriate transfer and funding arrangements are in place, a degree of uncertainty remains.

While acknowledging that uncertainty, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence and meet its liabilities as they fall due in the period for review (period to 31 October 2027). For this reason, they continue to adopt the going concern basis in preparing the financial statements.

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

Please see the commentary in relation to Companies Acts 172(1) on pages 50 to 52.

Engagement with employees

Please see the commentary in the People Report on page 87.

Approved and signed on behalf of the Board on October 2026



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 maintaining proper accounting records 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 Company's assets, as recorded on AWE's balance sheet, and for taking reasonable steps to prevent and detect 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 directed AWE to prepare, for each financial period, 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 AWE's state of affairs, 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 MOD Principal Accounting Officer (AO), has designated the CEO of AWE plc as AO of AWE plc. The responsibilities of an AO, include propriety and regularity of the public finances, 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

This Governance Statement sets out AWE's governance framework and how the Board discharged its responsibilities during the reporting period. It provides clear and transparent information on the Company's governance arrangements and is broadly aligned with UK Corporate Governance Code, having regard to AWE's status as a non-departmental public body.

The AWE Board

During the year, the Board was responsible for the oversight of AWE's strategy, performance, culture and long-term sustainability. The Board provided leadership within a framework of prudent and effective controls, ensuring that the Company operated in accordance with its statutory obligations, the Framework Document with the MOD, and relevant government guidance.

The Board met ten times during the reporting period, through a combination of in-person and remote meetings. It was supported by seven committees for the majority of the year, whose roles and activities are described on pages 68 to 74. These committees undertook detailed scrutiny and challenge on the Board's behalf and reported regularly to the Board.

Board responsibilities

The Board was accountable to the Responsible Minister as representative of the shareholder. Its principal responsibilities included setting the Company's strategic direction, approving the Business Plan, overseeing delivery of strategic objectives, maintaining effective risk management and internal control arrangements, and fostering an open and transparent relationship with the MOD and other key stakeholders.

In carrying out these responsibilities, the Board had regard to the interests of key stakeholders, including the shareholder (MOD), employees, regulators, delivery partners and the wider community. Stakeholder considerations were embedded within Board and committee discussions on strategy, performance and risk, informing decision-making throughout the year. Further detail on how the Board has discharged its duties under section 172 of the Companies Act 2006 is set out in the Section 172 statement on pages 50 to 52.

In discharging its duties, the Board operated within its delegated authority and had regard to public sector requirements relating to the use of public funds. Board papers and discussions incorporated financial, operational, risk and stakeholder considerations, enabling informed and balanced decision-making. The Board monitored organisational

culture to ensure alignment with AWE's purpose, values and strategy, informed by indicators including employee engagement results, safety performance, and ethics reporting. The Board also considered the long-term sustainability of the Company and the potential impact of decisions on stakeholders in line with its statutory duties.

Board composition, succession and effectiveness

The size and composition of the Board were agreed with the Shareholder, having regard to guidance and best practice from public and private sector Boards, to ensure the right balance of skills, experience, independence and challenge. Appointments were made through formal processes and succession considerations were kept under regular review.

During the reporting period, an externally facilitated Board effectiveness review was carried out by No 4, an independent advisory firm appointed through a tender process. No 4 had no conflicts with the Board or individual Directors.

No 4 proposed the scope of a discussion guide used by Jan Hall to conduct confidential, non-attributed interviews, following observation at Board meetings and a review of Board materials. Board members and senior executives were interviewed.

The resulting report was shared with the Chair, Senior Independent Director and the Chief Executive Officer before discussion with the full Board. Findings from the review were grouped into 4 areas: stakeholder interfaces; internal Board governance; Board accountability and oversight; and Board procedures.

An action plan to address these four areas was agreed with the Board. Actions will be integrated into Board and committee forward-looking agendas and tracked by the Chair and the Senior Company Secretary, with formal Board scheduled for October 2026 and March 2027.

Committees of the Board

For most of the reporting period, the Board operated through seven committees. Following the externally facilitated Board performance evaluation, the Committee structure was revised in March 2026 to improve integration and effectiveness.

The Infrastructure Committee and Production and Programme Committee were combined to form the Delivery Committee, reflecting the close interdependency between infrastructure delivery, programme execution and operational readiness. This enables more integrated oversight and challenge of delivery risks and dependencies. The Nominations and Remuneration committees were merged to form the People

Committee, strengthening Board oversight of leadership, succession and remuneration by considering these related matters together. The Security, Environment, Safety, Health and Quality Committee was renamed the Safety, Sustainability, Health, Environment and Quality Committee to clarify its principal areas of focus, as reflected in its updated terms of reference. While the remit no longer encompasses security in the round, security-related matters that directly interface with safety and operational risk continue to be considered by the Committee.

Each committee operated under Board-approved terms of reference and reported regularly to the Board on its activities.

Board commitment and attendance

Biographies of current Board members are published on the AWE website. Appointment, resignation and retirement dates for Board members during the reporting period are set out in the Directors' Report on page 53.

The attendance tables below set out participation at Board and committee meetings during the year. All Board members are invited to attend sub-committees, whether or not they are members, except where a conflict of interest exists.

Table 1: Attendance at Board meetings and sub-committees

Board member	Board	ARAC	ESTAC	Infra. Cttee	Nom. Cttee	P&P Cttee	Rem. Cttee	SESHQ Cttee
Sam Laidlaw	10/10*				3/3*			
Kirsty Armer[14]	2/2							
Nick Elliott	10/10							
Richard Elsy[15]	9/10			4/4	3/3	3/3*		
Claire Flint	9/10				3/3		6/6*	3/3
Paul Howarth[16]	5/5		1/1*					2/2
Jill Hruby[17]	2/2	0/1						
Barry Hunter[18]	10/10							
Dame Sue Ion[19]	3/3		2/2*			2/2		1/1
Richard Keys	10/10	5/5*		4/4			6/6	

[14] Kirsty Armer was appointed 1 January 2026
[15] Richard Elsy stepped down 11 June 2026
[16] Paul Howarth was appointed 1 August 2025 and stepped down 26 February 2026
[17] Jill Hruby was appointed 1 January 2026
[18] Barry Hunter resigned 3 September 2026
[19] Dame Sue Ion stepped down 5 June 2025

Board member	Board	ARAC	ESTAC	Infra. Cttee	Nom. Cttee	P&P Cttee	Rem. Cttee	SESHQ Cttee
Henry Lloyd	10/10	5/5	3/3	4/4	3/3	3/3	6/6	3/3
Bridget Rosewell	9/10	5/5		4/4*	3/3	2/3		
Dr J Stephen Rottler[20]	7/8	3/4	3/3			3/3		3/3*
Mark Wild	9/10			4/4				

The table below reflects the revised committee structure attendance following changes implemented in March 2026. These correspond to the five committees shaded in the table above and as outlined at the beginning of this statement.

Board member	Delivery Cttee	People Cttee[21]	SHEQ Cttee
Sam Laidlaw		1/1*	
Kirsty Armer			1/1*
Nick Elliott			
Richard Elsy	1/1*		
Claire Flint		0/1*	0/1
Paul Howarth			
Jill Hruby	1/1		
Barry Hunter			
Dame Sue Ion			
Richard Keys	1/1	1/1	
Henry Lloyd	1/1	1/1	1/1
Bridget Rosewell	1/1	0/1	
Dr J Stephen Rottler			
Mark Wild	1/1		

[20] Dr J Rottler stepped down 31 December 2025

[21] People Committee is chaired by Sam Laidlaw or Claire Flint, dependent on the subject matter under consideration.

Board experience and roles

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

Board experience and roles *(continued)*

Henry Lloyd	Barry Hunter	Richard Elsy 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[22]:				
A, E, N, P, R, S, D, Pe, SH	None	I, N, P (chair) D (chair),	N, R (chair), S, Pe (chair), SH	E (chair), P, S
External appointments				
UKGI (Director) Sizewell C (Holding) Limited (NED)	None	AB Dynamics PLC (Chair)	Oxford University Hospitals NHS Foundation Trust (Senior Independent NED) UK Atomic Energy Authority (Chair of Remuneration Committee)	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)

[22] A – ARAC; E – ESTAC; I – Infrastructure; N – Nominations; P – Production & Programme; R – Remuneration; S – SESH&Q; D – Delivery; Pe – People; SH – SHEQ.

Board experience and roles *(continued)*

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, D, Pe	A, I (Chair), P, D, Pe	A, E, P, S (Chair)	None
External appointments			
Dept for Transport (NED)	Flood Re (Chair) M6 Toll (Chair) UK National Wealth Fund (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 Ltd (CEO) ONDE Ltd (Director)
Prior roles:			
Sainsbury's Bank (NED) Wessex Water plc (NED), NATS (NED), Dept for International Development (NED) University of Birmingham (Council member) Pricewaterhouse Coopers LLP (PwC) Partner and latterly Global Chief Accountant Merrill Lynch International	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 Laboratories 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)

Kirsty Armer	**Jill Hruby**	**Paul Howarth CBE**
Independent non-executive Director	Independent non-executive Director	Independent non-executive Director
1 January 2026	1 January 2026	1 August 2025
SH (Chair)	D, A,	E (Chair) S.
Nuclear Institute (Trustee/Director) Northern Nuclear Alliance (Director) University of Manchester (visiting Professor)	University of CA (Advisory Governor to Lawrence Livermore Board) Triastron (Advisor) Bechtel Corp (Consultant) Anthropic (Advisory Board member) Bulletin of Atomic Scientist (Science and Security Advisory Board member)	Framatome UK (Chair) Dassault Systems (Advisor) Institute of Physics (President) University of Manchester (Honorary Professorship) Arabelle Solutions (NED)
Prior roles:		
Westinghouse Environmental Services UK (Vice President)	US Department of Energy (Under Secretary for Nuclear Security and Administrator of the National Nuclear Security Administration) Sandia Corporation (Laboratories Director and President)	National Nuclear Laboratory (CEO)

Board sub-committees

For the majority of the reporting period, there were seven Board sub-committees with advisory or decision-making delegations. Reports on these committees are set out below.

Audit and Risk Assurance Committee (ARAC)

The Audit and Risk Assurance Committee supports the Board in monitoring business control systems, risk management and in reviewing the Company's financial statements.

The Committee's remit includes oversight of the Company's risk management processes; appointment and oversight of the external auditor, including performance, remuneration, terms of engagement and audit outputs; and oversight of the internal audit function, including appointment of the Head of Internal Audit, review and approval of the annual audit plan, adequacy of internal audit resources, and review of findings and reports.

The Committee meets at least four times a year and is chaired by Richard Keys (NED). Other NED members during the reporting period were Henry Lloyd, Dr J Stephen Rottler, and Bridget Rosewell. During the year, Dr Rottler stepped down and was succeeded by Jill Hruby. The National Audit Office (NAO), as external auditor, is also invited and attended all the Committee's meetings during the reporting period.

In the period, the Committee met five 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, including second line reports on internal financial control, reports on key strategic risks and risk management, and Internal Audit reports on its programme of work and Internal Controls. Through these enquiries of management, the Committee reviewed the effectiveness of the system of internal controls. Further reference to the Internal Controls Framework can be found on pages 74 to 80.
- The committee reviewed the Annual Report and Accounts of AWE plc and recommended approval to the Board.
- The committee also reviewed the Company's arrangements for whistleblowing and the related policies and handling of matters reported under these arrangements.
- The Corporate Assurance Plan, which brings a co-ordinated approach to Internal Audit and other assurance activity across the business, was further developed and implemented during the year.
- The Committee reviewed arrangements for the transfer of the AWE Pension Scheme to government ownership, including funding and accounting aspects.

- The committee was kept appraised of work undertaken by the Company on behalf of the MOD in relation to historical construction data, supporting the MOD's accounting recognition of Assets Under Construction.

Engineering, Science and Technology Capability Advisory Committee (ESTAC)

The Engineering, Science and Technology Capability Advisory Committee supports the Board by reviewing the Company's engineering, science and technology capability activities and providing independent assessment and recommendations to the Board.

The committee meets a minimum of three times a year and was chaired by the non-executive Director Dame Sue Ion and Paul Howarth for one meeting.

The Committee comprises the non-executive Director chair and three core independent members external to the Company. The Executive Directors with accountability for engineering, science and technology capability, along with the Company's Chief Technologist, Chief Engineer and Chief Scientist, are members and attend meetings to provide information and answer questions as required by the Committee. Other external advisors are engaged as required to support specialist subjects.

The Committee supported development of the AWE Technical Strategy and reviewed underpinning plans for Non-Nuclear Components and Future Systems Integration capability.

The Committee carried out focused reviews of new manufacturing capability projects, providing constructive challenge on manufacturing system solutions.

The Committee also considered the following matters during the reporting period:

- AWE Technology Strategy: Introduction and Technical Capabilities Assessment.
- Warhead Underpinning Technology.
- Future Systems Integration.
- Future Systems Technology including a tour of the Technology labs.
- Strategic Materials Status.
- Stockpile Assurance.

Infrastructure Committee

The Infrastructure Committee provided governance and oversight of the planning, preparation and execution of the investment plan. To support current and future operations and the broader masterplan for Aldermaston and Burghfield, AWE has an extensive infrastructure investment programme to develop new facilities and refurbish existing ones.

Oversight is undertaken at project, programme and portfolio level. Programme oversight is focused on capability requirements supporting the manufacture of fissile components for the future replacement warhead. This programme is defined as the Future Materials Campus (FMC). Broader infrastructure requirements, comprising individual projects and re-kits, are grouped into the Future Infrastructure Programme (FIP).

The Committee reports to the Board on the adequacy of controls to deliver the defined requirements. The Committee also receives updates on safety and supply chain performance across the infrastructure portfolio and provides input on commercial and supply chain strategies and incentives.

The Committee, chaired by Bridget Rosewell (NED) met 3 times in the year. The other committee members in the reporting period were Richard Elsy, Richard Keys, Mark Wild and Henry Lloyd.

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

- Progress of individual projects within FIP and the further development of the 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.

Production and Programme Committee (P&P)

The Production and Programme Committee reviewed AWE’s performance in delivering its mission for customers, principally the warhead programme in support of the MOD. Programme and production status was assessed against schedule, alongside business cases being progressed to ensure enduring capability.

The Committee met three times during the year, in April, June and September 2025, with relevant items also raised at intervening monthly Board meetings. Chaired by the Non-Executive Director, Richard Elsy, other committee members were non-executive Directors, Henry Lloyd, Dr J Stephen Rottler, Bridget Rosewell and Dame Sue Ion. The Committee’s terms of reference also allow industrial experts to provide guidance and experience from other advanced manufacturing sectors.

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

- Business Unit (formally Technology Centre) updates, specifically looking at their delivery plans and alignment to the SWEP.

- Off-site partnering – significant progress has been shared with the Committee, demonstrating AWE's efforts to collaborate with external industry.
- Business Unit Readiness – the Committee was apprised of the progress and governance to date prior to the launch of the Business Units in September 2025.
- Business Unit transition plans – approaches and timelines for transition into new facilities were shared.

As noted above, the Infrastructure and P&P Committees were combined to form the Delivery Committee. The inaugural Delivery Committee was held in March 2026, chaired by Richard Elsy.

Remuneration Committee

The Remuneration Committee supports the Board by conducting oversight of the management of reward. This includes ensuring that AWE's remuneration policies operate within the freedoms granted by government and enable the Company to attract and retain people with the experience, skills and capabilities needed to deliver its mission. The Committee met six times in the last reporting period 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 Committee Chair provides annual commentary on remuneration approach, rationale and outcomes, including the effectiveness of any freedoms, through the Remuneration Report section of the Annual Report and Accounts.

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

- Review of business performance for the previous financial year, approval of resulting incentive payments to senior leaders and executive Directors, and annual salary reviews for executive Directors.
- Review and refresh of the design and measures for the long-term incentive scheme for financial year 2027 and beyond, to support AWE's long-term transformation and the strategic objectives of the DNO.
- Continuing to monitor the effectiveness of performance management across the organisation.
- Providing governance of the pay freedoms granted to AWE, including the requirements that sit alongside the current multi-year annual pay deal.

The Committee also considers the operation of malus and clawback provisions within relevant incentive arrangements to ensure that remuneration outcomes appropriately reflect performance and risk outcomes.

Willis Towers Watson (WTW) continues to provide executive remuneration benchmarking to the Committee, considered alongside other public sector information and data as part of decision-making. WTW also provide investment and actuarial advice

on pensions to the Company. There is no connection between any individual Director and WTW.

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 Board and executive succession planning, talent management, leadership development and inclusion strategies.

The committee is chaired by the Chair of the Board, Sam Laidlaw. Other members are Richard Elsy, Claire Flint, and Henry Lloyd. The Committee met twice in the reporting period and focused on:

Board succession

Jill Hruby was formally appointed in January 2026, bringing significant experience from her leadership roles in US national security and laboratory governance. Kirsty Armer also joined on 1 January 2026, adding deep UK nuclear sector experience and a strong track record in senior industry roles. These appointments reinforce the Board's technical breadth and strategic oversight capability.

Dame Sue Ion stepped down from the Board in June 2025 and Dr J Stephen Rottler in December 2025. Paul Howarth joined the Board on 1 August 2025 and resigned in February 2026.

The Chair remains confident that the Board has the skills and capabilities required to oversee the Company's strategy and performance. This assessment is supported by a Board skills and experience matrix which is reviewed regularly to ensure an appropriate balance of skills. Of the eleven current Board members, 36% are female and 100% white. It is noted that national security requirements limit broader diversity opportunities but improving the diversity of the Board membership remains a key focus.

Executive succession

During the reporting period the Committee reviewed executive succession resilience and mix. The executive team, including the CEO, is currently 25% female, which remains fifteen percentage points below the FTSE Women Leaders Review target of 40% female representation in leadership roles by the end of 2025. All executive team members currently identify as white.

The second executive talent review in September 2025 showed early signs of stabilisation following organisational redesign, with clearer visibility of leadership capability and potential across the structure. However, the review also highlighted that the succession pipeline remains too thin at the most immediate readiness levels,

reinforcing the need to accelerate development and strengthen depth in critical roles. While the increased rigour applied to nominations has improved confidence in the quality of identified successors, the overall picture underscores the importance of continued investment in leadership development to ensure long-term resilience and readiness.

The Strategic Leadership Group (SLG) continues to develop as a succession pipeline, with 64% of the SLG now appearing on executive succession plans, A key outcome of the review is the planned introduction of targeted talent moves at the SLG level to broaden leadership experience, accelerate development and strengthen the pipeline of future executive successors. This reflects a deliberate shift toward building enterprise-wide capability and ensuring long-term leadership readiness.

Inclusion

Early Careers continued to strengthen the future talent pipeline, with female representation reaching 33% in our programmes. Apprenticeships achieved a record 38%, exceeding national STEM benchmarks, while Graduate and Year-in-Industry programmes delivered 29% and a record 35% female representation respectively. Engineering Early Careers performance remained resilient, increasing female representation to 23% and delivering a record rise in ethnic minority representation to 29%.

Alongside this progress, overall female representation across AWE has shown a modest but positive improvement, rising to 28.40%, reflecting the cumulative impact of targeted attraction and development initiatives.

As noted above, the Remuneration and Nominations Committees were combined to form the People Committee.

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

The SESH&Q Committee provides assurance and oversight to the Board on the effectiveness of arrangements for managing the Company’s security, environment, safety, health and quality matters. The committee monitors and reviews SESH&Q performance and supports the executive team in developing strategies to eliminate or mitigate related risks. The remit incorporates the view of corporate assurance and the scope of estates and liabilities.

As part of its remit, the Committee reviews the Company’s performance against statutory and regulatory requirements relating to SESH&Q matters.

The committee met four times in the reporting period and was chaired by a non-executive Director, Dr J Stephen Rottler to the end of December 2025. From January 2026, the Chair changed to a new non-executive Director, Kirsty Armer. The other committee members in the reporting period were non-executive Directors: Claire Flint, Dame Sue Ion and Henry Lloyd, supported by independent advisers. Each quarter, the Chair met individually and in small groups with the Company's executive and their senior leadership team to discuss performance, estates and liabilities, assurance, independent oversight, and related improvement programmes.

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

- SHEQ performance across safety, sustainability, environment and quality through the Tier 1 and Tier 2 performance scorecard used by the Executive Director SHEQ.
- Review and approval of Environmental Sustainability.
- Independent review of AWE's Licence Condition 13 arrangements (Nuclear Safety Committee).
- Deep dives into security and cyber-security, including 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.
- Review of the activities and plans aligned to the Nuclear Regulatory Review.
- Summary of insights from the Nuclear Safety Committee workshop, identifying areas where constructive challenge and innovation can enhance support to programme delivery.
- Review of the Nuclear Risk Management programme.

At the beginning of 2026, following the appointment of a new Chair, the Committee's remit changed. The Committee has been renamed to Safety, Environment, Sustainability, Health and Quality (SHEQ) Committee. The Committee will now report on Company SHEQ performance and independent oversight. Estates and liability performance will be covered under other Board sub-committees.

Risk Management and Internal Control

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

AWE applies a structured risk methodology to identify threats that could impact 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.

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

AWE continues to review and evolve its risk culture and decision-making behaviours with consideration to the principles of the Fingleton Review, focusing on proportionate challenge and clear accountability while balancing rigorous safety standards, effective controls and outcome-driven delivery.

The Board reviewed and approved the Company’s risk appetite, which is embedded in the assessment of risks and associated responses and regularly reviewed to ensure alignment with the Company’s strategy and operating environment.

Modern Slavery Act

The Company supports the Government’s objectives to eradicate modern slavery and human trafficking. It takes measures in relation to employees and supply chain to verify that it does not support these practices, directly or indirectly. Further information is set out in the modern slavery statement on the Company’s website.

Internal Control

AWE’s control framework identifies processes that address material risk to financial reporting.

The Company operates, monitors, and tests processes across finance, procure to pay, HR and IT, where they relate specifically to financial information, as part of the internal financial control framework. These processes support the accuracy, completeness and reliability of financial information. They aim to also strengthen cross-functional financial data flows, ensuring inputs and outputs between functions remain consistent and well-controlled. However, during their work the External Auditors identified opportunities

to further strengthen the internal financial control framework. Management is committed to implementing remediation plans to address these findings, to enhance the control environment, and ensure the ongoing accuracy and integrity of financial reporting.

Risk monitoring is continuous throughout the year. All processes are routinely reviewed and improved where necessary. AWE is also required to demonstrate compliance with the MOD Finance Internal Control and Assurance Framework (ICAF).

Control gaps identified through monitoring or testing are reported and remediated, to address weaknesses and enhance control effectiveness. This includes the further matters identified through the external audit referred to above. The Board, supported by the Audit and Risk Assurance Committee, will continue to keep the effectiveness of the Company's risk management and internal control systems under review. The overall opinion of Internal Audit remains one of Limited Assurance, although some improvements are noted and this continues to be an ongoing focus for management.

The Company Management System captures Company policies and procedures. It describes what AWE does and how it does it, operating across functions and delivery units to reflect the way work and information flows. It contains high-level policies, processes, and detailed procedures to ensure activities are conducted safely and in compliance with regulatory requirements.

Assurance

The Company adopts the Three Lines Model recommended in HM Treasury guidance and continues to mature the associated Assurance Map against strategic and corporate risks.

The designated Corporate Assurance (CA) function comprises Internal Audit, Independent Oversight and Technical Assurance. CA provides independent and objective assurance to the Company.

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

Independent Oversight provides independent peer review of safety submissions, inspection against ONR Licence Conditions and other regulatory requirements, and facility surveillance. It provides independent technical assessment to the executive and regulators.

Technical Assurance delivers a programme of independent reviews of AWE technical capability. It assesses specific technical areas and provides the executive and key stakeholders information to help inform decision-making.

A combined Corporate Assurance plan demonstrates coverage of strategic risks and enables progress to be monitored and discussed at the appropriate executive committee meeting and relevant Board sub-committee.

Head of Internal Audit opinion

Internal Audit provided a Limited Assurance opinion over AWE's Internal Control framework during FY25/26. Audit work undertaken during the year highlighted themes that continue to demonstrate the need for risk management, internal control processes and wider governance arrangements to mature and become fully embedded following the transition to ALB status. The opinion has remained on balance similar to that provided in the last four years.

These weaknesses persist within business-as-usual operations and continue to be reflected in new activities and programmes. Several key themes underpinning the prior year's Internal Audit opinion of Limited Assurance were again observed through audit activity completed this year. Themes include roles and responsibilities, the design of end-to-end processes, which would additionally help to reduce silo working and manual controls, and oversight and governance, including associated records.

There have also been positive examples, particularly where new activity has been designed efficiently and effectively.

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

As in previous years, the Internal Audit opinion recognised that AWE continues to undertake significant organisational change to meet future programme demand. It also acknowledges that, during the period, AWE continued to make progress in maturing its approach to governance, risk management and the internal control framework.

This opinion has been accepted and agreed by the Audit and Risk Assurance Committee, noting the significant period of transformation that AWE is undergoing.

Anti-corruption and bribery

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

The Company provides training on compliance with laws, including anti-bribery and corruption laws, regulations, professional standards and the AWE Code of Conduct to

all employees joining the Company, and every two years thereafter. It keeps anti-bribery systems and controls under review to ensure they meet legislative requirements.

Whistleblowing arrangements

AWE offers a number of mechanisms through which employees and contractors can raise concerns. These include an internal phone number and e-mail address, a helpline and website supported by an external provider, Safecall, and thirty-two Ethics Ambassadors throughout the business. These channels are monitored by the Ethics team, which co-ordinates any investigations, 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 records contacts with the Ethics department. The overall number of contacts has reduced, although Safecall contacts remain broadly steady year on year. Only three cases raised in the period would be described as whistleblowing in the legal sense. All contacts are followed up, regardless of whether they meet the criteria for whistleblowing.

A range of channels is used to promote how concerns can be raised, including articles in in-house publications, presentations to teams, monthly meetings with the Ambassadors and posters circulated to all buildings on all sites. A Whistleblowing Policy and Procedure are available in addition to the Code of Ethics. A recently updated Ethics intranet site provides information for workers, including links to relevant documents and details for raising concerns.

Annual ethics training is mandatory for all employees, and the ethics modules are currently under review with the learning and development team. The corporate anti-harassment initiative, ‘Draw the Line’, has also been supported from an ethics perspective and is being embedded into Company artefacts and procedures as business as usual.

Governance framework

AWE has adopted an internal governance model generally consistent with the principles of the Financial Reporting Council’s UK Corporate Governance Code 2024. AWE does not comply with the Code in certain respects, principally because of its status as a non-department public body (NDPB):

- 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). Where differences exist between the Code and the FReM, AWE has addressed disclosure in light of FReM requirements.

- Workforce engagement: AWE's communication and engagement with its workforce is described in the People Report. This comprehensive approach includes engagement by the Board and Remuneration Committee, or People Committee going forward, on key areas. The Board considers this provides effective insight into workforce views and has therefore not adopted one of the three formal engagement methods set out in the Code. (Provision 5).
- Annual re-election of Directors: Under AWE's Articles of Association its single shareholder may terminate a Director's appointment on notice taking immediate effect. Directors are not subject to annual re-election. (Provision 18).
- Appointment of external auditor: Under 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 without a tendering exercise. (Provision 26).
- Remuneration of non-executive Directors and Chair: Remuneration of the non-executive Chair and of the non-executive Directors is set by the SoS in each case. (Provisions 33 and 34).

Role of the Accounting Officer

The Accounting Officer's role is set out in the Framework Document.

As AWE's designated Accounting Officer (AO), the Chief Executive Officer is personally responsible for safeguarding public funds, ensuring propriety, regularity and value for money, maintaining proper records, safeguarding the Company's assets as recorded on AWE's balance sheet, and the day-to-day operation and management of AWE. The AO is required to ensure that AWE operates on the governance, decision-making and financial management standards that are set out in HM Treasury's 'Managing Public Money'.

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

The continuing development and progress towards a mature internal control environment including in respect of internal financial control remains a key management priority and will include addressing the opportunities identified through the external audit to further strengthen the internal financial control framework referred to above.

Accounting Officer's Annual Assurance Report

The report was prepared in line with previous years, and the AO gave a Limited Assurance opinion. The opinion is unchanged from 2024-25. This reflects changes

arising from the transition to NDPB status and the ongoing transformation programme. Some improvement initiatives reached full operating capability during the year, clarifying accountability and providing a foundation from which enterprise risk management, internal controls and assurance can mature.

Conclusion

This report is for the year ended 31 March 2026 and, in relation to significant balance sheet events, to the date of signing.

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 2026 are shown in the Directors' Report and Governance Statement on pages 53 and 60 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. Remuneration is determined with reference to market conditions across the industry, including appropriate public sector benchmarks and relative pay levels. Performance pay is determined through an assessment of relevant performance metrics, as agreed by the Committee and aligned to MOD (as shareholder and customer) priorities.

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 Public Sector 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. As AWE work within these strict guidelines, it has not been considered necessary to engage with the wider workforce on the executive remuneration policy.

In application of the remuneration policy for 2025-26, annual bonuses are determined by an assessment of company performance as well as individual performance of those Board members eligible for incentives, with the Committee exercising its discretionary powers to apply downwards or upwards adjustment to the outcomes, as it considers it necessary. Long-term incentive payments are determined by the overall company performance 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, CB MBE (Chief Executive Officer)
  - Barry Hunter (Deputy Chief Executive and Chief Financial Officer) – resigned 3 September 2026
- **Chairman** Appointed by the MOD and remuneration decided by the MOD with reference to the prevailing market conditions:
  - Sam Laidlaw
- **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:
  - Kirsty Armer (appointed 1 January 2026)
  - Richard Elsy (stepped down as non-executive Director on 11 June 2026)
  - Claire Flint
  - Professor Paul Howarth, CBE (stepped down as non-executive Director on 26 February 2026)
  - Jill Hruby (appointed 1 January 2026)
  - Dame Sue Ion (stepped down as a non-executive Director on 5 June 2025)
  - Richard Keys
  - Bridget Rosewell
  - Dr J Stephen Rottler (stepped down as a non-executive Director on 31 December 2025)
  - Mark Wild

Directors' remuneration

The fees, salaries and other amounts that were paid to the Directors for the year ended 31 March 2026, and also the prior year, are shown below (where these were not paid for a full year, full year equivalent amounts are shown in brackets).

Full name	Year	Fees & salary (£'000)[23]	Performance pay[24] (£'000)	Benefits in kind (to the nearest £100)	Pension Benefits (£'000)	Total (£'000)
Sam Laidlaw	2025-26	150-155	-	-	-	150-155
	2024-25	35-40 (150-155)	-	-	-	35-40 (150-155)
Nick Elliott, CB MBE[25]	2025-26	465-470	295-300	2,500	-	765-770
	2024-25	450-455	-	600	-	450-455
Barry Hunter[26]	2025-26	300-305	75-80	2,500	-	375-380
	2024-25	315-320	70-75	2,500	-	390-395
Kirsty Armer[27]	2025-26	5-10 (25-30)	-	-	-	5-10 (25-30)
	2024-25	-	-	-	-	-
Richard Elsy[28]	2025-26	25-30	-	-	-	25-30
	2024-25	25-30	-	-	-	25-30
Claire Flint	2025-26	25-30	-	-	-	25-30
	2024-25	25-30	-	-	-	25-30
	2025-26	15-20 (25-30)	-	-	-	15-20 (25-30)

[23] Fees and Salaries also include payments in lieu of pension. More detail is provided on the following page.

[24] Performance pay include any annual bonuses or long-term incentive payments made to Directors.

[25] The fees and salaries figure for Nick Elliott includes £50-55k of payment in lieu of pension. The Annual incentives payment includes £140-145k of long-term incentive payments. The pay ratios for all reported statistics have increased compared to the ratios for the prior period. This is a result of the highest paid Director receiving performance payments in the year to 31 March 2026 which they were not eligible for in previous years as being new into the role.

[26] Barry Hunter resigned 3 September 2026

[27] Kirsty Armer was appointed non-executive Director from 1 January 2026.

[28] Richard Elsy stepped down as non-executive director 11 June 2026

Full name	Year	Fees & salary (£'000)[23]	Performance pay[24] (£'000)	Benefits in kind (to the nearest £100)	Pension Benefits (£'000)	Total (£'000)
Prof. Paul Howarth, CBE[29]	2024-25		-	-	-	-
Jill Hruby[30]	2025-26	5-10 (25-30)	-	-	-	5-10 (25-30)
	2024-25	-	-	-	-	-
Dame Sue Ion[31]	2025-26	5-10 (25-30)	-	-	-	5-10 (25-30)
	2024-25	25-30	-	-	-	25-30
Richard Keys	2025-26	25-30	-	-	-	25-30
	2024-25	25-30	-	-	-	25-30
Henry Lloyd[32]	2025-26	-	-	-	-	-
	2024-25	-	-	-	-	-
Bridget Rosewell	2025-26	25-30	-	-	-	25-30
	2024-25	25-30	-	-	-	25-30
Dr J Stephen Rottler[33]	2025-26	20-25 (25-30)	-	-	-	20-25 (25-30)
	2024-25	25-30	-	-	-	25-30
Mark Wild	2025-26	25-30	-	-	-	25-30
	2024-25	15-20 (25-30)	-	-	-	15-20 (25-30)

[29] Professor Paul Howarth was appointed non-executive Director from 1 August 2025. Stepped down as non-executive Director on 26 February 2026.

[30] Jill Hruby was appointed non-executive Director from 1 January 2026.

[31] Dame Sue Ion stepped down as a non-executive Director on 05 June 2025.

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

[33] Dr J Stephen Rottler stepped down as a non-executive Director on 31 December 2025.

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, one Executive Director participated in this plan and one 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. Employee's figure excludes the highest paid Director.

Remuneration element	Category	2025-26 (annualised)	2024-25 (annualised)	% Change
Salary and allowances	Highest paid Director[34]	£467,500	£452,500	3.3%
	Average for employees	£56,801	£54,598	4.0%
Performance pay and bonuses	Highest paid Director*	£297,500	£0	100%
	Average for employees	£3,007	£2,378	26.5%

* The highest paid Director received performance payments in the year to 31 March 2026, for which they were not eligible in previous years, being new into role.

Remuneration in the ratios table below and staff ranges refers to annualised salary, performance pay and benefits. It does not include any pension values.

Pay ratios vs highest paid Director:

Year	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2025-26	19:1	15:1	11:1
2024-25	11:1	9:1	6:1

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

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 2026 are below:

	2025-26		2024-25	
Percentile	**Staff figure: pay including performance pay and benefits**	**Salary element only**	**Staff figure: pay including performance pay and benefits**	**Salary element only**
25th percentile	£41,376	£38,699	£40,994	£37,031
Median	£52,250	£47,897	£52,813	£46,690
75th percentile	£68,850	£65,000	£69,578	£63,694

The ratios are consistent with the pay, reward and progression policies of AWE, with all performance payments being paid in line with the remuneration policy for 2025-26.

Actual staff remuneration on an annualised basis for full-time work on 31 March 2026 (including the highest paid Director and performance pay; excluding pension benefits) ranges from £16,750 to £769,070 per annum (2025: £16,280 - £477,167).

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

AWE is committed to high performance through a culture that promotes inclusivity, agility and employee empowerment. This supports the attraction, retention and engagement of a highly skilled workforce aligned to AWE's strategic priorities.

Many employees work in high-hazard environments, where a strong safety culture is maintained through robust governance and comprehensive training. Security is equally fundamental, reflecting AWE's critical role in supporting national security, and is embedded across organisational activities.

During the year, AWE undertook an organisational restructure to strengthen capability, improve operational effectiveness and align to future business needs. In a competitive labour market, particularly for specialist technical skills, maintaining a compelling employee value proposition remains a key priority.

The disclosures below are presented in line with reporting requirements and reflect the organisation's approach during this period of change.

Employee Voice

In 2024, AWE appointed a new employee survey provider to improve insight across the end-to-end employee experience and enable organisation-wide experience, pulse and lifecycle surveys through a single integrated platform.

The most recent annual employee census survey was conducted in September 2025, with an engagement score of 62%. The survey also measures key employee experience indicators, including intent to stay, inclusion, experience versus expectation and wellbeing. During the year, AWE launched lifecycle surveys, increasing the depth and breadth of employee insight. As data maturity grows, triangulating survey results will support more informed decision-making and a deeper understanding of employee experience over time.

AWE uses quantitative and qualitative methods to gather employee feedback. In addition to surveys, feedback is gathered through Engagement Champions, listening forums, employee comments on the Company portal, and ongoing engagement with Trade Unions. This provides a regular check-in with employees and multiple channels for voices to be heard.

As AWE undergoes significant transformational change, employee experience remains a critical focus. During the year, AWE designed a new Cultural Deal, setting out the

shared expectations, commitments and benefits — the “gives and gets” — of working at AWE. Implementation has begun, supported by employee experience redesign projects, including improvements to maternity leave, with further initiatives planned. AWE will continue to implement the Cultural Deal to ensure employee experiences align to the desired future state.

AWE is one year into its three-year Inclusion Strategy and has made good progress. The organisation continues to strengthen an inclusive culture by listening to employees, identifying barriers and taking action to remove them. Measures introduced during the year include Workplace Adjustment Passports, workplace assessments, the launch of a Neurodiversity Hub and “Draw the Line”, a year-long anti-bullying and harassment campaign.

Corporate communications are delivered through a range of channels, including the Company intranet, leadership and team briefings, Team Talk cascades, an in-house magazine, leadership-focused channels and targeted events and toolbox talks for employees in manufacturing facilities and project environments. Recognising that line managers are employees’ most trusted source of information, AWE continues to invest in developing capable communicators and credible leaders.

AWE also engages with employees through its two recognised Trade Unions; Prospect and Unite the Union, under a voluntary recognition agreement, and via an Employee Forum, ensuring structured and meaningful consultation and dialogue.

Trade Union Relationships

Trade Union Facility Time

The Employment Rights Act 2025 repeals the requirement for relevant employers to publish trade union facility time. There is therefore no requirement to include this in our 2025-26 and future annual reports.

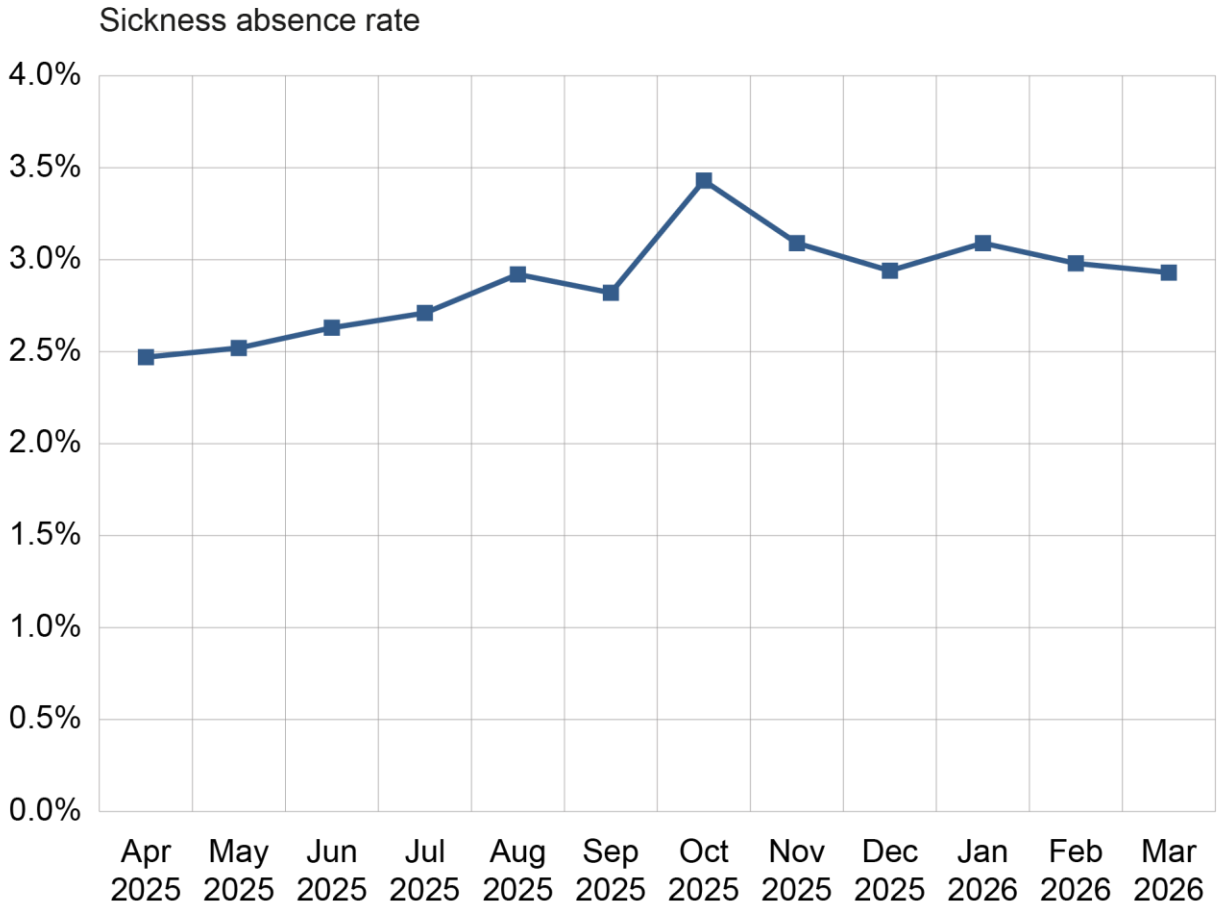
The Company has arrangements with the Trade Unions Unite and Prospect which, among other things, embody collective bargaining agreements for pay covering much of the workforce.

In the first quarter of 2026, Prospect members undertook action short of strike and one day of strike action in relation to the Company's proposed restructuring. While this was a difficult and regrettable period for all involved, it also highlighted the importance of continued dialogue and engagement. Since then, constructive discussions have been taking place with our recognised trade unions, and we have worked collaboratively to address concerns. We remain committed to maintaining positive industrial relations and to working with employees and their representatives to deliver the transformation needed to support the Company's long-term success.

Employee Health & Wellbeing

Sickness absence has been between 2.47% and 2.93% during the 12-month period from 1 April 2025 to 31 March 2026. Sickness absence rates are calculated based on hours sick as a percentage of available hours.

AWE has committed to deliver an efficiency of £16.647m over a 10-year period to 31 March 2032 by reducing sickness absence. This is overseen by the Health Operational Governance Board and will be delivered through wellbeing strategic initiatives, line manager training, changes to the HR operating model and improvements to Occupational Health provision.



AWE has a dedicated HR Health and Wellbeing Team, which creates and implements the Employee Health and Wellbeing Strategy. The strategy's vision is to support a thriving workforce with long-lasting good health and wellbeing. It strengthens workforce sustainability, protects operational resilience and supports long-term improvements in employee health and wellbeing.

The strategy focuses on prevention and early intervention. The team is responsible for maximising current health and wellbeing provision and measuring the progress and effectiveness of data-led initiatives. There is a continued focus on improving dedicated support tools and delivering educational events on topics including mental health,

musculoskeletal health, healthy lifestyle behaviours and social wellbeing. AWE also offers annual onsite flu vaccination programmes, building on the success of previous campaigns, and the in-house network of volunteer Wellbeing Champions continues to grow.

Equity, Diversity, and Inclusion

Inclusion remains a core priority for AWE. FY26 marked the first full year of delivery of the Inclusion Strategy 2025–2028, with a clear focus on embedding inclusion into everyday practice rather than strategy development alone. This included strengthening leadership accountability, making better use of workforce data and ensuring inclusion is considered in how work is designed and delivered across the organisation.

Progress continued against AWE's ambition to improve gender representation, with female representation reaching 28.4% by the end of FY26, demonstrating sustained movement towards the 30% target. Employee Resource Groups remained highly active, supporting inclusion awareness, employee voice and engagement, and helping to ensure lived experience informs decision-making.

Supporting neurodivergent colleagues was a particular area of progress during the year. Neurodiversity support has continued to mature through access to workplace assessments, manager guidance and practical tools to support inclusive ways of working. Equality Impact Assessing is being embedded across the business, helping teams consider the impact of decisions as part of standard planning and delivery. Together, these approaches support early identification of barriers and the implementation of reasonable adjustments, improving accessibility, wellbeing and performance.

Employment of Disabled Persons

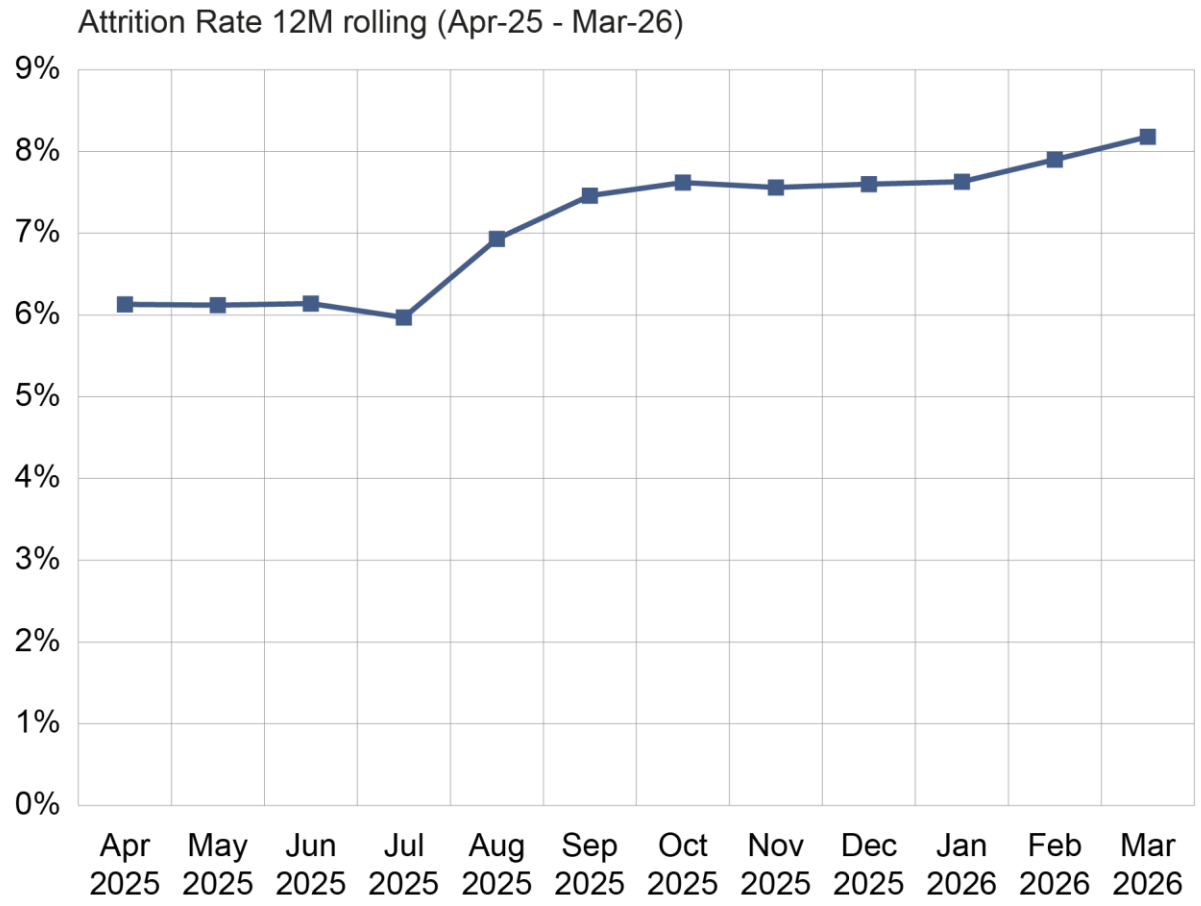
AWE is committed to fair access to employment and creating a workplace where disabled people can thrive. During the year, AWE continued to encourage employees to share diversity data voluntarily, enabling more accurate insight into the experiences of disabled colleagues and supporting evidence-based action. Reasonable adjustments continue to be considered throughout recruitment and employment, supported by workplace assessments where appropriate, to ensure adjustments are aligned to individual needs and working environments.

AWE has maintained access to external expertise to support disability inclusion, alongside internal capability-building for managers and HR. Work continues to improve consistency, confidence and accessibility in how disability, workplace assessments and adjustments are understood and supported across the organisation.

Employee Attrition

Attrition in AWE is calculated by taking the number of staff exiting the organisation in the 12 months prior to the reporting date and dividing it 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 2026 was 8.18%. AWE experienced an increase in attrition during the second half of the financial year, which is likely attributable to the transition period associated with the organisational restructure.



Staff composition Full-time equivalent (FTE)

The overall proportion of female staff, based on full-time equivalent (FTE) as of March 2026, is 27.1% compared with 27.6% reported at March 2025 (total of all other employees).

Table 1: Staff composition for year ended 31 March 2026 & 2025

The total employee figure disclosed below differs from the total disclosed in the staff costs and numbers section of this report, as the figures below reflect the position at period end.

Excluding zero hours, secondees in and Contingent Workers.

Staff category	31 March 2026		31 March 2025	
	Number (FTE)	%	Number (FTE)	%
Senior managers	Total senior managers – 300		Total senior managers – 287	
Male	218	72.7%	217	75.6%
Female	82	27.3%	70	24.4%
Employees	Total other employees – 8726		Total other employees – 8595	
Male	6,268	71.8%	6,227	72.4%
Female	2,458	28.2%	2,368	27.6%
Employees	Total Executive Team – 12		Total Executive Team - 13	
Male	10	83.3%	11	84.6%
Female	2	16.7%	2	15.4%

Off-payroll engagements

As part of the review of tax arrangements of public sector appointees, published by the Chief Secretary to the Treasury on 23 May 2012, bodies have been asked to report on off-payroll engagements and related tax arrangements for the relevant periods and scope outlined by HM Treasury. The report does not include independent panel members. This data is shown in the following tables.

The table below sets out highly paid off-payroll worker engagements as at 31 March 2026, earning £245 per day or greater.

Table 2 – Highly paid off-payroll worker engagements as at 31 March 2026, earning £245 per day or greater

Number of existing arrangements as of 31 March 2026	227
Of which, no. that existed:	
Less than 1 year	101
For between 1 and 2 years	112
For between 2 and 3 years	5
For between 3 and 4 years	4
For 4 or more years	5

The table below sets out all highly paid off-payroll worker engagements at any point during the year ended 31 March 2026, earning £245 per day or greater.

Table 3 – Highly paid off-payroll worker engagements at any point during the year ended 31 March 2026, earning £245 per day or greater

Number of temporary off-payroll workers engaged during the year ended 31 March 2026	431
Of which:	
Not subject to off-payroll legislation	122
Subject to off-payroll legislation and determined as in-scope of Employment legislation (IR35)	257
Subject to off-payroll legislation and determined as out-of-scope of IR35	52
No. of engagements reassessed for compliance or assurance purposes during the year	75
Of which: No. of engagements that saw a change to IR35 status following review	28

AWE assesses all contingent worker positions for IR35 before advertising the requirement with Public Sector Resourcing, ensuring the IR35 determination is known from the outset of the recruitment process.

A Status Determination Statement is produced and provided to the Contingent Worker and Public Sector Resourcing between offer and commencement of the assignment.

AWE's approach to IR35 has been subject to HMRC validation, internal audits and external audits. There were no off-payroll engagements for Board members in the period of this report.

Staff Costs and Staff Numbers

Table 4 – Staff costs and staff numbers, both years Salaries and wage costs include CPP and PRB payments

Staff costs comprise	Year ended 31 March 2026			Year ended 31 March 2025		
	Permanent staff (£'000)	Agency staff (£'000)	Total (£'000)	Permanent staff (£'000)	Agency staff (£'000)	Total (£'000)
Salaries and wage costs	557,147	40,062	597,209	488,853	39,850	528,703
Social security costs	66,797	-	66,797	50,404	-	50,404
Pension costs	61,860	-	61,860	54,987	-	54,987
Redundancy and severance payments	20,428	-	20,428	1,550	-	1,550
Total	**706,232**	**40,062**	**746,294**	**595,794**	**39,850**	**635,644**

Consultancy

AWE's expenditure on consultancy services delivered through individuals contracted to provide specialist support was £40.1m (compared to £39.5m for year ending 31 March 2025)

Employee Numbers (FTE) by Job Family

Table 5 – Employee numbers (FTE) by Job Family (excluding apprentices)

Category	Year ended 31 March 2026				Year ended 31 March 2025			
	Permanent staff	Agency staff	Secondees	Total	Permanent staff	Agency staff	Secondees	Total
Science	1,391	1	17	1,409	1,377	0	17	1,394
Engineering and manufacturing	3,729	17	41	3,787	3,994	43	51	4,088
Business services	3,495	117	101	3,713	3,483	229	44	3,756
Total	**8,615**	**135**	**159**	**8,909**	**8,854**	**272**	**112**	**9,238**

Exit packages

Exit package cost band	Year ended 31 March 2026			Year ended 31 March 2025		
	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	3	35	38	0	23	23
£10,000 – £25,000	3	10	13	-	5	5
£25,000 – £50,000	2	8	10	-	3	3
£50,000 – £100,000	-	16	16	-	8	8
£100,000 – £150,000	-	4	4	-	5	5
£150,000 – £200,000	1	2	3	-	1	1
£200,000 – £250,000	-	-	-	-	1	1
£250,000 – £300,000	1	-	1	-	1	1
£300,000 – £350,000	-	-	-	-	-	-
£350,000 – £400,000	-	-	-	-	3	3
Total number of exit packages	10	75	85	-	50	50
Total cost of exit packages	£564,239	£2,504,448	£3,068,687	£0	£1,883,086	£1,883,086

Approved by Treasury

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.

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 2026, 41 special payments under the category of special severance payments, were incurred/made for £2,271k (year ended 31 March 2025: £2,512k).

Highest payment	Mean Payment	Lowest Payment
£	£	£
252,156	55,400	1,594

Independent Auditor's Report to the Members of AWE plc

Opinion on financial statements

I have audited the financial statements of AWE plc (AWE) for the year ended 31 March 2026 under the provisions of the Companies Act 2006.

The financial statements comprise AWE plc:

- Balance Sheet as at 31 March 2026;
- 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 2026 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 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's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

My evaluation of the Directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included a review of the evidence supporting the Directors' assessment. This included consideration of the long-term plans and continued programme of work under the main contract with the Ministry of Defence, and their consideration of the proposed changes related to the funding of the defined benefit pension scheme.

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'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 and its 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 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 statements 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 have 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 the 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'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 external specialists, including pension 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 & safety legislation, Office for Nuclear Regulation, 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 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)

October 2026

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 2026

	Note	**Year ended 31 March 2026**	Year ended 31 March 2025
		£'000	£'000
Revenue	*3*	**2,564,275**	2,148,615
Cost of sales	*5*	**(2,609,217)**	(2,207,048)
Gross loss		**(44,942)**	(58,433)
Other operating income	*4*	**38,172**	43,550
Administrative expenses		**(8)**	(124)
Operating loss		**(6,778)**	(15,007)
Financial income		**688**	878
Loss before financing and tax		**(6,090)**	(14,129)
Financial expenses	*8*	**(1,478)**	(883)
Loss before tax		**(7,568)**	(15,012)
Taxation	*9*	**(17,280)**	(15,331)
(Loss) for the year		**(24,848)**	(30,343)

Notes 1 to 24 form part of these accounts

Statement of Other Comprehensive Income

Year ended 31 March 2026

	Note	**Year ended 31 March 2026**	Year ended 31 March 2025
		£'000	£'000
(Loss) for the year		**(24,848)**	(30,343)
Other comprehensive income/(loss)			
Items that will not be reclassified to profit or loss:			
Actuarial movement in relation to pension fund	*15*	**53,000**	126,000
Other comprehensive income/(loss) for the year		**53,000**	126,000
Total comprehensive income for the year		**28,152**	**95,657**

Notes 1 to 24 form part of these accounts

Balance Sheet

Registered number 02763902

at 31 March 2026

	Note	**31 March 2026**	31 March 2025
		£'000	£'000
Non-current assets			
Trade and other receivables	*12*	**33,000**	-
Investments in group companies	*10*	**1**	1
Other financial assets	*18*	**-**	-
Deferred tax assets	*11*	**2,106**	2,142
Right-of-use assets	*19*	**31,715**	20,701
		66,822	22,844
Current assets			
Contract assets	*3*	**132,282**	82,890
Other financial assets	*18*	**-**	-
Trade and other receivables	*12*	**113,607**	126,722
Deferred tax assets	*11*	**-**	1,700
Cash and cash equivalents	*13*	**104,185**	143,099
		350,074	354,411
Total assets		**416,896**	377,255
Current liabilities			
Lease liabilities	*19*	**8,206**	4,638
Trade and other payables	*14*	**367,303**	350,491
Contract liabilities	*3*	**4,880**	3,508
Provisions	*16*	**25,767**	91
Other financial liabilities	*18*	**-**	-
		406,156	358,728
Non-current liabilities			
Lease liabilities	*19*	**25,865**	18,121
Trade and other payables	*14*	**1,694**	1,376
Employee benefits	*15*	**53,000**	97,000
Provisions	*16*	**-**	-
		80,559	116,497
Total liabilities		**486,715**	475,225
Net liabilities		**(69,819)**	(97,971)

Balance Sheet (*continued*)

Registered number 02763902

at 31 March 2026

	Note	**31 March 2026**	31 March 2025
		£'000	£'000
Equity			
Share capital	*17*	**50**	50
Retained earnings		**(170,358)**	(198,511)
Capital reserves	*17*	**100,489**	100,489
Total equity		**(69,819)**	(97,971)

Notes 1 to 24 form part of these accounts.

These financial statements were approved and signed on behalf of the Board on October 2026



Nick Elliott, Chief Executive Officer

Company registered number: 02763902

	Note	Share capital £'000	Retained earnings £'000	Capital reserves £'000	Total equity £'000
Balance at 1 April 2025		50	(198,510)	100,489	(97,971)
Total comprehensive income for the year					
Profit/(loss) for the year		-	(24,848)	-	(24,848)
Other comprehensive income		-	53,000	-	53,000
Total comprehensive income for the year		-	28,152	-	28,152
Transactions with controlling party, recorded directly in equity					
Capital contributions	17	-	-	-	-
Balance at 31 March 2026		**50**	**(170,358)**	**100,489**	**(69,819)**

Statement of Changes in Shareholder's Equity

Year ended 31 March 2026

	Note	Share capital £'000	Retained earnings £'000	Capital reserves £'000	Total equity £'000
Balance at 1 April 2024		50	(294,167)	93,000	(201,117)
Total comprehensive income for the year					
Profit for the year		-	(30,343)	-	(30,343)
Other comprehensive income	15	-	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**	**(198,510)**	**100,489**	**(97,971)**

Notes 1 to 24 form part of these accounts.

Cash Flow Statement

Year ended 31 March 2026

	Note	**Year ended 31 March 2026**	Year ended 31 March 2025
		£'000	£'000
Cash flows from operating activities			
(Loss)/profit for the year		**(24,848)**	(30,343)
Adjustments for:			
Interest paid	*8*	**1,478**	883
Depreciation of right-of-use assets	*19*	**6,767**	3,539
Taxation	*9*	**17,280**	15,331
		677	(10,590)
(Increase)/decrease in trade and other receivables	*12*	**(17,859)**	(48,587)
(Increase)/decrease in contract assets/contract liabilities	*3*	**(48,020)**	36,217
Increase/(decrease) in trade and other payables	*14*	**17,129**	32,966
Increase/(decrease) in costs of employee benefits	*15*	**9,000**	14,000
Increase/(decrease) in provisions	*16*	**25,676**	(271)
		(13,397)	23,735
Tax paid		**(17,570)**	6,443
Net cash (used in)/from operating activities		**(30,967)**	30,178
Cash flows from financing activities			
Capital contribution	*17*	**-**	7,489
Principal repayments on leases	*19*	**(6,469)**	(1,468)
Interest repayments on leases	*19*	**(1,478)**	(883)
Net cash from financing activities		**(7,947)**	5,138
Net (decrease)/increase in cash and cash equivalents		**(38,914)**	35,317
Cash and cash equivalents at 1 April	*13*	**143,099**	107,782
Cash and cash equivalents at 31 March	*13*	**104,185**	143,099

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 MOD.

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 and in accordance with UK-adopted international accounting standards ("UK-adopted IFRS"). The financial statements have been prepared for the year ended 31 March 2026

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 56.

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 Directors have assessed the appropriateness of adopting the going concern basis in preparing these financial statements. In doing so, they have considered the Company's financial position, forecast cash flows and funding arrangements, principal risks and uncertainties, and the period to at least 12 months from the date of approval of these financial statements.

AWE plc continues to operate under long-term contractual arrangements with the MOD, which provide funding for the Company’s activities and support the Company’s ability to meet its liabilities as they fall due. The Directors have considered the FY27 approved budget and the longer-term funding outlook, together with the UK Government’s continuing commitment to the Defence Nuclear Enterprise and the strategic importance of the Company’s activities in support of the UK’s nuclear deterrent. The Directors have also considered severe but plausible downside scenarios, including those arising from operational disruptions, programme delays, supply chain pressures, workforce challenges and other principal risks facing the Company. In each of these cases, the Directors concluded that appropriate mitigations exist and that, where required, additional funding would be available from the shareholder in accordance with the Company’s contractual arrangements and established funding mechanisms.

The Government's proposed transfer of the AWE Pension Scheme is an important consideration in the Directors’ going concern assessment. Enabling primary legislation has now been enacted through the Pension Schemes Act 2026, providing the statutory framework for a new public sector pension arrangement and the transfer of accrued pension rights, assets and liabilities from the AWE Pension Scheme. The Government has stated its intention to bring the Scheme within central government control whilst maintaining members' existing benefits. Full implementation remains dependent on secondary legislation and related transitional arrangements. Current plans indicate that a substantial element of the Scheme’s assets may transfer to Government during FY27, with the legal transfer and arrangements for the discharge of pension liabilities expected to follow. This may result in a timing difference between the transfer of assets and the final extinguishment of AWE plc's pension-related obligations during this transition period.

In considering severe but plausible downside scenarios, the Directors have considered whether AWE plc could be required to provide support to Scheme funding obligations during the transition period before the final transfer of liabilities. Having regard to Government ownership of the Company, the legislative framework already enacted, the strategic importance of AWE's activities, and the established funding arrangements with the MOD, the Directors consider it reasonable to conclude that any such funding requirements would ultimately be supported by Government. This has been taken into account in assessing the Company's ability to remain a going concern. The Directors note, however, that until secondary legislation is passed and appropriate transfer and funding arrangements are in place, a degree of uncertainty remains.

While acknowledging that uncertainty, the Directors have concluded there is a reasonable expectation that the Company has adequate resources to continue in operational existence and meet its liabilities as they fall due in the period for review period to 31 October 2027. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

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 Expected credit losses (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 considers 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, which 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, such that a further tax liability arises on that imputed amount.

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 those 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

AWE has considered the following UK-adopted IFRS Accounting standards which have been issued but are not yet effective and not applied in the financial statements: IFRS 18 Presentation and Disclosure in Financial Statements, which is effective for annual reporting periods beginning on or after 1st January 2027. The Company is currently assessing the impact of IFRS 18; however, it is not expected to have a material effect on the recognition or measurement of transactions and balances reported in the financial statements, although it may result in changes to the presentation and disclosure of information within the financial statements.

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 5.32% *(year ended 31 March 2025: 4.81%)* for any new contracts entered.

2 Segmental Analysis

AWE has assessed disclosure requirements under IFRS 8 Operating Segments which applies to entities which have publicly traded, debt, equity or instruments and concluded that the standard does not apply as none of the qualifying criteria are present.

Consequently, the segmental disclosure note previous included has been removed.

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 users' understanding of these financial statements.

	Year ended 31 March 2026	Year ended 31 March 2025
	£'000	£'000
Type of customer		
MOD	**2,524,584**	2,100,655
Non-MOD	**39,691**	47,960
	2,564,275	2,148,615

	Year ended 31 March 2026	Year ended 31 March 2025
	£'000	£'000
Timing of transfer of goods or services		
Products and services transferred at a point in time	**135**	145
Products and services transferred over time	**2,564,140**	2,148,470
Total	**2,564,275**	2,148,615

(ii) Contract balances

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

	Note	**31 March 2026**	31 March 2025
		£'000	£'000
Receivables	*12*	**1,468**	8,354
Contract assets		**132,282**	82,890
Contract liabilities		**(4,880)**	(3,508)

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 2025: £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 £3,508k *(year ended 31 March 2025: £14,735k).* The amount of deferred revenue at 31 March 2026 is £4,880k *(year ended 31 March 2025: £3,508k).*

(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 2026	Year ended 31 March 2025
	£'000	£'000
Research and Development Tax Credit	**38,172**	43,550

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 adjusting the claim thereafter.

5 Expenses and auditor's remuneration

Included in the income statement

	Year ended 31 March 2026	Year ended 31 March 2025
	£'000	£'000
Included in cost of sales:		
Foreign exchange loss/(gain) (except those arising on financial instruments at FVTPL)	**26**	4
Depreciation on right-of-use assets	**6,767**	3,539

	Year ended 31 March 2026	Year ended 31 March 2025
Auditor's remuneration:		
Audit of these financial statements	**220**	230
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 2026	Year ended 31 March 2025
Science	**1,469**	1,403
Engineering and manufacturing	**3,848**	3,447
Business services	**4,081**	3,716
	9,398	8,566

The aggregate payroll costs of these persons were as follows:

	Year ended 31 March 2026	Year ended 31 March 2025
	£'000	£'000
Wages and salaries	**557,147**	488,853
Social security costs	**66,797**	50,404
Expenses related to defined benefit plans	**3,000**	4,000
Net interest on net defined benefit pension plan liability	**6,000**	10,000
Contributions to defined contribution plans	**61,860**	54,987
	694,804	608,244

7 Directors' remuneration

	Year ended 31 March 2026	Year ended 31 March 2025
	£'000	£'000
Directors' remuneration	**1,534**	1,686
	1,534	1,686

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid Director in the year ended 31 March 2026 was £769k *(year ended 31 March 2025: £453k)*. The amount paid into the AWE defined contribution scheme for the highest paid Director in the year ended 31 March 2026 was £nil *(year ended 31 March 2025: £nil).*

One Director received employer contributions related to retirement benefits in the Company defined contribution scheme of £28k in the year ended 31 March 2026 (*year ended 31 March 2025: none*).

None of the Directors were accruing retirement benefits in the Company defined benefit scheme in the year ended 31 March 2026 (*year ended 31 March 2025: none*).

8 Financial expenses and Income

Recognised in the income statement

	Year ended 31 March 2026	Year ended 31 March 2025
	£'000	£'000
Interest expense on lease liabilities	**1,478**	883
Finance Income - Interest	**(688)**	(878)
Total finance expenses/(income)	**790**	5

9 Taxation

Recognised in the income statement

	Year ended 31 March 2026	Year ended 31 March 2025
	£'000	£'000
Current tax		
Current year	**15,894**	7,709
Adjustments for prior years	**(326)**	2,989
Current tax (credit)/expense	**15,568**	10,698
Deferred tax		
Current year	**3,940**	7,906
Adjustment for prior years	**(2,228)**	(3,273)
Deferred tax (credit)/expense	**1,712**	4,633
Total tax (credit)/expense	**17,280**	15,331

Reconciliation of effective tax rate

	Year ended 31 March 2026	Year ended 31 March 2025
	£'000	£'000
(Loss)/profit for the year	**(7,568)**	(15,004)
Tax using the UK corporation tax rate of 25% *(2025: 25%)*	**(1,892)**	(3,751)
Pension scheme contributions	**-**	-
Pension scheme tax deduction	**513**	3,500
Tax arising on imputed fee	**18,551**	15,848
Other non-deductible	**14**	18
Other short term timing differences	**1,714**	-
Adjustment in respect of prior years	**(1,619)**	(284)
Total tax expense[1]	**(17,280)**	(15,331)

[1]French tax is immaterial and therefore not included in the tax estimate. Despite the branch's UK/French tax status, it could not have a material impact on the tax disclosure.

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 represents the recognition in the current year of deferred tax associated with the comparative period RDEC restriction, which was omitted from the prior year accounts.

The current corporation tax rate is 25%, which came into effect from 1 April 2023.

Taxation – Pillar Two Global Minimum Tax

AWE has applied the mandatory exception under IAS 12 from recognising and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

Pillar Two legislation is effective for the Company for the year ended 31 March 2026. The Company has assessed the impact of the rules in France and the United States and concluded that both jurisdictions qualify for the Transitional Safe Harbour provisions.

Accordingly, no Pillar Two top-up tax charge was recognised for the year ended 31 March 2026.

10 Investment in subsidiaries

The Company has the following investments in subsidiaries:

			Ownership	
		Class of shares held	**31 March 2026**	**31 March 2025**
AWE Pension Trustees Limited	Room 20, Building F161.2 Atomic Weapons Establishment, Aldermaston, Reading, England, RG7 4PR	Ordinary	**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. 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:

	Provisions	**Tax loss**	**Pension scheme contributions**	**RDEC restriction**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 April 2024	91	(0)	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)

	Provisions	Tax loss	Pension scheme contributions	RDEC restriction	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2025	367	-	3,475	-	3,842
Balance at 1 April 2025	367	-	3,475	-	3,842
Additions	-	-	-	-	-
Adjustment in respect of prior years	-	-	-	-	-
Recognised in income statement	1	-	(1,736)	-	(1,736)
Balance at 31 March 2026	**368**	**-**	**1,738**	**-**	**2,106**

12 Trade and other receivables

	31 March 2026	31 March 2025
	£'000	£'000
Current		
Trade receivables due from related parties	**1,414**	8,301
Other trade receivables	**54**	53
VAT receivable	**-**	-
Other receivables	**47,338**	54,896
Prepayments	**64,801**	63,472
	113,607	126,722
Non-current		
Other receivables	**33,000**	-
	33,000	**-**

13 Cash and cash equivalents

	31 March 2026	31 March 2025
	£'000	£'000
Opening balance	**143,099**	107,782
Net change in cash and cash equivalent balances	**(38,914)**	35,317
Closing balance	**104,185**	143,099
Analysis of cash and cash equivalents:		
Cash held with Government Banking	**104,185**	143,099
	104,185	143,099

14 Trade and other payables

	31 March 2026	31 March 2025
	£'000	£'000
Current		
Trade payables due to related parties	**554**	3,412
Other trade payables	**99,136**	105,121
VAT payable	**24,988**	21,016
Social security cost payable	**14,932**	12,833
Non-trade payables and accrued expenses	**227,693**	208,110
	367,303	350,492
Non-current		
Accrued expenses	**1,694**	1,376

The non-current accrued expenses 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 2026 *(year ended 31 March 2025 – 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 2026	31 March 2025
	£'000	£'000
Defined benefit asset	**(1,259,000)**	(1,238,000)
Defined benefit liability	**1,312,000**	1,335,000
Net liability for defined benefit obligations (see following table)	**53,000**	97,000

	Defined benefit obligation		**Fair value of plan assets**		**Net defined benefit liability/(asset)**	
	31 March 2026	31 March 2025	**31 March 2026**	31 March 2025	**31 March 2026**	31 March 2025
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Opening balance	**1,335,000**	1,504,000	**(1,238,000)**	(1,295,000)	**97,000**	209,000

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability/(asset)	
	31 March 2026	31 March 2025	**31 March 2026**	31 March 2025	**31 March 2026**	31 March 2025
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Included in profit or loss						
Current service cost	**3,000**	4,000	**-**	-	**3,000**	4,000
Interest cost/(income)	**74,000**	70,000	**(68,000)**	(60,000)	**6,000**	10,000
Included in OCI						
Remeasurements loss/(gain):						
Actuarial (gain)/loss	**(22,000)**	(168,000)	**(31,000)**	42,000	**(53,000)**	(126,000)
Other						
Contributions paid by the employer	**-**	-	**-**	-	**-**	-
Benefits paid	**(78,000)**	(75,000)	**78,000**	75,000	**-**	-
Closing balance	**1,312,000**	1,335,000	**(1,259,000)**	(1,238,000)	**53,000**	97,000

The above table rounds figures to the nearest £k.

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 2026. There was no past service deficit payments made in the year ended 31 March 2026 (year ended 31 March 2025: £nil).

Plan assets

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

	31 March 2026	31 March 2025
	£'000	£'000
Cash and other	**202,000**	48,000
Equity instruments	**185,000**	187,000
Debt instruments e.g., Government bonds	**392,000**	357,000
Real estate	**107,000**	113,000
Infrastructure	**37,000**	44,000
Derivatives	**296,000**	230,000
Investment funds	**40,000**	259,000
Total	**1,259,000**	1,238,000

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 2026	31 March 2025
Discount rate at period end	**6.1%**	5.7%
Rate of increase in pensionable pay	**2.9%**	2.7%
Rate of increase in pensions in payments		
Uncapped	**2.9%**	2.7%
Subject to 5%pa cap	**2.9%**	2.7%
Rate of increase in pensions in deferment		
Uncapped	**2.9%**	2.7%
Subject to 5%pa cap	**2.9%**	2.7%
Inflation assumption (RPI)	**3.3%**	3.1%
Inflation assumption (CPI)	**2.9%**	2.7%

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 – 22.3 years *(2025: 22.2 years)*.
- Future retiree upon reaching 65 (current age 45): male – 23.7 years *(2025: 23.7 years)*

For the current review we have used the membership data as at 31 March 2024, as provided for the actuarial valuation at that date, together with cashflow information from 1 April 2024 to 31 March 2026.

Membership data

Table D.4 (extract from IAS19 valuation report) includes the number of members as at 31 March 2025 for information only, this is not used in the assessment of the liabilities.

Table D.4: Total number of members

	31/03/2026	31/03/2025	31/03/2024
Active members	10	12	19
Deferred members	5,028	5,278	5,549
Pensioners	5,443	5,285	5,135
Total	**10,481**	**10,575**	**10,703**

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 -½ per cent a year. Opposite changes in the assumptions will produce approximately equal and opposite changes in the liability.

	31 March 2026	31 March 2025
	£'000	£'000
Discount rate	**86,000**	90,000
Rate of increase in inflation	**(76,000)**	(78,000)

In valuing the liabilities of the pension fund at 31 March 2026, 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 2026 would have increased by £36.0m (*year ended 31 March 2025 – £39.0m).*

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 2024 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 28 June 2025 as part of the actuarial valuation of the scheme as at 31 March 2024. 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 2026 for £nil *(2025 - £nil).*

Based on the existing agreements the following payments are expected from the Company in the year to 31 March 2027:

- The employer contribution rate payable for the remaining active Coulport members is 22.7% of pensionable pay.

No deficit contributions are due.

The weighted average duration of the defined benefit obligation at the 31 March 2026 is 13 years *(31 March 2025: 14 years).*

Pension plans – defined contribution

The Company operates a defined contribution pension plan.

UK High Court - benefit amendments

The Court of Appeal's July 2024 judgment in Virgin Media Ltd v NTL Pension Trustees II Ltd upheld the High Court's decision that, for contracted-out pension schemes, certain historical benefit amendments may be ineffective where the requirements of section 37 of the Pension Schemes Act 1993 were not satisfied, including the need for written actuarial confirmation.

The Government subsequently announced in June 2025 its intention to introduce legislation enabling affected schemes to obtain retrospective actuarial confirmations where the relevant requirements were met, and further details of the proposed remedy were included in the Pension Schemes Bill in September 2025. The legislation is expected to come into force during 2026.

The Trustee, together with its legal advisers, continues to monitor developments and assess the potential implications for the Scheme. As part of this process, a review of historical scheme amendments is ongoing to determine whether any amendments required written actuarial confirmation under section 37 and, if so, whether the relevant documentation is available. Based on the work completed to date, the Trustee has no reason to believe that any material amendments were not properly affected.

Considering the ongoing review and the proposed legislative remedy, no adjustment to the Scheme's defined benefit obligation has been recognised in the financial statements as at 31 March 2026 in respect of the Virgin Media ruling.

16 Provisions

	ACP provision	Contract provisions	Employee related provision	Total
	£'000	£'000	£'000	£'000
Balance at 1 April 2024	362	-	-	362
Provisions raised	-	-	-	-
Provisions utilised	(271)	-	-	(271)
Provisions released	-	-	-	-
Balance at 31 March 2025	91	-	-	91
Balance at 1 April 2025	91	-	-	91
Provisions raised	-	7,253	18,514	25,767
Provisions utilised	(91)	-	-	(91)
Provisions released	-	-	-	-
Balance at 31 March 2026	**-**	**7,253**	**18,514**	**25,767**
Non-current	-	-	-	-
Current	-	7,253	18,514	25,767
	-	**7,253**	**18,514**	**25,767**

Annual Compensation Payment (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 completed on target in December 2025 and covered 13 ex-employees.

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

The carry forward provision balance of £91k has been fully utilized through the financial year and we expect no further ACP payments to arise.

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 2026 there are contract provisions for £7,253k (31 March 2025: no provisions).

Employee related provision

Relates to 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.

The provision includes estimated costs relating to redundancy, on which the process had started prior to year end.

At 31 March 2026 there are redundancy provisions for £19m (31/3/25: no provision).

17 Capital and reserves

Share capital

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

	31 March 2026	31 March 2025
	£	£
50,001 (2025: 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 2026 (*2025: £nil*)

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

Capital reserves

	31 March 2026	31 March 2025
	£'000	£'000
Balance at 1 April	**100,489**	93,000
Capital contribution	**-**	7,489
Balance at 31 March	**100,489**	100,489

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 in respect of the deficit funding of the scheme.

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 both the current and the previous financial year financial instruments remained at Level 1.

At both 31 March 2026 and 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	Other	Total
	£'000	£'000	£'000	£'000
Cash and cash equivalents	318	311	-	629
Trade payables	(66)	(219)	-	(285)
	252	92	-	344
31 March 2026				
Cash and cash equivalents	**386**	**266**	**-**	**652**
Trade payables	**(192)**	**(31)**	**(62)**	**(285)**
	194	**235**	**(62)**	**367**

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	Buildings	Motor vehicles	Plant & machinery	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)
Balance at 31 March 2025	20,419	194	89	20,701

	Buildings	Motor vehicles	Plant & machinery	Total
	£'000	£'000	£'000	£'000
Balance at 1 April 2025	**20,419**	**194**	**89**	**20,701**
Additions to right-of-use assets	**17,780**	**-**	**-**	**17,780**
Depreciation charge for the year	**(6,636)**	**(107)**	**(23)**	**(6,767)**
Balance at 31 March 2026	**31,563**	**87**	**66**	**31,714**

Lease liabilities

	31 March 2026	31 March 2025
	£'000	£'000
Maturity analysis - contractual undiscounted cash flows		
Less than one year	**7,947**	2,351
One to five years	**29,180**	15,211
More than five years	**11,243**	13,443
Total undiscounted cash flows	**48,370**	31,005
Lease liabilities included in the statement of financial position		
Non-current	**25,865**	18,121

	31 March 2026	31 March 2025
	£'000	£'000
Current	**8,205**	4,638
	34,070	22,759

Amounts recognised in profit or loss:		
Interest on lease liabilities	**1,478**	883

Amounts recognised in statement of cash flows		
Total cash outflow for leases	**7,948**	2,351

Payments were made during the year £nil *(year ended 31 March 2025: £nil)* 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.

AWE enters into long-term contracts that include incentive and performance-related clauses, consistent with normal commercial practice. Management reviews these arrangements at each reporting date to assess whether any related obligations have arisen.

Where performance conditions have been achieved, or achievement is considered probable and the obligation can be measured reliably, an appropriate accrual or provision is recognised in the financial statements.

At the reporting date, certain contractual arrangements may give rise to future obligations and therefore represent a contingent liability. Due to the commercial nature of the underlying contracts AWE has not disclosed the value of this contingency.

22 Related parties

During the year ended 31 March 2026, AWE had a significant number of material transactions with the MOD, the Company's controlling party, predominantly sales totalling £3,016m (31 March 2025: £2,644m) and receivables outstanding at 31 March 2026 of £0.5m (31 March 2025: £0.1m). The amount billed to the MOD each month represents an individually significant transaction.

During the year ended 31 March 2026 there were transactions with other central government bodies totalling £30m (31 March 2025: £27m) and receivables outstanding at year ended 31 March 2026 £899k (31 March 2025: £242k).

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 2026 have been disclosed below.

	Gross supplies and services purchased		**Payables outstanding**	
	Year ended 31 March 2026	Year ended 31 March 2025	**Year ended 31 March 2026**	Year ended 31 March 2025
	£'000	£'000	**£'000**	£'000
AWE Pensions Trustees Limited	**2**	-	**-**	-
Other related parties	**7,144**	74,967	**47**	3,142
	7,146	74,967	**47**	3,142

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 2026, there were no provisions held in relation to bad or doubtful debts in respect of amounts owed by MOD *(31 March 2025: £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 2026 *(year ended 31 March 2025: 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 2025: 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 2026 to the date the accounts were authorised for issue:

Transfer of AWE Defined Benefit scheme into government

Enabling primary legislation has now been enacted through the Pension Schemes Act 2026, providing the statutory framework for a new public sector pension arrangement and the transfer of accrued pension rights, assets and liabilities from the AWE Pension Scheme. The Government has stated its intention to bring the Scheme within central government control whilst maintaining members' existing benefits. Full implementation remains dependent on secondary legislation and related transitional arrangements.

Current plans indicate that a substantial element of the Scheme’s assets may transfer to Government during FY27, with the legal transfer and arrangements for the discharge of pension liabilities expected to follow. This may result in a timing difference between the transfer of assets and the final extinguishment of AWE plc's pension-related obligations during this transition period. Management has determined that this event is a non-adjusting event, as the conditions for this obligation arose after the balance sheet date.

The impact of these legislative changes have been considered by the Directors as part of their going concern assessment which is fully disclosed as part of the going concern statement on page 56.

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
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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ISBN 978-1-5286-6494-3