



ANNUAL REPORT AND ACCOUNTS 2024–2025



UK Industrial
Fusion Solutions

STEP
FUSION

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INTRODUCTION



UKAEA
DISCOVERY DAY
EXPLORING OUR FUTURE TOGETHER

SO FAR

SECTION 01

COMPANY INFORMATION

Company Information

UKIFS Ltd is a private company, limited by shares, registered in England and Wales, and is a wholly owned subsidiary of the UK Atomic Energy Authority (UKAEA). These accounts cover the financial year 1 April 2024 to 31 March 2025. UKIFS started trading on 1 November 2024 and had no transactions between 1 April 2024 and 31 October 2024.

Directors

Dr Luc Bardin

Non-Executive Director (appointed 1 June 2024)

Dr Tim Bestwick OBE

Non-Executive Director, Chief Technology Officer & Director of Strategy, UKAEA (until 17 July 2024)

Professor Sir Ian Chapman

Non-Executive Director, Chief Executive Officer, UKAEA

Professor David Gann CBE

Non-Executive Chair

Grazka Kazmierska

Finance Director (appointed 10 June 2024)

Paul Methven CB

Chief Executive Officer

Julie Nerney

Non-Executive Director (appointed 1 May 2024)

Kaveh Pourteymour

Non-Executive Director (appointed 1 May 2024)

John Staples

Non-Executive Director

Professor Charlotte Valeur

Non-Executive Director

Dr Tim Bestwick OBE was not a Director during UKIFS' period of operation between 1 November 2024 and 31 March 2025. Following Ian Chapman's departure as UKAEA CEO on 31 July 2025, Tim Beswick became the UKAEA CEO, was appointed as a UKIFS Director on 1 August 2025 and is currently the UKIFS Accounting Officer. Ian Chapman remains on the UKIFS Board as a Non-Executive Director.

Registered office

Culham Campus
Abingdon
Oxfordshire
OX14 3DB

Auditors

Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

CHAIR'S STATEMENT

It gives me great pleasure to introduce the first Annual Report and Accounts for UK Industrial Fusion Solutions Ltd. (UKIFS). UKIFS has a truly transformational purpose of global importance:

“Lead and integrate the capability and know-how to deliver the commercial fusion energy plants of the future, through leading the design, build and operation of a cost-effective prototype and to develop capacity and capability in the supply chain to support and service such activities.”

UKIFS is responsible for the delivery of the ground-breaking STEP (Spherical Tokamak for Energy Production) Programme which will involve the creation of first of a kind technology, enabling the UK to continue to lead the world in Fusion. As part of this exciting endeavour, UKIFS will deliver the first fusion prototype plant of its kind in the world, at West Burton, Nottinghamshire, on the site of a former coal-fired power station.

In the UK we are at the forefront of fusion technology globally and will be at the forefront of its commercialisation. Fusion energy development in the UK, and the STEP Programme specifically, are key components of the UK Government's mission to be a clean energy superpower. This was underlined by the recent announcement of record government investment in research and development for fusion energy, investing over £2.5 billion over 5 years including progressing the STEP Programme. Fusion and STEP also featured prominently in the government's Clean Energy Sector Plan, part of its new Industrial Strategy. As that document sets out, Fusion and STEP are part of a new industrial revolution that will drive regional and national economic growth through the creation of thousands of high-quality jobs in the West Burton region and the wider UK. Fusion is not just essential to our clean energy future; it drives growth now through stimulating industry and innovation, returning value within a growing fusion sector and through a wide variety of spin offs.



Lead and integrate the capability and know-how to deliver the commercial fusion energy plants of the future, through leading the design, build and operation of a cost-effective prototype and to develop capacity and capability in the supply chain to support and service such activities.



Tranche 2a of our Programme, which commenced in April 2025, will enhance UK fusion capabilities, driving innovation, investment, and high-value job creation, especially around the West Burton site. It will advance areas including plasma physics, materials science, and high-performance computing, generating benefits in sectors like energy, aerospace, and manufacturing.

These efforts will boost the UK's leadership, improve productivity, and support regional growth.

As an early mover in the commercialisation of fusion, STEP will set industry standards, attract top talent, and gather data to improve efficiency and lower costs. It will promote collaboration, grow supply chains, and encourage private sector participation, positioning the UK as a leader in clean energy while delivering long-term economic and technological benefits across industries.

The creation of UKIFS in November 2024 coincided with a global inflection point in the development of fusion that the UK has seized with both hands. This report sets out how in 2024-25 UKIFS has established itself and describes a year of demonstrable achievements, building on the strong stewardship on STEP under UKAEA leadership in previous years.

Building on a fantastic first year we now accelerate into the next tranche of the STEP programme, shifting gears as we integrate industry partners. The road ahead is steep but I am inspired by what we have achieved together and excited by what lies ahead.

Professor David Gann CBE
Chair, UK Industrial Fusion Solutions (UKIFS) Ltd

CEO'S STATEMENT

2024/25 was a momentous and successful period for UKIFS, with formal operations from our Launch Day on 1 November 2024 to the end of the financial year on 31 March 25, following a preparatory period of shadow operation from 1 April 2024.

The STEP Programme began in 2019 and the launch of UKIFS on 1 November 2024 was a significant event, establishing the delivery body that leads this unique and ambitious major programme for the UK government. This was the culmination of a huge effort since 2021 to: define and establish a Target Operating Model, secure Government approval for UKIFS as a new delivery body, agree the commercial approach that will deliver STEP, involving industrial Whole Plant Partners; and, more recently, establish all policies, processes and arrangements for UKIFS, including the transfer of staff from UKAEA. I would like to thank all those within UKIFS, UKAEA Group, the Department for Energy Security and Net Zero (DESNZ) and wider government who supported this major change and made it so smooth.

UKIFS is a unique blend of a public body, a major programme delivery organisation and a start-up company. As a subsidiary of UKAEA Group (a Non-Departmental Public Body) and with public funding from DESNZ, we must comply with Government policy and requirements, including Managing Public Money. As a (public) major programme delivery body we must be organised appropriately to deal with all that entails whilst adapting for the fact that STEP is a world-first endeavour at the very edge of new technology. We must also retain the entrepreneurial approach of a startup as we drive pace, develop agility, and foster the innovation essential to tackle the crucial global challenge of fusion energy. Not only is what are doing unique, but the way we must do it will be unique – bringing the best of public and private sector together, innovating in both technology and approach to deliver value throughout the programme and delivering a legacy of demonstrated technology and an industrial sector capable of taking that technology forward with commercial funding. STEP is industrial strategy in action.

Whilst the road ahead is challenging, we can take confidence from how far we have come in a short space of time. FY 24/25 has been about getting us to that position. As a Programme within UKAEA and since November 2024 as UKIFS we have:

- Matured a world-leading integrated fusion plant design. A special edition of Philosophical Transactions A, the journal of the Royal Society, was published on our design progress at that stage.
- Delivered a raft of technology demonstrations that increase confidence.
- Transitioned to managing the design digitally through a new Product Lifecycle Management system.
- Further characterised the West Burton site (selected in 2022) and built a growing digital model of that site.
- Supported regional stakeholders in developing a vision for clean energy in the region, catalysed by STEP.
- Launched a large-scale procurement for industrial partners and commenced the second (dialogue) stage of the procurement.
- Formally stood up UKIFS, with all initial policies, processes and staff, underpinned by full governance.
- Started our programme of further organisational evolution ready for the integration of industry partners.
- Secured central Government approval for the next tranche of STEP.
- Secured funding through the 2025 Spending Review for the next 4 years of the programme.

UKIFS now takes STEP forward into Tranche 2a, the next four years of this multi-stage programme from FY25/26 to FY28/29. This tranche sees UKIFS move from start up to scale up as we grow the company and then onboard and integrate our major STEP Partners and other early key suppliers. Together, this Integrated Delivery Team will mature the whole plant design, demonstrate key technologies, seek a Development Consent Order for the site, design and begin to contract the wider supply chain and, critically, deliver value throughout the period. All this will culminate in a joint proposal with industry for the subsequent stage, Tranche 2b, and beyond. As has become a mantra within the programme, we combine ambition with practical steps.



Paul Methven CB
CEO, UKIFS Ltd.



FIRST STEPS

THE STORY SO FAR

WORLD LEADING PROGRAMME

STEP is a UK-led, world-leading programme. It is bringing government and industry together to develop fusion energy, scale it, and then deliver it at pace. Our mission is to demonstrate net energy from fusion and to stimulate an industry that will help prove its commercial viability. We'll achieve this by producing a prototype tokamak powerplant – in an innovative spherical shape – connected to the grid.

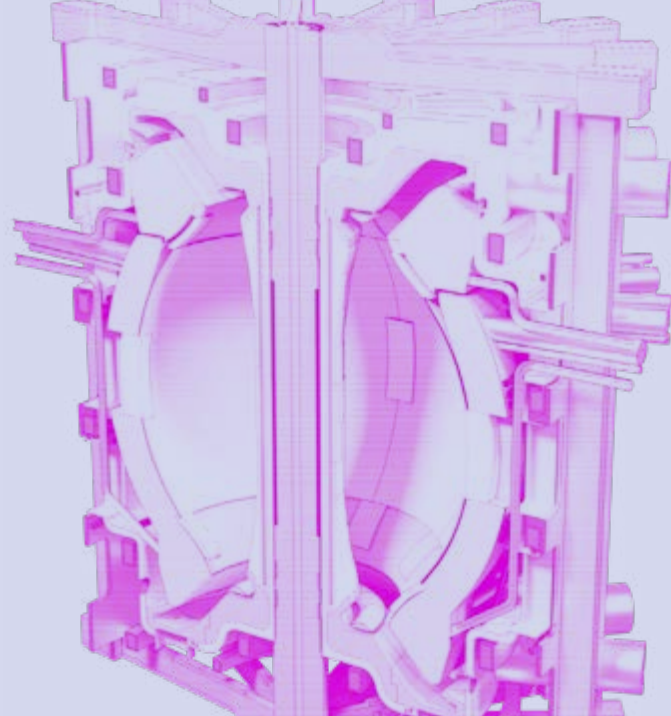
Since its inception the STEP programme has grown and evolved, from a big idea to the creation of UK Industrial Fusion Solutions, with a plan to deliver the world's boldest endeavour; fusion energy that supports humanity to thrive.

£200 MILLION

DESIGN OF STEP

In September 2019, the United Kingdom announced a planned £200 million investment to produce a design for STEP. The funding covered the initial five-year concept design phase and fired the starting gun on plans to develop a prototype fusion powerplant in the UK. This process centred on the innovative 'Spherical Tokamak' design, which is intended to be smaller and more efficient than previous 'donut-shaped' tokamak machines and set out the plan to develop this concept from design to construction, through a number of 'tranches' of work. This Annual Report marks the end of Tranche 1 – the concept design phase – and the strategy for Tranche 2a, where UKIFS will 'scale up', selecting and embedding industrial partners, maturing the 'Whole Plant' design and key technologies, and seeking the required planning consents for the site.





CHOOSING A HOME

Following an extensive, two-year, high-quality competitive process - which included community and stakeholder engagement, as well as technical and socio-economic assessments - the Secretary of State for Energy Security and Net Zero selected the site of the old West Burton A power station to be the home of STEP. This was announced in October 2022.

Situated on the banks of the River Trent, West Burton A is a former coal-fired power station, which is currently being decommissioned. This makes it a natural fit for the UK's prototype fusion energy plant, where a rich industrial history can now be repurposed and developed for a low carbon future.

Equally promising is the fact that the West Burton site is part of the new East Midlands Combined County Authority (EMCCA), and neighbours the Greater Lincolnshire Combined County Authority (GLCCA). These new legal entities were created as part of 'devolution' - the spreading of government funding and powers across the country - and mean that more of the decision-making and funding required to deliver key aspects related to the site, such as transport infrastructure, will be controlled locally.

The communities in this area, which is affectionately known as 'Megawatt Valley', have been powering the UK for 60 years, and the surrounding area has a longstanding coal mining heritage. Locals are rightly proud of that history, and local stakeholders - who campaigned hard to bring STEP to West Burton - coined the phrase 'fossil to fusion' to describe this journey.

The STEP team is working closely with the people of nearby towns and cities to make sure the West Burton site provides an enormous opportunity for new growth and regeneration in the region. The characterisation of the site, to assess the requirements for planning consent and make decisions about site layout, is well underway.

Building on the many decades of world-leading fusion research at Culham under UKAEA, the Government established UKIFS as the delivery body for the STEP programme in 2023 and appointed its leadership during the first part of 2024. The rest of this document is a statement of the current position of the programme as of the end of 2024/25 financial year, as the STEP team builds on these foundations to deliver the world's boldest endeavour.

WEST BURTON



STRATEGIC REPORT



SECTION **02**

SUMMARY

STEP Strategic Overview and Policy Basis

The scale of the climate crisis and the need to achieve the decarbonisation of our energy supplies, especially as population rises, per capita demand grows globally and new energy-intensive technologies such as Artificial Intelligence develop, has been coincident with technological advances in fusion energy. The UK has been a world leader in fusion energy research, in large part owing to its hosting of the Joint European Torus (JET) which has fostered an integrated understanding of fusion plant as well as excellence in specific enabling disciplines such as plasma physics. This experience has grown further with work on the Spherical Tokamak concept, which aims to constrain cost through smaller machine size for equivalent power levels compared with more standard aspect ratio tokamaks. On this basis, the UK Fusion Strategy, launched in 2021 and updated in Oct 2023, set two clear objectives:

For the UK to demonstrate the commercial viability of fusion by building a prototype fusion power plant in the UK that delivers net energy.

For the UK to build a world-leading fusion industry that supports different fusion technologies and is capable of exporting fusion technology in subsequent decades.

The current UK Government has taken this further with Fusion Energy featuring as part of the Modern Industrial Strategy, which was published at the end of this reporting period in 2025. This approach to clean energy development, entitled 'Build it in Britain, Power the World', specifically highlighted the opportunity of fusion technology and invested record sums to further develop the UK's position. The Strategy also developed the Government's approach to areas such as offshore wind and renewables, digital and the skills required to develop a workforce in this sector.

Fusion energy is extremely well placed to address the first two of the current UK Government's five key Missions – "Kickstart Economic Growth" and "Make Britain a Clean Energy Superpower". The work on STEP, especially at West Burton A, will also contribute to the fourth mission – "Break down barriers to opportunity".

As part of the announcement, DESNZ Secretary of State Ed Miliband MP highlighted the opportunity of fusion technology:

Fusion has the potential to provide us with an abundant, clean power source and deliver energy security, whilst attracting the best technologies to our shores and training up the next generation of British scientists and engineers.

STEP Mission Statement, Whole Programme Objectives and Technical Overview

THE STEP MISSION IS

TO DELIVER A PROTOTYPE FUSION ENERGY PLANT, TARGETING 2040, AND A PATH TO COMMERCIAL VIABILITY OF FUSION.

The STEP Mission also clearly supports the UKAEA Group mission “To lead the delivery of sustainable fusion energy and maximise the scientific and economic benefit.” By focussing effort on a clear and specific technical outcome (prototype plant), with a challenging timeline, STEP helps deliver economic benefit through establishing an industrially based pathway to commercial fusion.

The three main elements of the STEP mission statement should be read as follows:



Prototype fusion energy plant.

This physical deliverable, together with the objective of a path to commercial viability, demand that the prototype design must demonstrate the key characteristics that will ultimately be required in commercial fusion plant. It cannot be at the performance level that full commercial plant will need to be, but must at least demonstrate the key characteristics of: net energy; fuel (tritium) self-sufficiency; maintainability; demonstrable safety; and a path to acceptable total cost of ownership, noting that capital cost must also be affordable.



Targeting 2040.

Pace is critical to sustaining the UK's current global advantage in research and translating that into commercial advantage, and to addressing climate change and energy security. Driving pace also helps with cost management by focussing effort, and this is a major enabler for industrial stimulation. The UK is not the only nation pursuing fusion energy and maintaining leadership through pace will help to secure the associated science, economic and environmental benefits for the UK.



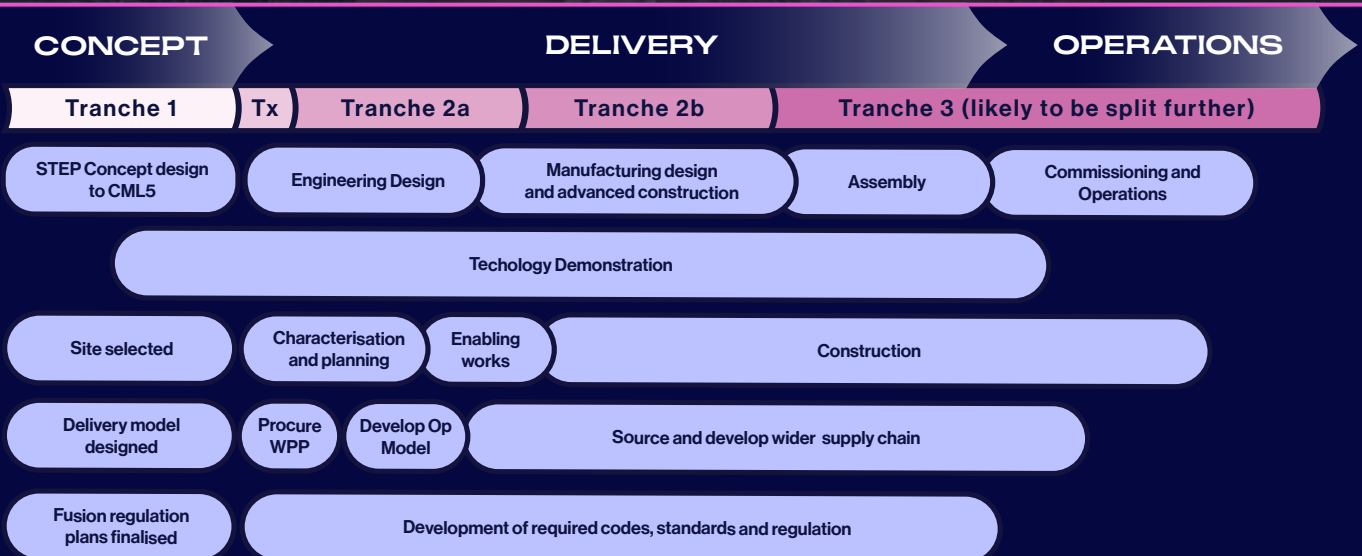
Path to commercial viability.

The supply chain that must be developed through STEP cannot end with STEP; the programme is only truly successful if industrial capability, especially UK industrial capability, stimulated through STEP continues to support multiple fusion programmes globally. Although that continuation is beyond the STEP Programme scope, it is in the scope of UKIFS and it will depend on the private investment we stimulate.

SUMMARY (continued)

The STEP Programme

The programme will be delivered in tranches, with Tranche 1 now complete. STEP started its next phase, Tranche 2a, in April 2025. Over the next four years, Tranche 2a embeds industry into the STEP programme at scale, driving progress in design and technology, developing new capabilities in the joint design team, the wider supply chain and generating value. STEP will combine the fusion knowledge of the public sector with the capabilities of industry through onboarding of industrial partners, known as Whole Plant Partners (WPP). Involving WPPs at this early stage, to develop a credible design and drive new industry capability, especially in areas where the UK can lead internationally, will both increase our chances of success and provide stimulation to the fusion supply chain.



STEP Whole Programme Objectives

Based on our stated mission, the STEP programme needs to deliver against a number of specific objectives, which are as follows:

TECHNICAL DELIVERY

1. **Demonstrate Power Plant Characteristics.** Design, build and operate a prototype fusion energy plant (the STEP Prototype Plant – SPP) to demonstrate the key characteristics relevant to commercial power plants.

COMMERCIAL PATHWAY

2. **Create an Information Baseline.** Capture information through design, build and operations that will speed the delivery of commercial fusion at lowest practicable cost and greatest benefit to the UK.
3. **Develop a Fusion Supply Chain.** Through the delivery of the SPP, develop a supply chain capable of and committed to design and build of fusion energy plant.

VALUE DELIVERY

4. **Deliver UK Economic Value.** Deliver direct UK economic value stemming from delivery of the SPP, consistent with other objectives.
5. **Deliver UK Social Value.** Deliver UK social value stemming from delivery of the SPP, consistent with other objectives.

SAFETY AND ENVIRONMENTAL IMPACT

6. **Deliver Safely.** Reduce risks to workers, the public and the environment from delivery and operation of the SPP to as low as reasonably practicable.

PROGRAMME DELIVERY

7. **Schedule.** Deliver SPP demonstrations and wider benefits as fast as reasonably practicable, underpinned by a robust whole programme schedule.
8. **Cost.** Deliver SPP demonstrations and wider benefits at the lowest practicable capital cost, underpinned by a robust whole programme cost estimate.

UKIFS COMPANY STRATEGY

To deliver on the mission and objectives, we set an initial strategy to establish the fundamental conditions for success:

Secure and organise the right mix of public and industry capability into an integrated delivery team under UKIFS leadership, focussed on delivering a cost-effective prototype fusion plant at a pace that secures UK leadership in fusion and delivers consistent value.

THE DEFINING STRATEGY HAS FIVE THEMES:



Build Enduring Industrial Capability

Build and continuously develop industrial fusion plant delivery capability, at all levels of the supply chain and where practicable in the UK, through design, build and operation of a commercially relevant prototype fusion energy plant.



Organise for Success

Organise and lead that collective public and private sector capability under UK Industrial Fusion Solutions Ltd. to manage significant inherent uncertainty and to exploit opportunities in technology, manufacture, regulation and investment. Organisational design and practice should be devised to be largely reproduceable into future plants.



Design and deliver for cost

Design and deliver an integrated fusion energy prototype plant to be as low cost as practicable, with a trajectory to low-cost commercial plant, whilst accommodating intrinsic uncertainty in technology, build and operations.



Drive pace

Develop the culture and systems to make decisions and deliver at pace to secure UK competitive advantage, support third-party investment and tackle climate change.



Deliver Value Consistently

Whilst driving for final outcomes and benefits, ensure tangible value is delivered at all stages of the programme, building stakeholder and investor confidence and reducing Government risk.



OPERATING MODEL

UKIFS and STEP Organisation and Arrangements

At the heart of the initial strategy is establishing the right capability. To do this we have set up UKIFS and defined how it will operate. Its purpose is:

Lead and integrate the capability and know-how to deliver the commercial fusion energy plants of the future, through leading the design, build and operation of a cost-effective prototype and to develop capacity and capability in the supply chain to support and service such activities.

UKIFS HAS FOUR MAIN ROLES:

1

Governance and Assurance

Ultimate accountability of delivery, and assurance to shareholder (UKAEA) and Programme Sponsor (DESNZ)

2

Programme Integration

Define the overall programme, including plant design, to achieve Whole Programme Objectives.

3

Delivery

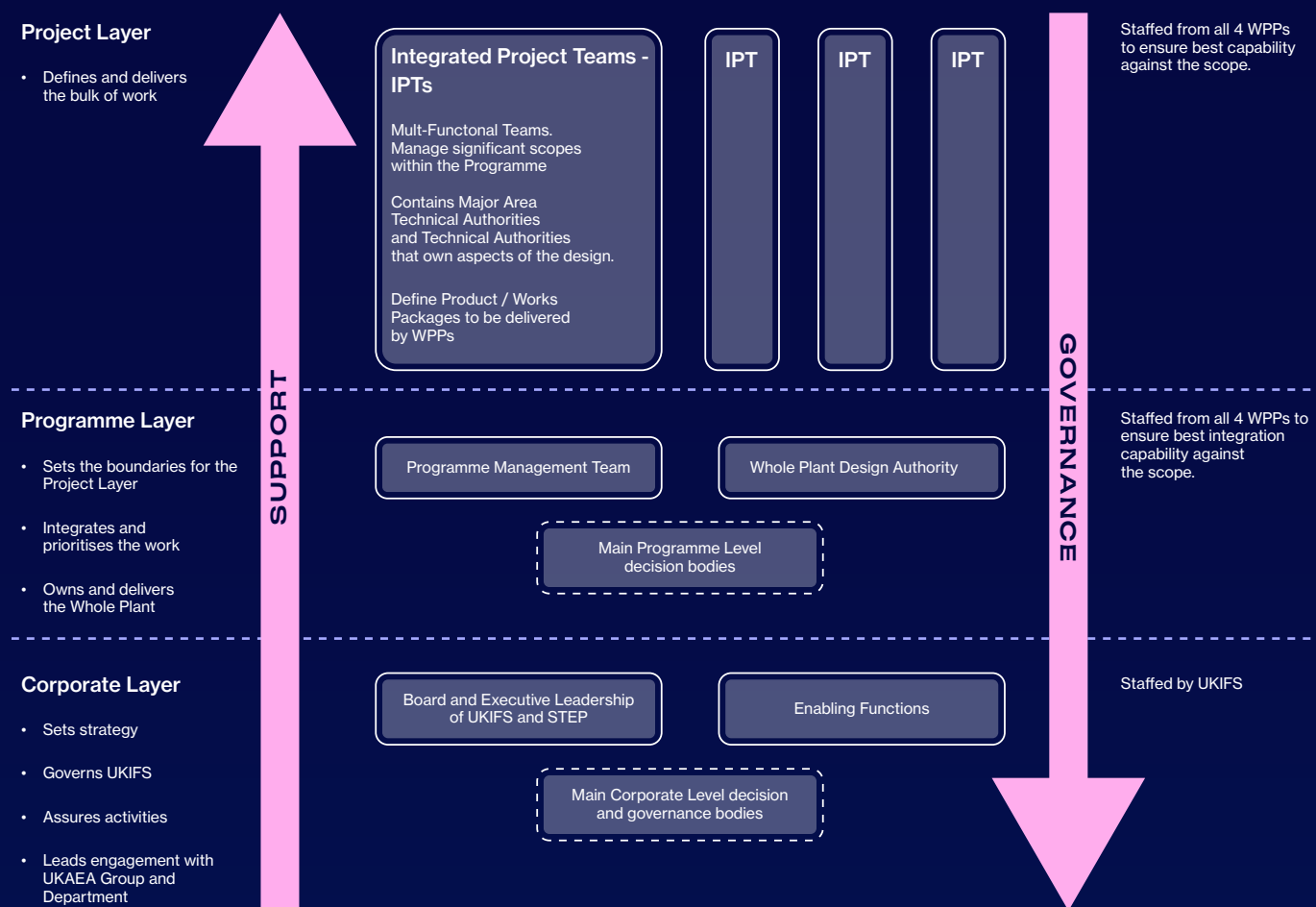
Deliver substantial elements of the Programme, acting together with other Partners.

4

Intelligent Client (IC)

Source and integrate partners into an effective overall Integrated Delivery Team with defined ways of working, manage and evolve those relationships to ensure delivery, set requirements, oversee and accept work performed by partners.

To deliver the technical outcomes of STEP and develop industry capability, an integrated Target Operating Model (TOM) will be implemented and will continue to evolve. All organisations that work on STEP do so through UKIFS (the client and programme integrator for STEP), whether that be providing resources or services to UKIFS or undertaking packages of work for UKIFS. The TOM will be fully in place from Autumn 2026; the key elements are currently being developed.



UKIFS (and therefore the STEP Programme) will be structured in three layers – Corporate, Programme and Project – that equate broadly to the first three roles above, noting that the layers are interdependent and mutually supportive. The role of IC is delivered across all three layers as described further below.

During this first financial year, UKIFS operated in a functionally driven Directorate structure and delivery is managed within that. From mid-FY2026 UKIFS will manage delivery through Integrated Project Teams (IPTs) that make up the Project layer, each responsible for significant scopes of work within the overall Work Breakdown Structure. IPTs will contain all the necessary functions to enable coherent delivery (technical, programme, commercial, financial, people). The Programme of Work that IPTs deliver is set by the Programme Team in UKIFS.

UKIFS has engaged UKAEA in the role of Fusion Partner to support delivery of the STEP Programme. The Fusion Partner provides expertise in fusion design and technology in the form of people and services into UKIFS in both the programme and delivery layers and undertakes packages of work (Product

Packages) on behalf of UKIFS. These inputs are provided through the Fusion Partner Agreement (FPA).

UKIFS will contract other industrial partners to support delivery of the STEP Programme with construction and engineering capabilities. These will provide people and services into UKIFS in both the Programme and Project layers and will undertake Product Packages on behalf of UKIFS.

The collective of UKIFS and its WPPs is the Integrated Delivery Team (IDT), formed through a Strategic Collaboration Agreement (SCA) that sets out how the parties shall work together based on the TOM in pursuit of WPOs and sets collective incentives for delivery.

OPERATING MODEL (continued)

UKIFS is the programme integrator for STEP. All organisations that work on STEP do so through UKIFS, whether that be providing resources or services to UKIFS or undertaking packages of work for UKIFS. UKIFS will control the programme and be ultimately responsible for tensioning decisions across capability, schedule and cost of the prototype plant, and delivery of benefits. UKIFS will own the SPP design and act as Intelligent Client – to source and integrate partners into an effective overall Integrated Delivery Team with defined ways of working, managing and evolving those relationships to ensure delivery, setting requirements, overseeing and accepting work performed by partners.

The totality of work cannot be specified in advance. Work can only be specified progressively, and that work is likely to change as learning develops, and identifying the right work to do for overall programme benefit will require significant input from industry. A flexible system of “packages” will be used, where those are defined and placed progressively.

Evolution of the Operating Model

Since 1 November 24, UKIFS has operated as a company and as the delivery organisation for STEP but has not yet fully implemented the TOM.

Implementation of the TOM is achieved via completion of transition milestones 1-4 (TM1-TM4), where TM1 and TM2 are already complete:

TM1

Start Operating UKIFS
– completed November 2024.

TM2

UKIFS runs the STEP Programme
– completed November 2024.

TM3

Ready to onboard the WPPs
– targeting December 2025.

TM4

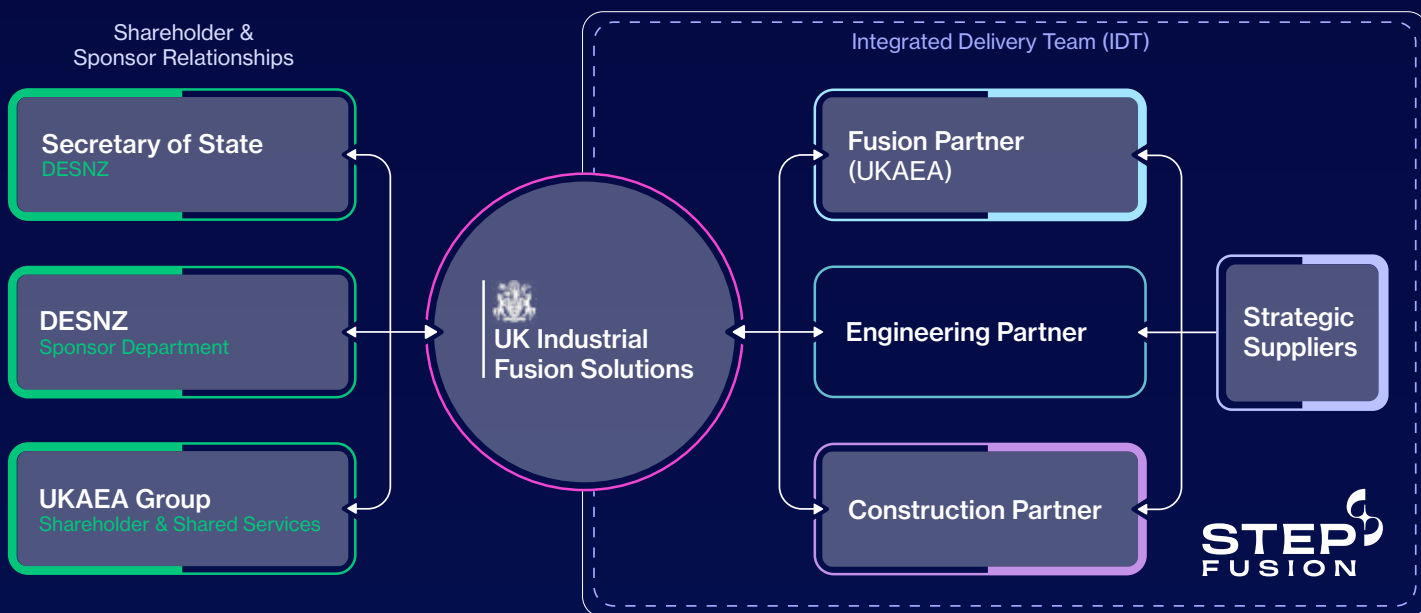
**Integrated Delivery Team, and
Integrated Project Teams operational**
– targeting September 2026.

Success at all stages of STEP requires an integrated organisation, encompassing industry, which can embrace and manage through uncertainty and exploit opportunities as they emerge. That organisation must also deliver safely and securely oversee significant public expenditure and deliver value at every stage.

Part of the route to TM3 (ready to onboard industry WPPs) and in particular to TM4 is a further evolution of the organisation structure in to the IPTs. Currently, teams are functionally based but work closely together, where in the IPT end-state they will be scope-based and multi-functional.

In FY 25/26 we will work through a period of transition to make improvements to fundamental processes and systems, and to plan and enact the progressive evolution towards TM3 and TM4. We will focus on the capability of UKIFS as an Intelligent Client for the industrial WPPs.

The STEP Target Operating Model brings public and private organisations together into an effective and integrated delivery team with a single purpose, able to tackle the toughest of technical problems and lay the foundations for UK commercial leadership in fusion - a pioneering first-of-a-kind endeavour.



Based on current sole public funding, we consider UKIFS to be a public organisation (in terms of classification by the ONS), and it is a subsidiary of an existing Non-Departmental Public Body, the UK Atomic Energy Authority.

The establishment of such an organisation generates a huge opportunity to create and stimulate both the UK and international fusion sector, as well as generate wider benefits.

PERFORMANCE OVERVIEW

Technical

During Tranche 1, the technical focus was on developing a preferred concept design – the team have explored over 60 designs and the chosen concept design is the product of over 600 discrete design decisions, accelerated by UKAEA digital capabilities.

By the end of Tranche 1 an established concept design formed the basis for starting engineering design. The current concept design proposal was independently assessed by the Fusion Technical Advisory Group (FTAG) who have endorsed the proposed approach to develop the concept design, noting that “the STEP team should be congratulated on the significant progress in continuing to refine and modify the point/pre-conceptual design”. The Programme used NASA’s Concept Maturity Levels (CMLs) to monitor concept design progress.

In Tranche 2a, work shifts from design exploration to design development coupled with technology development. Design state gates akin to those used by large product engineering firms will be employed. In addition, STEP has built a capable delivery organisation that combines programme delivery, technical know-how and commercial capability needed to undertake the commercialisation of fusion energy.

Many of the technologies underpinning the realisation of commercial fusion technology are still relatively immature. Alongside the concept design work, STEP has developed technology roadmaps which define how each of the key technologies required can be matured sufficiently in time for integration into the STEP prototype plant. Key technologies will be trialled on test rigs during Tranche 2a and 2b, progressively reducing risk and increasing confidence. These roadmaps have also been reviewed by FTAG.

The experimental machine on which STEP is based is called the MAST Upgrade (MAST-U). The more compact spherical tokamak design means the very high operating temperatures are concentrated over a relatively smaller area, which could damage the machine. During Tranche 1, UKAEA carried out experiments in MAST-U to test their innovative “Super X Divertor”, which allows heat loads to be spread over a wider area thereby minimising the damage to the machine. Results show the performance of the machine during experiments matched very closely UKAEA’s modelling, providing reassurance in their predictive capabilities and demonstrating the basis of the STEP divertor design. It was a significant breakthrough that is matched by no other technology in the world.

Organisation and site identification

UKAEA and DESNZ secured approval to establish UK Industrial Fusion Solutions Ltd (UKIFS), initially as a subsidiary of UKAEA, to lead the integration of scientific and industrial expertise to deliver STEP. During the remainder of Tranche 1, the organisational design, business processes and workforce for UKIFS were developed.

UKAEA led a successful siting programme, culminating in the selection of West Burton A as the site to host STEP. UKAEA have entered into an Option Agreement with site owners EDF Energy. In-depth site characterisation is already underway. Local stakeholders, including the East Midlands Combined County Authority, Nottinghamshire County Council and Bassetlaw District Council, are now fully engaged in site planning and developing plans to maximise the local and regional economic benefits of STEP investment in the site and associated supply-chain and adjacent technology investment. On 15 September 2022, the STEP programme entered on to the Government Major Projects Portfolio (Tier A) and now provides quarterly reporting to the National Infrastructure and Service Transformation Authority (NISTA) (formerly the Infrastructure and Projects Authority - IPA) and benefits from increased oversight, governance, and support from HMG.

Since its formal standing up in November 2024, UKIFS has achieved a number of key milestones and laid the foundations of success for the subsequent four years of STEP Tranche 2a. The UKIFS Target Operating Model (TOM) Transition programme has progressively delivered against the respective Transition Milestones, with TM1 and TM2 now complete. Emphasis in the near term is on selecting and contracting the Whole Plant Partners (TM3), before establishing the fully integrated delivery team and IPT structure with WPPs fully onboarded (TM4).

Some highlights from FY24/25 since November are outlined below.

- **Full Business Case:** A full business case for the Tranche 2a period was approved by the Major Projects Review Group (MPRG) - the Treasury advisory group on major project approvals - in March 2025.
- **Technology:** The programme’s technical progress has been reviewed positively by an external panel of fusion experts (Fusion Technical Advisory Group - FTAG).
- **Whole Plant Partner Commercial Dialogue:** Invitation to Participate in Dialogue (ITPD) was completed in December 2024. The programme then began engaging in dialogue with selected bidders, who have provided an outline response to questions against the Contract templates. In FY25/26, the programme and bidder teams will begin face to face dialogue meetings to discuss responses being put forward.
- **Governance:** UKIFS governance structures are now established, including the standing up of the UKIFS People and Culture Committee and the Contract Permissioning Panel. Further details are provided in the Governance Statement. In addition, STEP has been providing periodic updates to the cross-Government Fusion Strategy Delivery Board and the UKAEA Board as and when necessary, and ongoing reporting feeds into DESNZ and NISTA.

- **Capability:** Core capability within UKIFS was established through successful TUPE delivery and targeted recruitment. This approach sustained momentum with support from the fusion partner. At the end of the financial period, total programme FTE was over 400 across UKAEA and UKIFS, with over 300 in science and engineering, reflecting the programme's strong technical focus.

West Burton Site Development

STEP work at our build site, West Burton in Nottinghamshire, and the surrounding region has been extensive. The UKIFS team has expanded significantly to progress key works, delivered through a growing range of contractors. Alongside opening the first STEP office on site, key works include geotechnical and environmental characterisation to understanding the baseline conditions and biodiversity considerations (including flora and fauna baselines, biodiversity strategy development and Pulverised Flue Ash management).

There has been significant progress with wider site master-planning, including publication of our vision for STEP at West Burton (and related public engagement), assessment of construction options, and both on- and off-site transport considerations. This work is critical to two key objectives for FY25/26:

1. determination of the location of the Tokamak and associated facilities and
2. commencement in late 2025 of non-statutory consultation for an eventual Development Consent Order (DCO).

A privately owned 'Fusion Café' was opened in Worksop in November 2024, which aims to inspire and engage with the local community about fusion and the breadth of opportunities this will bring to the area. This is just one aspect of a broad range of STEP engagement activities in the area, ranging from primary school assemblies to community events.

Our West Burton presence continues to grow, with all STEP vacancies advertised with this as a location. Further expansion of the onsite accommodation is planned for 2025/26.

Regional Stakeholder Engagement and the Trent Clean Energy Supercluster

Since the selection of West Burton A as the site for STEP's prototype plant, the Programme has established broad and deep community engagement, bilateral and multilateral discussions with district and county councils, regional mayors and MPs in the region. Given the scale and breadth of local and regional interests in the project, this will continue to be a vital element for development. Not least because of the significant powers and funding that have been devolved to regional Combined Authorities under successive governments, in key areas such as transport and skills.

At a hyper-local 'site' level, engagement includes regular events in the immediate surrounds of the site, such as local council presentations and regular community engagement events. Stepping out one 'layer' further, it includes schools and wider educational outreach through our partners in UKAEA, developing the educational interest and potential future workforce for STEP.

At a regional level, engagement with Combined Authorities is a key priority. With establishment of the East Midlands Combined County Authority and election of Claire Ward as mayor in 2024, there is a new coordinated drive across local authorities to support fusion and STEP. Similar engagement will take place across Greater Lincolnshire now that the new Combined County Authority (GLCCA) is established, and Dame Andrea Jenkyns has been elected as the region's first Mayor (May 25).

EMCCA has appointed a fusion lead and is driving action through a Strategic Collaboration Group (SCG) and underlying working groups, bringing together local authorities, universities, place marketing and investment groups, transport planners and others, to consider the full implications of delivering this major project.

Collaboration between authorities, and between EMCCA and GLCCA in particular, will be fundamental to the planning and delivery of key aspects such as transport infrastructure, the skills 'offer' around the region, and the wider inward investment opportunities across EMCCA's 'Trent Clean Energy Supercluster' vision.

The Trent Clean Energy Supercluster vision is the developing proposal for economic growth and spatial planning centred on three power station sites along the river Trent, on the Nottinghamshire-Lincolnshire border. STEP is the anchor project of this vision, at West Burton in the north, whilst Cottam and High Marnham sites to the south also offer large brownfield development opportunities on former coal-fired power station sites. This is likely to include other energy-focused developments, such as hydrogen and small modular nuclear, as well as proposals for a data centre and other significant infrastructure.

£3m has recently been set aside by EMCCA to develop the Supercluster vision, transport mapping and spatial planning aspects, and the potential for a 'Discovery' or visitor centre nearby. STEP is feeding into this planning through the SCG and other programme groups.

BENEFITS, MONITORING AND EVALUATION

STEP offers significant socio-economic impacts for the UK, delivered both near-term and longer-term over the life of the Programme.

To ensure STEP maximises benefits to the UK, UKIFS are continuously monitoring and significantly increasing the tracking of the Economic and Social Value delivered to the UK (and globally) at every stage of the programme and across a wide range of benefits including environmental, social and economic. The STEP Monitoring and Evaluation, and Benefits Realisation Plan, was developed this year (2024) aligning the STEP programme directly with government priorities and strategic objectives.

Commercialisation and Innovation

- The launch of UKIFS as a Limited Company was a first step towards attracting additional private sector investment and embedding private sector partners into the programme, as part of STEP's mission to develop both the technology and the wider commercial fusion industry in the UK.
- Commercial dialogue is underway with shortlisted Whole Plant Partners, with contracts set to be awarded that will bring significant industrial expertise and capability to the fusion sector and the STEP Programme. As of Feb 2025, over 500 suppliers have worked directly for UKIFS, with 430 (-83%) of those based (or with a branch) in the UK.
- STEP is investing in the supply chain through development of the West Burton region. Four key contracts worth over £18.5 M were awarded this year (2025), going to industry leaders who run site characterisation, master-planning, site investigation and Development Consent Order (a centralised national planning process for major projects) application management. In April '25 there were 42 individuals from eight different companies working on site with STEP in this capacity.

UK employment and skill development

- UKIFS is playing a part in enabling the continued growth of skills and expertise in this fusion industry alongside its Fusion Partner UKAEA, successfully recruiting since it commenced operations. A significant proportion of these roles will be at the West Burton site, where STEP has now outgrown its initial office facilities and is looking to expand with new buildings in 2025/26.
- The STEP programme is a catalyst for the wider regional Trent Clean Energy Supercluster, with investment around West Burton as well as nearby sites at Cottam and High Marnham. Additionally, both Nottinghamshire/Bassetlaw and Lincolnshire Councils have recruited a specific staff member to support the delivery of STEP.

Research and Development

- STEP is funding a total of 19 PhDs currently running and now in their 3rd and 4th year, with 10 PhDs now completed across a total of 15 UK universities and one International. These are distributed across a network of research fields, including Plasma Science and Fusion Operations, Fusion Technology, Integrated engineering (particularly superconductors), Materials, Tritium Fuel Cycle, Advanced Computing and uncertainty and risk management in fusion energy research. Partnerships have been developed with Midlands-based universities with the aim of further enhancing research and development capabilities around the West Burton site.
- The STEP Programme has published 85 programme specific publications in 23 International Journals and has presented abstracts or invited presentations at 612 conferences (since 2022). The development of new University partnerships in the Midlands will support the acceleration of research and testing for STEP and related industries. In August 2024, The Royal Society published a special STEP edition of its Philosophical Transactions A journal, marking the ongoing development of a prototype fusion plant under the STEP program.

UK Education and public engagement

- Improved knowledge and Public Perception of UK Fusion is a key outcome for the STEP Programme and is essential requirement for local and national government support for this major programme, including for planning processes such as the DCO. STEP has already established a positive presence in the local community around West Burton and because of this ongoing proactive community engagement, public acceptance for the major infrastructure project remains strong in the local area. UKIFS support and collaborate on wider programmes to enhance employment and skill development across the fusion sector. In 2025 UKIFS collaborated with UKAEA to support the STEM Returners programme - designed to support engineers to re-enter the workforce after a career break. These provided a range of 12-week placements at Culham covering areas such as software, cyber, electrical, Computer Aided Design (CAD), engineering and more. Work is underway to deliver a skills and training partnership in the region alongside the UKAEA, to support future skills development.



KEY PERFORMANCE INDICATORS

Corporate Performance Measures 2024/25

Our strategic priorities have been distilled into six corporate performance measures, each with an executive lead. These are set out below, alongside success factors for each of the measures.

By the end of 2024/25, we have achieved the following:

Measure: STEP has commenced and progressed whole plant partner (WPP) dialogue as agreed and approved by DESNZ and Cabinet Office.

Success: Fully Completed

- Launch procurement for industry Whole Plant Partners (30 April 2024)
- Issue Whole Plant Partners Invitation to Participate in Dialogue (launch of procurement plus six months)

Measure: STEP has formally stood-up UKIFS governance and transferred programme control to a new SRO and effective programme delivery organisation.

Success: Fully Completed

- Achieved Transition Milestones 1 (1 April 2024) and 2 (1 November 2024), establishing UKIFS as responsible for STEP delivery, UKAEA Group as Shareholder and UKAEA as Fusion Partner

Measure: STEP has an agreed concept design and plan to develop that able to underpin the Tranche 2a FBC.

Success: Fully Completed

- Establish a clear Concept Design Baseline for the STEP Powerplant, and a clear Engineering Plan that will mature that design through 2024 and T2a, including clear progress measurement

Measure: STEP has a clear plan of critical technology demonstrations and is delivering to that plan.

Success: Fully Completed

- Technology Demonstration. Set out a clear plan of demonstrating increasing confidence in key technologies for STEP across T2a, defining specific outcomes and the means (rigs and models) by which those will be delivered
- Compare model and rig data, from a small-scale experiment, to characterise the extent to which a compound cryopump will function as a separator as well as a pump and develop a roadmap for addressing remnant cryopump design and realisation risks.

Measure: The STEP site is being characterised to reduce risk and support a clear development plan.

Success: Fully Completed

Further analysis of the ground model from ground investigations is ongoing to reduce the uncertainties. Further geophysical surveys are recommended both from surface and in boreholes to confirm the presence and nature of the disturbed zones.

- Geotechnical investigations (c. 60 m boreholes) and geophysical (seismic) studies completed.
- A geosphere spatial map provided that assesses the characteristics of a possible disturbed zone running across the site.

Measure: The Tranche 2a FBC has been approved, and STEP is delivering its part in Fusion Futures.

Success: Fully Completed

- Secure approval from DESNZ Projects Investment Committee for the Full Business Case for Tranche 2a.
- Deliver the STEP scope of Fusion Futures work for FY24/25 as approved in the Fusion Futures Business Case.

The current stage of the programme means that UKIFS delivery is heavily milestone-based as new practices are introduced. Once those are established, UKIFS will seek to baseline aspects of routine performance and apply metrics to those with the explicit aims of improving output effectiveness, productivity and efficiency.

Additional critical work has yielded the following achievements:

- Completion of the annual Infrastructure and Projects Authority (IPA) review with a delivery confidence assessment of amber in the recommendations report.
- Issue of key documents such as the UKIFS Business Plan, and the STEP Technology Transfer Strategy.
- Development of well-evidenced bids for the Spending Review.

Our Schedule

Many of the critical achievements of UKIFS within FY24/25 identified in the CPMs were strictly time-bound – such as the submission process for the T2a FBC through PIC and MPRG according to the approval deadlines. In achieving these milestones, we have demonstrated that the programme is on schedule in these early stages. As we move into Tranche 2a, with a full 4 years' approval, longer-term plans will be developed including a more mature whole programme integrated master schedule.

FINANCIAL REVIEW

UKIFS was allocated a budget of £35.97m for the five months of trading from November to March, 53% of the total STEP budget for the year of £67.4m. The annual accounts on pages 90 to 109 provide financial statements and further information, with key information provided below:

Expenditure by type:

UKIFS spent £35.98m (on both capital and operating costs) to deliver the remaining five months of the STEP programme in 2024/25, with a breakdown of spend as follows:

UKIFS' largest expenditure of £16.6m was through the Fusion Partner Agreement with the UKAEA as the national laboratory (or Public Sector Research Establishment). This spend related to specialist fusion expertise for STEP. A further £1.8m was spent for corporate services delivered by UKAEA Group (our parent organisation) including finance, HR, facilities, IT and a number of other support services. UKIFS direct costs include people costs, (both permanent staff and contingent labour) and external spend which included supporting our site characterisation programme at West Burton and specialist services to support our Whole Plant Partner programme.

Spend by Area

Expenditure has focused heavily on design development and technology demonstration, with underspends across other elements of the programme reallocated during the year to support additional activity in these areas to further mature and improve the STEP design.

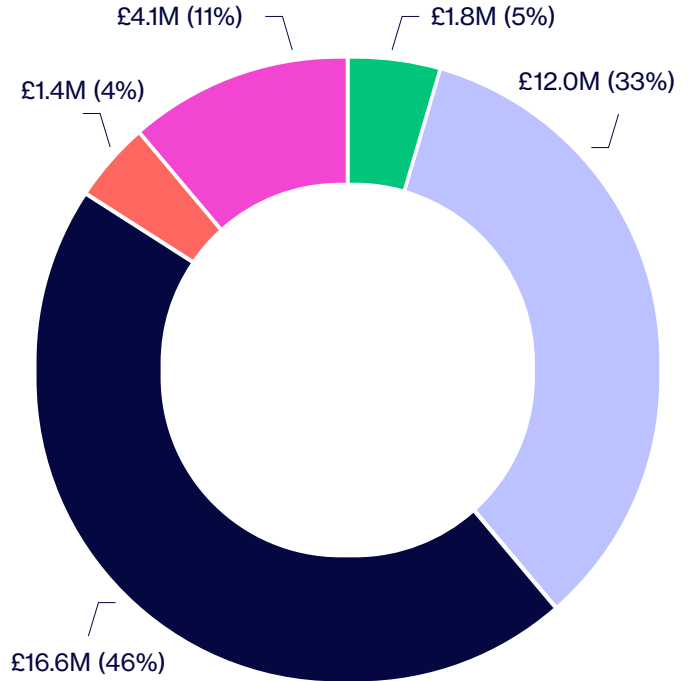
Spend with Industry

UKIFS spent a total of £16.76m through industry in the 5 months of 24/25 (around 47% of total spend), with £12m in direct UKIFS contracts, and £4.76m through UKAEA.

Expenditure profile

The spend profile increased month on month throughout the year. In initial months, the majority of spend delivery was through the Fusion Partner, but as UKIFS increased its internal capabilities and staffing, UKIFS direct spend has increased.

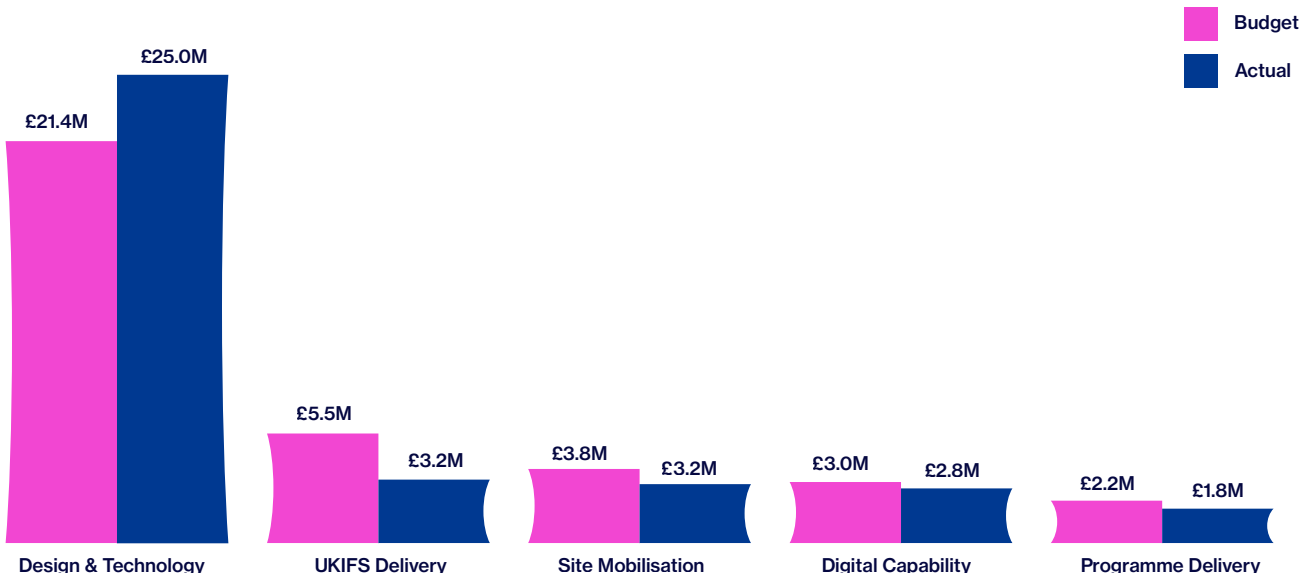
Expenditure Split by Type



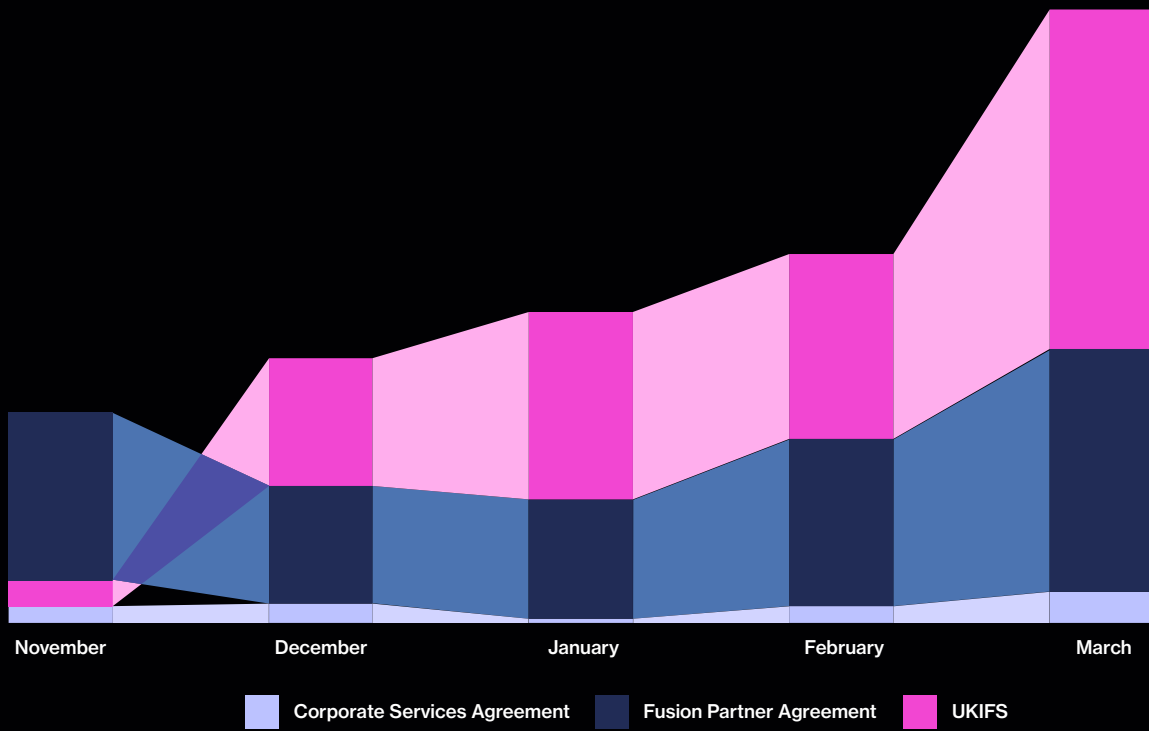
Type

- Corporate Services Agreement
- External Expenditure
- Fusion Partner Agreement
- Staff Costs (Other)
- Staff Costs (Permanent)

Budget & Actuals by Programme Area

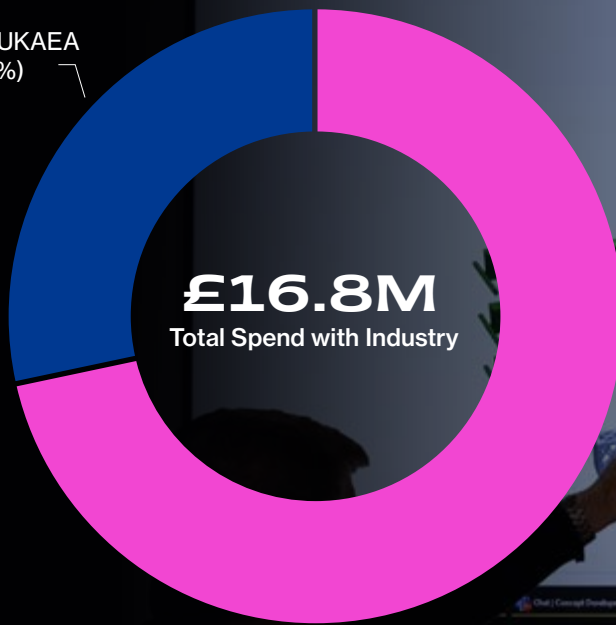


Expenditure Split by Type and Month



Spend with Industry

Spend via UKAEA
£4.8M (28%)



Direct UKIFS
Spend via UKAEA

Direct UKIFS
£12.0M (72%)

ENVIRONMENT & SUSTAINABILITY

As we lead the development of STEP, we recognise that the path to clean energy must also reflect environmental responsibility. While STEP promises significant long-term benefits, there are also near-term environmental impacts to consider during the project life cycle.

We are committed to minimising these impacts through responsible design choices, sustainable business practices, and rigorous environmental oversight. UKIFS operates within the UKAEA's certified ISO 14001 environmental management system, ensuring full compliance with statutory obligations and a structured approach to monitoring, managing, and improving our environmental performance.

Our goal is not only to deliver fusion energy, but to do so in a way that reflects our broader commitment to environmental stewardship. There are five areas of activity to enable the long-term environmental sustainability of the programme:

- **Develop and Inform the STEP Prototype Plant Design:** Ensuring lifecycle thinking and design for environment are fully embedded into decision making. In FY24/25 we developed the methodology to quantify and manage carbon use within the design, and tools within our Plant Information Management System to enable assessments as designs develop. Going forwards we will embed requirements and principles that integrate Design for Environment and whole lifecycle thinking into the design process and ensure these are embedded across all WPPs.
- **Develop Fusion Technology:** Recognising that the broad range of testing and development activities required to enable delivery of the SPP, whether physical or virtual will have environmental impacts, technology demonstration activities are already considering implications for the environment, including energy and water usage, as well as how enhanced approaches can be shared with other industries.
- **Establish Regulatory Frameworks:** Working with our regulators, partners and fusion industry peers to establish frameworks for application of site permissions and future operations. In FY24/25 we engaged with the Environment Agency and the Health and Safety Executive, the two UK fusion regulators, and through a series of workshops brought together technical teams to build understanding of requirements for a fusion regulatory framework. This work will continue into FY25/26 and beyond.
- **Assess and Develop the West Burton Site:** The construction of the SPP will transform the entire West Burton site. An early action is to identify the existing environment and define strategies to manage and mitigate impacts. Environmental scoping and impact studies are well-advanced. This includes an initial digital twin of the site using software based on initial photogrammetry surveys that can be combined with data from physical characterisation.

- **Enhance Corporate Sustainability:** Tracking environmental impacts of business operations such as business travel and performance of the West Burton site. The focus is on defining UKIFS sustainable business goals to align with the UN's 17 Sustainable Development Goals¹, identifying how UKIFS can deliver positive, enduring outcomes throughout the duration of the STEP programme.

Sustainability Reporting

The UKIFS Environmental strategy aligns with the principles of the UN Sustainable Development Goals (SDGs), particularly SDG 13 (Climate Action), SDG 12 (Responsible Consumption and Production), and SDG 9 (Industry, Innovation and Infrastructure). In support of these goals, the future adoption of Taskforce on Climate-related Financial Disclosure (TCFD)-aligned reporting frameworks is aligned with UKAEA's internal reporting matrix. TCFD provides a structured approach to disclosing the financial impacts of climate change. The climate risk and adaptation factors will be considered in the next annual report. By integrating TCFD principles into environmental planning and permitting processes, UKIFS aims to ensure that climate resilience and regulatory compliance are embedded within its long-term development goals.

UKIFS will adopt TCFD-aligned reporting to enhance transparency around climate-related risks and opportunities. While UKIFS is not yet subject to mandatory disclosure thresholds, we recognise the importance of early adoption and will review obligations regularly as operations expand.

As UKIFS commenced operations in 2024, it has not previously been in scope for the Greening Government Commitments. For the 2024–2025 reporting period, we will apply the permitted 'comply or explain' approach under the Sustainability Reporting Guidance.

While most infrastructure-related climate risks are managed under UKAEA's governance at Culham, and UKIFS does not yet own any infrastructure at West Burton, we recognise our responsibility to embed climate adaptation into our governance, programme planning, and decision-making processes. This includes consideration of flood risk, ecological sensitivity, and regulatory challenges associated with future site development.

During 2025, UKIFS will establish a comprehensive Environmental Management System to formalise procedures for identifying, measuring, and reporting Scope 1, 2, and 3 emissions. This will form the foundation of our sustainability strategy and provide a pathway towards compliance with ISSB/UK Sustainability Reporting Standards and evolving government expectations.

United Nations. (2015). Transforming our world: The 2030 Agenda for Sustainable Development (A/RES/70/1). <https://sdgs.un.org/goals>

STEP VALUES



WE CHAMPION SAFETY

We prioritise physical safety, making it fundamental in all our choices, fostering a culture of accountability and diligence with a safety-oriented approach.



WE ALL MATTER

We embody compassion, care for ourselves, colleagues, and those we engage with, embrace uniqueness, and promote inclusivity.



WE ACT AS ONE

We foster a collective mindset through shared commitment, collaboration, and honest, transparent dealings, ensuring effective cooperation to achieve goals.



WE EMBRACE CHANGE

We are adaptable and resilient, open to learning and evolving. We maintain balance in facing challenges, upholding well-being, unity, and efficiency.



WE ARE PIONEERING

We are bold in our thinking, embrace innovation, and act with courage.
We challenge norms, explore the unconventional, and strive for solutions.



WE DELIVER

As we evolve, we maintain a delivery mindset, staying focused and aligned with programme goals. We ensure optimal and timely delivery through efficient operations.

Delivering complex major programmes needs the right culture, across all partners. UKIFS has developed a clear and distinct culture that is being embedded into our systems and processes and will underpin leadership and people management. Health, Safety and Wellbeing is at the core of our STEP Values and Behaviours and will be increasingly important as operations increase at the West Burton Site.

PRINCIPAL RISKS AND UNCERTAINTIES

This section outlines the risk profile of the organisation. Detail on UKIFS' approach to risk management and control is included in the Accountability Report.

Navigating Uncertainty in a First-of-a-Kind Endeavour

The UKIFS/STEP operating model recognises that uncertainty is intrinsic; nobody has yet solved the fusion energy challenge and so our structures and delivery approach are designed to accommodate and capitalise on this: phased delivery enables management of uncertainty through tranches, building capability while delivering value at each stage. The programme is structured to evolve, with each tranche delivering tangible outcomes while informing and reducing risk for the next. A critical part of each tranche is mobilisation for the subsequent tranche, as demonstrated through establishment of UKIFS during FY24/25.

UKIFS Risk Appetite

Prior to establishment of UKIFS the STEP programme followed the UKAEA Public Sector Research Establishment (PSRE) risk management approach, including scoring scheme and risk appetite. With establishment of UKIFS and transfer of STEP programme responsibility, a revised risk scoring scheme and risk appetite statement, which recognised the differences between STEP (as a major programme) and UKAEA PSRE (as a national laboratory) was agreed. The current UKIFS/STEP risk appetite is shown below.

VERY LOW

Averse

Zero tolerance;
avoidance of risk is a priority

Fraud and Financial Compliance

Safety and Health of People

Compliance with legislation

LOW

Minimalist

Forced or very low tolerance;
preference for very safe options with minimal risk
where potential benefit/reward is
not a key driver

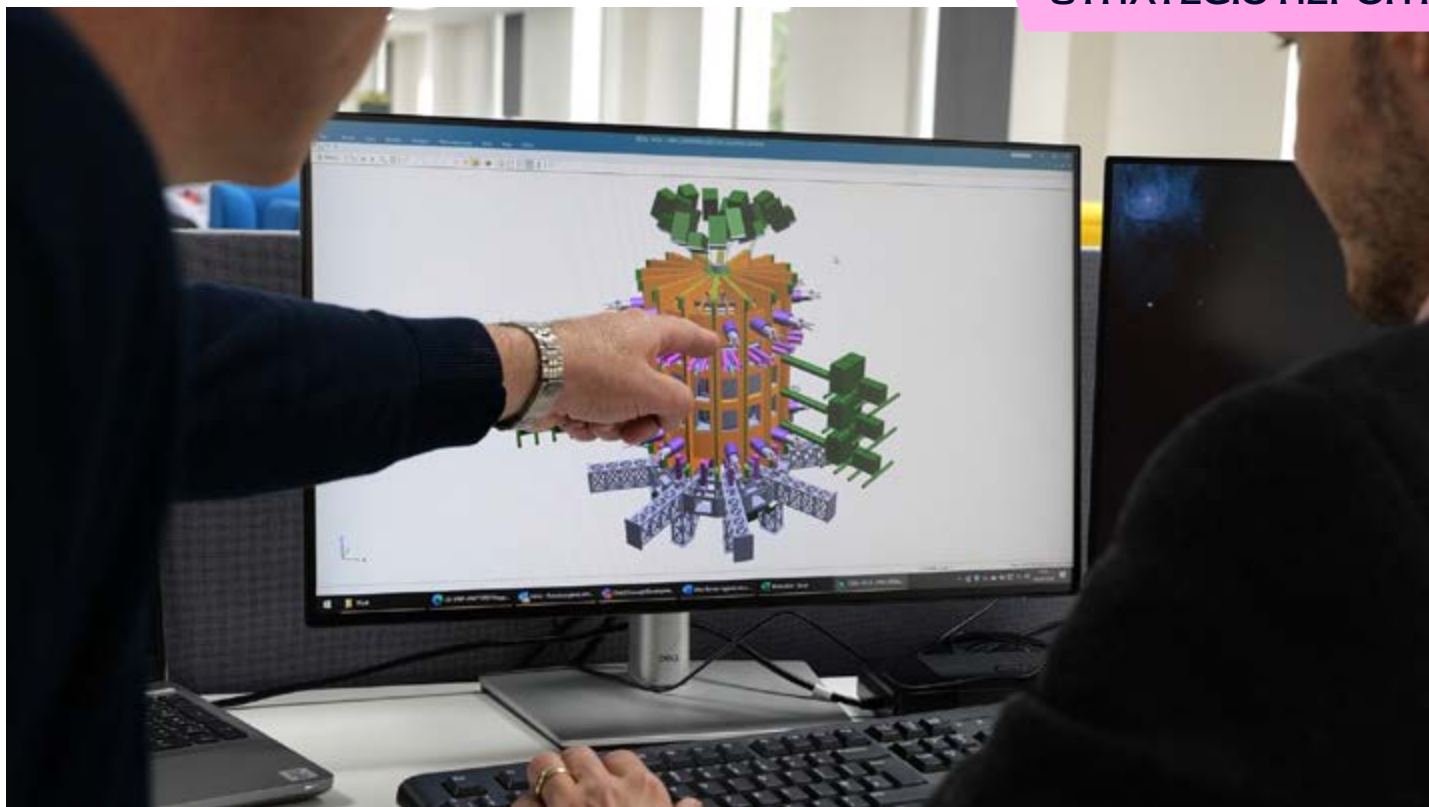
Values, Culture and behaviours

Ethical

Security

Information Management and Integrity

On Site Operations



MODERATE

Cautious

Limited/balanced tolerance; preference for safe options with some risk tolerated where justifies rewards

Budget

Protection of the environment

Intellectual Property

Reputation and Public Relations

Compliance with non-legislative requirements and good practice

Programme Management

Commercial

HIGH

Open

Willing to consider all potential options and choose the one most likely to result in successful delivery even when risks are high

Policy Compliance

External Investment and Business Development

VERY HIGH

Bold

Eager to be innovative and choose activities offering potentially very high rewards even if these activities carry very high risk

Technology Development and Engineering Definition

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

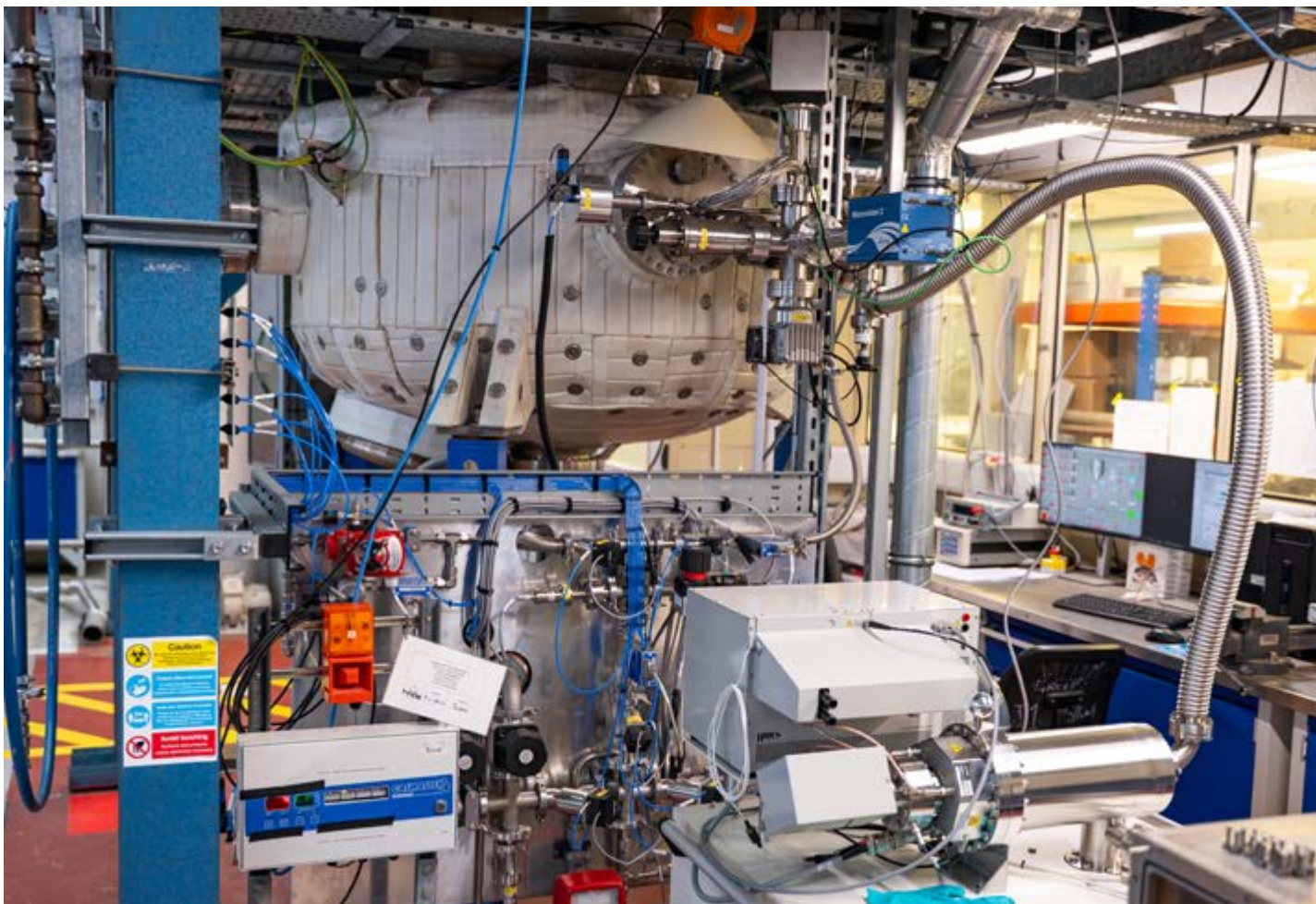
Strategic Risk Landscape

The STEP programme and UKIFS strategic risks reflect the scale and complexity of the challenge. These risks are actively managed through a structured framework, with clear ownership, defined mitigations, and regular review. The most significant risks, those that could impact the programme's ability to deliver its mission and Whole Programme Objectives (WPOs) or UKIFS operation as a company as part of UKAEA Group are summarised below, alongside previous and future mitigation actions.

Risk	Appetite	Mitigations	Trend
Design Solution (Technical Viability) Inherent complexity and uncertainty in the design and technology demonstrations.	Very High	Central to STEP's technical focus, demonstrating progress in design completeness and confidence through progressive baseline maturity. Mitigations include design capability development, external challenge via Fusion Technical Advisory Group (FTAG), and both physical and digital technology demonstration.	Stable
UKIFS Compliance: UKIFS discharging of legal and regulatory compliance to UKAEA Group or Government.	Low	Establishing and maturing of UKIFS as a formal company and subsidiary to UKAE Group. The transition work in FY24/25 standing-up UKIFS and governance functions was essential. In FY25/26 maturing UKIFS operation (part of wider Transition work) including the Corporate Services Agreement with UKAEA are central.	Improving
Stakeholder Support: Shifts in the national/international environment reduce long-term support.	High	Ongoing engagement with government, local authorities, communities and wider fusion industry. Multiple routes for engagement, including DESNZ and wider government (including APPG), the Fusion Industry Association and the STEP Strategic Collaboration Group which plays a convening role in and around the West Burton site.	Improving
Regulatory Environment: Regulatory evolution constrains innovation or adds cost/time.	Moderate	Proactive engagement with regulators (HSE and EA) and other permissioning bodies. The UK is already a global leader in enabling fusion regulation.	Improving
Partner Performance: Delivery performance of Whole Plant Partners.	Moderate	Commencing Fusion Partner operating and Competitive Dialogue key mitigations was key FY24/25. Future focus includes WPP selection and relationship development, behavioural frameworks, and collaborative governance (including contractual terms).	Stable
Third-Party Investment: External investment not attracted into STEP.	High	A wide range of activity including development of the longer-term UKIFS strategy, understanding future markets, confidence-building through design confidence and completeness (roadmaps, performance baselines) and active investor engagement.	Improving

Risk	Appetite	Mitigations	Trend
Fusion Supply Chain Development: Inability to catalyse a competitive UK fusion industry.	Moderate	During FY24/25 commencement of Competitive Dialogue and establishment of UKIFS and the Fusion Partner were key actions. Going forward mitigations include WPP selection, agreeing the Intellectual Property strategy, progressing international partnerships and development of the wider (non WPP) strategic supply chain.	Improving
Delivery Capacity & Capability: Insufficient capacity or competence across UKIFS and partners.	Moderate	Ensuring UKIFS and STEP have the required people, skills and wider systems. Significant activity associated with recruitment, training, and organisational development. Wider process and system work as part of the FY25/26 Transition programme.	Improving
Cybersecurity: Loss of sensitive data and/or Intellectual Property.	Low	A significant threat to any organisation, especially where IP is such a key part of STEP and our future value-proposition. Significant mitigations ongoing including Secure-by-design, cyber education, and collaboration with UKAEA.	Improving

While currently described as threats, each of the risk themes above also carry significant opportunities, which, if managed correctly, generate significant benefits. For example, maturity of the design solutions will generate IP, patents, etc., and while lack of a supply chain generates delivery threat, there is a massive industrial, economic and social opportunity to build a new industry based in the UK. As risks (threats) are managed and mitigated, benefits (as identified in the Full Business Case) will mature and progressively be realised.



Vacuum Pump Test Rig
Validating the Monte Carlo code for simulating cryopump technology for rapid tritium recovery in the fuel cycle.

SECTION 172 (1) STATEMENT

This statement sets out that the directors of the company have acted in the way that they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members, as required under the Companies Act 2006.

In exercising their duties to promote the success of the company, the directors have considered:

- the likely consequences of any decision in the long term
- the interests of the company's employees
- the need to foster the company's business relationships with suppliers, customers and others
- the impact of the company's operations on the community and the environment
- the desirability of the company maintaining a reputation for high standards of business conduct
- the need to act fairly between members of the company.

Further detail around how the directors have met these requirements can be evidenced in the Environmental Sustainability Report and key performance indicators sections of the Strategic Report, as well as in the Directors' Report and Governance Statement within the Accountability Report.

Approved by the Board on 27 November 2025 and signed on 28 November 2025 on its behalf by:



Paul Methven CB
CEO, UKIFS Ltd.





ACCOUNTABILITY REPORT



Elsa Cryogenic Test Rig
Testing certain aspects of the novel Remountable Magnet Joints (RMJs) architecture and technology at operational temperatures.

DIRECTORS' REPORT

The directors present their report together with the financial statements of the company for the year ended 31 March 2025. The company is registered in England and Wales and has registration number 14620804.

UKIFS Ltd is a private company, limited by shares, registered in England and Wales, and is a wholly owned subsidiary of the UK Atomic Energy Authority. These accounts cover the financial year 1 April 2024 to 31 March 2025. UKIFS started trading on 1 November 2024 and had no transactions between 1 April 2024 and 31 October 2024.

Directors are those Officers of the Company as appointed on Companies House.

Dr Luc Bardin

Non-Executive Director (appointed 1 June 2024)

Dr Tim Bestwick OBE

Non-Executive Director, Chief Technology Officer & Director of Strategy, UKAEA (until 17 July 2024)

Professor Sir Ian Chapman

Non-Executive Director, Chief Executive Officer, UKAEA

Professor David Gann CBE

Non-Executive Chair

Grazka Kazmierska

Finance Director (appointed 10 June 2024)

Paul Methven CB

Chief Executive Officer

Julie Nerney

Non-Executive Director (appointed 1 May 2024)

Kaveh Pourteymour

Non-Executive Director (appointed 1 May 2024)

John Staples

Non-Executive Director

Professor Charlotte Valeur

Non-Executive Director

Dr Tim Bestwick OBE was not a Director during UKIFS' period of operation between 1 November 2024 and 31 March 2025. Following Ian Chapman's departure as UKAEA CEO on 31 July 2025, Tim Beswick become the UKAEA CEO, was appointed as a UKIFS Director on 1 August 2025 and is currently the UKIFS Accounting Officer. Ian Chapman remains on the UKIFS Board as a Non-Executive Director.

Conflicts of interest – the Board

Board members update UKIFS Ltd on conflicts of interest on appointment and when they arise. All business interests are disclosed and recorded in the Register of Interests. Should a conflict be identified, members are excluded from the affected part of the meeting and prevented from receiving any relevant materials where appropriate.

Duty to promote the success of the company

Through their roles, the directors act in line with their duty to promote the success of the company. The best interests of the company are paramount in decisions taken by the Board and the directors also recognise their collective responsibility to foster the company's business relationships with suppliers and other stakeholders, through their decision making.

Principal activities

The principal activities of UKIFS Ltd are set out in the Strategic Report under the business model section on page 20.

Dividends

The Company did not pay a dividend for FY2024/25.

Company policy on payment of creditors

UKIFS supports the Better Payment Practice Code in its treatment of suppliers with the aim of paying undisputed invoices as soon as possible. The key principles are to settle the terms of payment with suppliers when agreeing the transaction, to settle disputes on invoices without delay and to ensure that suppliers are made aware of the terms of payment and to abide by those terms.

During the year, UKIFS has achieved a 97.0% success rate for payment of suppliers in accordance with terms.

The average number of payment days from invoice date was 5.9 days. These statistics are reported for all invoices received, we do not distinguish if the invoice was valid or not

Monitoring of payments made during the year ended 31 March 2025 shows that 94.6% of approved invoices were paid within 30 days of invoice date.

No claims were made against UKIFS Ltd in 2024/25 for the late payment of invoices under the Late Payment of Commercial Debts (Interest) Act 1998.

Charitable and political contributions

During the year, UKIFS Ltd made no charitable or political contributions.

Disclosure of information to auditors

As far as the directors and the Accounting Officer are aware, there is no relevant audit information of which the auditors are unaware. The directors and accounting officer have taken all necessary steps required to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Approved by the Board on 27 November 2025 and signed on 28 November 2025 on its behalf by:



Professor David Gann CBE
Chair, UK Industrial Fusion Solutions (UKIFS) Ltd

STATEMENT OF DIRECTORS' AND ACCOUNTING OFFICER'S RESPONSIBILITIES

The Directors and Accounting Officer are responsible for ensuring that the Annual Report and financial statements are prepared in accordance with applicable law and regulations and that proper accounting records are maintained that disclose, with reasonable accuracy at any time, the financial position of UKIFS Ltd and which enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors and Accounting Officer are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of UKIFS Ltd and of its income and expenditure, Statement of Financial Position and cash flows for the financial year.

In preparing accounts, the Directors and Accounting Officer are required to comply with the requirements of the Government Finance Reporting Manual (FReM) and the Companies Act 2006, and in particular to:

- observe the accounts direction issued by the Secretary of State DESNZ, including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis.
- make judgments and estimates on a consistent and reasonable basis.
- confirm that applicable accounting standards as set out in the Government FReM have been followed and disclose and explain any material departures in the financial statements.
- prepare the financial statements on a going concern basis.
- confirm that the Annual Report and Accounts is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

The DESNZ's Principal Accounting Officer, acting on behalf of HM Treasury, has designated the Chief Executive Officer of UKAEA as the Accounting Officer of UKIFS Ltd. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding UKIFS' assets, are set out in Managing Public Money published by the HM Treasury.

Fair, balanced and understandable requirement

The Accounting Officer confirms that the Annual Report and Accounts are fair, balanced and understandable and takes personal responsibility for the Annual Report and Accounts and the judgments required for determining that they are fair, balanced and understandable.

As the Accounting Officer and CEO of UKIFS Ltd. we have taken all reasonable steps to make ourselves aware of any relevant audit information. To the best of our knowledge, there is no relevant audit information of which the auditors are unaware.

Signed on behalf of the Board



Dr Tim Bestwick OBE
Accounting Officer



Paul Methven CB
CEO, UKIFS Ltd



GOVERNANCE STATEMENT

Scope of responsibility and purpose of the governance statement

As CEO of UKIFS Ltd, I have delegated responsibility from the UKAEA Group Accounting Officer for maintaining a sound system of governance and internal control that supports the achievement of UKIFS Ltd policies, aims and objectives, whilst safeguarding public funds and assets. This Governance Statement, for which I am personally responsible, sets out how I have discharged my responsibility to manage and control UKIFS resources during the period from 1 November 2024 to 31 March 2025. It sets out the governance framework and control structure of UKIFS, its stewardship and corporate governance, and the framework in place to evaluate the effectiveness of the risk management process.

Corporate Governance

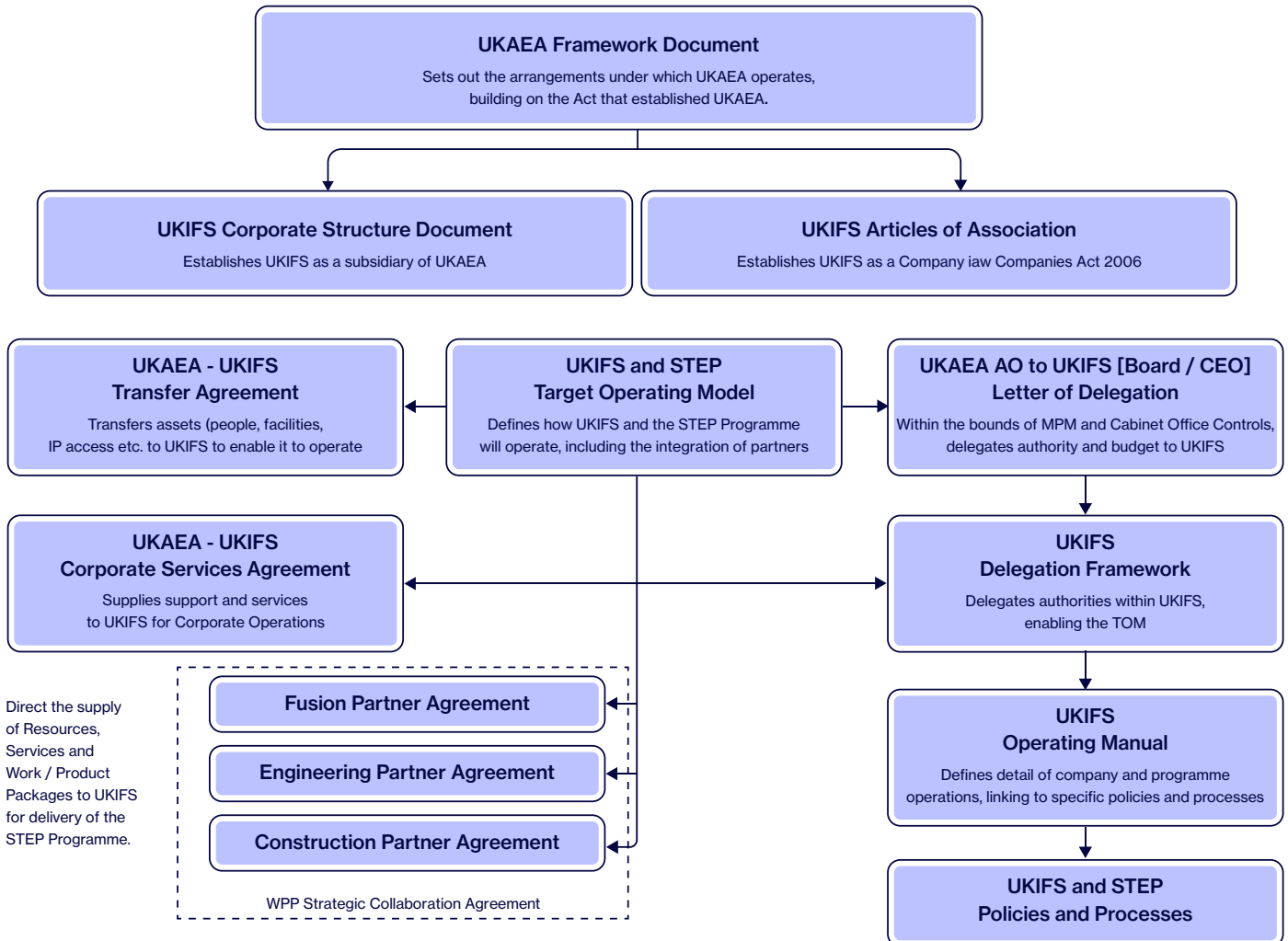
The UKIFS Corporate Structure Document sets out the overall governance framework and formal operating relationships between UKIFS and UKAEA Group in its role as Shareholder. It establishes the Company's core responsibilities and establishes a reference point to support both UKIFS and UKAEA in how they make key decisions. The Delegated Authority Letter from

the UKAEA Group Accounting Officer to the UKIFS CEO further sets out the transfer of formal delegated spending authorities and budget allocations within specific limits and guidelines. The UKIFS Delegation Framework delegates these authorities within UKIFS, with financial and commercial approvals underpinned by system controls.

Key Documentation outlining the UKIFS operating structure and relationship with UKAEA

The UKIFS Corporate Structure Document and Delegated Letter of Authority sit within a hierarchy of key documents and processes that support the UKIFS Target Operating Model and the Company's relationship with UKAEA Group.

This documentation was approved by the UKAEA Board and became operational on 1 November 2024. Key elements of these procedures and agreements support in setting out the corporate governance framework in UKIFS, and in delivering compliance and providing assurance to the Group and are referred to as relevant in this Statement.



UKIFS Target Operating Model – Documentation Hierarchy and Relationships

For many policies and processes in current operation, UKIFS has adopted the relevant UKAEA position and many of the activities that support those processes are still undertaken by UKAEA under the Corporate Services Agreement (CSA), though accountability rests with UKIFS. Therefore, UKIFS takes considerable assurance from UKAEA's compliance with its arrangements. Over time, UKIFS will progressively develop more bespoke policies and processes better suited to its unique purpose, and as that occurs it will introduce more bespoke assurance arrangements for those cases.

Management information and quality of data

UKIFS monitors and reviews its strategic reporting, to ensure high quality management information is supplied to the executive and the Board. Through the reporting period, information was produced and supplied by both UKIFS itself and by UKAEA, through a Corporate Services Agreement. The quality and timeliness of information is considered to be acceptable and has allowed the Board to make informed decisions and receive adequate assurance on both programme and company matters. UKIFS ensures that its management information and reporting arrangements are subject to review and continuous improvement in order to make the most effective use of data and technology to better support delivery of the programme and further the aims of the Company.

Compliance with Corporate Governance in Central Government Departments: Code of Good Practice

UKIFS has reviewed its compliance with the provisions of corporate governance in central government departments: Code of Good Practice April 2017, and complies or intends to comply (noting the annual nature of some requirements that UKIFS will complete within its first year of operation), with the following explained exceptions:

Provision	Explanation
5.3 The board's regular agenda should include scrutinising and advising on risk management.	The Board has considered risk management as part of broader agenda items (such as technical deep dives and in discussing organisation capability) and the Audit and Risk Assurance Committee considers specific papers and provides assurance on the risk management system. The Board forward work plan will include regular formal risk papers on a planned and scheduled basis.
5.5 The head of internal audit should periodically be invited to attend board meetings, where key issues are discussed relating to governance, risk management processes or controls across the department and its ALBs.	The UKAEA Group Head of Internal Audit attends the Audit and Risk Assurance Committee and has unfettered access to Board members. UKIFS did not have a separate internal audit plan in 2024/25 but will have one for 2025/26 and the UKAEA Group Head of Internal Audit will be invited to attend the UKIFS Board for specific and relevant agenda items. During FY25/26 UKIFS will recruit a director with explicit responsibility for assurance.
5.14 The terms of reference of the audit and risk assurance committee, including its role and the authority delegated to it by the board, should be made available publicly.	The terms of reference of the audit and risk assurance committee are not on the UKIFS website as it is a private limited company rather than a government department.

GOVERNANCE STATEMENT

(continued)

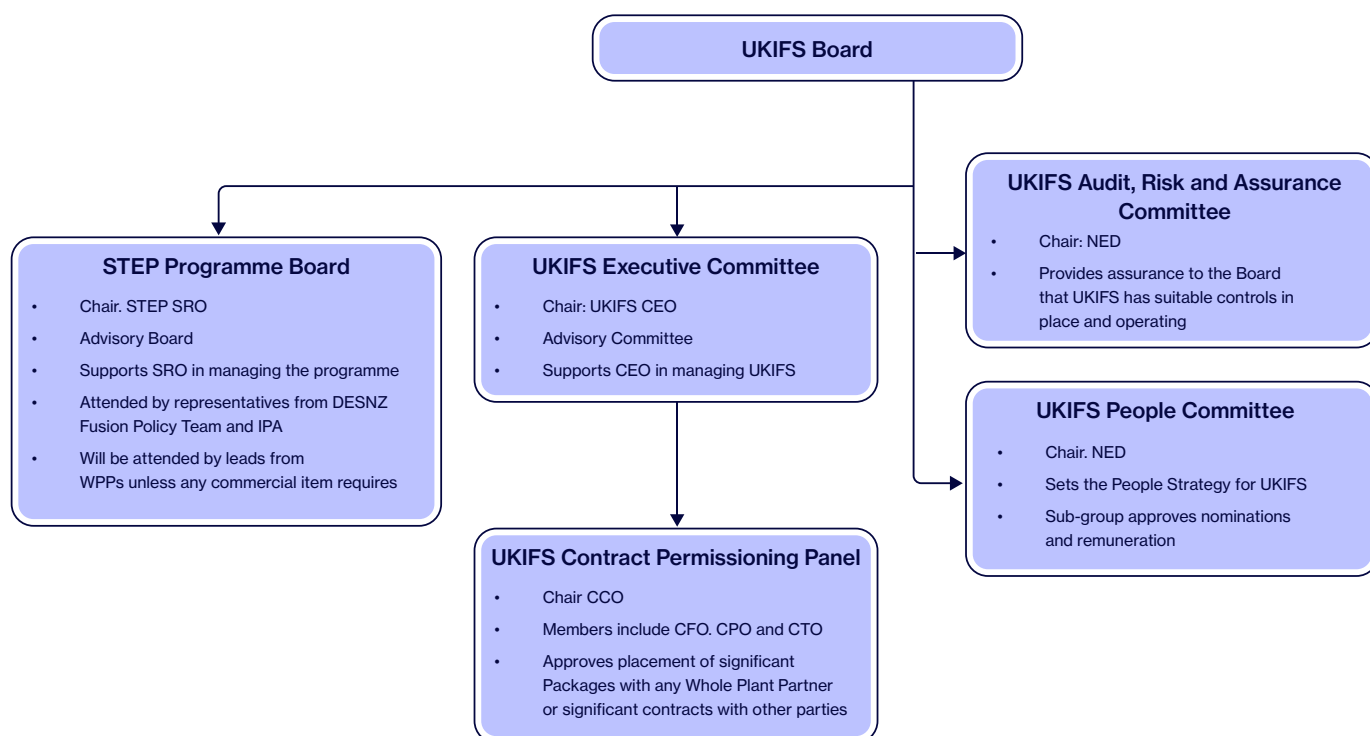
Governance Model

The key Corporate Layer Governance bodies within UKIFS are as follows. All are in operation with agreed Terms of Reference and have full membership.

- UKIFS Board.** Led by an independent non-executive Chair, this fiduciary Board provides strategic leadership and oversight of the Company (both as a limited company and as a subsidiary of a Non-Departmental Public Body (NDPB)) and therefore of the company's current sole programme, Spherical Tokamak for Energy Production (STEP). The Board also comprises a Shareholder Representative (UKAEA CEO / AO), a Sponsor Department Representative (Director of Fusion and Advanced Nuclear Energy), the UKIFS CEO, UKIFS Finance Director and other independent Non-Executive Directors.
- Audit and Risk Assurance Committee (ARAC):** A committee of the UKIFS Board, the role of the UKIFS ARAC is to support and advise the UKIFS Board and the UKIFS CEO by independently overseeing audit and compliance, and reviewing the approach taken to the management of risks including but not limited to the integrity, efficacy and effectiveness of all matters relating to sound systems of internal control, including, but not limited to the safety, health and environmental (SHE) management system, the risk management processes, the integrity of the financial statements, and the UKIFS annual report. The ARAC also review the approach taken to maximising opportunities to generate value and growth.
- People and Culture Committee (PCC):** A committee of the UKIFS Board with the responsibility for ensuring the proper

and effective composition of the Board and designing and determining the policy for remuneration for the Chair, Non-Executive Directors, Executive Directors and the next level of senior management, including any person appointed as UKIFS Company Secretary. It will also maintain oversight of the UKIFS People agenda, organisational culture, and workforce development, as well as ensuring equality, diversity and inclusion (ED&I) remain at the forefront of the programme. The PCC is not a decision-making committee, instead bringing recommendations to the UKIFS Board.

- UKIFS Executive Committee.** Chaired by the UKIFS CEO, this body manages the day-to-day operations of UKIFS, within the boundaries set by the founding documents and the delegations received from the UKAEA AO. It focuses on ensuring the capability needed to deliver the STEP Programme is in place as well as the effective and compliant operation of the Company, leaving the Programme Board to focus on STEP delivery.
- The STEP Programme Board:** A sub-committee of the UKIFS Board, chaired by the STEP Senior responsible Owner (SRO) who is also the UKIFS CEO, this body supports the SRO in managing the STEP Programme, taking inputs on the enabling capability of UKIFS as a Company but focussing on programme delivery.
- UKIFS Contract Permissioning Panel:** Reporting to the UKIFS Executive Committee, this Panel is the UKIFS Approving Authority for significant Packages to be placed with Whole Plant Partners or any other external suppliers.



In addition, the UKIFS Risk and Change Committee (RCC), a sub-committee of the Programme Committee, reviews both programme and corporate risks monthly, and changes to programme deliverables and scopes of work, with escalation as necessary into the STEP Programme Board and the UKIFS Executive Committee

Risk Management

During the first seven months of FY24/25, the STEP programme was delivered from within UKAEA and hence operated within the wider UKAEA approach to risk management.

After TM2 our risk landscape shifted as UKIFS took formal responsibility for company governance and compliance previously managed by UKAEA, within an agreed risk appetite.

UKIFS operates a three-tier risk management framework aligned with the STEP programme's phased delivery model:

- **Tier 1 (Strategic Risks):** Long-term risks to mission delivery and organisational viability. Such risks are owned by UKIFS Directors and Executives and reviewed monthly.
- **Tier 2 (Tranche Risks):** Risks specific to the current tranche (e.g. Tranche 2a). Generally owned at Senior Leadership levels and reviewed by UKIFS Executive Committee or STEP Programme Committee.
- **Tier 3 (Project Risks):** Operational or Project level risks owned and managed by delivery teams, often technical leads. Reviewed monthly at the Programme Steering Team.

UKIFS has developed its own risk management strategy and reviews risks monthly at the Risk and Change Committee (RCC), a sub-committee of the Programme Committee, which reports directly to Programme Board and the UKIFS Executive Committee on strategic level risks. A risk report has been reviewed by the ARAC in its December and March sessions, in addition to risk deep-dives.

Additional UKIFS company risks have been identified, including on Internal Controls, Corporate Compliance and Cyber Protection, and placed under active management through company structures. While a sizeable proportion of risk treatment in these areas is provided by UKAEA through the Corporate Services Agreement (CSA) and formal UKIFS corporate governance structures have now been established and are proving effective, UKIFS is also bolstering internal capabilities through additional recruitment, system changes and updates, and critically a programme of wider team development and communications to ensure the cultural, behavioural and policy changes post TM2 are understood and embodied by all.

UKIFS' risk appetite aligns to its strategy. Our approach is to minimise our exposure to risks to our people and their safety, our reputation and corporate governance whilst accepting and encouraging an increased degree of risk in pursuit of our key strategic objectives. Specifically, we must seek, and be comfortable with, increased exposure in some technology areas where innovation (and the required mindset and attitude) is essential for STEP to be a success.

At the end of FY24/25 a revised set of UKIFS-company and STEP-programme risks has been agreed and is under active management across both STEP programme, and UKIFS company structures, and governance. While formally owned and managed through company or programme governance structures, it is essential both categories of risk are understood as a whole; this is achieved through the RCC and UKIFS ARAC covering all risks.

Our detailed product-level technical risks have been transferred into the Plant Information Management System (PIMS), a digitally based Product Lifecycle Management system utilised in UKIFS to better enable integrated design, assumption and risk management, and as that will improve data management and control of Intellectual Property. Work is ongoing to consider the extent to which other non-technical risks may be more effectively managed in PIMS going forward or in another tool, though presently those are still managed through the same systems and mechanisms as UKAEA.

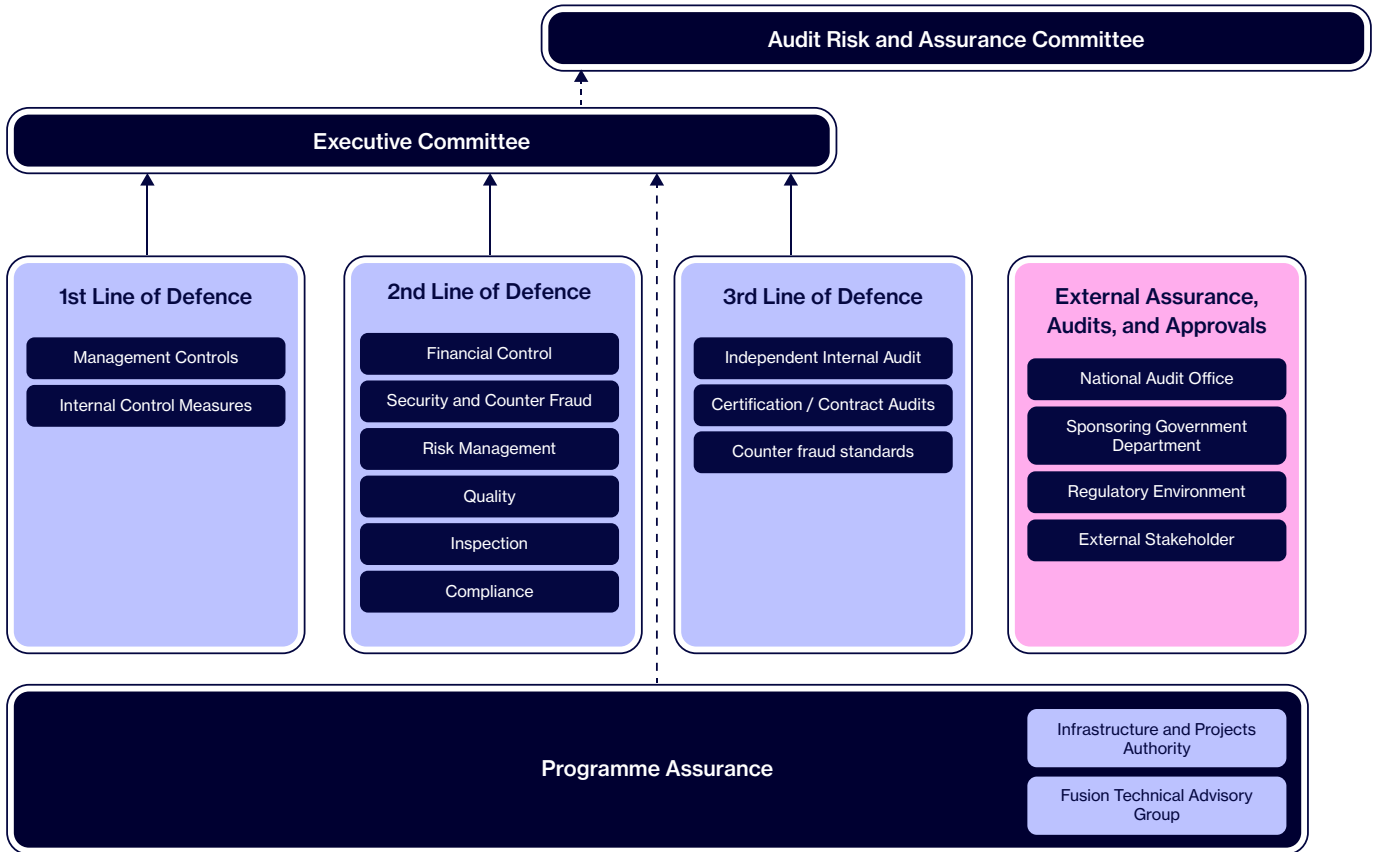
Our overall risk trajectory remains positive, and looking to FY25/26 our focus is to further improve risk management, addressing key threats associated with design maturity, site development, and organisational capacity and capability growth. With planned appointment of our industrial Whole Plant Partners, the selection of a location for the Plant at West Burton and commencement of non-statutory Development Consent Order consultation, the next year brings significant opportunity to clarify key aspects of STEP, reducing uncertainty and enabling development of longer-terms plans and costs, which in turn will help address outstanding risks which remain outside of tolerance.

GOVERNANCE STATEMENT

(continued)

Assurance

UKIFS has developed an Assurance Strategy and is adopting the three Lines of Assurance model, consistent with UKAEA's approach. The Company is actively maturing the assurance mechanisms it utilises to assess the effectiveness of its governance and control arrangements within the three lines of defence model, as outlined below, and will increasingly look to assurance effectiveness and efficiency (performance) of processes as well as compliance.



UKIFS three lines of defence model in 24/25

The UKIFS assurance framework has started to take shape in the form of three lines of defence being embedded across the organisation as the basis for all assurance activities, and programme assurance processes are well established. Alongside this, there is an agreed approach on adherence to the Governmental Functional Standards as a baseline measurement with the Good/Should statements as a target. This sits in its infancy due to the immaturity of the organisation, but planning is underway for all relevant statements to be attained within the first year of UKIFS standing up. There are ongoing activities to strengthen the assurance across UKIFS through a variety of avenues, with an aspiration to gain ISO accreditation.

Group Internal Audit

UKIFS’ internal audit programme is provided by UKAEA Group Internal Audit which operates across the UKAEA Group in accordance with the Government Functional Standard GovS009: Internal Audit. It provides assurance on the adequacy and effectiveness of UKIFS risk management, control, and governance frameworks driven by strategic objectives, risk appetite, and potential risk exposures. It also provides UKIFS with assurance on Group processes and services provided by UKAEA.

Operating in line with the UKIFS Internal Audit Charter, approved by the UKAEA Accounting Officer and the UKIFS ARAC, Group Internal Audit executes their responsibilities through the delivery of a 3-year rolling programme that extends across multiple audit disciplines, and reports progress regularly to the UKIFS ARAC.

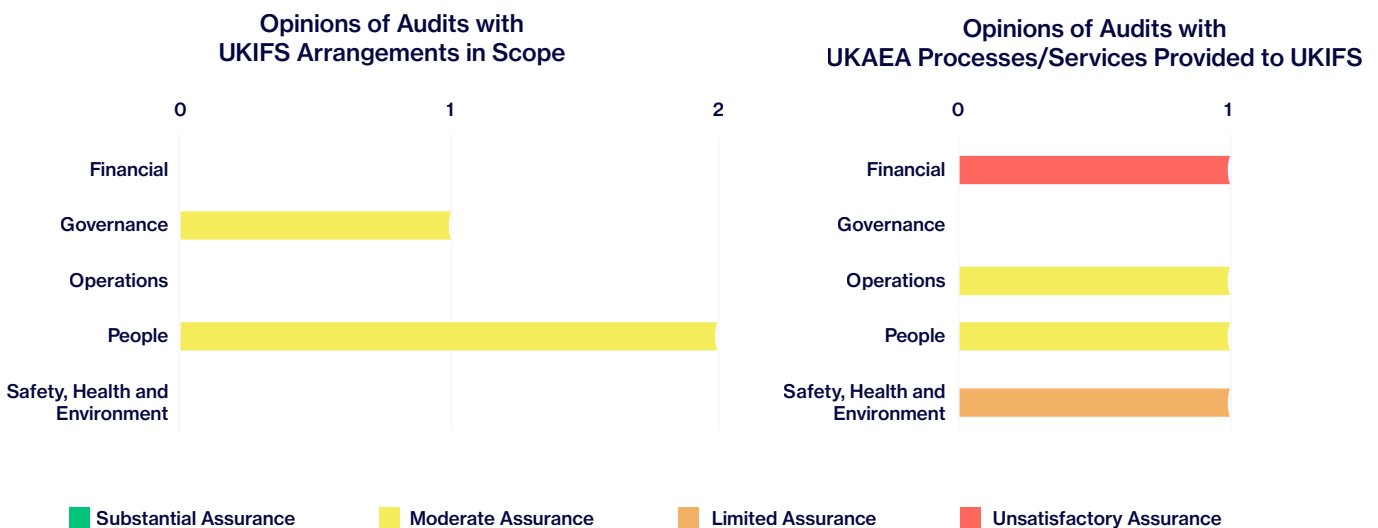
The breadth of the internal audit function extends to the management system audit programme focused on operational safety, health, environment, and quality performance, providing a holistic view of assurance across operational and functional areas

Audit Results

2024/25 audit results for UKIFS are reflective of the work undertaken from 1 November 2024, that has provided assurance to UKIFS ARAC on UKIFS arrangements, as well as UKAEA Group processes and services provided to the company. The full UKAEA Group results are presented in the 2024/25 UKAEA Annual Report & Accounts.

Focusing assurance on the top risks, key controls, and significant changes, this year’s audit plan delivered audit engagements across the following areas for UKIFS:

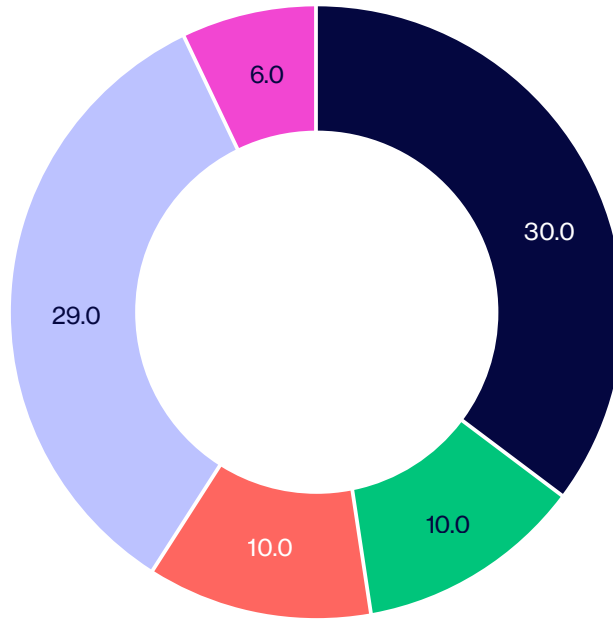
The audit opinions of engagements conducted in those areas is displayed below:



GOVERNANCE STATEMENT

(continued)

Number of Audit Days by Risk Area



Type

- Financial
- Governance
- Operations
- People
- Safety, Health and Environment

Moderate Assurance opinions reflect arrangements with a generally sound system of internal control, governance and risk management with some improvements identified to enhance their adequacy and effectiveness.

Two areas (relating to UKAEA Group processes) were highlighted as requiring improvement to strengthen arrangements:

Financial	Safety, Health & Environment
<p>Travel & Subsistence</p> <p>Travel processes and the associated contract management activities were found to be inadequate and inefficient. Immediate corrective controls have been identified to strengthen arrangements and a longer-term end-to-end review is underway to develop an overarching travel framework aligned to the audit recommendations and best practice.</p>	<p>Emergency Planning</p> <p>Weaknesses were identified in emergency preparedness and response arrangements at both site and facility levels. Significant changes to emergency arrangements have been implemented with further activities identified to enhance consistency, strengthen effectiveness and improve governance.</p>



GOVERNANCE STATEMENT

(continued)

Group Internal Audit Opinion

Due to the audit results for UKIFS only representing arrangements from 1 November 2024 and the utilisation of UKAEA Group processes by the company during this period, the annual opinion for UKIFS is the same as UKAEA Group as reported in the 2024/25 UKAEA Annual Report & Accounts. Based on all UKAEA Group audit work undertaken for the year and considering all available evidence, the Group Head of Internal Audit has provided a moderate assurance opinion that there is a generally sound system of internal control, governance and risk management for the 2024/25 year.

The full opinion is provided in the 2024/25 UKAEA Annual Report & Accounts, however, the considerations pertinent to UKIFS audit work include the following:

- All audits were undertaken in the year with revised changes approved by UKAEA and UKIFS ARACs
- 100% of the agreed audit programme has been completed
- Unsatisfactory audit opinion from the Travel and Subsistence Audit highlighting inadequate travel contract management and processes
- Limited assurance opinion from the Emergency Planning Audit where weaknesses were found in emergency preparedness and response arrangements at both site and Facility levels
- 100% of audit recommendations accepted by management from completed audits with robust and timely action plans in place. There is continued support from management to ensure that audit actions are completed on time with 82% completed on time with only 3 low priority actions overdue at year end
- Observations from the payroll assurance board, and the U4BW change advisory board embedded assurance which show good control and monitoring.

Assurance processes

Overall, assurance processes are developing in line with the Company as it grows, with established programme assurance procedures supported by developing UKIFS Company approaches that use UKAEA policies and principles as the underlying basis for development.

Other controls and processes, including local controls

UKIFS developed a suite of policies and processes to enable effective operation ahead of 1 November, the point at which UKIFS assumed responsibility for the delivery of the STEP programme. These sit in the UKIFS document hierarchy under the Operating Manual.

Most policies, particularly corporate policies, mirror the UKAEA Group or UKAEA PSRE approach. The UKIFS Operating Manual was launched in March 2025 outlining the suite of policies UKIFS follows. As part of embedding the approaches agreed across the organisation, in 25/26 UKIFS will review effectiveness and efficiency of these policies and where gaps either in policy or implementation exist. Key controls and notable events in 24/25 are noted below:

Corporate Services Agreement

UKAEA Group supply services to UKIFS by way of a Corporate Services Agreement (CSA) which enables UKIFS to operate effectively as a subsidiary NDPB and Company. Services are provided principally into the UKIFS Corporate Layer. Responsibility for effective service delivery within each function sits with functional leads, with quarterly reviews of the implementation and management of the overall agreement between UKIFS and UKAEA. UKIFS also relies on assurance of controls provided through these services by UKAEA. These includes those areas highlighted as requiring improvement to strengthen arrangements by Group Internal Audit, and UKIFS has worked with UKAEA to ensure these controls are being strengthened across the Group.

Whistleblowing

UKIFS follows the UKAEA Group Whistleblowing procedure, and there were no whistleblowing concerns reported in the five months of operation up to 31 March 2025.

Counter Fraud

UKIFS follows the Group Fraud Response policy and is supported by number of Group processes to deliver counter fraud activities through the Corporate Services Agreement. UKIFS has undertaken a gap analysis of its adherence to the 'shall' elements of the Government Functional Standard on Counter Fraud, with the results informing the Counter Fraud Action Plan for 25/26.

There were no reports of fraud identified in the period to 31 March 2025.

Data incidents

There were no reportable data breaches or data loss incidents in the period to 31 March 2025.

Indemnities

After the reporting period, UKIFS identified a weakness in controls relating to arrangements on standard indemnities in licences to third parties. Management has since implemented measures to manage any risks relating these arrangements and strengthened controls to ensure consistency with UKIFS delegated authority.

Declaration of outside interests

UKIFS follows Group policy on declaration of outside interests and ran a specific exercise in March for all senior staff, and staff in relevant roles to complete a declaration.

Cabinet Office controls

UKIFS complies with relevant Cabinet Office controls, with review of potentially relevant transactions undertaken by the Commercial team as outlined in the UKIFS delegation manual.

BOARD AND COMMITTEE REPORT

UKIFS Board Report

UKIFS Board	
Terms of Reference	Approved in March 2024
Roles and Responsibility	<p>The UKIFS Board provides strategic oversight of the Company ensuring delivery of the Company's Strategic Objectives, in accordance with the purposes as set out below, regulatory and common law duties, and responsibilities under the UKIFS Corporate Structure Document.</p> <p>The Company's strategic objective is to lead and integrate the capability and knowhow to deliver the commercial fusion energy plants of the future, through leading the design, build and operation of a cost-effective UK prototype and to develop capacity and capability in the supply chain to support and service such activities.</p>
Chair	Professor David Gann CBE
Number of Meetings	Five (5)

Membership	Non-Executive Director	Attended / Due	
Gender Diversity chart F3:M6	Professor David Gann	5/5	
	Dr Luc Bardin	5/5	
	Professor Sir Ian Chapman	4/5	
	Julie Nerney	5/5	
	Kaveh Pourteymour	4/5	
	John Staples	4/5	
	Professor Charlotte Valeur	5/5	
	Executive Member		
	Paul Methven	4/5	
	Grazka Kazmierska	5/5	
Board Attendee			
Jamie Stapleton	3/5		

Overview and Key Duties

The Board operated in shadow form until the Company was formally stood up on 1 November 2024 and has met formally on five times since then. The Board also held a workshop focused on strategy with the Executive team in December 2024.

The Board is responsible for:

- establishing the overall strategic direction of UKIFS within the policy and resources framework agreed with the responsible government minister
- reviewing corporate objectives, goals, and performance against these
- approving the annual accounts, budget, and corporate business plan
- reviewing and approving proposals to start new activities or to discontinue existing activities
- ensuring that high standards of corporate governance are always observed
- reviewing corporate risks, and reviewing the safety, environmental, and security performance of UKIFS.

In addition to routine business and updates, issues covered at Board meetings throughout the year included:

November 2024	<ul style="list-style-type: none"> ■ Review of draft Full Business Case (FBC) ■ People and workforce ■ Appointment of the external auditor
December 2024	<ul style="list-style-type: none"> ■ Approach to Business Plan ■ Selection questionnaire
January 2025	<ul style="list-style-type: none"> ■ West Burton progress update ■ Intellectual Property strategy ■ Budget and business planning
February 2025	<ul style="list-style-type: none"> ■ Business Pzlan ■ Budget ■ Resourcing and capability
March 2025	<ul style="list-style-type: none"> ■ Draft Annual Governance Statement ■ Dependencies update (UKAEA and UKIFS) ■ West Burton progress update

BOARD AND COMMITTEE REPORT (continued)

The Board receives a technical update at each meeting to provide information and assurance on different aspects of the programme including key technical risks, breeder blankets, fuel cycle and power and cooling.

The Board delegates responsibility for day-to-day and business management control to the CEO who is assisted by senior management

Directors' Independence

The Non-Executive Directors constructively challenge and help develop proposals on strategy, and bring strong and independent judgement, knowledge, and experience to the Board's deliberations. They are of high calibre and sufficient number that their views carry significant weight in the Board's decision making.

The non-executive directors are:

- David Gann, Chair of the Board
- Luc Bardin, non-executive director and UKAEA non-executive director
- Ian Chapman, non-executive director and CEO of UKAEA
- Julie Nerney, Chair of the Audit and Risk Assurance Committee
- Kaveh Pourteymour, non-executive director
- John Staples, non-executive director and Director for Advanced Nuclear Strategy and Fusion Energy in the Department for Energy Security and Net Zero
- Charlotte Valeur, Chair of the People and Culture Committee and Senior Independent Director

All the Non-Executive Directors are independent of the UKIFS executive team. In addition, Charlotte Valeur, Julie Nerney and Kaveh Pourteymour all meet additional requirements that reflect an enhanced level of independence. Specifically, none of these Non-Executive Directors:

- Has been an employee of UKIFS within the last five years.
- Has, or has had within the last three years, a material business relationship with UKIFS.
- receives remuneration from the Company other than a director's fee and expenses incurred in carrying out their duties.
- has close family ties with any of UKIFS' advisers, directors or senior employees.
- holds cross-directorships or has significant links with other directors through involvement in other companies or bodies.
- has served on the Board for more than nine years.

For the other Non-Executive Directors:

- David Gann was previously Chair of UKAEA.
- Luc Bardin is a current non-executive director of UKAEA (the shareholder).
- During the reporting period, Ian Chapman was an employee and executive member of the UKAEA (the shareholder). As UKAEA CEO, Ian Chapman was also the Accounting Officer for UKIFS.
- John Staples is an employee of DESNZ (Sponsoring Department).

BOARD AND COMMITTEE REPORT (continued)

Board Composition

The Directors' biographical details below demonstrate the diverse range of experience from positions at the highest level in the UK scientific and business community.



Prof. David Gann CBE
Chair

David is a university and business leader, Chair and Non-Executive Director with a reputation for creating and supporting innovation and growth, and mentoring science-based start-ups. He is a leader in the development of fusion energy and was previously Chair of UK Atomic Energy Authority.

Until recently, David was Pro-Vice-Chancellor Development & External Affairs at the University of Oxford, and prior to that Vice-President (Innovation) at Imperial College London. David frequently advises governments and was a member of the UK Government's Innovation Expert Group and the Ministry of Defence's Technology and Innovation Board.



Paul Methven CB
CEO & Senior Responsible Owner for STEP

Paul was appointed Chief Executive Officer of UK Industrial Fusion Solutions Ltd in October 2023. He joined the STEP programme in September 2020 from the Ministry of Defence, where he was Director of Submarine Acquisition at the Submarine Delivery Agency. In this role he was responsible for Dreadnought, the UK's second largest major programme after HS2, and has previously led several other complex major programmes across the MoD.



Prof. Sir Ian Chapman
UKAEA Group Chief Executive Officer

Ian became CEO of the UK Atomic Energy Authority in October 2016. In 2023, he was knighted in the King's New Year's Honours, made an Honorary Fellow of the Nuclear Institute and elected a Fellow of the Royal Society. He has held several international roles in fusion, currently including membership of the Princeton Plasma Physics Advisory board and chairing the IAEA International Fusion Research Committee.

Ian's research has been recognised with several international awards, including the Institute of Physics Paterson Medal in 2013, the American Physical Society Stix Award in 2017, the Royal Society Kavli Medal in 2019 and the Institute of Physics Glazebrook Medal for leadership in 2021. He was made a Fellow of the Institute of Physics in 2013, became a visiting Professor at Durham University in 2015 and elected as a Fellow of the Royal Academy of Engineering in 2022.

Ian left UKAEA to become CEO of UK Research and Innovation in August 2025. He remains on the UKIFS Board as a Non-Executive Director.



Prof. Charlotte Valeur
Non-Executive Director

Charlotte is an Investment Banker and experienced FTSE Chair and Non-Executive Director. Her long board-level experience spans a host of sectors and industries and covers IPOs, M&A and restructuring. She is a recognised international authority and professor in corporate governance and leadership, and author of *Effective Directors, Questions to Ask*.



John Staples
Non-Executive Director

John Staples is Director for Advanced Nuclear Strategy and Fusion Energy in the Department for Energy Security and Net Zero. He is responsible for UK policy regarding fusion energy and advanced nuclear technologies. Previously, John was Director for Net Zero Strategy, leading the team responsible for ensuring the UK government meets its decarbonisation targets. Prior to that he worked in Her Majesty's Treasury for over a decade in a range of senior roles. His work there included setting up the UK Infrastructure Bank and developing the UK's National Infrastructure Strategy.



Julie Nerney
Non-Executive Director

Julie has been leading impactful and sustainable change in organisations for over 30 years in C-suite and Board level roles, supporting organisations through every stage of their life cycle. She has delivered high profile and complex government programmes, including a leadership role in the London 2012 Olympic and Paralympic Games. She holds a range of Non-Executive Director roles, including at the UK Supreme Court. She is a bestselling author and guest speaker on Oxford's Saïd Global Leadership Development programme.



Kaveh Pourteymour
Non-Executive Director

Kaveh is currently Group Chief Digital Information Officer Rolls Royce plc and is an experienced digital transformation leader with over 30 years' experience spanning energy, utilities, manufacturing, complex systems engineering and digital modelling. Throughout his career, Kaveh has successfully implemented cutting edge solutions to enhance business performance delivered through operating models that incorporated diversity and inclusion at their heart.



Dr. Luc Bardin
Non-Executive Director

Luc serves as a Non-Executive Director on both the UKAEA Group Board and the UKIFS Board, which he originally joined to support the creation of UKIFS/STEP and its transition from UKAEA, including serving on the STEP site selection committee. On the UKIFS Board, he contributes over 30 years of experience as a global CEO, leading major project delivery, strategic partnerships and alliances, business development, and complex commercial arrangements across energy, defence, healthcare, and advanced systems engineering. His internationally recognised expertise in organisational development and strategic partnering provides unique and highly valuable insight to the UKIFS mission.



Grazka Kazmierska
Finance Director

Grazka is a Chartered Management Accountant with 20 years' experience working in public sector and has held roles in several central government departments both as an analyst and in finance. Most recently she worked in senior Finance at UK Research and Innovation, before moving to UKIFS in June 2024.

As Finance Director, Grazka is responsible for ensuring effective financial management and control across UKIFS and guiding financial planning to support the objectives of the organisation.



Jamie Stapleton
Board Advisor

Jamie is a passionate digital leader with 15+ years in the global energy sector, serving Utilities, Renewables, O&G, Datacentres, and eMobility.

Specialising in innovation and transformation, he has built, scaled, and led global teams that transform outcomes using next generation technologies and innovative business model approaches.

Jamie's career spans leadership positions with ABB, Schneider Electric, and Invensys. He is recognized for building strong partnerships, championing innovation, and leading digital transformation in AI, IoT, and edge computing.

BOARD AND COMMITTEE REPORT (continued)

Evaluation of Board Performance and External Review

As a newly established entity, UKIFS has not yet undertaken a formal Board effectiveness review but has conducted informal reviews of the efficacy of the Board and its committees which identified changes to the structure and format of meetings and logistical improvements. UKIFS will conduct a self-assessment of board and committee performance in 2025/26 and annually thereafter and plans to undertake an externally led review before the end of 2026.

People and Culture Committee (PCC)	
Terms of Reference	Last reviewed and approved in July 2024
Roles and Responsibility	<p>The Committee is responsible for all matters relating to people, including remuneration and nominations. The terms of reference specify these as:</p> <p>oversight of the UKIFS People and culture agenda, as well as ensuring equality, diversity and inclusion (ED&I) is at the forefront of the programme and;</p> <p>acting as both a Nominations and Remuneration committee in ensuring the proper and effective composition of the Board and designing and determining the policy for remuneration for the Chair, Non-Executive Directors, Executive Directors and the next level of senior management, including any person appointed as UKIFS Company Secretary.</p>
Chair	Charlotte Valeur
Number of Meetings	Four (4)

Membership	Committee Members	Attended / Due
Gender diversity chart F2:M2	Charlotte Valeur	4/4
	Luc Bardin	4/4
	Julie Nerney	4/4
	David Gann	4/4
	Committee Attendees	
	Paul Methven	3/3
	Representative from People team alternative	4/4

Matters covered	<p>For the reporting period from 1 November 2024 the matters covered included the following:</p> <ul style="list-style-type: none"> ■ People and Culture priorities ■ STEP headcount and metrics ■ Workforce plan and resourcing ■ Senior staff objectives
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BOARD AND COMMITTEE REPORT (continued)

PCC Chair's Report

The success of UKIFS in delivering the STEP programme will depend on the people working for the company and the culture in which they operate, and the PCC has been focused on ensuring it can properly support the executive team to get this right, whilst maintaining appropriate oversight to assure the Board and fulfil its responsibilities.

The PCC met on four occasions since November 2024; two of these were planned quarterly meetings with the other two arranged to follow up and focus on single items and actions arising from these.

Committee members are working with UKIFS staff to develop the metrics that will form the basis of the PCC dashboard for the organisation, and this is expected to be finalised in 2025/26.

During the reporting period updates were provided on the recruitment of key members of the executive team and how these roles would work with the Committee to help it fulfil its responsibilities.

The Committee provided assurance to the Board on the UKIFS Workforce Strategy following a recommendation from the Major Projects Review Group's review of the UKIFS business case.

Performance objectives for the CEO and the executive team were agreed and approved for 2025/26 although the Committee recognised this was a transitional phase for UKIFS and the Company would need to establish specific systems and processes related to executive performance management, objective setting and bonuses to meet the needs of organisation whilst adhering to the principles set by UKAEA Group. This will form an important part of the PCC work programme over the next 12 months.

The PCC Chair has regular meetings with members of the UKIFS People team outside the committee meeting cycle.

The PCC will continue to work to ensure UKIFS staff and partners operate in a culture and environment that is safe, diverse and inclusive.

Charlotte Valeur
PCC Chair

Audit and Risk Assurance Committee (ARAC)

Terms of Reference	Last reviewed and approved in October 2024
Roles and Responsibility	<p>The Committee supports and advises the Board and the UKIFS CEO by independently reviewing the approach taken to the management of both risks and opportunities, including but not limited to:</p> <p>the integrity, efficacy and effectiveness of all matters relating to sound systems of internal control, including, but not limited to the safety, health and environmental (SHE) management system, the risk management processes, the integrity of the financial statements, and the UKIFS annual report.</p> <p>the approaches to maximising opportunities to generate value and growth, including, but not limited to, the capture and exploitation of intellectual property, attracting and onboarding inward investment and establishing effective commercial partnerships.</p>
Chair	Julie Nerney
Number of Meetings	Four (4)

Membership	Committee Members	Attended / Due
Gender Diversity chart F3:M2	Julie Nerney, NED	3/3
	Charlotte Valeur, NED and SID	3/3
	Kaveh Pourteymour, NED	2/3
	Neil Phimister, Independent Member	3/3
	Ruth Elliot /, UKAEA Member	1/1
	Jill Evans, UKAEA Member	2/2
	Committee Attendees	
	Paul Methven	1/3
	Grazka Kazmierska	3/3
	National Audit Office	3/3
	Internal Audit	2/2

Matters covered	<p>The Committee considers standing reports at each scheduled meeting that cover financial matters (including counter fraud), risk and assurance matters and internal and external audit updates.</p> <p>For the reporting period from 1 November 2024 the Committee also reviewed and considered the following:</p> <ul style="list-style-type: none"> ■ ARAC terms of reference ■ Internal audit charter 2024/25 ■ Risk strategy ■ Policies (including accounting policies) ■ Draft annual governance statement ■ Security report (physical / personnel) ■ Cyber security and management of IT security incidents ■ Risk deep dives on cyber and people and capability ■ UKIFS budget 2025/26 deep dive
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BOARD AND COMMITTEE REPORT (continued)

ARAC Chair's report

ARAC met on four occasions throughout the year; three were scheduled business meetings with the fourth being an extraordinary session to review the proposed allocation of budgets within UKIFS for 2025/26 and recommendation for onward approval by the Board.

Given that UKIFS formally stood up as a company in November 2025, the Committee has focused time and energy on shaping and delivering a work programme and standard agenda framework that will continue to assess the evolving maturity and outputs across: Financial reporting and other financial matters, Risk management, Safety, Health and Environmental (SHE) matters, other assurance matters and both internal and external audit. With a rhythm now established for assurance around sound systems of internal control, the Committee will seek to apply an equal focus to ensuring the maximising of opportunities in the coming year.

In addition to the standing updates and reports at each meeting, the Committee has built in flexibility to review and consider emerging audit, risk and assurance matters escalated by the Executive team or from other committees.

As part of its risk management responsibilities the Committee has conducted deep dives into specific risk areas covering Cyber risks, and People and capability risk. There is a forward programme of deep dive topic areas, informed by the strategic risk matrix.

The Committee is content that the Executive team supported by UKIFS staff continue to make significant progress in ensuring there are sound systems of internal control.

As part of the Committee's own development and continuous improvement, members reflect at each meeting on what worked well and areas for improvement for next time.

The focus in the coming year will be on maintaining oversight of internal control systems and beginning to apply an equal focus on ensuring the maximising of opportunities, providing assurance on the ability of UKIFS to deliver the business plan and stated outcomes.

Julie Nerney
ARAC Chair

Cryo-Mechanical Test Rig
Informing the uniaxial tensile and fracture toughness material properties of relevant HTS at operational temperatures.



BOARD AND COMMITTEE REPORT (continued)

UKIFS Executive Committee Report

Executive Committee (ExCom)

Terms of Reference

Last reviewed and approved in April 2024

Roles and Responsibility

The role of the ExCom is the overall oversight and decision-making supporting the Chief Executive Officer (CEO) in the overall management of the Company and its performance. It focuses on strategic leadership, management, and direction, ensuring the most effective prioritisation of resources, ensuring compliance with regulatory and common law duties, and responsibilities under the UKIFS Corporate Structure Document.

The scope of the committee includes, but is not limited to, the following:

- Enacting the strategic aims and objectives of the Company.
- Providing effective governance of the Company within a governance framework of prudent and effective controls.
- Ensuring the financial and human resources are in place for the Company to meet its objectives.
- Ensuring the Company has policies and processes in place that cover all legal, regulatory and public body obligations, and that these are reviewed regularly.
- Reviewing the risk landscape.
- Ensuring all policies and processes are adhered to, and that the Company operates within its delegations.
- Ensuring compliance with any statutory or administrative requirements for the use of public funds; that it operates within the limits of its statutory authority, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, it considers guidance issued by the Sponsor Department.
- Ensuring that as part of the above compliance there are appropriate internal mechanisms for the monitoring, governance and external reporting of any conditions arising from the above documents, and ensuring that the Chief Executive Officer (CEO) and the Company as a whole act in accordance with their obligations under the above documents
- Overseeing the Company's intellectual property strategy and portfolio and ensuring that this is aligned to corporate policy and strategy objectives
- Ensuring that the Board receives and reviews regular financial and management information concerning the management of the Company
- Managing the internal controls environment and endorsing regular reports for presentation to the UKIFS Audit, Risk and Assurance Committee and, as appropriate, the UKIFS People and Culture Committee
- Ensuring the Board is kept informed of any changes which are likely to impact on the strategic direction of the Company or on the attainability of its targets
- Translating the Board's strategy into a Business Plan under the governance of the Board and developing and implementing corporate business plans, strategy, policies, procedures, and corporate budgets to be/which have been approved by the Board
- Championing wellbeing, safety and environmental protection and ensuring high standards in these aspects in the workplace
- Reviewing and developing UKIFS organisational capability.
- Escalating key decisions that are outside of its delegated authority to the UKIFS Board.

Chair	Paul Methven, Chief Executive Officer of UK Industrial Fusion Solutions Ltd, and Senior Responsible Owner for STEP
Number of Meetings	Five (5)

Membership	Executive Directors	Attended / Due
Gender Diversity chart F5:M7	Paul Methven	4/5
	James Cowan	4/5
	Grazka Kazmierska	5/5
	Kara Turner	3/5
	Sounak Dutta	4/5
	Chris Waldon	5/5
	Debbie Kempton	5/5
	Howard Wilson	3/3
	Daisy Benson	3/3
	Charlene Martin	2/5
	Charles Price External member	5/5
	Joe Milnes	4/5

Matters covered	<p>For the reporting period from 1 November 2024 the matters covered included, but were not limited to, the following:</p> <ul style="list-style-type: none"> ■ The standing up of UKIFS. ■ Reviewing people and workforce planning. ■ Reviewing the UKIFS Business Plan ahead of submission to the UKIFS Board. ■ Assessing the Whole Plant Partner selection questionnaire outcome. ■ STEP budget prioritisation for FY25/26. ■ Review of the UKIFS risk appetite. ■ Review of the approach to the monitoring and evaluation of benefits delivered by the STEP programme. ■ Monthly review of strategic corporate risk. ■ Internal audit charter 2024/25
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Paul Methven CB
CEO, UKIFS Ltd.

REMUNERATION AND STAFF REPORT

This remuneration report is prepared in accordance with HM Treasury's Financial Reporting Manual with Directors' remuneration disclosures as required under Companies Act 2006.

Directors' Remuneration

Remuneration Policy

The remuneration of Executive Directors appointed to the UKIFS Board is agreed by DESNZ via UKAEA.

The remuneration of Non-Executive Directors appointed to the UKIFS Board is agreed by the Board with the approval of the Group Accounting Officer. The UKIFS People and Culture Committee makes recommendations to DESNZ on the overall remuneration package for Directors who are appointed to the UKIFS Board. The Non-Executive Directors who form the committee are not involved in decisions relating to their own remuneration.

In reaching its recommendations, the Committee has regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities; and
- the funding available to UKIFS.

The Committee takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Service contracts

Non-Executive Directors who are members of the UKIFS Board are appointed as follows:

- Non-executive Chair appointed by the UKAEA Board with agreement from the Secretary of State for DESNZ.
- UKAEA Chief Executive Officer, as Group Accounting Officer, appointed as ex-officio non-executive director.
- One non-executive director appointed by the UKAEA Board for a transitional period with agreement with the Company Chair.
- One non-executive director appointed by DESNZ, as the Sponsor Department with the approval of the SoS and following consultation with the Company Chair.
- Other appointments to the Company Board of non-executive board members will be made by the Company Chair, with the approval of the UKIFS Board or appropriate board committee such as the People and Culture Committee and the Group AO.

Appointments are normally for a three-year term, but some initial terms of up to four years have been used to provide staggered expiry dates over the next few years.

Remuneration and pension entitlements

The individual components of the remuneration packages are:

Salary and fees

The CEO and Finance Director as Executive Directors receive a basic salary and performance bonus. The Chair and Non-Executive Directors receive fees for their services. As the Executive Directors were employed by UKAEA in the majority of the reporting period, salaries and bonuses for Executive Directors were considered through UKAEA's established governance processes. Submissions were made by the UKIFS CEO via UKAEA and reviewed by the UKAEA Remuneration Committee (REMCO), with outcomes subsequently returned to the CEO for implementation.

Non-taxable benefits

Executive Directors are also reimbursed for reasonable expenses incurred in line with the policy for UKIFS' employees. These reimbursements are not included in the following table.

Performance-related bonuses

The performance bonuses for Executive Directors are calculated in accordance with performance against agreed objectives and recommended by the People and Culture Committee to the Group Accounting Officer.

The total bonus is made up of two components: the performance of UKIFS against specific quantified targets, and the performance of the individual against specific targets. The performance-related bonuses shown in the table are calculated on the basis of assessment by the People and Culture Committee of performance against the relevant specific targets.

Board Directors' Remuneration during 2024-2025 (subject to audit)

Individual Board Directors' remuneration for the five months is shown in the following table, with salaries, allowances, fees and bonuses disclosed on an accruals basis.

	Fees / Salary and allowances 2024/25 £k	Benefits (a) 2024/25 £100	Annual bonus (b) 2024/25 £k	Pension benefit (c) 2024/25 £k	Total 2024/25 £k
Professor David Gann Chair from 1 Nov 2024	17	8	-	-	17
Paul Methven CEO and SRO for STEP from 1 Nov 2024	88	-	11	5	103
Professor Sir Ian Chapman UKAEA CEO from 1 Nov 2024	-	-	-	-	-
Grazka Kazmierska Finance Director from 1 Nov 2024	48	-	4	2	54
Charlotte Valeur Non-Executive Director from 1 Nov 2024	7	-	-	-	7
Kaveh Pourteymour Non-Executive Director from 1 Nov 2024	7	-	-	-	7
Julie Nerney Non-Executive Director from 1 Nov 2024	7	-	-	-	7
Dr Luc Bardin Non-Executive Director from 1 Nov 2024	7	-	-	-	7
John Staples Non-Executive Director from 1 Nov 2024	-	-	-	-	-

Notes:

- a. Expenses benefits disclosed for the Chair and Non-Executive Directors relate to travel for Board and other meetings at Culham and include the tax liability on these expenses which was met by UKIFS. These expenses vary depending on the distance of the individual's home from Culham.
- b. Annual bonuses of Executive Directors are subject to approval by DESNZ. Bonus figures given here relate to the 5-month period under UKIFS employment.
- c. Non-Executive Directors do not receive a bonus payment.
- d. The value of pensions benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decrease due to a transfer of pension rights. In some cases, the pensions benefit is negative in real terms where pay increases and additional service have not offset the effect of inflation.
- e. Professor Sir Ian Chapman did not receive remuneration from UKIFS in the reporting period for his services as a Director of the Company. As the UKAEA Chief Executive Officer and Group Accounting Officer he was appointed as ex-officio non-executive director.
- f. The full year equivalent salary for Paul Methven was £210k
- g. The full year equivalent salary for Grazka Kazmierska was £116k

REMUNERATION AND STAFF REPORT (continued)

Pension entitlements (subject to audit)

Executive Directors are members of the United Kingdom Atomic Energy Authority Combined Pension Scheme (CPS) which pays an annual pension based on pensionable final earnings together with a lump sum at normal retirement age. Benefits are also payable in the event of death or ill health retirement.

Further details of the pension schemes and unfunded pensions can be found later in the Remuneration and staff report.

The pension entitlements shown in the table below are those that would be paid annually on retirement based on service to 31 March 2025 and include the value of added years paid for by Directors.

	Accrued pension as at 31/3/25 £k	Lump sum as at 31/03/25 £k	Real increase in accrued pension (a) £k	Real increase in lump sum (a) £k
Methven, Paul	12	35	1	4
Kazmierska, Grazka	1	3	1	2

Notes:

a. The real increase has been calculated after subtracting inflation.

The following table sets out the Cash Equivalent Transfer Value (CETV) of the Executive Directors' accrued pension entitlements which have been calculated by the Scheme managers in accordance with the Occupational Pension Schemes (Transfer Values) Regulations 1996 as amended, having taken actuarial advice. The transfer values do not represent sums paid or payable to the Directors but represent a potential liability of the pension scheme.

	CETV at 31 March 2024 £k	Real increase in CETV (a) £k	CETV at 31 March 2025 £k
Methven, Paul	255	23	290
Kazmierska, Grazka	12	8	24

Notes:

a. The real increase has been calculated after subtracting inflation.

Accrued pension, lump sum and total CETV amounts are calculated including benefits from employments prior to UKIFS.

Real increases in value are reported between the date they transferred to UKIFS and 31 March 2025.

Members of the pension scheme have the option to pay Additional Voluntary Contributions; neither the contributions nor the resulting benefits are included in the above tables.

REMUNERATION AND STAFF REPORT (continued)

Fair Pay disclosures (subject to audit)

Remuneration ratios

	2024/25 £k
Highest paid Director's total remuneration for the five months excluding pension benefit	95-100
(Full year equivalent remuneration)	235-240

Employee Remuneration ratios

	Salary £	Other pay and benefits (a) £	Total remuneration £	Highest paid Director's remuneration as a multiple of the percentile (b) Ratio
2024/25				
25th percentile	48,503	7,841	56,344	4.2
Median percentile	59,723	10,644	70,367	3.4
75th percentile	69,866	11,212	81,078	2.9

Notes:

- a. Other pay and benefits include bonus and allowances such as specialist allowances, market premium and responsibility allowances.
- b. Calculated using midpoint of £5k disclosure band for highest paid Director's remuneration on a full-time basis (£237,500).

In 2024/25 no employees received remuneration in excess of that of the highest paid Director.

Remuneration of employees (for the 5-month period of operation) excluding the highest paid Director ranged from £11,509 to £58,234. The full-year equivalent remuneration range was £27,621 to £139,761.

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, pension benefits, employer pension contributions or the cash equivalent transfer value of pensions.

Staff numbers and costs

Staff costs (subject to audit)	2024/2025 £k
Directly employed staff:	
Salaries, bonuses and allowances	3,189
Social security costs	379
Pension costs – defined contribution plans (see below)	554
Total Directly employed staff costs	4,122
Temporary staff	1,731
Total Staff Costs	5,853

Staff numbers (subject to audit)

The average number of full-time equivalent staff during the year was as follows:

	2025
Directly employed staff	91
Temporary staff	33
Total	124

Temporary (non-payroll) staff may be 'off-payroll workers' who are engaged via an intermediary, or they may be on the payroll of another organisation within the supply chain.

Most of the temporary staff are engaged to carry out specialist work in UKIFS's technical teams.

Staff composition as at 31 March 2025 (not subject to audit)

All figures in the tables below relate to actual staff numbers at the year-end rather than to full time equivalents.

Board and senior staff	Male	Female	Total
Board members	6	3	9
Executive Committee members	5	2	7
Senior staff	8	8	16

All employees	2025	
Male	63	61.8%
Female	39	38.3%

Sickness absence (not subject to audit)

The average sickness absence per employee for UKIFS during the five-month period to 31 March 2025 was 1.8 days

REMUNERATION AND STAFF REPORT (continued)

Staff Composition

Staff turnover (not subject to audit)	2024/2025	2024/2025
	3.33%	N/A

UKIFS Pension Arrangements (subject to audit)

a. Defined benefit schemes

All eligible employees of UKIFS are entitled to be members of the CPS of the UKAEA for the year ended 31 March 2025. The CPS is a contributory unfunded statutory defined benefit public service pension scheme. The scheme is managed and administered by UKAEA with the approval of DESNZ. Contributions made to the scheme are used to meet the payment of scheme benefits. Any surplus of contributions over payments is surrendered to HM Government via the Consolidated Fund. Any deficit is met by parliamentary vote with payment from the Consolidated Fund.

The government does not maintain a separate fund to provide for the scheme's future liabilities, and future benefits will be paid out of the Consolidated Fund to the extent that, at the time of payment, benefits exceed contributions, and parliament votes the necessary funds. The employer contribution was established at 21.5% of pensionable earnings from 1 April 2022.

UKIFS employees also participate in the UKAEA and Associated Employers Additional Voluntary Contribution Scheme which is a defined contribution arrangement. There is no employer contribution to this arrangement.

The scheme is fully insured and administered by the Prudential Assurance Company Limited to which contributions are paid. The scheme covers those employees of the UKIFS, and of other employers, who are members of the CPS and who have opted to pay additional contributions.

In accordance with the FReM, the schemes are accounted for as defined contribution schemes.

Employer contributions are calculated in accordance with HM Treasury methodology 'Superannuation Contributions Adjusted for Past Experience' and are based on the expected cost of members' benefits as they accrue. The contributions paid by UKIFS during the year totalled £ 521k.

b. Defined contribution schemes

UKIFS participates in a defined contribution scheme, the Additional Voluntary Contribution (AVC) scheme which is fully insured schemes administered by Prudential (a trading name of Prudential Distribution Limited, which is a subsidiary of M&G plc.) to whom contributions are paid.

The AVC scheme includes members from the UKIFS and from other employers who are members of CPS and who have opted to pay additional voluntary contributions. No employer contributions are made to this scheme.

c. Unfunded retirement benefits

There were no unfunded requirement benefits applicable to UKIFS.

Staff Policy

UKIFS's pay policy is determined by our sponsoring department, DESNZ.

Our Trade Union is Prospect, and we have an extant framework on how we engage and consult. We use our existing mechanisms to seek their feedback and thinking on current issues.

UKIFS is committed to promoting equality, diversity, and inclusion inside and outside of the organisation, and to ensuring that the working environment is welcoming, supportive, and inclusive for all.

- People: "UKIFS will take positive action to improve the opportunities and lived experience of all individuals working at, or interacting with, the organisation."
- Environment: "UKIFS will take positive steps to identify and improve the physical working environment for all of its people, particularly those with disabilities, whether they are visible or hidden."
- Communication and engagement: "UKIFS will improve internal and external communications to fully reflect its ED&I commitment and progress to maximise the awareness and engagement of all stakeholders."
- Policies and practices: "UKIFS will integrate equality, diversity and inclusion into all our policies and practices."

UKIFS's equal opportunities policy requires that all job applicants enjoy equal opportunity for employment on the basis of ability, qualifications, experience and suitability for the work. We deliver in-house training on diversity and equality, unconscious bias and specific recruitment training. These courses cover equality, diversity and inclusion, ensuring that line managers are aware of their responsibilities towards, and the benefits of, these topics.

UKIFS's equal opportunities policy provides a framework for ensuring that equality is considered throughout the employment of staff. For those who become disabled during their employment, we provide occupational health facilities which provide direct support to the employee and advise line managers on modifications and restrictions which are required. In addition to the training mentioned above, People Department Business Partners provide coaching on flexible working and unconscious bias to ensure that employees with disabilities are given equal opportunity in training, career development and promotion. UKIFS is also registered with the Disability Confident Scheme.

Expenditure on consultancy and temporary staff

Expenditure on temporary staff (the provision of workers to cover business-as-usual or service delivery activities within an organisation) was £1,731k, as detailed in the Staff costs note on page 100. This level of spend reflects the need for flexibility in a growing and fast-changing organisation, where temporary resource has been essential to maintain delivery momentum and provide critical capability while permanent recruitment continues to scale up.

UKIFS spend on consultancy (the provision to management of objective advice relating to strategy, structure, management, or operations of an organisation, in pursuit of its purposes and objectives) was £699k. Such advice is sought when UKIFS does not have the skills set required within its support services and the particular requirement falls outside the 'business-as-usual' environment. When used appropriately, consultancy can be a cost effective and efficient way of getting the temporary and skilled external input that UKIFS needs.

REMUNERATION AND STAFF REPORT (continued)

Off-payroll appointments

(a) Highly paid off-payroll worker engagements as at 31 March 2025, earning £245 per day or greater

Number of existing engagements	36
Of which the number that have existed at the time of reporting for	
Less than one year	36

(b) All highly paid off-payroll workers engaged at any point during the year ended 31 March 2025, earning £245 per day or greater

Number of temporary off-payroll worker engagements in force during the year ended 31 March 2025	36
Of which:	
Number not subject to off-payroll legislation	34
Number subject to off-payroll legislation and assessed as within the scope of IR35	-
Number subject to off-payroll legislation and assessed as not within the scope of IR35	2
Number of engagements reassessed for consistency/assurance purposes during the year	2

Of which:

Number of engagements that saw a change to IR35 status following the review	-
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(c) Off-payroll engagements of board members and/or senior officials with significant financial responsibility between 1 April 2024 and 31 March 2025

Number of off-payroll engagements of board members and/or senior officials with significant financial responsibility during the financial year	-
Total number of individuals on payroll and off-payroll that have been deemed 'board members and/or senior officials with significant financial responsibility' during the financial year	-

All off-payroll workers already working on the STEP programme at the point of UKIFS stand-up started their contracts with UKIFS on 4 November 2024. There were 30 workers working on the STEP programme who terminated their contracts with UKAEA on 3 November 2024 and started contracts with UKIFS on the 4 November 2024.

Exit Payments (subject to audit)

There were no Exit Payments or Relocation Payments made by UKIFS in the 2024/25 Financial Year.

STEP is here today
Pop in and say hi!



OTHER PARLIAMENTARY DISCLOSURES

Fees and charges (subject to audit)

UKIFS Ltd does not receive fees and charges for public services, as defined by HM Treasury in Managing Public Money. There are therefore no related disclosures.

Losses and special payments (subject to audit)

There were no losses or special payments in the year (on an accruals basis) that require disclosure.

Remote contingent liabilities (subject to audit)

UKIFS has no significant remote contingent liabilities to report.





STEP

MISSION TO FUSION

MAINTENANCE,
MAGNETS &
REMOUNTABLE
JOINTS

DR. JOE MILNES, DR. SALLY FORBES, EZZAT NASAR &
CHRIS LAMB

MISSION TO FUSION

OFFICIAL - STEP TECHNICAL EVENT

MISSION TO FUSION

STEP TECHNICAL EVENT

MISSION TO FUSION

MISSION TO FUSION

STEP TECHNICAL EVENT

MISSION TO FUSION

**INDEPENDENT AUDITOR'S
REPORT TO THE MEMBERS
OF UK INDUSTRIAL FUSION
SOLUTIONS LIMITED**



SECTION **04**

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UK INDUSTRIAL FUSION SOLUTIONS LIMITED

Opinion on financial statements

I have audited the financial statements of UK Industrial Fusion Solutions Limited for the period ended 31 March 2025 under the Companies Act 2006.

The financial statements comprise the UK Industrial Fusion Solutions Limited's

- Statements of Financial Position as at 31 March 2025;
- Statement of Comprehensive Net Income, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the period 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 the UK Industrial Fusion Solutions Limited's affairs as at 31 March 2025 and its profit 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.

Opinion on regularity

In my opinion, in all material respects, the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

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 the UK Industrial Fusion Solutions Limited 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 the UK Industrial Fusion Solutions Limited's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

My evaluation of the director's assessment of the entity's ability to continue to adopt the going concern basis of accounting included a review of funding decisions made by HM Treasury with respect to UK Industrial Fusion Solutions Limited's ultimate parent, and a consideration of events after the reporting period.

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 the UK Industrial Fusion Solutions Limited'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 the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with the HM Treasury guidance.

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 the UK Industrial Fusion Solutions Limited 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 and the parts of the Remuneration and Staff Report to be audited 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;
- a corporate governance statement has not been prepared by the parent company; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemption in preparing the Directors' report and from the requirement to prepare a strategic report; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' and Accounting Officer's Responsibilities Statement, 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 the UK Industrial Fusion Solutions Limited from whom the auditor determines it necessary to obtain audit evidence.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF UK INDUSTRIAL FUSION SOLUTIONS LIMITED (continued)

- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error;
- preparing financial statements, which give a true and fair view, in accordance with the Companies Act 2006;
- preparing the Annual Report, which includes the Directors' Remuneration Report, in accordance with the Companies Act 2006; and
- assessing the UK Industrial Fusion Solutions Limited'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 the UK Industrial Fusion Solutions Limited's accounting policies;
- inquired of management, the UK Industrial Fusion Solutions Limited's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the UK Industrial Fusion Solutions Limited'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 the UK Industrial Fusion Solutions Limited's controls relating to the UK Industrial Fusion Solutions Limited's compliance with the Companies Act 2006 and Managing Public Money;
- inquired of management, the UK Industrial Fusion Solutions Limited'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; and
- discussed with the engagement team 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 the UK Industrial Fusion Solutions Limited for fraud and identified the greatest potential for fraud in the following areas: posting of unusual journals, complex transactions. 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 the UK Industrial Fusion Solutions Limited's framework of authorities and other legal and regulatory frameworks in which the UK Industrial Fusion Solutions Limited 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 the UK Industrial Fusion Solutions Limited. The key laws and regulations I considered in this context included Companies Act 2006, Managing Public Money, employment and tax law.

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 concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports; and
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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 am required to obtain sufficient appropriate audit evidence to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

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.



Matthew Kay (Senior Statutory Auditor)
3 December 2025

For and on behalf of the

Comptroller and Auditor General (Statutory Auditor)
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP



FINANCIAL STATEMENTS



SECTION **05**

STATEMENT OF COMPREHENSIVE NET INCOME

for the year ended 31 March 2025

	Note	2025 £k
Income		
Revenue	4/5	35,369
Other income		-
Total operating income		35,369
Expenditure		
Staff costs	6.1	5,853
Purchase of goods and services	6.2	29,494
Depreciation, amortisation and impairment		7
Other operating expenses	6.3	18
Total operating expenditure		35,372
Operating (loss)/profit		(3)
Profit/(loss) before tax		(3)
Current tax (charge)/credit	7	1,038
Profit/(loss) for the year		1,035
Other comprehensive net income		
Total other comprehensive net income for the year		-
Total comprehensive net income for the year		1,035

STATEMENT OF FINANCIAL POSITION

for the year ended 31 March 2025

	Note	2025 £k
Non-current assets		
Property, plant and equipment	8	554
Right-of-use assets	9	16
Intangible assets	10	51
Trade and other receivables	11	1,069
Total non-current assets		1,690
Current assets		
Trade and other receivables	11	6,436
Cash and cash equivalents	12	12
Total current assets		6,448
Total assets		8,138
Current liabilities		
Trade and other payables	13	6,475
Lease liabilities	14	20
Total current liabilities		6,495
Total assets minus current liabilities		1,643
Non-current liabilities		
Total non-current liabilities		-
Assets less liabilities		1,643
Taxpayers' equity		
Capital grants reserve		605
Retained earnings		1,038
Total taxpayers' equity		1,643

The notes on pages 94 to 109 are an integral part of these financial statements.

Approved by the Board on 27 November 2025 and signed on its behalf by:



Dr Tim Bestwick OBE
UKAEA Chief Executive and
Accounting Officer
28 November 2025

STATEMENT OF CASH FLOWS

for the year ended 31 March 2025

	Note	2025 £k
Cash flows from operating activities		
Profit/(loss) for the year		1,035
Adjustments for non-cash transactions:		
- Depreciation, amortisation and impairment		7
Changes in working capital:		
- (Increase)/decrease in trade and other receivables		(7,505)
- Increase/(decrease) in trade and other payables		6,475
Net cash inflow/(outflow) from operating activities		12
Cash flows from investing activities		
Purchase of property, plant and equipment	8	(556)
Purchase of intangible assets	10	(53)
Net cash inflow/(outflow) from investing activities		(609)
Cash flows from financing activities		
Capital grant from sponsoring department		609
Net cash inflow/(outflow) from financing activities		609
Net increase/(decrease) in cash and cash equivalents in the year		12
Cash and cash equivalents at the beginning of the year		-
Cash and cash equivalents at the end of the year		12

The notes on pages 94 to 109 are an integral part of these financial statements.

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

for the year ended 31 March 2025

	Capital grants reserve (a) £k	Retained earnings (b) £k	Total £k
Balance at 1 November 2024	-	-	-
Changes in Taxpayers' Equity 2024/25:			
Total comprehensive net income for the year	-	1,035	1,035
Capital grant from sponsoring department	609	-	609
Depreciation transfer	(3)	3	-
Balance at 31 March 2025	606	1,038	1,644

Notes:

- a.** Capital grants reserve - Relates to capital grants received from UKIFS's sponsoring government department less the associated depreciation.
- b.** Retained earnings - Represents total assets less liabilities, to the extent that the total is not represented by other reserves.

The notes on pages 94 to 109 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. General information

UKIFS Ltd is a private company, limited by shares, registered in England and Wales, and is a wholly owned subsidiary of the UK Atomic Energy Authority.

These accounts cover the financial year 1 April 2024 to 31 March 2025. UKIFS started trading on 1 November 2024 and had no transactions between 1 April 2024 and 31 October 2024. On 1 November 2024 no assets or liabilities were attributable to the business.

The address of UKIFS's registered office is Culham Campus, Abingdon, Oxfordshire, OX14 3DB

These accounts form part of the UKAEA Group consolidated accounts for the period 1 April 2024 to 31 March 2025. The Group accounts are available at: [UKAEA Annual Report and Accounts 2024/25 - HC 1006 - GOV.UK](#)

2. Basis of preparation

These Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and with the requirements of the Companies Act 2006 applicable to companies reporting under IFRSs. As a wholly owned subsidiary of the United Kingdom Atomic Energy Authority (UKAEA), a Non-Departmental Public Body, the company also adopts the interpretations of IFRS and additional disclosure requirements contained in the Government Financial Reporting Manual (FRm) for 2024/25, where these are compatible with the requirements of the Companies Act.

The financial statements have been prepared on a going concern basis. The Company's parent is UKAEA, who is largely dependent on funding from the Department of Energy, Security and Net Zero to meet liabilities falling in future years. UKAEA have a confirmed funding allocation from DESNZ for the 2025/26 Financial Year and have provided a letter of delegated authority to UKIFS for this period with a budget of £120m. The Company's main responsibility is to deliver the STEP programme, for which a Full Business Case was approved by HM Treasury in March 2025. Following the commitment in the June 2025 Spending Review to invest £2.5bn in Fusion research over 5 years, including funding specifically to invest in the STEP programme in West Burton, the Company has reason to believe that future funding will be forthcoming beyond the 2025/26 year. Therefore the Directors of the Company consider it is appropriate to adopt a going concern basis for these Financial Statements.

The financial statements are presented in pounds sterling, which is UKIFS's functional currency, and have been prepared under the historical cost convention, except for land and buildings, leasehold improvements, plant and equipment and investment properties which are revalued annually (Note 3.8 and Note 3.10).

The preparation of financial statements in conformity with IFRS requires judgements, estimates and assumptions to be made that affect the application of accounting policies and the reported amounts of income, expenditure, assets and liabilities. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most material effect on the amounts recognised in the consolidated financial statements is included in the notes to the financial statements.

3. Material accounting policies

The principal accounting policies applied by UKIFS in the preparation of these financial statements are set out below. These have been applied consistently in dealing with all items that are considered material to the financial statements.

3.1. Segment reporting

Given the mid-year commencement of operations UKIFS segmental management reporting is at company level, with reporting relating to programme performance being the main management information reviewed at Executive level. The Executive Team receive a monthly programme report which sets out expenditure against allocated budget for the financial year, with Quarterly reporting reviewed by the Board, to allow continuity and clarity on reporting and management of the STEP budget across the whole year. Operating Segments are reported on the basis of groupings of allocated budgets, as set out in the delegation framework.

3.2. Revenue recognition

Revenue is recognised when a performance obligation has been met i.e. at the point when delivery of a product or service transfers control to the customer and specific criteria have been met as described below. Revenue is shown net of value added tax, returns, rebates and discounts.

Grant in Aid relating to revenue expenditure is recognised in the Statement of comprehensive net income in the same period as the related expenditure that it is intended to fund, in accordance with IAS 20 'Accounting for Government Grants and Disclosure of Government Assistance'.

Grant in Aid relating to capital expenditure is recognised as financing and credited to taxpayers' equity in line with the FreM.

3.3. Employee benefits

a. Short-term employee benefits

Short-term employee benefits are recognised in the year in which the related service is provided. A liability is recognised for the amount expected to be paid under short-term bonus arrangements if UKIFS has a present legal or constructive obligation to pay this amount as a result of past service provided by employees and the obligation can be estimated reliably.

b. Retirement benefits

Obligations for contributions to defined contribution schemes are recognised as an expense when they are due. UKIFS has no further payment obligations once the contributions have been paid. UKIFS is part of the Combined Pension Scheme, administered by UKAEA. This is an unfunded multi-employer defined benefit scheme. In accordance with the FreM and IAS 19, these schemes are accounted for as defined contribution schemes in these financial statements and the obligations recognised are limited to the contributions due as UKIFS is unable to identify its share of the scheme's underlying assets and liabilities.

3.4. Research expenditure

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the Statement of comprehensive net income when incurred.

3.5. Foreign currency translation

Transactions in foreign currencies are translated to the functional currency of UKIFS using the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency using the exchange rates at that date. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities are recognised in the Statement of comprehensive net income.

3.6. Current and deferred tax

The tax charge or credit for the period comprises current and deferred tax. Tax is recognised in the Statement of comprehensive net income, except to the extent that it relates to items recognised directly in taxpayers' equity. In this case, the tax is also recognised in taxpayers' equity.

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantially enacted by the reporting date, plus any adjustment to tax payable in respect of previous years.

Research and Development Expenditure Credits (RDEC) payable by HM Revenue and Customs are treated as tax credits in line with the provisions of IAS 12 'Income Taxes' and are included within current tax (charge)/credit in the Statement of comprehensive net income (see Note 7).

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the deferred tax asset is realised, or the deferred tax liability is settled. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

3.7. Property, plant and equipment

Leasehold improvements and plant and equipment, excluding assets with short useful lives, are revalued using appropriate indices as published by the Office for National Statistics for each class of asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to UKIFS and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Net Income during the financial period in which they are incurred.

Property, plant and equipment capitalisation thresholds are as follows:

– Plant and equipment for decommissioning	£100k
– Software	£20k
– Other	£5k

Assets under construction are not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

– Plant, machinery and equipment	up to 25 years
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The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Property, plant and equipment may have component parts with different useful lives. In accordance with the provisions of IAS 16 'Property, Plant and Equipment', each part of any newly recognised item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.10).

3.8. Leases

'Leases are accounted for in line with IFRS 16 'Leases'.

UKIFS assesses whether a contract is or contains a lease, at inception of a contract. UKIFS recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For each such lease, UKIFS recognises the lease payments in the Statement of comprehensive net income as an operating lease expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid as at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, UKIFS uses its incremental borrowing rate / discount rate(s) as advised by HM Treasury.

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

- fixed lease payments (including in-substance fixed payments), less any lease incentives
- the amount expected to be payable by UKIFS as lessee under residual value guarantees
- the exercise price of purchase options, if UKIFS as lessee is reasonably certain to exercise the options
- payments of penalties for terminating the lease, if the lease term reflects the expected exercise of an option to terminate the lease.

Under IFRS 16 tenant lease breaks available to UKIFS have only been included in the calculation of the lease liability where there is a high degree of certainty that UKIFS would exercise them. UKIFS currently does not anticipate exercising any available lease breaks.

Lease liabilities are presented as a separate line in the Statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

UKIFS remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of the likelihood of exercising a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

At the lease commencement date the costs of right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the lease commencement date, any initial direct costs incurred, plus the amount of any provision for reinstatement (whenever UKIFS incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37).

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and estimated useful life of the underlying asset.

If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that UKIFS expects to exercise a purchase option, the related right-of-use asset is depreciated over the estimated useful life of the underlying asset.

The depreciation starts at the lease commencement date.

UKIFS applies IAS 36 'Impairment of Assets' to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the Statement of comprehensive net income.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. UKIFS has not used this practical expedient.

3.9. Intangible assets

Intangible assets comprise acquired computer software licences and are stated at cost, net of amortisation and any provision for impairment. The cost of intangible assets, less estimated residual value, is amortised on a straight-line basis over their estimated useful lives of up to five years.

3.10. Impairment of non-financial assets

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

3.11. Financial instruments

UKIFS's financial assets comprise trade and other receivables, cash and cash equivalents.

All financial assets of UKIFS were held at amortised cost at 31 March 2025 (1 November 2024: £nil).

The majority of UKIFS's financial liabilities relate to trade and other payables.

All financial liabilities of UKIFS were held at amortised cost at 31 March 2025 (1 November 2024: £nil).

NOTES TO THE FINANCIAL STATEMENTS

3.12. Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

3.13. IFRS issued but not yet effective

The following new standards, amendments and interpretations to existing standards are not yet effective or are not yet effective in HMT's 2024/25 FReM and have not been early adopted by UKIFS. There is no material impact on UKIFS.

IFRS 18 'Presentation and Disclosure in Financial Statements' will replace IAS 1 'Presentation of Financial Statements' and is effective for annual reporting periods beginning on or after 1 January 2027 in the private sector. The public sector implementation date is not yet confirmed. The impact of IFRS 18 on the public sector is still being assessed.

4. Segment information

Segment information in accordance with IFRS 8 'Operating Segments' is included in these financial statements

4.1. Reportable segments

UKIFS has three reportable segments, as described below, which relate to largest areas of UKIFS delivery in the 5 months of 2024/25 operations.

The following summary describes the operations in each of UKIFSs reportable segments:

- Engineering Delivery - activities that develop engineering solutions to fusion plant design and increase confidence in the prototype plant concept design through physical and digital demonstration
- Supply Chain Development - activities relating to building capability and capacity within the fusion supply chain and related sectors, including the delivery of the procurement process for the Whole Plant Partners
- Site Mobilisation - activities relating to development and characterisation of the West Burton site, establishing the site as a place of opportunity within the community.

Operations covered under 'Other Segments' include corporate services, design authority and programme management.

	Note	Engineering Delivery £k	Supply Chain Development £k	Site Mobilisation £k	Other segments £k	Total £k
Year ended 31 March 2025						
Revenue	5	19,163	4,122	3,244	8,840	35,369
Expenditure	6	(19,163)	(4,122)	(3,244)	(8,843)	(35,372)
Operating profit/(loss)		-	-		(3)	(3)
Finance income		-				-
Finance expense		-				-
Loss on disposal of assets		-				-
Profit/(loss) before tax		-	-		(3)	(3)

	Note	Engineering Delivery £k	Supply Chain Development £k	Site Mobilisation £k	Other segments £k	Total £k
Capital Expenditure		609	0	0	0	609
Total Capital Expenditure		609	-	-	-	609

Reconciliation between reportable segments and Statement of comprehensive net income

	2024/2025 £k
Revenue	
Total revenue for reportable segments	26,529
Total revenue for other segments	8,840
Total revenue per Statement of comprehensive net income	35,369
Profit or loss	
Total profit/(loss) for reportable segments	-
Profit/(loss) for other segments	(3)
Total profit/(loss) before tax per Statement of comprehensive net income	(3)

4.2. Geographical segments

Geographical segmental analysis is based on the geographical location of revenue, which is exclusively UK generated Grant in Aid from the sponsoring department.

	2024/2025 £k
Revenue	
United Kingdom	35,369
Europe	-
Rest of the World	-
	35,369

NOTES TO THE FINANCIAL STATEMENTS

5. Operating income

	2024/2025 £k
Grant in Aid from sponsoring department	35,369
Total revenue	35,369
Total operating income	35,369

6. Operating expenditure

6.1. Staff costs

Staff costs comprise:

	2024/2025 £k
Directly employed staff:	
Salaries, bonuses and allowances	3,189
Social security costs	379
Pension costs – defined contribution plans (see below)	554
Total Directly Employed Staff	4,122
Temporary staff	1,731
Total	5,853
Less: Costs capitalised	-
Total Expenditure	5,853

Full details of UKIFS's pension schemes are given in the Remuneration Report.

The total employer's pension contributions paid by UKIFS to the CPS during the year were £521k.

Total Directors' Remuneration including pension contributions made by UKIFS is below:

	2024/2025 £k
Salaries and bonuses	195
Benefits in kind	1
Pension Contributions charged in year – defined benefit	29
Total	225

6.2. Purchase of goods and services

	2024/2025 £k
Professional and technical services	16,778
Plant, equipment and spares	3,000
Research services	2,880
Software	1,138
Consultancy	699
Site maintenance and services	286
Travel and subsistence	220
IT equipment	82
Design and construction	7
Pensions administration	4
Gases	2
Electricity	0
Other	5,007
Total	30,103
Less: Costs capitalised	(609)
Total expenditure recognised in Statement of comprehensive net income	29,494
Operating leases - lessee rentals:	
- Short term leases - plant, machinery and vehicles	o/s
- Leases of low value assets - plant, machinery and vehicles	o/s
Auditors' remuneration:	
Fees payable to the National Audit Office - audit of the accounts of UKIFS	80

6.3. Other operating expenses

	2024/2025 £k
Foreign exchange differences	18
	18

NOTES TO THE FINANCIAL STATEMENTS

7. Tax (charge)/credit

	2024/2025 £k
Current tax	
Current tax credit (RDEC)	1,069
Current tax charge for year	(31)
Total tax (charge)/credit	1,038

The Research and Development Expenditure Credit (RDEC) became mandatory from 1 April 2016. The RDEC is beneficial for UKIFS and offsets the tax charge on any non-trading profits from property and other activities. The Corporation Tax disclosed in note 13 (£31k) is offset by the RDEC credit in note 11 of £1,069k to give the Tax credit of £1,038k.

UKIFS has no deferred tax for the year. The current tax charge calculation for the year is as follows:

	2024/2025 £k
Profit/(loss) for the year	1,035
Add back: Tax charge/(credit)	(1,038)
Profit/(loss) before tax	(3)
Tax calculated at the standard UK corporation tax rate of 25%	1
Tax effects of:	
- Reversal of timing differences	(1)
- Items not deductible for tax purposes	(31)
- R&D expenditure credit under s104A CTA 2009	(356)
- Current year profit offset against deferred tax asset	356
- Non-trading profits offset by RDEC credit (rounded down to nearest £1k)	0
- Net RDEC claim 2024/25	1,069
Current tax (charge)/credit for the year	1,038

8. Property, plant and equipment

	Plant and equipment £k	Total £k
Cost or valuation		
Balance at 1 November 2024	-	-
Additions	556	556
Disposals	-	-
At 31 March 2025	556	556
Depreciation and impairment		
Balance at 1 November 2024	-	-
Depreciation charge	(2)	(2)
Disposals	-	-
At 31 March 2025	(2)	(2)
Net book value		
Balance at 1 November 2024	-	-
At 31 March 2025	554	554

UKIFS determined that the valuations were still appropriate as at the reporting date.

The additions during the year include expenditure on the development of the STEP programme. For further information on this, please see the Performance Report.

The value of plant and equipment additions in year which were funded by government grant comprises £556k: funded by capital grant from sponsoring department.

NOTES TO THE FINANCIAL STATEMENTS

9. Right-of-use assets

	Plant, equipment and vehicles £k	Total £k
Cost or valuation		
Balance at 1 November 2024	-	-
Additions	20	20
Disposals	-	-
At 31 March 2025	20	20
Depreciation		
Balance at 1 November 2024	-	-
Depreciation charge	(4)	(4)
Disposals	-	-
At 31 March 2025	(4)	(4)
Net book value		
Balance at 1 November 2024	-	-
At 31 March 2025	16	16

10. Intangible assets

	Software £k	Total £k
Cost		
Balance at 1 November 2024	-	-
Additions	53	53
At 31 March 2025	53	53
Amortisation and impairment		
Balance at 1 November 2024	-	-
Amortisation charge	(2)	(2)
At 31 March 2025	(2)	(2)
Net book value		
Balance at 1 November 2024	-	-
At 31 March 2025	51	51

NOTES TO THE FINANCIAL STATEMENTS

11. Trade and other receivables

	2025 £k
Amounts falling due after more than one year	
Corporation tax	1,069
	1,069
Amounts falling due within one year	
Trade receivables	3
Prepayments and accrued income - other	67
VAT	1,094
Amounts due from group undertakings	5,272
	6,436

There are no impaired assets in any of the classes of trade and other receivables.

12. Cash and cash equivalents

	2025 £k
At 1 November	-
Net change in cash and cash equivalent balances	12
At 31 March	12
The following balances were held at 31 March:	
Commercial banks and cash in hand	12
	12

13. Trade and other payables

	2025 £k
Amounts falling due within one year	
Trade payables	1,410
Accrued costs	4,666
Corporation tax	31
Social security and other taxes	211
Other payables	157
	6,475

NOTES TO THE FINANCIAL STATEMENTS

14. Lease liabilities

	Total £k
Balance at 1 November 2024	
Additions	20
Repayments	-
At 31 March 2025	20
Balance at 1 November 2024	
Due within one year	-
Due after one year	-
At 31 March 2025	
Due within one year	20
Due after one year	-
	20

A maturity analysis of lease liabilities as at 31 March is given in the table below:

	2025 £k
Undiscounted lease payments to be made after the reporting date:	
Not later than one year	20
Total lease payments	20
Less: Interest element	-
Total present value of obligations	20

15. Related party transactions

UKIFS is a wholly owned subsidiary of UKAEA. UKAEA is regarded as a related party. During the year UKIFS had various transactions which were collectively material with UKAEA.

No Board member, key manager or other related party has undertaken any material transactions with the Group during the year, except for remuneration as disclosed in the Remuneration and staff report.

All related party balances are unsecured and interest free.

16. Events after the reporting date

In accordance with the requirements of IAS10 'Events After the Reporting Period', post Statement of financial position events are considered up to the date on which the Accounts are authorised for issue. This is interpreted as being the date of the Certificate Report of the Comptroller and Auditor General.

17. Commitments

UKIFS had no financial commitments under non-cancellable contracts at 31 March 2025.

18. Financial risk management

Due to the nature of its activities, UKIFS is not exposed to the same degree of financial risk as that faced by other business entities. Financial instruments play a much more limited role in creating or changing risk and generally financial assets and liabilities are generated from day-to-day operational activities and not held to change the risks facing UKIFS in undertaking its activities.

a. Foreign exchange risk

Foreign exchange risk arises when commercial transactions or recognised assets or liabilities are denominated in a currency that is not UKIFS's functional currency. UKIFS operates internationally and is exposed to minor foreign exchange risk arising from various currency exposures, primarily with respect to the Euro.

b. Interest rate risk

As UKIFS has no borrowings or significant interest-bearing assets, UKIFS's income and operating cash flows are substantially independent of changes in market interest rates.

c. Credit risk

UKIFS's income is received primarily from public sector bodies in the UK and the exposure to credit risk is therefore considered to be low.

d. Liquidity risk

UKIFS is financed by UKAEA. UKIFS has a facility to request temporary working capital funding from UKAEA should the need arise.

There was no borrowing by UKIFS during the current year.

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